OFFERING CIRCULAR

€306,700,000 8.25% Senior Notes due 2021

Faenza GmbH

Faenza GmbH, a German limited liability company (the "**Issuer**"), is offering €306,700,000 aggregate principal amount of its 8.25% senior notes due 2021 (the "**Notes**") (the "**Offering**"). Interest will accrue from August 8, 2013 and the first interest payment date will be February 15, 2014.

The Notes are being issued in connection with the proposed acquisition (the "**Acquisition**") of all shares in CeramTec GmbH (the "**Target**"), a unit of Rockwood Holdings, Inc. (together with its consolidated subsidiaries, "**Rockwood**"), as well as, directly or indirectly, all shares in certain affiliated entities, and thereby all of their direct and indirectly-owned subsidiaries and affiliates (together, "**CeramTec**" or the "**Group**"), by Faenza Acquisition GmbH, a German limited liability company and a wholly-owned subsidiary of the Issuer ("**German Bidco**"). The Issuer is controlled by one or more investment funds advised or managed by Cinven Capital Management (V) General Partner Limited (the "**Sponsor** or the "**Cinven Funds**"). See "*The Transactions*."

The Issuer may redeem some or all of the Notes at any time on or after August 15, 2016 at the redemption prices set forth in this Offering Circular. At any time prior to August 15, 2016, the Issuer may also redeem up to 40% of the Notes using the proceeds of certain equity offerings. In addition, at any time prior to August 15, 2016, the Issuer may redeem some or all of the Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest, if any, plus a "make-whole" premium. If the Issuer sells certain of its assets or experiences certain changes in control, the Issuer must offer to purchase the Notes.

Pending the consummation of the Acquisition, the Initial Purchasers (those parties listed as "**Joint Book-Running Managers**," and formally defined below) will deposit the proceeds from the Offering into a segregated escrow account for the benefit of the holders of the Notes (the "**Escrow Account**"). The release of escrow proceeds will be subject to the satisfaction of certain conditions, including with respect to the closing of the Acquisition. The closing of the Acquisition is subject to certain conditions, including regulatory approvals. If the Acquisition is not consummated on or prior to October 15, 2013, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest from the relevant issue date of the Notes to the date of special mandatory redemption. See "*Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption*."

Upon issuance the Notes will be senior obligations of the Issuer and will be guaranteed (the "**Guarantees**") on a senior unsecured basis by German Bidco, and by each of our existing and future subsidiaries that is a borrower under or that guarantees obligations under our new senior secured credit facilities (the "**Senior Secured Credit Facilities**") (the "**Guarantors**"). The Notes and the Guarantees will rank equally in right of payment with all of the Issuer's and Guarantors' existing and future senior debt. The Notes and the Guarantees will be effectively subordinated to any of the Issuer's and Guarantors' existing and future secured debt, including our new Senior Secured Credit Facilities, to the extent of the value of the assets securing such debt. In addition, the Notes and the Guarantees will rank senior in right of payment to all of the Issuer's and Guarantors' future subordinated debt and will be structurally subordinated to the liabilities of our subsidiaries that are not Guarantors.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 21.

Senior Notes price: 100% of principal
plus accrued interest, if any, from August 8, 2013.

Delivery of the Notes in book-entry form will be made on or about August 8, 2013, which is the tenth business day following the date of confirmation of orders with respect to the Notes (such settlement cycle being referred to as "**T+10**"). You should be advised that trading of the Notes may be affected by the T+10 settlement. See "*Plan of Distribution.*"

The Notes and the guarantees of the Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. The Issuer is not required to and does not intend to register the Notes for resale under the Securities Act. The Notes may be offered only in transactions that are exempt from registration under the Securities Act and applicable state securities laws. The Issuer and the Initial Purchasers named below are offering the Notes only to qualified institutional buyers under Rule 144A under the Securities Act ("Rule 144A") and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act and, in the case of persons in the European Economic Area, in accordance with the Prospectus Directive (as defined below). For further details about eligible offerees and resale restrictions, see "*Transfer Restrictions.*"

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange (the "**Official List**") and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Notes will be issued in registered form in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by global notes. The Notes will be delivered through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on or about August 8, 2013 (the "**Issue Date**").

Joint Book-Running Managers

Deutsche Bank **RBC Capital Markets** **UBS Investment Bank**

The date of this Offering Circular is September 25, 2013.

NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Circular or to which we have referred you. We have not authorized anyone to provide you with information that is different. If you receive any other information, you should not rely on it. This Offering Circular may only be used where it is legal to sell these Notes. The information in this Offering Circular may only be accurate on the date of this Offering Circular. You should not assume that the information contained in this Offering Circular is accurate as of any other date.

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this Offering Circular will be issued in the form of one or more global certificates, which will be deposited with or on behalf of a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary. Beneficial interests in the global certificates will be shown on, and transfers of the global certificates will be effected only through, records maintained by Euroclear and Clearstream and their respective participants, as applicable.

After the initial issuance of the global certificates, notes in certificated form will be issued in exchange for the global certificates only as set forth in the indenture that will govern the Notes (the "**Indenture**"). See "*Book-Entry Settlement and Clearance.*"

This Offering Circular is a document that we are providing only to prospective purchasers of the Notes. You should read this Offering Circular before making a decision whether to purchase any Notes. You must not:

- use this Offering Circular for any other purpose;
- make copies of any part of this Offering Circular or give a copy of it to any other person; or
- disclose any information in this Offering Circular to any other person.

The Issuer has prepared this Offering Circular and is solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. You may contact us if you need any additional information. By purchasing any Notes, you will be deemed to have acknowledged that:

- you have reviewed this Offering Circular;
- you have had an opportunity to request and to review, and you have received, any additional information that you need from us;
- you have not relied upon the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with your investigation of the accuracy of such information or your investment decision;
- this Offering Circular relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with the rules of the Securities and Exchange Commission (the "**SEC**") that would apply to an offering document relating to a public offering of securities; and
- in connection with your examination of us and the terms of this Offering, no person has been authorized to give information or to make any representation concerning us, this Offering or the Notes, other than as contained in this Offering Circular.

None of the Sponsor, the Issuer, the Guarantors and the Initial Purchasers is providing you with any legal, business, tax or other advice in this Offering Circular. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes. You should contact the Initial Purchasers with any questions about this offering.

This Offering Circular constitutes a prospectus for the purpose of the Luxembourg Law dated 10 July 2005 on Prospectuses for Securities, as amended. We have prepared this Offering Circular solely for use in connection with this offering and for applying to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange or another European exchange.

You must comply with all laws and regulations that apply to you in any place in which you buy, offer or sell any Notes or possess or distribute this Offering Circular. You must also obtain any consents, permission or approvals that you need in order to purchase, offer or sell any Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. The Issuer and the Initial Purchasers are not responsible for your compliance with these legal requirements. The Issuer and the Initial Purchasers are not making any representation to you regarding the legality of your investment in the Notes under any legal investment or similar law or regulation.

The Issuer is offering the Notes in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in the "*Transfer Restrictions*" section of this Offering Circular. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

The Notes have not been recommended by any U.S. federal, state or foreign securities authorities, nor have any such authorities determined that this Offering Circular is accurate or complete. Any representation to the contrary is a criminal offense.

The Notes are subject to restrictions on resale and transfer and may not be transferred or resold except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption therefrom. Please refer to the sections in this Offering Circular entitled "*Summary—The Offering,*" "*Plan of Distribution*" and "*Transfer Restrictions.*"

Rockwood Holdings, Inc., its affiliates and any employees thereof (other than the CeramTec entities being acquired in the Transactions (as defined herein) and their subsidiaries), with respect to information provided by them specifically for inclusion herein, have no responsibility for the contents of this Offering Circular and disclaim all responsibility therefor. Notwithstanding this, we confirm that the contents have been accurately extracted and reproduced and we accept responsibility for the accurate reproduction of information in this Offering Circular. Additionally, although the Initial Purchasers have engaged in a due diligence review process, they make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future. The Initial Purchasers assume no responsibility for the accuracy or completeness of any such information.

By purchasing the Notes, you will be deemed to acknowledge that none of the Issuer, the Guarantors or the Initial Purchasers, or any person representing any of them, has made any representation to you with respect to the Issuer or its subsidiaries or the offer or sale of the Notes, other than the information contained in this Offering Circular, which offering circular has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Circular, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act of 1934, as amended (the "**U.S. Exchange Act**")) following the date of pricing of the Notes (this settlement cycle is being referred to as "**T + 10**"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Circular or the following six business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "STABILIZATION MANAGER") OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZATION MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Circular has been prepared on the basis that all offers of Notes will be made pursuant to an exemption under the Prospectus Directive, as amended, as implemented in member states of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes which are the subject of the Offering contemplated in this Offering Circular must only do so in circumstances in which no obligation arises for the Issuer, any of the Guarantors or any of the Initial Purchasers to produce a prospectus for such offer. None of the Issuer, the Guarantors or the Initial Purchasers has authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Circular. The expression "**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State. The expression "**2010 PD Amending Directive**" means Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes may be made to the public in that Relevant Member State at any time to:

(a) "**qualified investors**" as defined in the Prospectus Directive;

(b) fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the Issuer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement for the publication by the Issuer, any of the Guarantors or any of the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as such expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of the Notes in the Offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

Germany

The Offering is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (the "**German Securities Prospectus Act**") and any other applicable German law. Consequently, in Germany, the Notes will only be available to, and this Offering Circular and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") or obtain a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17(3) of the German Securities Prospectus Act.

The Netherlands

The Notes are not and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in the Prospectus Directive (as defined above under "*European Economic Area*").

United Kingdom

Members of the public are not eligible to take part in this Offering. This Offering Circular is directed only at persons in the United Kingdom who are qualified investors within the meaning of the Prospectus Directive (including any implementing measure in the United Kingdom) ("**Qualified Investors**") and persons who are: (a) investment professionals falling within Articles 19(5) of the FSMA (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Order; or (c) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). This Offering Circular must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. Persons distributing this Offering Circular must satisfy themselves that it is lawful to do so. Any investment or investment activity to which this Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Each Initial Purchaser has represented and agreed that: (a) if a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the Notes purchased by it in the Offering will not be acquired on a nondiscretionary basis on behalf of, nor will they be acquired with a view to their offer and resale to, persons in the United Kingdom other than to Qualified Investors, or in circumstances in which the prior consent of the Issuer (as defined below) has been given to the proposed offer or resale; (b) (i) it is a person whose ordinary activities involve it acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell the Notes in the United Kingdom other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes has or would otherwise constitute an offer to the public within the meaning of Section 85(1) of the FSMA by the Issuer; (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors of the Notes; (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (e) if it is located in the United Kingdom, it is a Qualified Investor.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Any statements made in this Offering Circular that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies. These statements often include words such as, without limitation, "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "should," "could," "would," "may," "will," "forecast," and other similar expressions. These forward-looking statements are contained throughout this Offering Circular and include, without limitation, the sections entitled "*Summary,*" "*Risk Factors,*" "*Capitalization,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business.*" We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this Offering Circular, you should understand that these statements are not guarantees of performance or results. The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements or projections. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections. Factors that may materially affect such forward-looking statements and projections include, without limitation:

- new entrants in the hip joint implant market;
- the inability to retain existing customers or attract new ones;
- the requirements of the U.S. Food and Drug Administration ("**FDA**"), the European Medicines Agency or other foreign agencies;
- failure to obtain and maintain necessary governmental approvals;
- changes in health care reimbursement systems in the U.S. and elsewhere;
- product liability claims;
- global economic conditions, specifically in Europe and Germany, and the conditions in the end market we serve;
- failure to continue our technological innovation and failure to successfully introduce new products to the market;
- intense competitive pressures in several of our end markets;
- local business risk in different countries;
- price increases or interruptions in the supply of raw materials;
- fluctuations in energy costs;
- production curtailment or shutdowns from unexpected failures and from our complex manufacturing process;
- inadequate insurance that may not fully cover all potential exposures;
- maintaining operational efficiency and manufacturing quality;
- compliance with extensive environmental, health and safety laws;
- limited protection for our intellectual property and know-how;
- law suits alleging infringements of intellectual property rights of third parties;
- losing key personnel or our inability to hire additional personnel;
- defects resulting from outsourcing processes;
- labor disputes;

- failure to comply with anti-corruption laws of the United States and of various international jurisdictions;
- compliance with anti-terrorism laws and regulations and applicable trade embargoes and export controls;
- the break-up of the eurozone;
- business disruptions, security threats and security breaches;
- difficulties integrating acquired businesses with, or disposing of divested businesses from, our current operations;
- an economic downturn, a recession or market disruption in the capital and credit markets;
- unexpected payments to any pension plans;
- various risks related to the completion of the Transactions, including the amount of the costs, fees, expenses and charges related to the Acquisition;
- risks relating to our substantial leverage and debt service obligations, the terms of our new Senior Secured Credit Facilities and our debt service obligations;
- other factors disclosed in this Offering Circular; and
- other factors beyond our control.

These cautionary statements should not be construed by you to be exhaustive and are made only as of the date of this Offering Circular. All forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements, among others. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer was incorporated under the laws of Germany on May 29, 2013 in connection with the Transactions. The Issuer has no material assets or liabilities and has not engaged in any activities other than those related to its incorporation and the Transactions. Consequently, no historical financial information relating to the Issuer is presented other than its unaudited balance sheet as at July 14, 2013, its most recent fiscal year end as set out in this Offering Circular. As at the date of the balance sheet, the Issuer had no outstanding indebtedness. After the consummation of the Acquisition, the Issuer's only material assets and liabilities will be its interest in all of the issued and outstanding shares of CeramTec GmbH and its outstanding indebtedness incurred in connection therewith and incurred in connection with the Transactions. Going forward, our financials will be consolidated at the level of the Issuer as required by the Indenture governing the Notes.

Faenza Acquistion GmbH was incorporated under the laws of Germany on May 29, 2013 in connection with the Transactions. Faenza Acquisition GmbH has no material assets or liabilities and has not engaged in any activities other than those related to its incorporation and the Transactions. Consequently no historical financial information relating to Faenza Acquisition GmbH is presented other than its unaudited balance sheet as at May 29, 2013, as set out in this Offering Circular. As at the date of the balance sheet, Faenza Acquisition GmbH had no outstanding indebtedness. Going forward, the financials of Faenza Acquisition GmbH will be consolidated at the level of the Issuer.

CeramTec Acquisition Corporation was incorporated under the laws of the state of Delaware on August 7, 2013 in connection with the Transactions. CeramTec Acquisition Corporation has no material assets or liabilities and has not engaged in any activities other than those related to its incorporation and the Transactions. Consequently no historical financial information relating to CeramTec Acquisition Corporation is presented other than its unaudited balance sheet as at May 29, 2013, as set out in this Offering Circular. As at the date of the balance sheet, CeramTec Acquisition Corporation had no outstanding indebtedness. Going forward, the financials of CeramTec Acquisition Corporation will be consolidated at the level of the Issuer.

We have included in this Offering Circular the combined historical financial information derived from the audited combined financial information of CeramTec as of and for each of the three fiscal years ended December 31, 2010, 2011 and 2012 (the "**Combined Annual Financial Statements**"), and the unaudited condensed combined interim financial statements of CeramTec as of March 31, 2013 and for the three months ended March 31, 2013 and March 31, 2012 (the "**Unaudited Condensed Combined Interim Financial Statements**," together with the Combined Annual Financial Statements, the "**Combined Financial Statements**"). The Combined Annual Statements have been prepared for the purposes of facilitating the Transactions. CeramTec does not consolidate financial statements of its parent companies.

The Combined Annual Financial Statements have been prepared in accordance with IFRS, as adopted by the European Union, and the basis of preparation set out in Note 1 to the Combined Annual Financial Statements. The Unaudited Condensed Combined Interim Financial Statements have been prepared in accordance with International Accounting Standards IAS 34 Interim Financial statements. The Combined Financial Statements are presented for the entities engaged in the HPC business of Rockwood as set out in Note 1 of our Combined Annual Financial Statements included elsewhere in this Offering Circular. The summary financial data derives from our Combined Financial Statements included elsewhere in this Offering Circular.

In addition, this Offering Circular includes certain unaudited combined historical financial information presented for the twelve months ended March 31, 2013 (the "**LTM Period**"). This information is calculated by adding the unaudited combined interim financial information for the three months ended March 31, 2013, derived from the Unaudited Condensed Combined Interim Financial Statements, and the combined historical financial information for the year ended December 31, 2012, derived from the Combined Annual Financial Statements, and subtracting the unaudited combined interim financial information for the three months ended March 31, 2012, also derived from the Unaudited Condensed Combined Interim Financial Statements.

The Combined Financial Statements have been prepared in euro. Rounding adjustments have been made in calculating some of the financial information included in this Offering Circular. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Also presented in this Offering Circular are certain unaudited as adjusted financial information, which have been prepared to show, among other things, effects of the Transactions as if they had occurred on April 1, 2012 for purposes of adjusted interest expense and on March 31, 2013 for purposes of adjusted total net senior secured indebtedness and adjusted total net indebtedness. The as adjusted financial information is for informational purposes only, and does not purport to present what our results of operations and financial condition would have been had the Transactions actually occurred on these dates, nor project our results of operations for any future period or our financial condition at any future date.

Non-IFRS Financial Measures

Throughout this Offering Circular, we present financial measures and adjustments that are not presented in accordance with IFRS, or any other internationally accepted accounting principles, including EBITDA, Adjusted EBITDA and Cash Conversion Ratio, as well as certain leverage and coverage ratios derived from Adjusted EBITDA.

We define "**EBITDA**" as net income before taxes on income, financial result, amortization and depreciation. "**Adjusted EBITDA**" is defined as EBITDA before Rockwood management fees, restructuring costs, exchange gains/losses on financing activities, a warranty provision, an adjustment for a rebate to a customer, share-based payments relating to the Rockwood share-based payment plan, other non-recurring items and estimated standalone costs to operate as a standalone company. Other non-recurring items include acquisition costs, transaction closing costs, bonus payments relating to Rockwood, integration costs, gains and losses on asset disposals, costs relating to the preparations for the Transactions, upfront cash costs relating to Rockwood's refinancing in 2011 which were immediately recognized as an expense and certain other non-recurring items.

"**Cash Conversion Ratio**" refers to the ratio of (i) EBITDA minus capital expenditures for property, plant and equipment and intangible assets and (ii) EBITDA.

We believe that the presentation of these financial measures, including the as adjusted financial data for the twelve-month period ended March 31, 2013, enhances an investor's understanding of our financial performance. We further believe that these financial measures are useful financial metrics to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business. We also believe that these financial measures will provide investors with a useful tool for assessing the comparability between periods of our ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures. We use certain of these financial measures for business planning purposes and in measuring our performance relative to that of our competitors.

EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove to have been inaccurate. In addition, in evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Our use of the terms EBITDA, Adjusted EBITDA and Cash Conversion Ratio varies from that of others in our industry. These financial measures should not be considered as alternatives or a substitute to net income (loss) or any other performance measures derived in accordance with IFRS as measures of operating performance or operating cash flows or as measures of liquidity.

EBITDA, Adjusted EBITDA and Cash Conversion Ratio have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. For an explanation of the components of EBITDA and Adjusted EBITDA, see footnote 2 in "*Summary—Summary Historical and Adjusted Combined Financial Information and Other Data*" and for a calculation of Cash Conversion Ratio, see footnote 4 in "*Summary—Summary Historical and Adjusted Combined Financial Information and Other Data.*"

In consideration of the impact of the Transactions, we have also presented the following adjusted measures:

- "**adjusted total net senior secured indebtedness**" is defined as senior secured indebtedness minus cash and cash equivalents as adjusted for the Transactions and reflects the amounts outstanding under our new Term Loan Facility as if the Transactions had been completed as of March 31, 2013.

- "**adjusted total net indebtedness**" is defined as total indebtedness minus cash and cash equivalents as adjusted for the Transactions and reflects the amounts outstanding under our new Term Loan Facility, the principal amount of the Notes and certain existing indebtedness as if the Transactions had been completed as of March 31, 2013.

- "**adjusted interest expense**" is defined as interest expense for the period from April 1, 2012 to March 31, 2013 as if the Transactions had been completed as of April 1, 2012 and consists of interest on the Term Loan Facility, the Notes and CeramTec's existing debt that will not be repaid in the Refinancing together with the unused commitment fee on the Revolving Credit Facility.

MARKET AND OTHER DATA

Throughout this Offering Circular, we refer to our market position or market share in various markets or regions and the size and growth rates of various markets or regions. These references represent our best estimates at the time of this Offering Circular and are based on management's knowledge of the industry and the market data and other statistical information obtained from a variety of other public and private sources including, but not limited to independent industry publications, statistics from governmental agencies, reports by market research firms, including industry and market reports by independent international consultancy firms, and other published independent sources. Specifically, we have had data from the following public sources:

- Organization for Economic Co-operation and Development;
- the U.S. Department of Health and Human Services;
- the U.S. Census Bureau; and
- the American Journal of Preventative Medicine.

We confirm that such information has been accurately reproduced and that, so far as we are aware and are able to ascertain from information published by publically available sources and other publications and market studies we have commissioned, no facts have been omitted which would render the reproduced information inaccurate or misleading. Industry publications, reports and other published data generally state that the information contained therein has been obtained from sources believed to be reliable, but we cannot assure you that the information contained in these reports, and therefore the information contained in this Offering Circular that is derived therefrom, is accurate or complete. This information may prove to be inaccurate because of the method by which we obtain some of the data for our estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, although we believe these sources are reliable, neither we nor the Initial Purchasers have independently verified the information and cannot guarantee its accuracy and completeness.

Certain other market and industry data included in this Offering Circular, including the size of certain markets, are based on estimates of our management and commissioned reports. These estimates have been derived from our management's knowledge and experience in the markets in which we operate, as well as information obtained from commissioned reports and from our customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which we operate. In particular, we provide information about our markets and competitors, including information regarding, among other things, historical information on market sizes, historical penetration of our products in the relevant markets, growth of markets, growth in market penetration of our products and underlying drivers for ceramic hip joint components in our core markets. We also provide certain estimates of the growth of markets and certain other projections related to our business; this information is inherently speculative and subject to risk. The market modeling from which this information was derived was not based on data from a single source. With respect to certain market data and statistical information relating to Medical Applications, such data and information has been developed through a process of collating multiple primary and secondary sources country by country including national joint registry data where available, market reports, and interviews with some market experts. Because such data is often incomplete, multiple sources are typically triangulated to develop consensus estimates. Market data and statistics, including information regarding penetration rates and growth, volume and growth and other information about particular regions or markets, are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are generally based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents. In addition, the value of comparisons of statistics of different markets is typically limited by many factors, including that (i) the underlying information was gathered by different methods with varying levels of access and information available in different markets and (ii) different assumptions were applied in compiling the data. Market studies are frequently based on information and assumptions that may not be exact and their methodology is by their nature forward-looking and speculative. Accordingly, the market statistics included in this Offering Circular should be viewed with caution and no representation or warranty is given by any person, including us and the Initial Purchasers, as to their accuracy. Further, please be aware that data and statistical information in this Offering Circular, may differ from estimates made by our competitors or from information found in current or future studies conducted by market research institutes, consultancy firms or independent sources.

While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "*Risk Factors*" in this Offering Circular.

Certain monetary amounts, percentages and other figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

TRADEMARKS

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are our service marks or trademarks. Other trademarks, service marks and trade names appearing in this Offering Circular are the property of their respective owners. The trademarks we own or have the right to use include, among others, BIOLOX®, CeramCool®, SPK®, Ceramdisc®. Solely for convenience, in some cases, the trademarks, service marks and trade names referred to in this Offering Circular are listed without the applicable ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to these trademarks, service marks and trade names.

CERTAIN DEFINED TERMS USED IN THIS OFFERING CIRCULAR

Unless the context otherwise requires (and except as otherwise defined in "*Description of Notes*" for purposes of that section only), references in this Offering Circular to:

- "**Acquisition**" refers to the proposed acquisition by German Bidco and certain of its direct and indirect subsidiaries of all of the capital stock, other equity interests and assets of certain entities which, together with their subsidiaries, comprise CeramTec.
- "**Acquisition Agreement**" refers to the sale and share purchase agreement entered into between German Bidco, an entity beneficially owned by the Cinven Funds and certain affiliates of Rockwood.
- "**Big 5**" refers to the five largest hip joint implant manufacturers, Biomet, DePuy, Smith & Nephew, Stryker and Zimmer.
- "**CAGR**" means compound annual growth rate.
- "**ceramic-on-ceramic**" refers to the combination of ceramic ball heads and ceramic cup inserts in a hip prosthesis (see "*Business—Our Business—Medical Applications—Materials for Hip Implant Components*").
- "**ceramic-on-polyethylene**" refers to the combination of ceramic ball heads and a polyethylene cup insert in a hip prosthesis (see "*Business—Our Business—Medical Applications—Materials for Hip Implant Components*").
- "**Cinven**" means Cinven Capital Management (V) General Partner Limited or its affiliates or predecessor entities.
- "**Closing Date**" refers to the date on which the proceeds from the offerings of the Notes are released from the escrow account following the consummation of the Acquisition.
- "**Escrow Account**" means the account in which the proceeds of the Notes will be deposited pending completion of the Transactions.
- "**Escrow Agent**" means Deutsche Bank Aktiengesellschaft.
- "**Escrow Agreement"** refers to the agreement to be dated the Issue Date between the Issuer, the Trustee and the Escrow Agent relating to the Escrow Account with which the proceeds of the Notes will be deposited pending consummation of the Acquisition.
- "**EU**" means the European Union.
- "**Euro**" and "**€**" refer to the currency of the Eurozone.
- "**fiscal year**" refers to our fiscal year ended December 31, of the specified year (for example, the term "**fiscal year 2012**" refers to our fiscal year ended December 31, 2012).
- "**German GAAP**" refers to generally accepted accounting principles in Germany.
- "**German HoldCo**" refers to Faenza Germany GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany.
- "**HPC**" refers to high performance ceramics.
- "**IFRS**" refers to International Financial Reporting Standards, as adopted by the European Union.
- "**Industrial Applications**" refers to all of our business units except Medical Products.
- "**Initial Purchasers**" refers to the firms listed as such under the heading "*Plan of Distribution*".
- "**Intercreditor Agreement**" refers to the intercreditor agreement entered into with, *inter alios*, Deutsche Bank AG New York Branch, as administrative agent, Deutsche Bank Securities Inc., Royal Bank of Canada, and UBS Securities LLC as senior arrangers, and U.S. Bank Trustees Limited, as notes trustee among others.
- "**LTM Period**" refers to the twelve-month period ended March 31, 2013.
- "**Medical Applications**" refers to our Medical Products business unit.

- "**Member State**" refers to each member state of the European Union.
- "**Mexican Target**" refers to Press and Sinter Technics de Mexico, S.A. de C.V.
- "**New Products**" refers to new products introduced to the market and existing products modified for new customers.
- "**Offering**" refers to the offering of the Notes pursuant to this Offering Circular.
- "**Official List**" refers to the Official List of the Luxembourg Stock Exchange.
- "**Quality Costs**" refers to the ratio of (i) internal and external failure costs (which includes faulty products produced and discarded) as well as costs relating to the supervision and maintenance of quality in manufacturing to (ii) net sales.
- "**R&D**" refers to research and development.
- "**Refinancing**" refers to the repayment of certain existing indebtedness of the Group, including substantially all of the outstanding third party indebtedness of the Target and its subsidiaries.
- "**Regulation S**" refers to Regulation S under the Securities Act.
- "**Revolving Credit Facility**" refers to the new €100 million revolving credit facility with a five-year maturity under the Senior Secured Credit Agreement, which we expect to be undrawn at the Closing Date.
- "**Sellers**" refers to Rockwood Specialities Group GmbH, RSGG GmbH & Co. KG, Rockwood Specialties Group, Inc. and Knight Lux 2 S.à r.l.
- "**Senior Secured Credit Agreement**" refers to the senior secured credit agreement entered into with Deutsche Bank AG New York Branch, as administrative agent, Deutsche Bank Securities Inc., Royal Bank of Canada, and UBS Securities LLC as joint lead arrangers and joint bookrunners, and other agents and lenders relating to the Senior Secured Credit Facilities.
- "**Senior Secured Credit Facilities**" refers to (a) the Term Loan Facility and (b) the Revolving Credit Facility entered into by German Bidco and its consolidated subsidiaries on or before the Closing Date.
- "**Term Loan Facility**" refers to the new €647.4 million term loan facility with a seven-year maturity under the Senior Secured Credit Agreement.
- "**THR**" means total hip replacement.
- "**Transactions**" refers to the Acquisition, the Refinancing, the equity contributions by the Sponsor, the borrowings under our new Senior Secured Credit Facilities, this Offering and the payment of Transaction Costs.
- "**Transaction Costs**" refers to the fees, premiums and expenses incurred in connection with the Acquisition and the Transactions, including estimated fees and expenses to be incurred in connection with the Offering.
- "**Trustee**" means U.S. Bank Trustees Limited.
- "**U.S.**" or "**United States**" refer to the United States of America.
- "**U.S. GAAP**" refers to accounting principles generally accepted in the United States.
- "**U.S. dollar,**" "**dollar**" and "**$**" refer to the currency of the United States.
- "**US NewCo**" refers to CeramTec Acquisition Corporation, a stock corporation organized under the laws of the state of Delaware.
- "**US Target**" means CeramTec North American Corporation.
- "**we**", "**us**" or "**our**" refers to CeramTec, except where the context requires otherwise.

SUMMARY

The following summary highlights certain information contained elsewhere in this Offering Circular. Because this is a summary, it is not complete and may not contain all of the information that may be important to you in making a decision to invest in the Notes. Before making an investment decision, you should carefully read the entire Offering Circular, including the sections titled "Risk Factors," "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," among others, as well as our audited and unaudited Combined Financial Statements and the notes to those statements.

On June 15, 2013, German Bidco entered into a sale and purchase agreement pursuant to which it will acquire CeramTec from Rockwood. The Issuer is controlled by the Cinven Funds and has been formed solely for the purposes of completing the Acquisition. References in this Offering Circular to "we", "us" or "our" refers to CeramTec, except where the context requires otherwise.

OUR COMPANY

We are a leading global developer, manufacturer and supplier of high performance ceramics (HPC) products. Our HPC products are made of advanced ceramics which are highly specialized materials with superior biological, mechanical, electrical, thermal or chemical properties compared to competing products made from metal 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. We currently offer a wide range of HPC products from hip joint prostheses components to actuators in valves for diesel and gasoline injection systems and ceramic components for efficient cooling in LED lighting technology. The versatility of HPC products and resulting wide-range of applications provides us with a highly diversified end market and customer base.

Our operations can be divided into two business groups—Medical Applications and Industrial Applications.

Medical Applications: Medical Products is our largest business unit and focuses on ceramic components for hip joint prostheses, such as ball heads and cup insert used in total hip replacement ("**THR**") procedures. Ceramic materials are replacing traditional materials for hip joint prosthetic components such as metal which can trigger negative patient reactions, for example due to allergic reactions resulting from metal sensitivity, and have experienced documented safety concerns. Our HPC medical products are biologically inert and have high wear resistance and excellent friction behavior, making them one of the few materials that are durable and stable enough to withstand the corrosive effects of bodily fluids. More than 8 million patients globally have received hip joint replacements that include our BIOLOX® ceramic components. Today we estimate that nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component, and we estimate our BIOLOX® products represent more than 90% of the ceramic components used for these hip joint implant systems. This has positioned us as effectively the sole supplier of ceramic components for hip implant systems produced worldwide. Our manufacturing output for ceramic hip joint components is more than ten times higher than our competitors combined. We believe that our BIOLOX® brand has come to symbolize high quality and innovation and is increasingly preferred by surgeons and other medical professionals. We anticipate that our HPC products will be used for various other joint replacements, such as knee and shoulder implants in the future.

Industrial Applications: Our HPC products are also widely used in multiple industries including automotive, consumer electronics, power electronics and telecommunications. We are one of the only advanced ceramics manufacturers that produces a full-range of HPC products with a portfolio comprised of over 20,000 different products serving a highly diverse customer base, which we believe reduces our exposure to a single industry or product. Due to the superior technological and performance characteristics of advanced ceramics, such as better wear and heat resistance than alternative materials, our HPC products are often 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 play a vital role in increasing safety, improving cost-effectiveness and enhancing comfort in vehicles. Our substrates, which are ceramic plates with electrical, thermal and mechanical properties, are used for a variety of purposes in the electronics sector, including measurement and control technology and entertainment electronics and we also produce products that are essential to support the strong growth of the LED and power electronics sectors. All of our business units, other than Medical Products, are part of Industrial Applications. The key industrial business units are Multifunctional Ceramics, Electronic Applications, Cutting Tools, Mechanical Systems, Mechanical Applications and ETEC. All of our other business units, including chemical applications, Emil Müller GmbH and our foreign subsidiaries, are grouped into Other Applications and also included in Industrial Applications.

Our core Medical Applications business accounted for 35.7% of Group net sales but contributed the majority of our EBITDA in the LTM Period. Medical Applications benefit from relatively high margins and modest capital expenditure requirements compared to Industrial Applications, and are the major contributor to Group cash flows, supplemented by Industrial Applications. Over the 2010 to 2012 period, Medical Applications had a Cash Conversion Ratio of over 85% each year, whereas Industrial Applications had a Cash Conversion Ratio of approximately 55% each year.

In fiscal year 2012, we generated 74.8% of our net sales in Europe (including Germany). However, our customers have a strong export focus as their end-products, such as automotive parts, are exported world-wide. In addition, we have a global infrastructure with manufacturing facilities in Europe, North America, Asia and South America and over 3,100 employees worldwide. We believe that we are a truly global company with a global sales footprint.

In the LTM Period, we generated net sales of €422.1 million and Adjusted EBITDA of €135.6 million, respectively, representing a 32.1% Adjusted EBITDA margin. During the 2010 to 2012 period, our net sales and Adjusted EBITDA registered a CAGR of 4.5% and 8.3% respectively and our Cash Conversion Ratio increased from 69.6% to 76.8%. We believe we have a highly cash generative business supported by modest maintenance capital expenditure requirements of €15 million annually, as estimated by our management. For an explanation of the components of Adjusted EBITDA and Cash Conversion Ratio, see "*Summary—Summary Historical and Adjusted Combined Financial Information and Other Data.*"

OUR COMPETITIVE STRENGTHS

We believe that our key competitive strengths are the following:

We have a Leading Market Position in Our Core Niche Applications with Long-standing Customer Relationships and a Successful Portfolio of Brands

We believe that we are among the market leaders across most of our HPC niche applications, and benefit from a strong portfolio of products and widely-recognized brands within the industry. Specifically, our BIOLOX® brand, used for our ceramic components for hip joint implants, is recognized as the industry standard for ceramic hip joint components around the globe. Today we estimate that nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component, and we estimate our BIOLOX® products represent more than 90% of the ceramic components used for these hip joint implant systems.

We believe that our strong position in the HPC-based hip replacement market is further supported by our strategic customer relationships with all of the key hip replacement implant OEMs, including Biomet, DePuy, Smith & Nephew, Stryker and Zimmer, known as the "Big 5", who together have a dominant market share of hip joint implant systems sold worldwide. We have a longstanding relationship with each of the Big 5 and we are effectively the sole supplier of ceramic ball heads and cup inserts for all of these manufacturers. We have developed customized products in collaboration with our key customers and work in close collaboration with them to promote the use of our BIOLOX® products with surgeons and other key decision makers.

We also have highly-respected non-medical global brands such as Ceramdisc® seals and regulator discs for mechanical systems, CeramCool® ceramic heat sinks for electronic applications and SPK® customized cutting tools for turning, milling and boring and high end engineering. We believe that we also hold strong market positions in a number of our non-medical end markets, including for example, textile machinery components. Our Industrial Applications products are often tailored solutions developed jointly with a customer. However, we are able to also market such specific solutions to other customers, very often modifying such product. Therefore, many of our products occupy the entire market for certain niche applications. We seek to maintain close relationships with all of our customers, including frequently pursuing joint R&D projects with them to meet their requirements, in order to enhance our competitive positioning.

We Operate in Attractive Industries

The end markets for our key applications benefit from organic growth opportunities, particularly the medical sector. Between 2008 and 2012, the number of hip replacement procedures world-wide has seen an estimated compound annual growth of approximately 5% to an estimated 1.7 million hip replacement procedures (excluding partial procedures) in 2012 worldwide. A leading international consultancy firm estimates that the number of these procedures will grow by approximately 6% per annum from 2012 to 2017 to a total of 2.2 million worldwide due to a number of factors including aging demographics, increased prevalence of obesity and improved healthcare access in emerging markets. The United States government estimates that between 2010 and 2030, the U.S. population between ages 65 and 74 will increase by 81%, between ages 75 and 84 will increase by 89% and 85 years of age and older will increase by 52%. Likewise, it is estimated that obesity prevalence in the United States will increase significantly between 2011 and 2030 by 33%, with severe obesity prevalence increasing by 130%. The improved access to healthcare in the emerging markets is also a key growth driver. Total hip replacement procedures in China are estimated to grow at a double-digit rate annually over the next five years from an estimated 200,000 in 2012.

Alongside the growth in hip replacement therapy, HPC hip joint components are replacing metal, particularly for hard-on-hard hip implant systems, as a result of the decline in metal-on-metal combinations due to patient safety concerns.

Ceramic ball heads are also seen as an alternative to metal ball heads for use in combinations with polyethylene cup inserts. In 2012, according to estimates by a leading international consultancy firm, the penetration level of ceramic components, including ceramic ball heads and cup inserts, in the global hip joint components market was 28% and it is estimated to reach 31% by 2017. Certain markets have lower ceramics penetration rates than others, leading to high growth potential in these particular markets. For example, the United States has approximately half the ceramics penetration level of major European markets such as Germany, the UK and France. We believe these market dynamics, even if ceramics penetration in high growth markets do not reach the levels of Western European countries, provide us with an attractive growth opportunity in medical products for the foreseeable future.

In addition, the medical costs associated with THR procedures in developed countries are typically covered by government health care systems and/or public or private insurance companies due to their critical nature to patient well-being and quality of life thereby providing stability and resilience to the demand for our medical products regardless of macroeconomic conditions. We expect continued growth for our medical products given the trend towards substitution of metal products by ceramic components and the estimated increase in hip replacement procedures globally.

In Industrial Applications, we believe we will benefit from industry dynamics in our various end markets. Due to the diverse applications of the HPC products manufactured by our Industrial Applications business, our exposure to cyclicality in any particular industry is limited. Additionally, as certain industries improve from trough levels, such as the automotive industry, or expand, such as the LED lighting industry, we are well-positioned to capitalize on such positive developments by working closely with our customers to introduce new products and materials and develop new applications.

We Benefit from Significant Competitive Advantages including High Switching Costs in Our Key Markets

We benefit from a number of structural factors in our industry which enhance our competitive position. First, we have developed many of our products in conjunction with our customers. This has provided us a strong competitive advantage over smaller competitors and competitors with a shorter operating history. With respect to our medical products, our components are used in products that require regulatory approval, specifically FDA approval in the United States for hip implants. Any replacement of our components in our customers' end products would require new regulatory approval which would be a time consuming and cumbersome exercise for our customers with an uncertain outcome. Also, surgeons tend to be reluctant to adopt new alternative products for critical medical procedures where they lack experience or there is limited clinical evidence. As a result, we have enjoyed a very stable market position in medical products. Also, we estimate that our manufacturing output for the HPC medical products that we produce is more than ten times that of our competitors combined thereby providing us a strong advantage in terms of scale, efficiency, reliability and ability to serve our customers. Separately, and across all the sectors we serve, we tend to produce components which add significant value to the end products despite a limited impact on the costs of such products. For instance, the cost of our HPC components (both ball heads and cup inserts) included in a complete hip joint implant system represents only a small percentage of our customers' total cost of such systems, but are critical to the overall performance of the hip implant prostheses. We believe that the limited cost savings opportunities, the substantial know-how required as well as the close collaboration with customers for product development and promotion, are major hurdles for any new competitor.

There are a number of other factors that strengthen our Industrial Applications business, leading to greater market opportunities, assisting in maintaining our profitability and protecting our position with our existing clients. HPC products are increasingly being used in new and demanding applications where traditional materials such as metal are unable to respond as well to the greater demands of such applications. Many of our products are jointly developed with customers, taking into account specific customer requirements and are embedded in our customers' products and their manufacturing processes. As a result, for many of these applications we are the sole supplier to our customers. Therefore, our customer would have to obtain approval from the end-customer using the product before replacing our product within their product or processes. For example, our piezo ceramic tapes have been specified in a number of electronic products and hence cannot be easily replaced. Due to the specialized nature of our products, manufacturing complexity and extensive qualification requirements, customer switching costs are relatively high. As a result of this complexity and due to the high product performance and reliability requirements, competition in the HPC market is primarily based on product quality, product specifications, innovation and customer service rather than pricing.

We are a Technology Leader in High Performance Ceramics (HPC) with a Sustainable Technological Advantage

We are a technology leader in our industry with a strong and lengthy track record of developing new materials and products. Due to most of our products being highly specialized and customized, usually developed in collaboration with a customer, we believe we will be able to preserve our technological advantage. Our material sciences knowledge, R&D infrastructure, decades of HPC experience and complex manufacturing process know-how is critical to product development and performance, and is the bedrock for our technological advantage.

Our research and development capabilities have earned us a reputation as a leading innovator in the HPC sector. These capabilities have been integral to our ability to develop innovative products and our efforts to explore the application of HPC's unique properties to create innovative system solutions. Our customers tap our extensive experience in manufacturing complex ceramic components to pioneer new components or processes that they need for their production process or products. Based on our diverse customer base and strong customer relationships, we are often the first to know of a need for a new material or product and are optimally placed in the production process to develop a solution.

We have a highly qualified R&D team, with over 300 personnel with advanced technical qualification, including 156 R&D scientists and 45 PhDs, engineers and technical service personnel as of March 31, 2013. In the last ten years, we have successfully introduced at least 10 new production processes, more than 2,000 New Products and developed approximately 50 new materials and substantially modified approximately 150 existing materials. For example, we have recently developed and put into place a new granulation process, which allows us to produce contamination-free material at a higher quality level and, thus, be at the cutting-edge of this technology. During 2010 through 2012, the contribution to our revenues from New Products introduced within the last five years of the relevant period was approximately 30% each year.

We have a Global Footprint, with Efficient Global Manufacturing and Innovation Capabilities and Extensive Marketing and Sales Expertise

Headquartered in the manufacturing heart of Germany, we have a global infrastructure with 18 manufacturing facilities in Europe, North America, Asia and South America. All our manufacturing facilities also generally include on-site sales staff. Many of these facilities are located near our customers, allowing for close relations, fast deliveries and reliable technical service. In addition, we have invested and continue to invest in high-growth emerging markets. Our facilities in China, South Korea, Malaysia, Brazil, Poland and the Czech Republic position us for further growth.

Our manufacturing facilities are state of the art and have been awarded various quality certifications. All of our production sites are ISO 9001 certified and the sites that produce products for the automotive industry have also been QS9000 certified. Our Medical Applications production sites have also obtained the industry standard certification for medical products.

As many of our HPC products are customized, our marketing and sales activities need to be closely aligned to customer requirements. We have a dedicated sales force of 290 staff worldwide responsible for customer relationships. Customers for our medical products are covered by specially trained sales personnel operating from the relevant production facilities. In this regard we work closely with all of the Big 5 hip replacement implant OEMs in marketing activities, including advertisements, training and education sessions for hip implant surgeons. This approach has positioned BIOLOX® as a leading brand among surgeons, other medical professionals and OEMs and as the industry standard.

We Operate a Highly Cash Generative Business Supported by our Resilient Medical Applications Business

Our business has a successful track record of delivering strong financial results with revenue and Adjusted EBITDA registering a CAGR of 4.5% and 8.3%, respectively, between 2010 and 2012. Our high Adjusted EBITDA margin of approximately 32.0% in 2012, up from 29.8% in 2010, reflects our high-tech, customer-focused and technical services-oriented business model. We also benefit from a highly variable cost structure that provides stability to our gross margins which improved from 41.0% in 2010 to 43.2% in 2012 and 44.4% in the first quarter of 2013 due to a greater revenue contribution from high-margin medical products, cost discipline and operational excellence. Our well-invested manufacturing footprint is able to operate with annual required maintenance capital expenditures of approximately €15 million, as estimated by our management, representing about half of our annual capital expenditures each year in the last several years. Our R&D and growth capital expenditure programs allow us to defer a significant part of planned expenditures from one year to another if required or desired. Our high and stable margins combined with our modest maintenance capital expenditure requirements support our cash generative business.

Our core medical business contributes significantly to our overall performance and cash flows. In the LTM Period, Medical Applications accounted for €150.5 million, or 35.7%, of our net sales but contributed a majority of our EBITDA. Medical Applications benefit from relatively high margins and modest capital expenditure requirements compared to Industrial Applications, and are the major contributor to Group cash flows, supplemented by Industrial Applications. Over the 2010 to 2012 period, Medical Applications registered had a Cash Conversion Ratio of over 85% each year, whereas Industrial Applications recorded had a Cash Conversion Ratio of approximately 55% each year. Our medical products demonstrate growing revenues supported by a number of factors including a favorable growth outlook for THR procedures and increased ceramic penetration forecasted, most of which are independent from macroeconomic conditions. As a result, from 2008 to 2012, the number of ceramics components we sold for use in hip joint implant systems consistently grew each year recording a CAGR of 12% for such period.

Experienced Senior Management Team Supported by a Highly Committed Sponsor

Our senior management team is experienced and highly regarded in the industry, with decades of relevant industry experience and an over 11 year average tenure with us. Our CEO, Dr. Zimmermann, and our CFO, Mr. Müller, have been with us for 12 and 21 years, respectively, with our CTO, Mr Adler, having joined us two years ago. In addition to their experience with us, each of the members of our senior management team have extensive experience working for other manufacturing entities, including other businesses in the ceramics sector, and play important roles in the ceramics industry. Our CEO, CFO and CTO are aided by a broad base of experienced senior managers who have proven track records of developing and commercializing innovative HPC products across various applications while reducing costs and developing and maintaining strong customer relations. Our senior management team seeks to both ensure operational excellence and maintain close relationships with our key customers to ensure the performance of our business. To this end they have led a continuous improvement of our business by capitalizing on strategic and organic growth opportunities, pursuing operational efficiencies, continuously managing fixed costs, developing new products and technology with a particular focus on customer service. In addition, in connection with the Transactions we anticipate that the senior members of our management team will be reinvesting in our business and we anticipate the implementation of a customary management equity plan for our senior and other management employees thereby ensuring the alignment of their interests for the growth and performance of our business.

We also expect to benefit from Cinven's strong expertise in the healthcare sector. In recent years funds advised by Cinven have made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in medical devices, healthcare services and life sciences/biotechnology sectors such as Phadia, Sebia, Spire and Avecia. Cinven also has experience in the advanced chemical materials sector through its investment in Victrex, a leading global manufacturer of performance polymers.

OUR BUSINESS STRATEGY

We aim to be a leading provider of HPC products world-wide and a technology leader in the global advanced ceramics industry. To achieve these goals, the key components of our business strategy are as follows:

Maintain Leadership in HPC Medical Applications

We currently estimate nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component and we estimate that our BIOLOX® products represent more than 90% of the ceramic components for these hip joint implant systems. We have significant opportunities to capitalize on and further extend our leadership in this sector by expanding production capacity with respect to our market leading BIOLOX® hip joint implant components and developing new product lines with respect to knees and shoulders.

In anticipation of approximately 6% per annum estimated volume growth in hip replacement procedures worldwide from 2012 to 2017 and the increased share of ball heads and cup inserts used in hip joint implant systems, we are currently expanding our production facility in Marktredwitz in order to meet expected customer needs. Our expanded production facility will include two additional BIOLOX® ball-head lines and one additional BIOLOX® cup insert line and is expected to be operational by early 2015. This expansion will increase our current output capacity of approximately 1.2 million units by an estimated additional 350,000 units. Our expanded Marktredwitz facility, together with our Plochingen facility will provide us with two full scale production sites, thereby allowing us to further provide security of supply for our customers, ensuring capacity to address future demand and enhancing our manufacturing scale advantage over our competitors.

The ceramics penetration rate in the United States is approximately half the penetration level of major European markets such as Germany, UK and France. We intend to work closely with hip implant system manufacturers, particularly the Big 5, in providing surgeon education and training. In collaboration with these OEMs, we will continue to actively promote BIOLOX® products to patients in the United States, who are increasingly becoming more knowledgeable and aware of the benefits and risks of implant materials and exert influence on surgeon decision-making unlike in Europe.

We intend to leverage our success in the hip joint segment of the medical products end market and develop a range of new product lines for other ceramic medical applications. Together with a customer, we have already conducted clinical trials for ceramic knee joint replacement components in the European market as well as launched our new development project for Medical Applications in 2012, which is aimed at identifying potential additional new product lines in the medical space. New medical products that are already in a market development phase include ceramic parts for shoulder and small joints replacements and spine implants. The successful introduction of products into these additional niches would provide us an opportunity to leverage our existing technology and assets into additional attractive markets.

Expand Product Portfolio and Continue R&D Success

We expect demand for HPC products to increase over the long-term in all of our end markets as HPC components replace lesser-quality materials and as technological advances result in new or more cost-efficient HPC applications. To take advantage of growing demand, in addition to our new development project for Medical Applications, we are currently pursuing a variety of projects to expand our product portfolio and to ensure we remain at the forefront of new technologies. These projects include:

- The development of transparent ceramics for ballistic glass, which is largely used in armored vehicles with the same protective quality at half the weight of traditional materials and the development of sintered silicon carbide (SSiC) ceramic, the material of choice to reduce the weight of armored military vehicles;

- Examining new technologies relating to piezo ceramics which can convert pressure and acceleration into electrical signals (and vice versa), leading to innovative new applications in a multitude of areas, including medical applications, precision driving technology, automotive, energy and other industrial applications; and

- Examining the potential of structure copper technology (the metallization of ceramic substrates) which is used, among other things, in LED-related applications and power electronics applications.

We have historically been able to successfully convert our leading R&D capabilities into new products sold on the market, as witnessed by our introduction of approximately 2,000 New Products in the last five years, and plan to continue to pursue such innovation in the future. We aim to continue to derive an extensive part of our net sales from newly developed and introduced products. We generally co-develop products in collaboration with our customers. This increases the likelihood of our R&D spending to be directly applicable to newly commercialized products. We believe that we can continue our disciplined spending on R&D, maintain our innovation focus, enhance our cooperation on R&D with our customers and manage the costs of developing new products. In 2012, R&D expenses were €15.7 million, equal to 3.7% of net sales and was fully expensed in the period.

Strengthen Customer Relationships and Brand Recognition

We intend to reinforce our strong relationships with our customers and increase our brand recognition by working more closely with our key partners in order to improve the efficiency of our existing products, develop new ones and educate customers and critical decision makers about the superiority of HPC products. We believe we can leverage our long-standing customer relationships and strong reputation by further investing in educational and training initiatives and co-development opportunities. We are continuously looking for ways to market our products to end-users, often in tandem with our customers, to enhance our "component branding". This approach has had, and continues to have, positive results with respect to our Medical Applications through our relationship with the Big 5 producers of hip joint implant systems.

We are also attuned to our customers' needs and capabilities so that we can provide improved technologies in line with market developments. We have found that joint development and customer collaboration have resulted in increased customer satisfaction and a corresponding increase in demand for our products. We often jointly develop products with our customers in order to take into account their specific requirements and we plan to continue this approach in the future. In our Industrial Applications business we have historically maintained key customer relationships, some of whom have been our partners for decades. Over our 100 years of operations, we have developed many strong relationships across our industrial business, based on close collaboration with key industry players such as BASF, Bosch, Honeywell, Rheinmetall and Volkswagen. We will strive to remain a customer facing organization with responsibility for customer support, with each of our business units taking responsibility for a wide range of services from product development and production to sales and marketing. For our customers, this means that we will provide them proximity, a high level of expertise and the ability to quickly respond to their demand for HPC products.

Penetrate High Growth Emerging and Asian Markets

We aim to expand further globally, particularly in emerging and Asian markets. For example, with respect to our HPC medical products, one of the fastest growing markets for hip replacement procedures is China. According to estimates, from 2008 to 2012, China experienced annual double-digit growth rates in the number of hip replacement procedures. In the next five years, hip replacement procedures in China are estimated to grow significantly faster than the U.S. market and continue to realize double-digit annual growth, according to a leading international consultancy firm.

In addition to selling our products directly into high growth emerging and Asian markets, many of our HPC components for both Medical Applications and Industrial Applications are used by OEMs for inclusion in products that are in turn sold into these markets. Accordingly, the demand for our products, even if sold locally to OEMs, reflects a larger global demand dynamic.

We believe that we will be able to leverage our existing global manufacturing footprint, sales force, technology and customer portfolio. We intend to selectively introduce and promote product lines which fit into emerging and Asian markets. We currently have facilities in Germany, the United States, China, South Korea, Malaysia, Brazil, Poland and the Czech Republic and specifically aim to gain new market share in China, India, Brazil and Russia. As such we will continue to seek to position ourselves to capitalize on continued growth in the emerging and Asian markets and worldwide.

Continue Operational Excellence

We are continuously identifying and implementing a number of measures for efficiency gains. We believe our operational excellence program which is implemented across all our business units has improved our Adjusted EBITDA and margins in the past years and contributed to our profitability and competitiveness. Our continued improvement initiatives include three major areas: materials, utility and personnel costs. We will continue to build efficiency plans annually, set targets and monitor such targets via tracking tools. In the past, our main focus in operational efficiencies related to scrap reduction, manufacturing cycle reduction, the decrease of quality costs, total productive maintenance and synchronous production enhancements as well as the reduction of electricity costs and heating costs. As a result of all these measures, we have continuously reduced our Quality Costs, consisting of internal and external failure costs, from approximately 6% in 2004 as a percentage of sales to slightly above 3% in 2012. In addition, net savings from our employee innovation program, whereby our employees can submit suggestions for improvements, have increased to over €3 million per year. Our operational efficiency measures include a wide-range of many different initiatives throughout our production process and organization. We introduced new guidelines for the size of cylinders used to produce ceramic components which have achieved a reduction in raw materials used. Additionally, we intend to produce polycrystalline cubic boron nitrides (PcBN) blanks in-house rather than sourcing them externally which will increase the net output ratio of our cutting tools business unit and improve per unit profitability. Along with the cost savings gained through these efficiency measures, we monitor our price competitiveness and intend to optimize pricing by understanding customer needs and sensitivities as well as analyzing product lifecycles and business cycles. We aim to continue to improve our manufacturing processes, energy management and other parts of our business in the future by focusing on our annual efficiency plans and constantly analyzing operational excellence targets.

Focus on Cash Flow Growth and Reduction of Indebtedness

Our business is highly cash generative and we aim to improve our cash flow generation in order to reduce our overall indebtedness. To achieve our goal to significantly reduce our indebtedness, we will place significant management emphasis on continued further cash generation, efficient capital spending and working capital management. We believe that our current manufacturing capabilities and sales network generates significant free cash flow and that they provides us with the platform to roll out new products to our large existing customer base and translate revenue growth into profitability and cash generation. Driven by low maintenance capital expenditures requirements and flexible R&D programs, we plan to continuously reduce our net indebtedness to EBITDA ratio. We believe that by reducing our indebtedness following the Transactions we will maximize our strategic opportunities in the future which could include an initial public offering of the business.

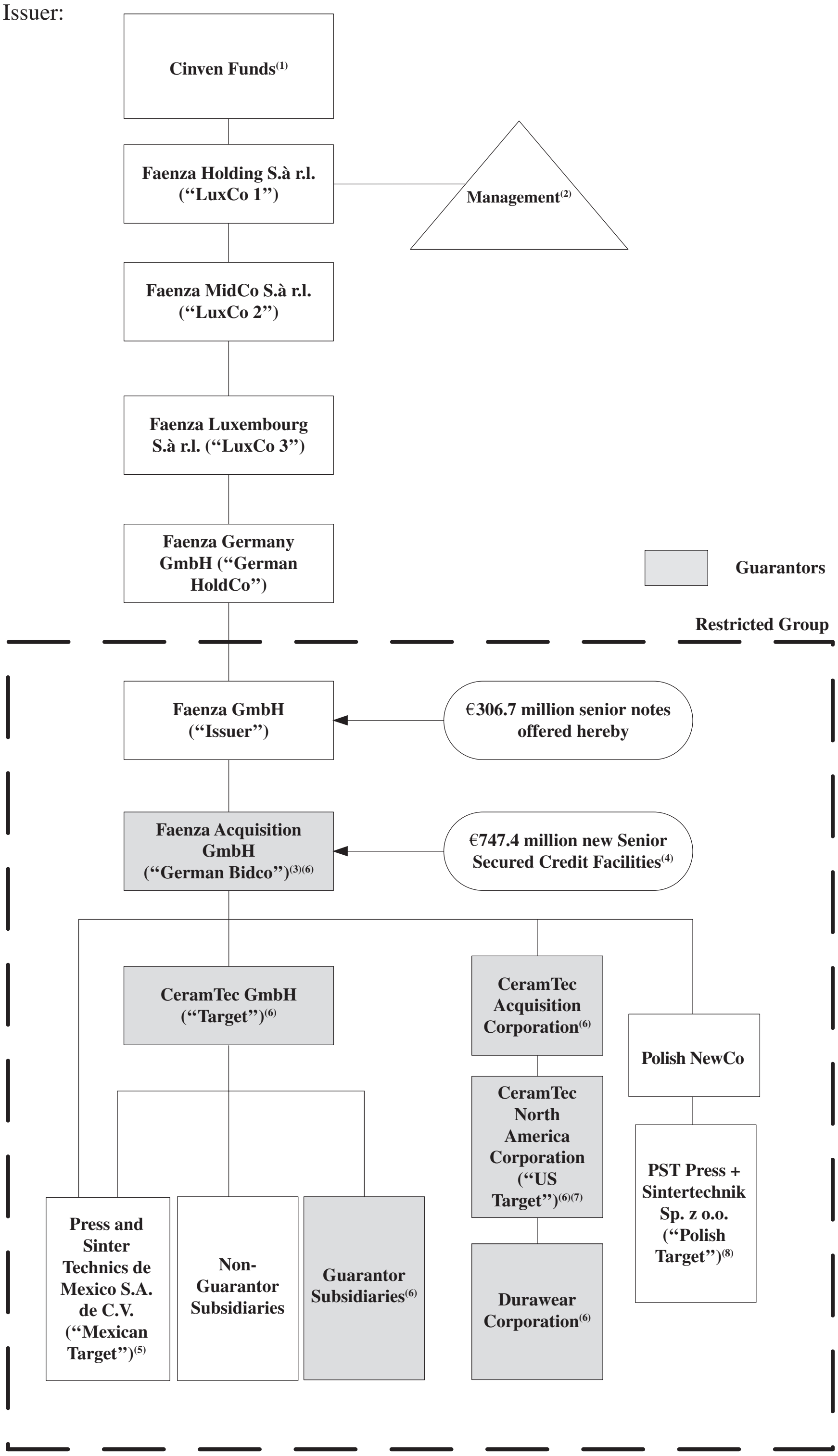
RECENT DEVELOPMENTS

Based upon preliminary monthly management accounts, we estimate our sales in Medical Applications for the second quarter will continue the strong trend we observed in the first quarter with net sales increasing by approximately €5 million compared to the equivalent period in 2012. Based on these same accounts, we estimate our net sales in Industrial Applications for the second quarter will have improved from the results in the first quarter with net sales across most of our business units increasing compared to the first quarter with the result that net sales are broadly flat when compared to the equivalent period in 2012. As a result we estimate that overall net sales will increase in the first half year when compared to the first half of 2012 and that EBITDA for the first half of 2013 was relatively stable when compared to the same period in 2012.

These estimates are based on our preliminary review of our results of operations and are inherently subject to adjustments during the preparation of our financial statements.

CORPORATE STRUCTURE

The following chart summarizes our corporate structure and principal indebtedness after giving effect to the Transactions. This chart is provided for illustrative purposes only and does not represent all legal entities affiliated with, or all obligations of the Issuer:



(1) Upon consummation of the Acquisition, the Cinven Funds will indirectly hold (through wholly-owned intermediate holding companies) substantially all of the share capital of the Target. See “*Shareholders*.” The Cinven Funds may syndicate a portion of its shareholdings to third-party investors.

(2) Upon consummation of the Acquisition, certain employees and members of management will re-invest a portion of the proceeds they will receive in connection with the Acquisition indirectly (through intermediate holding companies) into the share capital of the Target. See “*Certain Relationships and Related Party Transactions*.”

(3) The Cinven Funds will contribute approximately €521.7 million to the Issuer through a series of holding companies in exchange for common equity.

(4) Our new Senior Secured Credit Facilities will consist of (a) the new €100.0 million Revolving Credit Facility and (b) the new €647.4 million Term Loan Facility. A portion of the Term Loan Facility will be made available in U.S. dollars. We expect that our new Revolving Credit Facility will be undrawn at the Closing of the Transactions. See "*Description of Certain Financing Arrangements—Senior Secured Credit Agreement.*"

(5) Following the Closing Date, the Target will hold substantially all of the shares in the Mexican Target, while German BidCo will hold the remaining *de minimus* amount.

(6) Following the Closing Date, German Bidco, the Target, CeramTec-ETEC GmbH, Cerasiv GmbH Innovatives Keramik Engineering, Emil Müller GmbH, CeramTec Acquisition Corporation, CeramTec North America Corporation and Durawear Corporation will guarantee the Notes. These entities will also be borrowers or guarantors under our new Senior Secured Credit Facilities. For the LTM Period, the Guarantors represented 90.9% of our net sales and we estimate, based on management accounts, that they represented over 90% of our EBITDA. In addition, as of March 31, 2013 the Guarantors held 86.9% of our property, plant and equipment. Our current and future wholly owned restricted subsidiaries that guarantee our new Senior Secured Credit Facilities will guarantee the Notes on a senior basis.

(7) On the Closing Date, CeramTec Acquisition Corporation, a wholly owned subsidiary of German BidCo, will acquire all of the issued and outstanding shares of US Target.

(8) On the Closing Date, Polish NewCo, a wholly owned subsidiary of German BidCo, will acquire all of the issued and outstanding shares of Polish Target.

THE TRANSACTIONS

The Acquisition

On June 15, 2013, German Bidco, an entity beneficially owned by the Cinven Funds, entered into a share purchase agreement with certain affiliates of Rockwood (the "**Acquisition Agreement**"). The Acquisition will be conducted by acquiring from Rockwood Specialties Group GmbH, RSGG GmbH & Co. KG, Rockwood Specialties Group, Inc. and Knight Lux 2 S.à r.l. (collectively, the "**Sellers**") all shares in (i) the Target, as well as, directly or indirectly, all shares in certain affiliated entities, including (ii) PST Press + Sintertechnik Sp. z o.o. ("**Polish Target**"), (iii) Press and Sinter Technics de Mexico S.A. de C.V. ("**Mexican Target**") and (iv) CeramTec North America Corporation ("**US Target**"), and thereby all their direct and indirectly-owned subsidiaries and affiliates (together, the "**Group**") as well as certain shareholder loan repayment receivables resulting from certain shareholder loans to the Group by the Sellers.

The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to regulatory approval and other conditions as set out therein. The Acquisition Agreement contains representations and warranties, covenants with respect to the conduct of CeramTec prior to the Closing Date and various conditions precedent.

The Financing

The purchase price for the Acquisition is expected to be €1,490 million on a cash-free and debt-free basis, excluding transaction fees and expenses. The purchase price will be adjusted for various effects, including adding cash elements subtracting certain financial indebtedness and adjusting for net working capital (see also "*Sources and Uses*"). The Acquisition will be financed as follows:

- the Sponsor will make a contribution of approximately €521.7 million which will, indirectly through the intermediate holding companies, be contributed to the share capital of the Issuer in exchange for common equity;
- our borrowing under our new Term Loan Facility; and
- the proceeds of the Notes.

As of the Closing Date, our new Senior Secured Credit Facilities will also provide for our new Revolving Credit Facility in the amount of €100.0 million. The Revolving Credit Facility is not currently expected to be drawn as of the Closing Date, other than the issuance of guarantees entered into in the ordinary course of business. See "*Use of Proceeds*."

The proceeds from the financing described above will be used to:

- fund the consideration payable for the share capital of the Group and certain shareholder loans purchased in the Acquisition;
- redeem or repay certain existing indebtedness of the Group, including substantially all of the outstanding third party indebtedness of the Target and its subsidiaries (other than the shareholder loans acquired pursuant to the Acquisition) (the "**Refinancing**"); and
- pay the fees, premiums and expenses incurred in connection with the Acquisition and the Transactions, including estimated fees and expenses to be incurred in connection with the Offering (such fees, premiums and expenses, the "**Transaction Costs**").

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Notes into the Escrow Account in the name of the Issuer. The Escrow Account will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes. The release of escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Acquisition. If the Acquisition is not consummated on or prior to October 15, 2013, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the relevant Issue Date to the date of special mandatory redemption. See *"Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption."*

We refer to the Acquisition, the Refinancing, the equity contributions, the borrowings under our new Senior Secured Credit Facilities, this Offering and the payment of Transaction Costs, collectively as the "**Transactions**." See "*Use of Proceeds*," "*Capitalization*," "*Description of Certain Financing Arrangements," "Description of Notes.*"

SOURCES AND USES

The following table summarizes the estimated sources and uses of funds in connection with the Transactions as if the Transactions had occurred on March 31, 2013. The amounts set forth in the table and the accompanying footnotes will vary from actual amounts on the Closing Date depending on several factors, including our estimate of purchase price adjustments and fees and expenses and exchange rate fluctuations. You should read the following together with the information included under the heading "*The Transactions*" included elsewhere in this Offering Circular.

Sources of Funds	Amount (in € million)	Uses of Funds	Amount (in € million)
New Senior Secured Credit Facilities(1)	647.4	Purchase price(4)	1,412.4
Notes offered hereby (2)	306.7	Repayment of third party debt(5)	11.4
Equity contributions(3)	521.7	Estimated fees and expenses(6)	52.0
Total Sources	**1,475.8**	**Total Uses**	**1,475.8**

(1) Our new Senior Secured Credit Facilities will consist of (a) the new €100.0 million Revolving Credit Facility and (b) the new €647.4 million Term Loan Facility. A portion of the Term Loan Facility will be made available in U.S. dollars. We expect that our new Revolving Credit Facility will be undrawn at the closing of the Transactions. Does not include original issue discount, if any. See "*Capitalization*" and "*Description of Certain Financing Arrangements.*"

(2) Represents the aggregate principal amount of the Notes at the Closing Date. The Notes may be issued at a price to investors less than their stated principal amount. In such case, the principal amount of the Notes, the estimated fees and expenses incurred in this offering, borrowings under our new Revolving Credit Facility and the equity contributions may change.

(3) Represents the expected equity contributions from the Sponsor to fund a portion of the consideration paid to the Sellers. The amount of the equity contributions may be further adjusted pursuant to the working capital adjustment in the Acquisition Agreement or if the fees and expenses (including any financing costs) are greater or less than our current estimate of €52.0 million.

(4) Represents the total cash payment in consideration for the capital stock, other equity interests and assets of the Target paid at closing. The amount stated here reflects adjustments to the €1,490 million purchase price agreed in the Acquisition Agreement. In addition to the amount paid at closing, the total consideration includes a deferred payment component in the amount of €150 million which will be funded by CeramTec into a blocked account with proceeds paid to CeramTec pursuant to a receivable due from Rockwood. The €150 million in the blocked account will be paid to the Sellers shortly after the Closing Date.

(5) Represents current and non-current third party liabilities as of March 31, 2013 that are anticipated to be repaid in connection with the Transactions. We anticipate that certain local facilities and finance leases totaling approximately €1.2 million as of March 31, 2013 will remain outstanding following consummation of the Transactions.

(6) Consists of our estimate of fees and expenses associated with the Transactions, including placement fees, Initial Purchaser discounts, underwriting and other financing fees, any original issue discount, fees paid to the Sponsor and other transaction costs for advisory and professional fees and other expenses.

OUR SPONSOR

Cinven is a leading private equity provider for large European buyouts, having led transactions totaling in excess of €70 billion. Since 1996, Cinven has completed more than 40 buyouts with an enterprise value of more than €500 million in ten countries across Europe. Cinven focuses on the following six sectors across Europe: business services, consumer, financial services, healthcare, industrials and technology, media and telecommunications (TMT), and has offices in Guernsey, London, Frankfurt, Paris, Milan, Luxembourg and Hong Kong.

In recent years funds advised by Cinven have made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in medical devices, healthcare services and life sciences/biotechnology sectors such as Phadia, Sebia, Spire and Avecia. In addition, Cinven also has experience in the advanced chemical materials sectors through its investment in Victrex, a leading global manufacturer of performance polymers.

COMPANY INFORMATION

Faenza GmbH is a German limited liability company incorporated under the laws of Germany, and was recently formed exclusively for the purpose of effecting the Acquisition.

THE OFFERING

The Notes will be governed by an Indenture to be entered into by the Issuer, the Guarantors party thereto and the Trustee. The following summary contains basic information about the Notes and is not intended to be complete. For a more complete understanding of the Notes and the guarantees, please refer to the section entitled "Description of Notes" in this Offering Circular. In this summary, the terms "we," "us" and "our" each refer to the Issuer, and not to any of its subsidiaries. Certain descriptions in this Offering Circular of provisions of the Indenture that will govern the Notes are summaries of such provisions and are qualified herein by reference to such Indenture.

Issuer	Faenza GmbH
Securities Offered	€306,700,000 aggregate principal amount of 8.25% senior notes due 2021. The Issuer may issue additional Notes, subject to compliance with the covenants in the Indenture governing the Notes.
Issue Date	August 8, 2013.
Issue Price	100%.
Maturity Date	August 15, 2021.
Interest Rate	8.25% per annum, payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2014. Interest on the Notes will accrue from and including August 8, 2013.
Denomination	Each Note will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof.
Guarantees	The Notes, subject to local law limitations, will be jointly and severally guaranteed on a senior basis by German Bidco and by each of our existing and future direct and indirect subsidiaries that guarantee our new Senior Secured Credit Facilities. Under certain circumstances, the Guarantors may be released from their guarantees without the consent of the holders of Notes. See "*Limitations on Validity and Enforceability of the Guarantees and the Security Interests*" and "*Description of Notes—Guarantees.*"
Security	Following release from escrow, the Notes and the related guarantees will be unsecured.
Intercreditor Agreement	The Trustee will enter into the Intercreditor Agreement with, among others, the administrative agent and collateral agent for our new Senior Secured Credit Facilities, German Holdco, the Issuer and the Guarantors, under which, the agents and lenders under our Senior Secured Credit Facilities, our secured hedging providers and secured cash management providers, the Trustee, the noteholders and each intercompany lender will agree to a 120 day "standstill" with respect to taking enforcement action subject to certain exceptions, including the occurrence of certain insolvency events. The standstill will commence upon notice from a creditor to the other parties prior to taking an enforcement action. Notwithstanding such standstill, the administrative agent and collateral agent under our Senior Secured Credit Facilities will be permitted to take any enforcement action they are otherwise entitled to take pursuant to any share pledge agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"
Ranking	The Notes and the guarantees of such Notes will be the Issuer's and the Guarantors' senior obligations and will: • rank contractually senior in right of payment to all of the Issuer's and the Guarantors' future subordinated indebtedness; • rank equally in right of payment with all of the Issuer's and the Guarantors' existing and future senior indebtedness; • be effectively subordinated to any of the Issuer's and the Guarantors' existing and future secured debt, including our new Senior Secured Credit Facilities, to the extent of the value of the assets securing such debt; and • be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries that do not guarantee the Notes.

	As of March 31, 2013, on an as adjusted basis after giving effect to the Transactions: • we and the Guarantors would have had approximately €647.4 million of senior secured indebtedness, consisting of secured indebtedness under our new Term Loan Facility, to which the Notes would have been effectively subordinated to the extent of the value of the assets securing such debt; • we would have had an additional €100.0 million of borrowing capacity under our new Revolving Credit Facility to which the Notes would have been effectively subordinated, if borrowed, to the extent of the value of the assets securing such debt; and • our non-Guarantor subsidiaries would have had no financial liabilities and approximately €7.4 million of trade payables, deferred tax liabilities and other liabilities, all of which would have been structurally senior to the Notes.
Optional Redemption	The Notes will be redeemable at the Issuer's option, in whole or in part, at any time on or after August 15, 2016, at the redemption prices set forth in this Offering Circular, together with accrued and unpaid interest, if any, to the date of redemption. See "*Description of Notes—Optional Redemption.*" At any time prior to August 15, 2016, the Issuer may also redeem some or all of the Notes at a price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of redemption, plus a "make-whole premium." At any time prior to August 15, 2016, the Issuer may redeem up to 40% of the original principal amount of the Notes with the proceeds of certain equity offerings at a redemption price of 108.25% of the principal amount of the Notes, together with accrued and unpaid interest, if any, to the date of redemption.
Additional Amounts	If any withholding of taxes by certain relevant tax jurisdictions were at any time to be required, the Issuer or applicable Guarantor are required to pay the additional amounts necessary so that the net amount received by the holders of the Notes after the withholding (including any withholding in respect of the additional amounts) is not less than the amount that they would have received in the absence of the withholding, "*Description of Notes—Additional Amounts*."
Redemption for Taxation Reasons	In the event certain changes in the law of any relevant tax jurisdiction become effective that would impose withholding taxes on the payments of the Notes and, as a result, the Issuer is required to pay additional amounts on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of Notes— Redemption for Taxation Reasons*."
Change of Control Offer	Upon the occurrence of certain changes of control, you will have the right, as holders of the Notes, to cause the Issuer to repurchase some or all of the Notes at 101% of their face amount, plus accrued and unpaid interest to, but not including, the repurchase date. See "*Description of Notes—Change of Control.*"
Asset Disposition Offer	If the Issuer or its restricted subsidiaries sell assets, under certain circumstances, the Issuer will be required to use the net proceeds to make an offer to purchase the Notes at an offer price in cash in an amount equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to, but not including, the repurchase date. See "*Description of Notes—Certain Covenants—Asset Sales*."
Covenants	The Issuer will issue the Notes under an Indenture with the Trustee. The Indenture will, among other things, limit the ability of the Issuer and its restricted subsidiaries to: • incur additional indebtedness and guarantee indebtedness;

	• pay dividends or make other distributions in respect of, or repurchase or redeem, our capital stock; • prepay, redeem or repurchase certain debt; • make loans and investments; • sell assets; • incur liens; • enter into transactions with affiliates; and • consolidate, merge or sell all or substantially all of our assets. These covenants will be subject to a number of important exceptions and qualifications. For more details, see "*Description of Notes*."
Transfer Restrictions	The Issuer does not intend to issue registered notes under the Securities Act or any state or other securities laws in exchange for the Notes to be privately placed in this Offering and the absence of registration rights may adversely impact the transferability of the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. For more information, see "*Transfer Restrictions*."
Absence of Public Market for the Notes . . .	The Notes are a new issue of securities, and application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and any market making with respect to the Notes may be discontinued without notice.
Listing	Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. However, we cannot assure you that the Notes will be listed or will remain listed on that or any other exchange.
Escrow of Proceeds; Special Mandatory Redemption	Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering into the Escrow Account with the Escrow Agent. The Escrow Account will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee in its relevant capacity on behalf of the holders of the relevant Notes. Upon delivery to the Trustee in its relevant capacity and the Escrow Agent of an officer's certificate stating that the conditions to the release of the proceeds from escrow are satisfied, the escrowed funds will be released to be used as described in "*The Transactions*," "*Use of Proceeds*," and "*Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption*." The release of escrow proceeds will be subject to the satisfaction of certain conditions, including with respect to the closing of the Acquisition. The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to the satisfaction of certain conditions, including regulatory approval.
Use of Proceeds	We intend to use the net proceeds of this Offering as part of the financing for the Acquisition and to pay certain fees, commissions and related expenses. See "*Use of Proceeds*."
Escrow Agent	Deutsche Bank Aktiengesellschaft
Trustee	U.S. Bank Trustees Limited
Luxembourg Listing Agent	Société Générale Securities Services Luxembourg
Registrar	Elavon Financial Services Limited
Principal Paying Agent and Transfer Agent	Elavon Financial Services Limited

Risk Factors	Investing in the Notes involves substantial risks. You should carefully consider all of the information in this Offering Circular. In particular, for a discussion of some specific factors that you should consider before buying the Notes, see "*Risk Factors*."
Governing Law	The Notes and the Indenture will be governed by New York law. The Escrow Agreement will be governed by German law.

SUMMARY HISTORICAL AND ADJUSTED COMBINED FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth our summary historical combined financial information and summary unaudited interim combined financial information for the periods and dates indicated.

The summary historical financial data as of March 31, 2013 and for the three month periods ended March 31, 2012 and 2013 has been derived from the Unaudited Condensed Combined Interim Financial Statements of Target, an indirect subsidiary of the Issuer. The Unaudited Condensed Combined Interim Financial Statements have been prepared in accordance with IAS 34 and, in the opinion of the management, include all adjustments necessary for fair presentation of such financial statements. The historical financial data of Target included in this Offering Circular as of and for the years ended December 31, 2010, 2011 and 2012 has been derived from the audited Combined Annual Financial Statements. The Combined Annual Financial Statements are prepared in accordance with IFRS as adopted in the EU. The Unaudited Condensed Combined Interim Financial Statements have been prepared using the recognition and measurement principles consistent to that applied in the Combined Annual Financial Statements except for changes in accounting policy in relation to defined benefit plan accounting. The results of operations for prior years are not necessarily indicative of the results to be expected for the full fiscal year or any future period. Interim financial results are not necessarily indicative of results for the full fiscal year or any future reporting period.

The summary unaudited combined financial information for the LTM Period has been calculated by adding the unaudited combined interim financial information for the three-month period ended March 31, 2013, derived from the Unaudited Condensed Combined Interim Financial Statements, and the combined historical financial information for the year ended December 31, 2012, derived from the Combined Annual Financial Statements, and subtracting the unaudited combined interim financial information for the three months ended March 31, 2012, also derived from the Unaudited Condensed Combined Interim Financial Statements.

This information is only a summary and should be read in conjunction with "*Risk Factors*," "*Capitalization*," "*Selected Historical Financial Information and Other Data*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and our Unaudited Condensed Combined Interim Financial Statements and the notes thereto and our audited Combined Annual Financial Statements and the accompanying notes appearing elsewhere in this Offering Circular, as well as the other financial information included in this Offering Circular.

Combined Statement of Comprehensive Income Data

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
			(in € million)			
Net sales	389.0	419.9	425.2	110.2	107.1	422.1
Cost of products sold	229.6	242.4	241.5	62.1	59.6	239.0
Gross profit on sales	159.5	177.5	183.7	48.2	47.5	183.1
Selling costs	50.2	52.1	54.7	13.7	14.5	55.6
General administration costs	15.1	13.6	12.9	3.5	3.3	12.7
Other income	1.5	0.4	1.2	0.7	0.1	0.6
Other expenses	23.5	29.0	25.8	6.4	7.4	26.8
Profit from operations	72.2	83.2	91.5	25.3	22.4	88.6
Financial income	0.1	0.3	0.5	0.1	0.1	0.6
Financial expenses	24.4	18.4	14.7	4.7	3.2	13.3
Financial result	(24.3)	(18.1)	(14.1)	(4.6)	(3.1)	(12.7)
Earnings before taxes	47.8	65.1	77.4	20.7	19.3	75.9
Taxes on income	(11.0)	(18.4)	(22.4)	(5.8)	(6.2)	(22.8)
Net income	**36.8**	**46.7**	**55.0**	**14.9**	**13.1**	**53.2**

Combined Balance Sheet Data

	As of December 31,			As of March 31,
	2010	2011	2012	2013
	(in € million)			
Assets				
Non-current assets	519.4	512.7	505.9	503.0
Current assets	110.2	140.5	208.4	218.7
Total assets	**629.6**	**653.2**	**714.3**	**721.8**
Equity and Liabilities				
Total equity	188.1	231.5	282.7	284.7
Non-current liabilities	357.8	364.9	378.9	380.8
Current liabilities	83.7	56.8	52.7	56.2
Total liabilities	441.5	421.7	431.6	437.0
Total equity and liabilities	**629.6**	**653.2**	**714.3**	**721.8**

Combined Statement of Cash Flows Data

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
	(in € million)				
Cash flow from operating activities	93.7	85.1	115.3	22.9	17.0
Cash flow from investing activities	(32.3)	(31.0)	(29.5)	(4.9)	(6.0)
Cash flow from financing activities	(59.1)	(53.1)	(81.5)	(16.2)	(10.4)
Change in cash and cash equivalents	**2.3**	**1.0**	**4.3**	**1.8**	**0.6**
Cash and cash equivalents at the beginning of the period	2.3	3.9	5.2	5.2	9.5
Effects of exchange rate changes on cash and cash equivalents	(0.7)	0.4	(0.0)	(0.0)	0.2
Cash and cash equivalents at the end of the period	**3.9**	**5.2**	**9.5**	**7.0**	**10.3**

Other Unaudited Financial and Operating Data

	Year Ended December 31,			Three Months Ended March 31,		As of and for the Twelve Months Ended March 31,
	2010	2011	2012	2012	2013	2013
	(in € million unless otherwise stated)					
Total hip joint implant components sold (*in thousand units*)(1)	804	892	1,009	247	284	1,046
EBITDA(2)	109.6	121.8	131.2	35.0	32.3	128.5
Adjusted EBITDA(2)	116.1	132.2	136.1	35.2	34.8	135.6
Adjusted EBITDA margin (%)(3)	29.8	31.5	32.0	32.1	32.4	32.1
Cash Conversion Ratio (%)(4)	69.6	73.8	76.8	85.6	81.4	75.5
Capital expenditures(5)	33.3	32.0	30.5	5.1	6.0	31.4
Adjusted total net senior secured indebtedness (period end)(6)	—	—	—	—	—	637.1
Adjusted total net indebtedness (period end)(7)	—	—	—	—	—	944.4
Adjusted interest expense(8)	—	—	—	—	—	59.0
Ratio of adjusted total net senior secured indebtedness to Adjusted EBITDA	—	—	—	—	—	4.7x
Ratio of adjusted total net indebtedness to Adjusted EBITDA	—	—	—	—	—	7.0x
Ratio of Adjusted EBITDA to adjusted interest expense	—	—	—	—	—	2.3x

(1) Includes both ceramic ball heads and ceramic cup inserts sold.

(2) EBITDA consists of net income before taxes on income, financial result and depreciation and amortization. Adjusted EBITDA consists of EBITDA adjusted for costs that are considered by management to be non recurring in nature. Adjusted EBITDA is defined as

EBITDA before Rockwood management fees, restructuring costs, exchange gains/losses on financing activities, a warranty provision, an adjustment for a rebate to a customer, share-based payments relating to the Rockwood share-based payment plan, other non-recurring items and estimated standalone costs to operate as a standalone company. Other non-recurring items include acquisition costs, transaction closing costs, bonus payments relating to Rockwood, integration costs, gains and losses on asset disposals, costs relating to the preparation of the Acquisition, upfront cash costs relating to Rockwood's refinancing in 2011 which were immediately recognized as an expense and certain other non-recurring items. We believe EBITDA and Adjusted EBITDA gives investors meaningful information to help them understand our operating results and to analyze our financial and business trends on a period-to-period basis.

EBITDA and Adjusted EBITDA and the related ratio data are not calculated or presented in accordance with IFRS and other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do. As a result, these financial measures have limitations as analytical and comparative tools and you should not consider these items in isolation, or as a substitute for analysis of our results as reported under IFRS. EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove to have been inaccurate. In addition, in evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For additional information regarding EBITDA and Adjusted EBITDA and our use and presentation of those measures and the related risks, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*"

The following table reconciles net income to EBITDA and Adjusted EBITDA for the periods presented:

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	2011	2012	2012	2013	2013
	(in € million)					
Net income	36.8	46.7	55.0	14.9	13.1	53.2
Taxes on income	11.0	18.4	22.4	5.8	6.2	22.8
Financial result	24.3	18.1	14.1	4.6	3.1	12.7
Amortization and depreciation	37.4	38.6	39.7	9.8	9.9	39.8
EBITDA	**109.6**	**121.8**	**131.2**	**35.0**	**32.3**	**128.5**
Rockwood management fee[(a)]	6.5	7.0	3.5	1.1	1.8	4.3
Restructuring costs[(b)]	0.2	0.5	1.9	0.0	0.1	1.9
Exchange losses/(gains) on financing activities	(0.6)	0.8	(0.6)	(0.6)	0.2	0.3
Warranty provision[(c)]	—	—	0.4	—	—	0.4
Adjustment for rebate to a customer[(d)]	—	0.2	(0.8)	(0.2)	0.5	(0.0)
Share-based remuneration[(e)]	0.9	0.7	0.7	0.2	0.2	0.8
Other non-recurring items[(f)]	1.3	3.0	1.4	0.2	0.0	1.2
Estimated standalone costs[(g)]	(1.8)	(1.8)	(1.8)	(0.5)	(0.5)	(1.8)
Adjusted EBITDA	**116.1**	**132.2**	**136.1**	**35.2**	**34.8**	**135.6**

(a) The Rockwood management fee relates to payments made to Rockwood for providing certain group functions and services to the Group, mainly insurance coverage, treasury and tax support. Following the completion of the Transactions, we will not pay management fees to Rockwood. However, we expect to incur standalone costs in connection with building up group functions and services provided to us by Rockwood, most notably insurance coverage, treasury and tax support. See footnote (g) below.

(b) Restructuring costs refers to headcount reductions and severance payments.

(c) In 2012, we recognized a provision relating to our ball head production. The provision was not utilized and based on our assessment we believe that the reason for this provision no longer exists.

(d) The adjustment for a rebate paid to a customer refers to price calculation adjustments in 2011, 2012 and the first quarter of 2013 and a subsequent €1.1 million refund to this customer in the first quarter of 2013. The price adjustment for the first quarter of 2012 is based on the assumption that one fourth of the adjustments related to 2012 are allocated to this quarter.

(e) Share-based remuneration relates to costs in connection with the Rockwood share-based payment plan which will be discontinued after the completion of the Transactions.

(f) Other non-recurring items include acquisition costs, transaction closing costs, bonus payments relating to Rockwood, integration costs, gains and losses on asset disposals, costs relating to the preparation for the Acquisition, upfront cash costs relating to Rockwood's refinancing in 2011 which were immediately recognized as expenses and certain other non-recurring items.

(g) Estimated standalone costs are management's estimates established in connection with the Transactions for recurring costs for group functions and services previously provided to us by Rockwood, mainly insurance coverage, treasury and tax support.

(3) The Adjusted EBITDA margin is the ratio of Adjusted EBITDA to net sales.

(4) The Cash Conversion Ratio for the Group is defined as the ratio of (i) EBITDA minus capital expenditures to (ii) EBITDA. The following table shows the calculation of the Cash Conversion Ratio on a Group level:

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
	(in € million except for ratios)					
EBITDA	109.6	121.8	131.2	35.0	32.3	128.5
Capital expenditures for property, plant and equipment	(32.7)	(30.3)	(29.3)	(4.8)	(5.9)	(30.3)
Capital expenditures for other intangible assets	(0.6)	(1.6)	(1.2)	(0.2)	(0.2)	(1.1)
EBITDA minus capital expenditures	76.3	89.8	100.7	30.0	26.3	97.0
Cash Conversion Ratio (*in %*)	**69.6**	**73.8**	**76.8**	**85.6**	**81.4**	**75.5**

Management estimates that the Cash Conversion Ratio for Medical Applications has been above 85% in each of the last three fiscal years while the Cash Conversion Ratio for Industrial Applications has been approximately 55% in each of the last three fiscal years.

(5) Capital expenditures are the sum of capital expenditures for property, plant and equipment and capital expenditures for other intangible assets.

(6) Adjusted total net senior secured indebtedness is defined as senior secured indebtedness minus cash and cash equivalents as adjusted for the Transactions and reflects the amounts outstanding under our new Term Loan Facility, as if the Transactions had been completed as of March 31, 2013.

(7) Adjusted total net indebtedness is defined as total indebtedness minus cash and cash equivalents as adjusted for the Transactions and reflects the amounts outstanding under our new Term Loan Facility, the principal amount of the Notes and certain existing indebtedness, as if the Transactions had been completed as of March 31, 2013.

(8) Adjusted interest expense is defined as interest expense for the period from April 1, 2012 to March 31, 2013 as if the Transactions had been completed as of April 1, 2012 and consists of interest on the Term Loan Facility, the Notes and CeramTec's existing debt that will not be repaid in the Refinancing together with the unused commitment fee on the Revolving Credit Facility.

Sales by Business Group

Sales by business group including internal sales

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
	(in € million)					
Medical Applications[(1)]	**117.6**	**130.3**	**146.1**	**35.9**	**40.3**	**150.5**
Industrial Applications[(1)]	**271.4**	**289.7**	**279.1**	**74.3**	**66.8**	**271.6**
Thereof Multifunctional Ceramics	46.8	45.7	44.6	11.7	10.4	43.3
Thereof Electronic Applications	46.6	47.3	40.8	10.5	10.0	40.3
Thereof Cutting Tools	32.0	37.0	34.0	9.7	8.5	32.8
Thereof Mechanical Systems	39.2	36.0	33.6	8.4	9.9	35.1
Thereof Mechanical Applications	18.6	22.8	22.7	5.8	5.7	22.6
Thereof ETEC	22.3	23.7	21.9	5.5	4.0	20.4
Thereof Other Applications	112.5	117.9	118.4	31.6	28.6	115.4
Consolidation	(46.6)	(40.8)	(36.9)	(8.9)	(10.3)	(38.3)
Total net sales[(2)]	**389.0**	**419.9**	**425.2**	**110.2**	**107.1**	**422.1**

(1) The numbers presented for Medical Applications and Industrial Applications are external net sales to third parties.

(2) The sales presented for the business units of Industrial Applications include internal sales to Group companies. The line item "Consolidation" represents all internal sales between business units which are listed under Industrial Applications. Our management believes that sales including internal sales for our business units in Industrial Applications provide a better description of trends in these business units due to substantial internal sales between our business units in Industrial Applications.

Sales by business group excluding internal sales

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	2011	2012	2012	2013	2013
	(in € million)					
Medical Applications	**117.6**	**130.3**	**146.1**	**35.9**	**40.3**	**150.5**
Industrial Applications	**271.4**	**289.7**	**279.1**	**74.3**	**66.8**	**271.6**
Thereof Multifunctional Ceramics	42.6	42.4	41.8	11.1	9.4	40.1
Thereof Electronic Applications	42.4	43.4	36.9	9.4	8.6	36.1
Thereof Cutting Tools	31.8	36.4	33.2	9.5	8.4	32.1
Thereof Mechanical Systems	29.5	27.1	25.7	6.7	7.5	26.5
Thereof Mechanical Applications	18.1	22.1	22.1	5.7	5.6	22.0
Thereof ETEC	16.0	20.4	19.8	4.9	3.8	18.7
Thereof Other Applications	91.0	97.8	99.6	27.0	23.5	96.1
Total net sales	**389.0**	**419.9**	**425.2**	**110.2**	**107.1**	**422.1**

RISK FACTORS

Any investment in the Notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this Offering Circular before deciding whether to purchase the Notes. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements, and our actual results may differ materially from those discussed in these forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Business

If there are new entrants in the hip joint implant market, the level of competition for our key customers and for us may increase in the future and our profitability may be impacted.

The majority of our EBITDA is derived from sales of our ceramic components for hip implant systems. In addition, a significant part of our growth in net sales and EBITDA in recent years has been due to growth in our Medical Applications business. Because the market for hip joint implants is growing steadily and due to high profit margins in this market, new competitors may aim to enter this market. We currently have a strong market position in ceramic components for hip replacements because our BIOLOX® ball heads and cup inserts are the only HPC components included in FDA approved ceramic-on-ceramic hip-joint implant systems in the United States. However, if manufacturers of hip implants which do not use our ceramic components received FDA approval and/or gained a significant market share in the U.S., Europe, Asia or elsewhere, we would lose market share. Additionally, our existing customers might develop new hip implants using existing or new competitors' products instead of our ceramic ball heads and cup inserts. As a consequence, we might be faced with price pressure which could result in lower net sales and could particularly impact our margins in Medical Applications and for our Group overall. As a result, our results of operations, financial condition and cash flows could be materially and adversely affected.

We do not have long-term contractual arrangements with some of our largest customers and while our business is characterized by long-term relationships with customers, our business and reputation could be adversely affected if we are unable to retain existing customers or attract new ones.

While we have a large and diverse customer base with more than 4,300 customers in 2012, we also have a variety of larger customers that contribute a significant share of our total net sales, in particular in Medical Applications. With some of our customers, we have short-term contracts that will soon expire if not automatically renewed. Although we have decades-long relationships with many of our key customers, they are often commercial relationships rather than contractual ones. Our biggest customer accounted for about 7% of total net sales in 2012, while our top ten customer base generated about 38% of total net sales. The loss of any of our large customers could have a material adverse effect on our results of operations, financial condition and cash flows.

We believe that our customers are increasingly looking for strong, long-term relationships with a few key suppliers that help them improve product performance, reduce costs, or support new product development. This is largely due to our customers' needs for tailored products that very often require joint development efforts. Once we have developed a customized product with and for a customer, our product may last for a long time. Even in cases where we co-develop a product with a customer, it will be for one application only. If our customer develops or upgrades a product or process, we need to offer a newly tailored product meeting our customers' new specifications. We may need to invest and spend more on research and development and marketing costs to strengthen existing customer relationships as well as attract new customers. If our key competitors are able to innovate faster, spend more on R&D, or generally develop technology for ceramic products more cost effectively or with a higher quality, our customers may opt to work with our competitors instead of us. Inability to keep key customers and failure to attract new customers due to a perceived lack of innovation could affect our reputation which would further reduce our ability to compete.

We believe that product quality, product specifications, innovation and customer service are key competitive factors for our business. If we are unable to develop, produce or market our products effectively to our existing or new customers, we may lose key customers or fail to acquire new customers. As a result, our results of operations, financial condition and cash flows could be materially and adversely affected.

Some of our manufacturing processes and facilities and medical customers are subject to regulation by the FDA, the European Medicines Agency or other foreign agencies. These requirements could adversely affect our results of operations.

Regulatory requirements for our medical products are complex and far reaching. Any failure to comply with them could subject us and/or our customers to fines, injunctions, civil penalties, lawsuits, recall or seizure of products, total or partial suspension of production, denial of government approvals, withdrawal of marketing approvals and criminal prosecution. Any of these actions could adversely impact our net sales, undermine goodwill established with our customers, damage commercial prospects for our products and materially and adversely affect our results of operations.

In the United States, the manufacture and supply of our ceramic ball head and cup insert components for hip joint prostheses systems is subject to the FDA's Quality System Regulation, which imposes current Good Manufacturing Practice requirements on the manufacture of medical devices. While we have successfully passed FDA audits and audits by our customers in the past, there can be no assurance that we will continue to do so in the future. In addition, our medical device customers to whom we supply our ceramic ball head and cup insert components are subject to FDA regulation, including premarket approval of their products and post market compliance requirements.

We are also impacted by European regulations in relation to our hip joint prostheses components which requires our customers to affix the CE conformity mark to their medical devices verifying that the products meet EU safety, health or environmental requirements. Unless our customer undergoes a conformity assessment procedure, it does not have the right to carry the CE mark. Without the CE mark, the customers' product cannot be commercialized in the EEA. In Europe, the relevant regulations are monitored by the European Medicines Agency ("**EMA**").

The FDA may take three years or longer to grant premarket approval of our customers' new products, if at all and European approval processes are equally challenging and time consuming. Further, our competitors may seek pre-market approval for products that compete with our ceramic hip components. At any time, our customers' total hip prostheses systems may be withdrawn from the market either voluntarily by our customers or as a result of the FDA's, EMA's or a foreign equivalent's withdrawal of marketing approval or removal of such products for a number of reasons including safety, current Good Manufacturing Practice or Quality System Regulation problems with our products or our customers' final products. For example, a customer initiated a voluntary recall in January 2008 of its hip implant system. Any such regulatory action could significantly impact our net sales and may have a material adverse effect on our financial position and results of operations.

If we fail to obtain and maintain necessary governmental approvals for our products, we may be unable to market and sell our products in certain jurisdictions.

Medical components such as ours and the hip implants of our customers are extensively regulated by the FDA in the U.S. and by other federal, state, local and foreign authorities. Specifically in the U.S., our customers' hip implant systems have obtained premarket approval ("**PMA**") or premarket clearance (commonly referred to as the 510(k) process) from the FDA. Governmental regulations relate to the testing, development, manufacturing, labeling, design, sale, promotion, distribution, importing, exporting and shipping of our products. We cannot assure you that any regulatory clearances or approvals, either foreign or domestic, will be granted for our key medical customers' new products that include our ceramic components on a timely basis, if at all. If our key medical customers are unable to obtain regulatory approvals or clearances for use of their products or our key customers' products under development, the commercial success of these products could be limited. Regulators may also limit the claims that we or our customers can make about our products.

Approval processes differ in the United States, Europe, Asia and other jurisdictions and the approval in the U.S. or any other single jurisdiction does not guarantee approval in any other jurisdiction. Obtaining foreign approvals ourselves or together with our customers could involve significant delays, difficulties and costs for us, respectively for our customers, and could require additional clinical trials for new hip implant systems or other medical products.

If the FDA or any other regulatory authority does not provide approval or clearance for our customers' products, due to deficiencies of our products or any other component used in our customers' products, our customers may no longer be able to market their products in the U.S. or may even choose to switch to another supplier of ceramic hip implant components. As a result, our results of operations, financial condition and cash flows could be materially and adversely affected.

We and our customers are required to pass inspections and comply with applicable regulatory requirements in order for our customers to continue to sell their hip implant systems. Any failure to pass an inspection or to comply with regulatory requirements could adversely impact our operations through a recall or seizure of products, an issuance of warning letters and operating restrictions or the suspension or revocation of the authority necessary for the production or sale of a hip implant system. Any one of these adverse events, even if it did not involve our products directly, could result in a material adverse affect on our results of operations, financial condition and cash flows.

Changes in health care reimbursement systems in the U.S. and elsewhere could reduce our revenues and profitability. If third-party payers fail to provide current levels of reimbursement for the purchase and use of the hip implant systems of our customers, our sales and profitability in Medical Applications would be adversely affected.

Sales of medical devices largely depend on the reimbursement of patients' medical expenses by government health care programs and private health insurers. Without the financial support of government reimbursement or third-party insurers' payments for patient care, the market for our medical customers' products, and in turn, our products, will be limited. The U.S. federal government is considering ways to change, and has changed, the manner in which healthcare services are provided and paid for in the U.S., particularly in connection with the Patient Protection and Affordable Care Act signed into law in 2010. U.S. States may also enact legislation that impacts Medicaid payments to hospitals and physicians. In addition, the Centers for Medicare & Medicaid Services, the Federal agency responsible for administering the Medicare program, establishes payment levels for hospitals and physicians on an annual basis, which can increase or decrease payment to such entities. Internationally, medical reimbursement systems vary significantly from country to country, with some countries limiting medical centers' spending through fixed budgets, regardless of levels of patient treatment, and other countries requiring application for, and approval of, government or third-party reimbursement. Uncertainties regarding future healthcare policy, legislation and regulation, as well as private market practices, could affect our customers' ability to sell their hip implant system in commercially acceptable quantities at profitable prices and therefore could also impact our sales growth and margins.

Due to the nature of our business and products, we may be liable for damages arising out of product liability claims.

The sale of our products involves the risk of product liability claims. The Target has been named as a defendant in numerous product liability lawsuits in Europe, substantially all of which allege various claims against our ceramic hip joint components and, in the past, we were named in lawsuits in the United States relating to broken artificial hip joints.

In addition many of our products are integrated into our customers' products, and we may be requested to participate in or share in the costs of a product recall conducted by a customer. For example, we supply products to customers in the automotive industry. In the event one of these customers conducts a product recall that it believes is related to one of our products, we may be asked to participate in or fund in whole or in part such a recall. Our customers often require us to represent that our products conform to certain product specifications provided by our customers. Any failure to comply with such specifications could result in claims or legal action against us.

We are unable to estimate our exposure, if any, to the above-mentioned lawsuits at this time. While we do not believe we have any material liability associated with our current litigation and that our provisions for the lawsuits will be sufficient, there can be no assurance that we will not be exposed to material liability. We may be subject to future claims with regard to these suits or others like them and we may not be able to avoid significant product liability exposure. While we maintain insurance against product liability claims, this insurance is limited to €700 million and there can be no assurance that a claim will be covered. A successful product liability claim or series of claims against us for which we are not otherwise indemnified or insured could materially increase our operating costs or prevent us from satisfying our financial obligations. We may not have sufficient cash flow from operations or assets to pay a judgment resulting from a product liability claim or product recall, if any, for which there is inadequate insurance coverage. Any such judgment or product recall could materially increase our operating costs or prevent us from satisfying our financial obligations and materially adversely affect our results of operations, financial condition and cash flows. Additionally, lawsuits relating to alleged deficiencies in our medical products, specifically our ceramic hip replacement components, could materially impact our reputation as a manufacturer of high-quality ceramic components and could lead to the loss of our customers' FDA approval for hip implants that include our ceramic components and the loss of other regulatory approvals and could prevent or delay approvals for future products that include our ceramic components. As a result, our results of operations, financial condition and cash flows could be materially and adversely affected.

Our business performance is impacted by global economic conditions, specifically in Europe (including Germany), and, by conditions in the end markets we serve, specifically the automotive, electronics and construction industries.

With the exception of our Medical Applications, our business units are generally significantly affected by changes in the overall global economy and, in particular, economic conditions in Europe (including Germany) which accounted for 74.8% of our net sales in 2012, with Germany accounting for 30.7% of our net sales in 2012. By end market, our business is specifically dependent on the economic cycles in the automotive, electronics and construction industries. After a significant downturn in 2008 and 2009, when the global and European economy experienced widespread recessionary conditions, record levels of unemployment and significant distress of financial institutions, economic conditions improved in 2010 and 2011. In 2012, the global economy began to slow down again with many European countries' economies contracting or registering stagnating GDP growth rates. While economic conditions improved gradually in the first half of 2013, the global economy and particularly European economies remain weak.

The automotive, electronics and other industrial end markets we serve are cyclical, and both general macroeconomic and other factors beyond our control could reduce demand from any one of these markets for our products. Demand for our products is significantly affected by the business success of our OEM customers as well as end users that purchase products from those OEM customers. For example, weak economic conditions could depress new car sales, negatively impacting our automotive customers, thereby reducing demand for our ceramic components in automobiles and engines. Similarly, reduced global economic activity could hinder global industrial output, which could decrease demand for our ceramic cutting tools and textile components. General economic or industry-specific downturns could have a material adverse effect on our results of operations, financial condition and cash flows.

If we are not able to continue our technological innovation and successful commercial introduction of new products, our profitability could be adversely affected.

The industries and the end markets into which we sell our products experience rapid technological change and product improvement. Manufacturers in the high performance ceramics business periodically introduce new generations of products or require new technological capacity to develop customized products. Our products could become obsolete sooner than we expect. For example, an alternative treatment to hip joint replacement for osteoporosis patients could be developed. In the past several years a substantial part of our net sales were driven by components which were newly introduced to the market or modified for new customers. The contribution of these products that were either newly developed and introduced, materially modified existing products or products modified for sale to a new customer less than five years before the relevant period contributed approximately 30% of our total net sales in the last three fiscal years.

Our future growth will depend on our ability to gauge the direction of the commercial and technological progress in all our key end markets and upon our ability to fund and successfully develop, manufacture and market products for our OEM customers who compete in such changing end markets. We will have to continue to effectively identify, develop, market and in certain cases, secure regulatory approval for, innovative products on a timely basis to replace or enhance existing products. Because of the lengthy and costly development process, technological challenges and intense competition, we cannot assure you that any of the products and/or technology we are currently developing, or could begin to develop in the future, either alone or with third parties, will achieve substantial commercial success.

If we fail to keep pace with the evolving technological innovations in our end markets on a competitive basis, our results of operations, financial condition and cash flows could be materially and adversely affected.

We are subject to intense competitive pressures in several of our end markets.

We operate in the fragmented and competitive industry with many players in niche applications. We face substantial competition from our primary competitors, but also from many other international, national, regional and local competitors of various sizes. Competition is particularly intense in the automotive and several niche industrial end markets where product-oriented competition is acute. Various competitors such as 3M Company or Kyocera are larger than us and have greater financial resources. Other competitors are smaller and may be able to offer more specialized products.

As such, we face substantial risk that certain events, including new product development by our competitors, changing customer needs, production advances for competing products, price changes in raw materials or the replacement of ceramic products with products made from different materials could result in declining demand for our products and reduce our market shares as our customers switch to our competitors' products or undertake to manufacture such products on their own. Our failure to effectively compete or increased use of substitutes for HPC products could result in a material adverse effect on our results of operations, financial condition and cash flows.

As a global business, we are exposed to local business risks in different countries.

We have significant operations in many countries, including manufacturing facilities, research and development facilities, sales personnel and customer support operations. Currently, we operate facilities in countries such as Germany, the United States, Brazil, China, Czech Republic, Malaysia, Mexico, Poland, South Korea, and the United Kingdom. CeramTec's products are also distributed, directly or indirectly, in more than 65 countries. Our operations are affected directly and indirectly by global regulatory, economic and political conditions. Thus, we are exposed to a range of factors that we cannot easily influence and that could have an impact on our business activities in these countries. These factors include the following:

- political, social, economic, financial and market instability and volatility;
- foreign currency control provisions and foreign currency exchange volatility;
- trade regulations affecting production, pricing and marketing of products;
- inadequately developed and inconsistent legal and administrative systems, which can lead, for example, to the inadequate protection of intellectual property rights or can jeopardize the enforcement of receivables and other claims;
- burdensome taxes and tariffs and other trade barriers;
- managing and obtaining support and distribution for local operations;
- increased costs of, and availability of raw materials, transportation or shipping;
- credit risk and financial conditions of local customers and distributors;
- increased fraud and political corruption; and
- the risk that regulations will become less favorable to our business.

In addition, our facilities may be targets of terrorist activities that could result in full or partial disruption of the activities of such facilities. We may not succeed in developing and implementing policies and strategies to counter the foregoing factors effectively in each location where we do business. Our failure to do so could limit our ability to sell products, compete or receive payments for products sold in such locations. As a result, the foregoing risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Price increases or interruptions in the supply of raw materials could have a significant impact on our ability to sustain and grow earnings.

Our manufacturing processes consume significant amounts of raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond our control. All raw material costs constituted about one third of our cost of products sold. We are dependent on a large variety of raw materials sourced from different suppliers. We generally purchase raw materials based on supply agreements linked to market prices and therefore our results of operations are subject to short-term fluctuations in raw materials prices. For example, in 2012 we experienced a 10% price increase for zirconium-oxide and a 4% price decrease for lead(II)-oxide. These fluctuations limit our ability to accurately forecast future raw material costs and hence our profitability. Although we keep additional safety stock for any single-sourced raw material, there is no guarantee that our stock will be sufficient in the case of supply chain disruption. Our ability to increase the prices of our products to pass-on any increases in raw materials costs to our customers is dependent upon our contractual arrangements and economic conditions. If we are not able to fully offset the effects of higher raw materials costs, our financial results could deteriorate. In addition to the risks associated with raw materials price increases, supplier capacity constraints, supplier production disruptions or the unavailability of certain raw materials could result in short-term supply imbalances that may have a material adverse effect on our results of operations, financial condition or cash flows.

Fluctuations in energy costs could have an adverse effect on our results of operations.

Energy purchases in 2012 constituted approximately 6% of our cost of products sold. Fluctuations in the price of energy limit our ability to accurately forecast future energy costs and consequently our profitability. For example, natural gas prices were volatile and increased in 2012 in Europe. Rising energy costs may increase our raw material costs and negatively impact our customers and the demand for their products. These risks will be heightened if our customers or production facilities are in locations experiencing severe energy shortages. If energy prices fluctuate significantly, or we experience severe energy shortages, our business or results of operations may be adversely affected.

Unexpected failures and our complex manufacturing process may lead to production curtailment or shutdowns.

Interruption in our production capabilities will inevitably increase our production costs and reduce our sales and earnings for the affected period. In addition to periodic equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions or violent weather condition. Although we have not experienced any material shutdowns or periods of reduced production as a result of such equipment failures in the recent past, there can be no guarantee that we will not experience them in the future. Moreover, any interruption in production capability may require us to make significant capital expenditures to remedy the problem, which could have a negative effect on our profitability and cash flows. We may sustain a loss in net sales in excess of any recoveries we make under our business interruption insurance coverage. In addition to such net sales losses, longer-term business disruption could result in a loss of customers, which could have a material adverse effect on our results of operations, financial condition or cash flows.

The insurance we maintain may not fully cover all potential exposures.

Historically, our insurance coverage was provided as part of Rockwood's insurance program. After the Acquisition, we will maintain our own product liability, property, business interruption and casualty insurance, but such insurance may not cover all risks associated with the operation of our business and may not be sufficient to offset the costs of any losses, lost sales or increased costs experienced during business interruptions. For some risks, we may not obtain insurance if we believe the cost of available insurance is excessive related to the risks presented. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance policies may become unavailable or available only for reduced amounts of coverage. As a result, we may not be able to renew our insurance policies or procure other desirable insurance on commercially reasonable terms, if at all. Losses and liabilities from uninsured or underinsured events and delay in the payment of insurance proceeds could have a material adverse effect on our financial condition and results of operations.

Unless we maintain operational efficiency and manufacturing quality, our future profitability could be adversely affected.

HPC products involve highly complex processes and require precise, high-quality manufacturing. A significant portion of our products is subject to intense end use conditions and high performance requirements, such as high temperatures, wear and corrosion. Achieving precision and quality control requires skill and diligence by our personnel. We continuously modify operational processes in an effort to improve efficiency, performance and production yields. Defects or other difficulties in the manufacturing process can lower yields. Our operational efficiency will be an important factor in our future profitability, and we may be unable to maintain or increase our efficiency level to the same extent as our competitors or cost-effectively manufacture in accordance with necessary quality standards, which will materially adversely affect our results of operations, financial condition and cash flows.

Compliance with extensive environmental, health and safety laws could require material expenditures or changes in our operations.

Our operations are subject to extensive environmental, health and safety laws and regulations at national, international and local levels in numerous jurisdictions. In addition, our production facilities and a number of our distribution centers require operating permits that are subject to renewal. The nature of our industry exposes us to risks of liability under these laws and regulations due to the production, storage, transportation, disposal and sale of materials that can cause contamination or personal injury if released into the environment. In 2012, our capital expenditures for safety, health and environmental matters were €4.0 million, excluding costs to maintain and repair pollution control equipment. For 2013, we estimate capital expenditures for compliance with safety, health and environmental laws to be at similar levels.

Compliance with environmental laws such as the *Bundesimmissionsschutzgesetz* and *Wasserschutzgesetz* generally increases the costs of manufacturing, the cost of registration/ approval requirements, the costs of transportation and storage of raw materials and finished products, as well as the costs of the storage and disposal of wastes, and could have a material adverse effect on our results of operations. We may incur substantial costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations, for violations arising under these laws or permit requirements as well as in connection with subsequent orders, the withdrawal or revocation of permits and the renewal of permits. Furthermore, environmental laws are subject to change and have tended to become stricter over time. This is particularly the case with regard to changes in connection with the Industry Emissions Directive (Directive 2010/75/EU) and subsequent national legislation by EU member states transforming this directive which imposes additional and stricter obligations such as further specified basic obligations, notification obligations of the installation operator and stricter emission thresholds. Such changes in environmental laws or their interpretation, or the enactment of new environmental laws, could result in materially increased capital expenditures and compliance costs.

In addition, the discovery of contamination arising from historical industrial operations at some of our former and present properties has exposed us, and in the future may continue to expose us, to cleanup obligations and other damages. For example, soil and groundwater contamination is known to exist at two of our current and past facilities. As of December 31, 2012, we have provisions set up for environmental damages in the amount of €0.6 million for the current production facilities in Germany (Plochingen and Marktredwitz) and for a former production facility in the United States (Middletown). There can be no assurance that these provisions will be sufficient to fund our portion of any clean-up costs.

We may have only limited protection for our intellectual property and know-how and if it were copied by competitors, or if they were to develop similar intellectual property independently, our results of operations could be negatively affected.

Our success depends significantly upon our ability to protect and preserve our intellectual property rights and technological know-how and expertise. Though we have a large number of patents, we rely most heavily on our manufacturing expertise as a barrier to entry which is not a legally protected right. We conduct research and development activities with third parties and co-develop certain intellectual property The confidentiality and patent assignment agreements with our employees and third parties to protect the confidentiality, ownership and use of intellectual property may be breached, may not be enforceable, or may provide for joint ownership or ownership by a third party. In addition, we may not have adequate remedies for a breach by the other party, which could adversely affect our intellectual property rights. The use of our intellectual property rights or intellectual property similar to ours by others or our failure to protect such rights could reduce or eliminate any competitive advantage we have developed, adversely affecting our net sales. The steps we take to protect our intellectual property, including patents, proprietary technology and trademarks, may not be successful and may be challenged by third parties. If we must sue to protect, defend or enforce our intellectual property rights, any suits or proceedings could result in significant costs and diversion of company resources and management attention, and we may not prevail in such action. In addition, a failure to obtain and defend our trademark registrations may impede our marketing and branding efforts and competitive position. Our inability to protect our intellectual property rights could have a material adverse effect on our competitive advantage or our ability to create innovative solutions for our customers, which will adversely affect our net sales and our relationships with our customers. As a result, our results of operations, financial condition and cash flows may be materially adversely affected.

If we are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in any litigation would harm our business.

We cannot assure you that our activities will not, unintentionally or otherwise, infringe on the patents or other intellectual property rights owned by others. While intellectual property litigation is not prevalent in most of our end markets presently due to the niche nature of the applications and products, as competition increases, such as in the medical end market, the niche markets in which we operate may become IP-protected markets. We may spend significant time and effort and incur significant litigation costs if we are required to defend ourselves against intellectual property rights claims brought against us, regardless of whether the claims have merit. We may also be required to cease development, use or sale of the relevant products or processes, or we may be required to obtain a license on the disputed rights, which may not be available on commercially reasonable terms, if at all. If we are found to have infringed on the patents or other intellectual property rights of others, we may be subject to substantial claims for damages, which could materially adversely affect our results of operations, financial condition and cash flows.

If we lose certain key personnel or are unable to hire additional personnel, we may not be able to execute our business strategy.

Our success depends, in part, upon the continued services of our management team and other key personnel involved in research, production, sales and distribution. Although we believe that we are adequately staffed in key positions and that we will be successful in retaining key personnel, we may not be able to retain such personnel on acceptable terms. Furthermore, if we lose the service of any executive officers or key employees, we may not be able to execute our business strategy. There is no guarantee that we will be successful in retaining these executives and employees in key positions or in attracting new employees with corresponding qualifications.

Defects resulting from outsourcing processes can adversely affect our production yields and operating results.

We ordinarily outsource certain production steps, often to sole source suppliers or a limited number of suppliers. Several suppliers have manufacturing processes which are very complex and require a long lead-time. Occasional delays may affect our ability to obtain products. Our production of these products will also be materially and adversely affected if the outsourced production is unreliable, late or of inferior quality. In addition, any reduction in the precision of these products will cause delays and interruptions in our production cycle.

Within our manufacturing facilities, minute impurities, difficulties in the production process or other factors can cause a substantial percentage of our products to be rejected or be non-functional. This can result in unexpectedly low production yields and increased scrap rates, which delay product shipments and may materially adversely affect our results of operations, financial condition and cash flows. Because the majority of our manufacturing costs are relatively fixed, production yield and capacity utilization rate are critical to our consolidated results of operations, financial condition and cash flows. For example, we have only two plants that produce components for our Medical Applications business and capacity utilization or production yield problems at either plant may significantly impact our results of operation.

We could face labor disputes with our employees, which would disrupt our business.

As of March 31, 2013, we had approximately 3,100 employees worldwide, consisting of sales, technical, manufacturing, operations, supply chain and customer service personnel. This figure is exclusive of contract labor (*Leiharbeiter*) of which there are about 50 workers. Most of our 2,100 employees (as of March 31, 2013) in Germany are covered by labor agreements, including work councils and a substantial number of our employees globally are also covered by labor agreements, including works councils. In the future, we may be subject to potential union campaigns, work stoppages, union negotiations and other potential labor disputes. Additionally, future negotiations with unions or works councils in connection with existing labor agreements may (i) result in significant increases in our cost of labor, (ii) divert management's attention away from operating our business or (iii) break down and disrupt operations. Further, we may be subject to work stoppages at our suppliers or customers that are beyond our control. Any of the preceding outcomes could impair our ability to manufacture products and result in increased costs and adversely affect our results or operations, financial condition and cash flow.

Our failure to comply with the anti-corruption laws of the United States and various international jurisdictions could negatively impact our reputation and results of operations.

Doing business on a worldwide basis requires us to comply with international, EU, U.S. and other national and local laws, and our failure to successfully comply with these rules and regulations may expose us to liabilities. These laws and regulations apply to companies, individual directors, officers, employees and agents, and may restrict our operations, trade practices, investment decisions and partnering activities. In particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act ("**FCPA**"), as well as anti-corruption laws of the various jurisdictions in which we operate. The FCPA and other laws prohibit us and our officers, directors, employees and agents acting on our behalf from offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. As part of our business, we deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA. We are subject to the jurisdiction of various governments and regulatory agencies outside of the United States, which may bring our personnel into contact with foreign officials responsible for issuing or renewing permits, licenses or approvals or for enforcing other governmental regulations. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption. Our global operations expose us to the risk of violating, or being accused of violating, the foregoing or other anti-corruption laws. Such violations could be punishable by criminal fines, imprisonment, civil penalties, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures. Investigations of alleged violations can be very expensive and disruptive. Although we have historically maintained Rockwood's policies and procedures to comply with anti-corruption laws, we intend to implement policies and procedures for us as a free standing company outside of the Rockwood structure. There can be no guarantee that these policies and procedures that we adopt will effectively prevent violations by our employees or representatives in the future.

Our international operations require us to comply with anti-terrorism laws and regulations and applicable trade embargoes and export controls.

We are subject to trade and economic sanctions laws and other restrictions on exports and international trade. The United States and other governments and their agencies impose sanctions and embargoes on certain countries, their governments, and designated parties. In the United States, the economic and trade sanctions programs are principally administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"). Currently, OFAC maintains comprehensive trade and economic sanctions against countries such as Cuba, Iran, Sudan and Syria. In addition, OFAC has targeted sanctions against North Korea and the U.S. Commerce Department has trade sanctions against North Korea. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, financial condition and results of operations. Rockwood has historically maintained policies and procedures relating to trade with potentially sensitive countries, including the countries identified above, while our SAP system also monitors compliance with export control laws. Although we plan to implement similar policies as a standalone company, we cannot assure you that such policies will effectively prevent violations in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. In Industrial Applications we also manufacture certain products for the defense industry which are subject to regulation by the U.S. Department of State under its International Traffic in Arms regulations (ITAR) as well as European and other equivalent arms control regulations. Sanctions, trade restrictions and export controls particularly focus on such defense related products, which are subject to the ITAR and other arms control regulations. If our defense related products were found to be directly or indirectly exported to countries which are subject to trade restrictions and sanctions, or exported to any destination without required ITAR licenses, we may be subject to civil or criminal penalties and other costs and measures and could lose key customer relationships in the defense industry.

We cannot predict the nature, scope or effect of future regulatory requirements to which our international sales and manufacturing operations might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries in which some of our products may be manufactured or sold, or could restrict our access to, or increase the cost of obtaining, products from foreign sources. The occurrence of any of the foregoing could have a material adverse effect on our results of operations, financial condition and cash flows.

Further disruptions in Europe and a break-up of the eurozone could adversely affect our sales, profitability and/or liquidity.

The ongoing deterioration of the sovereign debt of several European countries, including Greece, Italy, Cyprus, Ireland, Spain and Portugal, together with the risk of contagion to more stable countries, has exacerbated the global economic crisis. This situation has raised a number of uncertainties regarding the stability of the eurozone. Concerns persist regarding the debt burden of certain eurozone countries and their ability to meet future financial obligations and the overall stability of the Euro. As a result, the eurozone has seen an increase in credit spreads, together with reduced liquidity and access to financing. These negative trends caused considerable turbulence in the global financial and credit markets. The growing risk that other eurozone countries could be subject to an increase in borrowing costs and face an economic crisis similar to that of Greece, Italy, Cyprus, Ireland, Spain and Portugal, together with the risk that some countries could leave the eurozone (either voluntarily or involuntarily), could have a negative impact on our activities in Europe (including Germany) which accounted for 74.8% of our net sales in 2012, and, to the extent such developments have a broader impact on the world economy and global credit conditions, on our business in other markets. In particular, should Germany which accounted for 30.7% of our net sales in 2012 begin using a new currency other than the Euro and should that currency then appreciate against other currencies and should we adopt the German currency as our group currency, this could affect our financial results with respect to the conversion of non-German currency countries.

Our results of operations and financial condition could be adversely impacted by business disruptions, security threats and security breaches.

Business disruptions, including supply disruptions, increasing costs for energy, temporary plant and/or power outages and information technology system and network disruptions could harm our operations as well as the operations of our customers, distributors or suppliers. Like many other multinational organizations, we face security threats and risks of security breaches to our facilities, data and information technology infrastructure. Although it is impossible to predict the occurrence or consequences of business disruptions, security threats or security breaches, they could result in reduced demand for our products, make it difficult or impossible for us to deliver products to our customers or distributors or to receive raw materials from suppliers, and create delays and inefficiencies in our supply chain. Further, while we have designed and implemented internal controls to restrict access to and distribution of our intellectual property, it is still vulnerable to unauthorized access through cyber-attacks, theft and other security breaches.

In addition, our business is subject to complex and evolving European, U.S. and other foreign laws and regulations regarding privacy, data protection and other matters. We could be liable for loss or misuse of our customers' personal information and/or our employee's personally-identifiable information if we fail to prevent or mitigate such misuse or breach. Although we have developed systems and processes that are designed to protect customer and employee information and prevent misuse of such information and other security breaches, failure to prevent or mitigate such misuse or breaches may affect our reputation and operating results negatively and may require significant management time and attention.

We may engage in acquisitions and divestitures, and may encounter difficulties integrating acquired businesses with, or disposing of divested businesses from, our current operations; therefore, we may not realize the anticipated benefits of these acquisitions and divestitures.

We may seek to grow through strategic acquisitions such as our acquisition of Emil Müller GmbH in 2007 and CeramTec-ETEC GmbH in 2008. Our due diligence reviews of our acquisition targets may not identify all of the material issues necessary to accurately estimate the cost or potential loss contingencies with respect to a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. We may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities. We also may encounter difficulties in integrating acquisitions with our operations, applying our internal controls processes to these acquisitions or in managing strategic investments. Additionally, we may not achieve the benefits we anticipate when we first enter into a transaction in the amount or timeframe anticipated. Any of the foregoing could adversely affect our business and results of operations. In addition, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to experience greater earnings volatility and generally lower earnings during periods in which we acquire new businesses. Furthermore, we may make strategic divestitures from time to time. These divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, following the Transactions. Under these arrangements, nonperformance by those divested businesses could result in financial obligations imposed upon us and could affect our future financial results.

An economic downturn, a recession or market disruption in the capital and credit markets may adversely impact the value of our pension plan assets.

We have pension plan assets located in Germany and elsewhere. Our funding obligations could change significantly based on the investment performance of the pension plan assets and changes in actuarial assumptions for local statutory funding valuations. Any deterioration of the capital markets or returns available in such markets may negatively impact our pension plan assets and increase our funding obligations for one or more of these plans and negatively impact our liquidity. We cannot predict the impact of this or any further market disruption on our pension funding obligations.

If we are required to make unexpected payments to any pension plans applicable to our employees, our financial condition may be adversely affected.

Many of our current and former employees participate or participated in defined benefit pension plans and we expect to assume certain liabilities in relation to these plans. A few of these plans are unfunded and the liabilities in relation to these plans will need to be satisfied as they mature from our operating reserves. In particular, in connection with the Acquisition, we will assume certain foreign underfunded and unfunded pension liabilities from Rockwood. In jurisdictions where the defined benefit pension plans are intended to be funded with assets in a trust or other funding vehicle, we expect that the liabilities will exceed the corresponding assets in each of the plans. Various factors, such as changes in actuarial estimates and assumptions (including in relation to life expectancy, discount rates and rate of return on assets) as well as actual return on assets, can increase the expenses and liabilities of the defined benefit pension plans. The assets and liabilities of the plans must be valued from time to time under applicable funding rules and as a result we may be required to increase the cash payments we make in relation to these defined benefit pension plans.

We could also be required in some jurisdictions, as a result of the Acquisition or at any time in the future, to make accelerated payments up to the full buy-out deficit in our defined benefit pension plans, which would likely be far higher than the normal ongoing funding cost of the plans. To the extent that we are required to (i) make any additional payments to any relevant defined benefit pension plans in excess of the amounts assumed in our current projections and assumptions or (ii) report higher pension plan expenses under relevant accounting rules, our results of operations, financial condition and cash flows may be materially adversely affected.

Risks Related to the Transactions

The Acquisition is subject to significant uncertainties and risks.

On June 15, 2013, German Bidco entered into a sale and purchase agreement pursuant to which it will acquire from Rockwood and its affiliates all shares in CeramTec as well as, directly and indirectly, all shares in certain affiliated entities, including PST Press + Sintertechnik Sp. Z o.o., Press and Sinter Technics de Mexico, S.A. de C.V. and CeramTec North America Corporation, and thereby all their directly and indirectly-owned subsidiaries and affiliates. The consummation of the Acquisition is subject to satisfaction of certain conditions, including regulatory approval of the Acquisition by the European Commission, submission of a written notice to and clearance by the Committee on Foreign Investment in the United States and clearance by the German Federal Ministry of Economic Affairs and Technology. We will not consummate the Acquisition until the clearance process is complete. In addition, these regulatory bodies may choose to prevent the Acquisition from taking place. Alternatively, any of them may permit the Acquisition but demand that German Bidco and CeramTec implement remedies. Accordingly, we may not be permitted to undertake the Acquisition in a timely fashion, without remedies, or at all. Any such remedies may make the Acquisition less attractive.

The Issuer does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until completion of the Acquisition.

The Target and its subsidiaries are currently controlled by Rockwood. German Bidco will not obtain control of the Target and its subsidiaries until completion of the Acquisition. We cannot assure you that Rockwood will operate the business of the Target during the interim period in the same way that we would. The information contained in this Offering Circular has been derived from public sources and, in the case of historical information relating to the Target and its subsidiaries, has been provided to us by Rockwood, the Target and its subsidiaries, and we have relied on such information supplied to us in its preparation. Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention.

In addition, prior to the Closing Date, neither the Target nor any of its subsidiaries will be subject to the covenants described in "*Description of Notes*" to be included in the Indenture. As such, we cannot assure you that, prior to such date, the Target or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

If we do not satisfy the conditions precedent for utilization of our new Senior Secured Credit Facilities, we may be required to seek alternative sources of financing for the Acquisition.

While we will enter into the Senior Secured Credit Agreement and material documents related thereto (including the Intercreditor Agreement) on or prior to the Closing Date, there can be no assurance that we will satisfy the conditions precedent to utilization of the credit facilities made available under the Senior Secured Credit Agreement. If we do not meet the conditions precedent to utilization of our new Senior Secured Credit Facilities, we will need to seek alternative sources of financing to finance the Acquisition. We may be unable to find such alternative financing, and even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. Any alternative financing could be at higher interest rates and may require us to comply with more onerous covenants, restricting our business operations. This could make it difficult for us to implement our strategy and pay back the Notes.

We may not be able to enforce the tax indemnity as well as representations and warranties provided to us, and we are exposed to the credit risk of the Sellers under the Acquisition Agreement, in particular Rockwood Specialties Group GmbH.

In connection with the Acquisition, the Sellers under the Acquisition Agreement, being indirect subsidiaries of Rockwood Holdings Inc., have provided us with certain representations and warranties, subject to certain limitations, and agreed to indemnify us, subject to certain limitations, for certain tax liabilities. Nonetheless, third parties could seek to hold us responsible for any of these liabilities, and there can be no assurance that we will be able to enforce our claims under the indemnities against the sellers under the Acquisition Agreement. Moreover, even if we ultimately succeed in recovering any amounts for which we are held liable from the sellers under the Acquisition Agreement, we may temporarily be required to bear these losses ourselves. In addition, our ability to enforce our claims under the indemnities against the Sellers under the Acquisition Agreement is dependent on their creditworthiness, in particular that of Rockwood Specialties Group GmbH, at the time we seek to enforce our claims, and there can be no assurances regarding the financial condition of those entities in the future. Moreover, the representations and warranties and the tax indemnity from the Sellers under the Acquisition Agreement are subject to significant financial and other caps and limitations.

CeramTec may have liabilities that are not known to us.

As part of the Acquisition, we will assume all liabilities of CeramTec, including certain pension liabilities, and have agreed to indemnify the sellers under the Acquisition Agreement for certain liabilities. There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into CeramTec. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations. We may learn additional information about CeramTec that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

The Acquisition will entitle certain customers of CeramTec to terminate their agreements as a result of change of control provisions.

The Acquisition will constitute a change of control under agreements of CeramTec with certain of its existing customers and will entitle these customers to terminate their agreements with us. We cannot exclude the possibility that some of these customers may exercise their termination rights, which could have an adverse effect on our revenues following the Acquisition. Moreover, the Acquisition may cause some of our existing customers to reassess their relationship with us or to conclude they are overly reliant on us as a supplier. In such circumstances, our customers may engage our competitors or facilitate the emergence of new suppliers to diversify their sourcing options.

We may need to recognize impairment charges related to goodwill, identified intangible assets and fixed assets.

We expect to have substantial balances of goodwill and identified intangible assets as a result of the Transactions. We are required to test goodwill and any other intangible asset with an indefinite life for possible impairment on the same date each year and on an interim basis if there are indicators of a possible impairment. We are also required to evaluate amortizable intangible assets and fixed assets for impairment if there are indicators of a possible impairment.

There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets and fixed assets. If, as a result of a general economic slowdown, deterioration in one or more of the markets in which we operate or impairment in our financial performance and/or future outlook, the estimated fair value of our long-lived assets decreases, we may determine that one or more of our long-lived assets is impaired. An impairment charge would be determined based on the estimated fair value of the assets and any such impairment charge could have a material adverse effect on our results of operations and financial position.

Risks Related to our Financial Profile

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Guarantees.

After the issuance of the Notes, we will be highly leveraged. As of March 31, 2013, after giving effect to the Transactions, we would have had €954.7 million of total debt. See "*Capitalization*."

The degree to which we will be leveraged following the issuance of the Notes could have important consequences, including:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flows from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditure, acquisitions, joint ventures, product research and development or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. The terms of the Indenture will permit us to incur substantial additional indebtedness, including in respect of the committed borrowings of up to €100 million in total under our new Revolving Credit Facility.

The terms of the new Senior Secured Credit Facilities and the Indenture impose various restrictions on us. These restrictions may affect our ability to successfully carry out our business strategy, which in turn could affect our ability to make payments of principal or interest on the Notes.

The new Senior Secured Credit Facilities and the Indenture will contain, and certain of our future financing agreements may contain, various restrictive covenants that limit our discretion in operating our business. In particular, these agreements will significantly limit our ability and that of our subsidiaries to, among other things:

- incur or guarantee additional debt;
- create or incur certain liens;
- make restricted payments (including paying dividends on capital stock or redeeming or repurchasing capital stock);
- make certain investments or acquisitions;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to us;

- sell or otherwise dispose of our assets, including the capital stock of certain of our subsidiaries and any other property or assets that are sold other than in the ordinary course of business;
- engage in transactions with affiliates; and
- merge, consolidate or transfer substantially all of our assets.

These restrictions may adversely affect our ability to carry out our business strategy and finance future operations or capital needs. See "*Description of Notes—Certain Covenants*." This, in turn, may affect our revenue, financial condition or results of operations, which could affect our ability to make payments of principal or interest on the Notes as those payments become due. If we fail to comply with the restrictions in the new Senior Secured Credit Facilities, the Indenture or in any other financing agreements, a default may allow our creditors, if the agreements so provide, to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. In addition, other lenders may be able to terminate any commitments they had made to supply us with further funds. We are not certain whether we would have, or be able to obtain, sufficient funds to make these accelerated payments. See "*Description of Certain Financing Arrangements—Senior Secured Credit Agreement*" and "*Description of Notes—Defaults*."

We may not be able to generate sufficient cash to service all our indebtedness, including the Notes offered hereby, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our ability to generate cash. This is subject, in part, to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Accordingly, our business may not generate sufficient cash flows from operations or future distributions may not be available to us in amounts sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. If our operating results and available cash are insufficient to meet our debt service obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them, and these proceeds may not be adequate to meet any debt service obligations then due. Any future refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants which could further restrict our business operations.

If we fail to comply with the payment requirements of any of our debt, including the Notes, it could lead to the acceleration of the related debt and the acceleration of debt under any other debt instruments containing cross-acceleration or cross-default provisions. If this occurred, we might not be able to refinance or otherwise repay this debt.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur by a subsidiary that is not a Guarantor would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. Although the new Senior Secured Credit Facilities and the Indenture will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the new Senior Secured Credit Facilities and the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Our hedging arrangements may not protect us from interest rate and currency fluctuations and may expose us to credit default risks and potential losses.

The loans under our new Senior Secured Credit Facilities bear interest at floating rates of interest, as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we intend to maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, thereby reducing our cash flow. In addition, a portion of our New Term Loan Facility will be denominated in U.S. dollars. Depending on the size of the U.S. dollar denominated borrowings, we intend to maintain certain hedging arrangements designed to protect us against changes in currency exchange rates. To the extent that exchange rates move significantly, we could be exposed to significant additional costs associated with our U.S. dollar borrowings.

In connection with these hedging arrangements and hedging arrangements that we may enter into in the future, we are exposed to counterparty risks. In particular, one or more of our counterparties becomes bankrupt or insolvent under applicable laws, claims we have under the hedging arrangements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate such swap or hedging arrangements, we may be required to make termination payments, which would result in a loss.

We are affected by the German interest barrier rules, which limit the deductibility of interest expense and may harm our financial position.

A significant amount of our substantial annual refinancing expenses (interest payments) is not deductible for tax purposes under the German interest barrier rules (*Zinsschranke*). The interest barrier rules generally provide for a limitation on the deduction of a business' net interest expenses equal to 30% of its tax adjusted EBITDA. This may have an adverse effect on our financial situation and thus on our and the Guarantors' ability to fulfill its obligations under the Notes.

Risks Related to the Notes

The Issuer is a holding company as of the Issue Date that has no material assets nor any income generating operations of its own and will depend on cash received from its subsidiaries in order to be able to make payments on the Notes.

The Issuer is a holding company as of the Issue Date and was formed in order to offer and issue debt securities and otherwise effect the Transactions. The Issuer conducts no business operations of its own, and has not engaged in, and will not be permitted to engage in, any activities other than those relating to its finance activities. The Issuer has no material assets other than the proceeds loans pursuant to which it will on-lend the proceeds of this Offering to German Bidco and its shareholding in German Bidco. Therefore, the Issuer will be dependent upon payments from other members of the Group to meet its obligations, including its obligations under the Notes. We intend to provide funds to the Issuer in order for it to meet its obligations under the Notes through interest payments on one or more intercompany loans. If the other members of the Group do not fulfill their obligations under the intercompany loans or otherwise loan or distribute funds to the Issuer, the Issuer will not have any other source of funds that would allow it to make payments to the holders of the Notes. The amounts available to the Issuer from the other relevant members of the Group will depend on the profitability and cash flows of such members of the Group and the ability of such members to make payments to it under applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. Various agreements governing our debt may restrict and, in some cases may actually prohibit, the ability of these subsidiaries to move cash within the Restricted Group. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*." Applicable tax laws may also subject such payments to further taxation. In addition, the members of the Group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries. While the borrowers and guarantors under our new Senior Secured Credit Facilities are Guarantors, the primary obligations under our new Senior Secured Credit Facilities are owed by subsidiaries of the Issuer.

Some, but not all, of our subsidiaries will guarantee the Notes. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any guarantor, as direct or indirect shareholders. Accordingly, in the event that any of the non-Guarantor subsidiaries becomes insolvent, liquidates or otherwise reorganizes, the creditors of our Guarantors (including the holders of the Notes) will have no right to proceed against such subsidiary's assets; and creditors of such non-Guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As of March 31, 2013, after giving effect to the Transactions, our non-Guarantor subsidiaries would have had no financial liabilities and approximately €7.4 million of trade payables, deferred tax liabilities and other liabilities, all of which would have ranked structurally senior to the Notes and the Guarantees.

While the borrowers and guarantors under our new Senior Secured Credit Facilities are Guarantors, the primary obligations under our new Senior Secured Credit Facilities are owed by subsidiaries of the Issuer. To the extent that some or all of the Guarantees of borrowers under the new Senior Secured Credit Facilities were limited or declared void, the direct obligations of the borrowers would be structurally senior to the Notes. In such an event, some or all of our assets that will be available to pay obligations on the Notes will be available only after the new Senior Secured Credit Facilities has been repaid in full from these assets. See "*—Corporate benefit, capital maintenance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Notes" and "—Fraudulent conveyance laws may protect our creditors to your disadvantage*."

The Notes are effectively subordinated to our secured debt.

The Notes will be effectively subordinated in right of payment to any of our present and future secured indebtedness to the extent of the value of the assets securing such indebtedness including indebtedness under the new Senior Secured Credit

Facilities. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the Notes will be available to pay obligations on the Notes only after the secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. The Indenture governing the Notes will not prohibit us from incurring additional secured debt, nor will it prohibit any of our subsidiaries from incurring additional liabilities.

There are circumstances other than repayment or discharge of the Notes under which the Guarantees will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Guarantees will be released automatically. See "*Description of Notes—Guarantees*." In addition, if the security agent under the new Senior Secured Credit Facilities sells collateral comprising the shares of German Bidco or any of our other subsidiaries as a result of an enforcement action in accordance with the Intercreditor Agreement, then claims under the Guarantees may be released or transferred. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of Notes—Guarantees*." Your ability to recover on the Notes could be materially impaired in such circumstances.

Corporate benefit, capital maintenance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Notes.

The laws of certain of the jurisdictions in which the Guarantors are organized limit the ability of these subsidiaries to guarantee debt of a related company. These limitations arise under various provisions or principles of corporate law which include rules governing capital maintenance, under which, among others, the risks associated with a guarantee on account of a parent company's debt need to be reasonable and economically and operationally justified from the Guarantor's perspective. If these limitations were not observed, the Guarantees by these Guarantors could be subject to legal challenge. In these jurisdictions, including Germany, the Guarantees will contain language limiting the amount of debt guaranteed so that applicable local law restrictions will not be violated. Accordingly, if you were to enforce the Guarantees by a Guarantor in one of these jurisdictions, your claims are likely to be limited. The payment of dividends or principal or interest on the intercompany loan to the Issuer or to service our debt obligations (including under the Notes) will reduce the distributable profits and reserves available to satisfy the obligations under the Guarantees. We are under no obligation to maintain a specific level of distributable profits and reserves. In some cases, where the amount that can be guaranteed is limited by reference to the net assets and legal capital of the Guarantor or by reference to the outstanding debt owed by the relevant Guarantor to us under intercompany loans that amount might have reached zero or close to zero at the time of any insolvency or enforcement. Furthermore, although we believe that the Guarantees by these Guarantors will be validly given in accordance with local law restrictions, there can be no assurance that a third-party creditor would not challenge these Guarantees and prevail in court. See "*—Fraudulent conveyance laws may protect our creditors to your disadvantage*" and "*—Enforcing your rights as a holder of the Notes or under the Guarantees across multiple jurisdictions may prove difficult.*"

Fraudulent conveyance laws may protect our creditors to your disadvantage.

Our obligations under the Notes will be guaranteed by the Guarantors. See "*Description of Notes—Guarantees*." Each of the Guarantees, if any, may be subject to review under the fraudulent transfer and conveyance laws of the relevant jurisdiction where the Guarantors operate. The following discussion of fraudulent transfer and conveyance law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the insolvency administrator may challenge the Guarantees and intercompany obligations as fraudulent transfers or conveyances. If so, such laws may permit a court, if it makes certain findings, to:

- avoid or invalidate all or a portion of the obligations of the Guarantors under their respective Guarantees;
- direct that holders of the Notes return any amounts paid under a Guarantee to the relevant Guarantor or to a fund for the benefit of its creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee is found to be a fraudulent transfer or conveyance, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor under the Indenture will be limited to the amount that will result in its Guarantee not constituting a fraudulent conveyance or improper corporate distribution, and there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each Guarantor.

In order to initiate any of these actions under fraudulent transfer principles, courts typically must determine that, at the time the relevant Guarantee was issued:

- the Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, when the granting of the Notes Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the Guarantor was insolvent when it granted the relevant Notes Guarantee; or

- the Guarantor received less than reasonably equivalent value for incurring the debt represented by the Guarantees on the basis that the Guarantees were incurred for our benefit, and only indirectly for the benefit of the Guarantors or some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantee, (ii) was undercapitalized or became undercapitalized because of the Guarantee, (iii) was engaged, or was about to engage, in a business or transaction for which the assets of the Guarantor were unreasonably small or (iv) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to noteholders constituted preferences, transactions at undervalue, fraudulent challengeable transfers or conveyances on other grounds.

If a court decided that a Guarantee was a preference, transaction at undervalue, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee that has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, the Notes would be structurally subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes or any Guarantee is found to be a preference, transaction at undervalue, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes.

Enforcing your rights as a holder of the Notes or under the Guarantees across multiple jurisdictions may prove difficult.

The Issuer is organized under the laws of Germany; the Guarantors are organized under the laws of Germany and the United States. In the event of bankruptcy, insolvency, administration or similar event, proceedings could be initiated in any of these jurisdictions. Your rights under the Notes and the Guarantees are likely to be subject to insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex proceedings.

The insolvency, administration and other laws of Germany and the United States may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest, the duration of proceeding and preference periods. The application of these laws, and any conflict between them, could call into question whether, and to what extent, the laws of any particular jurisdiction should apply, adversely affect your ability to enforce your rights under the Guarantees in these jurisdictions or limit any amounts that you may receive.

The insolvency laws of Germany may not be as favorable to you as the bankruptcy laws of the jurisdiction with which you are familiar.

The Issuer and the German Guarantors are incorporated under the laws of Germany. Insolvency proceedings with respect to each of these companies could be required to proceed under the laws of the jurisdiction in which its "centre of main interests," as defined in the Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings, is situated at the time insolvency proceedings are commenced. Although there is a rebuttable presumption that the "centre of main interests" will be in the jurisdiction where its registered office is situated, this presumption is not conclusive.

The insolvency laws of Germany may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar. Under German law, insolvency proceedings can be initiated through the filing of an insolvency petition (*Insolvenzantrag*) either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor, i.e., where its liabilities exceed the value of its assets, unless its continuation as a going concern is predominantly likely, or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). In addition, the debtor can file for insolvency proceedings if it is imminently at risk of being unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). The insolvency proceedings are court controlled, and the court opens the insolvency proceedings if certain formal requirements are met and if there are sufficient assets to cover at least the costs of the proceedings. The court usually appoints an insolvency administrator (*Insolvenzverwalter*) who, once the main insolvency proceedings have been opened, generally has full power to dispose of the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets.

Under German law, the insolvency administrator may under certain conditions challenge transactions that it deems detrimental to insolvency creditors and that were effected prior to or after the opening of insolvency proceedings.

We may not be able to raise the funds necessary to finance a change of control offer required by the Indenture. Our inability to do so would result in an event of default under the Indenture.

If we were to experience a change of control (as such term is defined in the Indenture), we would be required to make an offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. However, we may be unable to do so because we might not have enough available funds at the time of such change of control to make the required purchase of the Notes. See "*Description of Notes—Change of Control*." In addition, the new Senior Secured Credit Facilities requires, and certain of our future debt may require, that they be repaid upon a change of control.

No prior market exists for the Notes. An active trading market may not develop for the Notes and you may not be able to sell your Notes.

There is currently no established market for the Notes and a market for the Notes may not develop. This may affect the ability of the holders of the Notes to sell their Notes or the price at which holders would be able to sell their Notes. If a market was to exist, the Notes could trade at prices that may be lower than the initial market values thereof depending on many factors, including prevailing interest rates and our business performance. Application will be made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of that exchange. Historically, the markets for non-investment grade debt, such as the Notes, have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

We have been informed by the Initial Purchasers that they intend to make a market for the Notes after the offering is completed. However, the Initial Purchasers are not obliged to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and the trading price of the Notes. Market fluctuations, as well as economic conditions, have adversely affected the market price of many securities. We cannot assure you that these conditions will not adversely affect the market price of the Notes.

Transfer of the Notes will be subject to certain restrictions.

We have not registered, and will not register the offer and sale or resale of the Notes under the Securities Act or the U.S. state securities laws or the securities laws of any other jurisdiction. You may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. You should read the discussions in "*Notice to Investors*" for further information about these and other transfer restrictions. It is your obligation to ensure that offers and sales of Notes within the United States and other countries comply with applicable securities laws.

Investors may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro, relative to the currency by reference to which investors measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which such investors measure the return on their investments. Investments in the Notes may also have important tax consequences as a result of foreign exchange gains or losses, if any. See "*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations to U.S. Holders*."

Credit ratings may not reflect all risks of, and are not recommendations to buy or hold, the Notes and such ratings are subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You may not be able to recover in civil proceedings for U.S. securities laws violations.

It may not be possible for investors to effect service of process in the United States upon us or our directors and officers or to enforce against us or them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, there is doubt as to the enforceability in Germany of civil liabilities predicated upon the federal securities laws of the United States, either in original actions or in actions for the enforcement of judgments of U.S. courts. See "*Service of Process and Enforcement of Civil Liabilities*" where this issue is more fully described.

The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until definitive registered notes are issued in exchange for book-entry interests in the Notes, owners of the book-entry interests will not be considered owners or holders of the Notes. Instead, the registered holder, or its nominee, will be the sole holder of the Notes. Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to Elavon Financial Services Limited (as paying agent for the Notes), which will make payments to the common depositary, which will in turn distribute payments to Euroclear and Clearstream. Thereafter, payments will be made by Euroclear and Clearstream, as applicable, to participants in these systems and then by such participants to indirect participants. After payment to the common depositary, neither we, the Trustee nor the paying agent will have any responsibility or liability for any aspect of the records relating to, or payments of, interest, principal or other amounts to Euroclear and Clearstream or to owners of book-entry interests.

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations or consents or requests for waivers or other actions from holders of the Notes that we may choose to make in the future. Rather, owners of book-entry interests will be permitted to act only to the extent that they have received appropriate proxies to do so from Euroclear and Clearstream or from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any such solicitations or requests for actions on a timely basis. Similarly, upon the occurrence of an event of default under the Indenture, owners of book-entry interests will be restricted to acting through Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through Euroclear and Clearstream, as applicable, will be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry Settlement and Clearance*."

Provisions of the EU Savings Directive and other legislation may adversely affect your investment in the Notes

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at 35 percent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. The Luxembourg Ministry of Finance announced on April 10, 2013 that the transitional withholding system in Luxembourg would be replaced by automatic exchange of information from January 1, 2015.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment to an individual were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings

Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such directive, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will use reasonable endeavors to maintain a paying agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000.

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

If the stated principal amount of the Notes exceeds their issue price by an amount that equals or exceeds a de minimis threshold, the Notes would be treated as issued with original issue discount for U.S. federal income tax purposes in an amount equal to such excess. In the event that the Notes are considered to be issued with original issue discount, U.S. Holders (as defined below under "*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations*") will be required to include such original issue discount in their gross income (as ordinary income) as it accrues (on a constant yield to maturity basis), in advance of their receipt of cash attributable to such original issue discount regardless of such holder's accounting method for U.S. federal income tax purposes. See "*Certain Tax Consequences—Certain U.S. Federal Income Tax Considerations to U.S. Holders*."

If the conditions in the Escrow Agreement are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes; the conditions to release of the proceeds from the Escrow Account are limited.

Upon the issuance of the Notes, an amount equal to the gross proceeds received from the sale of the Notes offered hereby will be held in escrow pending the satisfaction of certain conditions precedent. As such amount will not include any interest on the Notes from the Issue Date until the completion of the Acquisition, the Issuer's obligations to pay interest on the Notes will be unsecured obligations during this period and will rank behind their secured obligations including their obligations under the new Senior Secured Credit Facilities to the extent such amount is insufficient to pay the interest on the Notes. If the conditions precedent to the Acquisition have not been satisfied on or prior to October 15, 2013 or in the event of certain other events that trigger escrow termination, the Notes will be subject to a special mandatory redemption as described in "*Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption*." If this were to happen, you might not obtain the return you expect to receive on the Notes. Your decision to invest in the Notes is made at the time of purchase. Only limited changes in our business or financial condition, or the terms of the Acquisition, between the closing of this Offering and the closing of the Acquisition, will cause the Issuer to effect a special mandatory redemption and thereby return the principal amount of the Notes to you. In addition, the release of funds from the Escrow Account is not conditioned on Guarantees by the Guarantors of the Notes. The funds may be released even if certain defaults exist under the Indenture, subject to certain restrictions. Upon delivery to the Escrow Agent and the Trustee of an officer's certificate stating that the conditions to the escrow are satisfied, the escrowed funds will be released to the Issuer and utilized to consummate the Acquisition. In addition, because the Acquisition is required to close at midnight on the last day of a calendar month, the proceeds of the notes are anticipated to be released from the escrow account into another escrow established for the funding of the Acquisition and held by a Germany notary. If, for whatever reason, the Acquisition were not to close after such funds have been released to the German notary, the Trustee will need to seek the return of the released funds from the notary. See "*Use of Proceeds*." See "*Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption.*"

THE TRANSACTIONS

The Acquisition

On June 15, 2013, German Bidco, an entity beneficially owned by the Cinven Funds, entered into the Acquisition Agreement with certain affiliates of Rockwood. We will effect the Acquisition by acquiring from the Sellers under the Acquisition Agreement all shares in (i) the Target, as well as, directly or indirectly, all shares in certain affiliated entities, including (ii) the Polish Target (iii) the Mexican Target and (iv) the US Target, and thereby all their direct and indirectly-owned subsidiaries and affiliates as well as certain shareholder loan repayment receivables resulting from certain shareholder loans to the Group by the Sellers.

The consummation of the Acquisition pursuant to the Acquisition Agreement is subject to regulatory approval and other conditions as set out therein. The Acquisition Agreement contains representations and warranties, covenants with respect to the conduct of CeramTec prior to the Closing Date and various conditions precedent, *inter alia* (i) approval of the transaction by all relevant authorities in respect of the filings and approvals ("**Regulatory Clearances**"), including (a) approval by the European Commission under Council Regulation (EC) 139/2004 ("**EU Merger Regulation**") by way of a decision or deemed decision either that the transaction does not fall within the scope of the EU Merger Regulation or a declaration that it is compatible with the common market and in the event that the European Commission refers the transaction (or any part thereof) to a competent authority of one or more Member States following a request under Article 9(2) of the EU Merger Regulation, approval of the transaction from the relevant authority or authorities ("**EU Merger Clearance**"), (b) written notice from the Committee on Foreign Investment in the United States that it has completed its review under the Exon Florio Amendment to the Defense Production Act of 1950 as amended by the Foreign Investment and National Security Act of 2007 ("**Exon Florio**") without the President of the United States invoking his authority under Exon Florio to suspend or prohibit the transactions contemplated by the Acquisition Agreement (*CIFIUS Clearance*), (c) written notification of the transactions contemplated by the Agreement to the Committee on Foreign Investment in the United States (*CIFIUS Filing*) and (d) approval of the transactions contemplated by the Acquisition Agreement by the German Federal Ministry of Economics and Technology by way of a decision or deemed decision or confirmation by the German Federal Ministry of Economics and Technology that the transactions contemplated by the Acquisition Agreement do not trigger any filing obligations pursuant to the German Foreign Trade Act (*Außenwirtschaftsgesetz, AWG*) (*AWG Filing*); (ii) registration of the change of Target's fiscal year in the relevant commercial register to end on the Closing Date; (iii) receipt of the full amount of the preliminary purchase price (less a deferred purchase price amount of €150 million) which will be held in escrow on the Escrow Account as specified in the Acquisition Agreement and (iv) release of or irrevocable agreement to release, the guarantees granted by, and all security interests over the shares and assets of, each of US Target and Durawear Corporation in each case in a form reasonably satisfactory to German Bidco, effective at the latest upon receipt of the preliminary purchase price less the deferred purchase price amount. The Sellers are entitled to rescind the Acquisition Agreement by written declaration to German Bidco, if they have complied fully with their cooperation obligations (except if such non-compliance is not related to the trigger for the rescission) and if (x) the condition precedent relating to the Regulatory Clearances has not been fulfilled within four (4) months from the date of the Acquisition Agreement; (y) German BidCo has not made the specific filings for the regulatory clearances within twenty (20) Business Days after the date of the Acquisition Agreement; or (z) German BidCo failed to pay the preliminary purchase price less the deferred purchase price amount when due and such failure to pay continues for more than ten (10) Business Days. German BidCo is entitled to rescind the Acquisition Agreement by written declaration to the Sellers, if the Closing Date does not occur on or before October 12, 2013, 18:00 h CEST; or the Sellers have not been duly made the filings related to the International Traffic in Arms Regulations in the United States within twenty (20) Business Days after the date of the Acquisition Agreement. German BidCo has made the required filings for regulatory clearances and the Sellers have made the required filings for International Traffic in Arms Regulations. In addition, the required filings pursuant to the German Foreign Trade Act have been completed and approved. There has been no final decision on EU Merger Clearance and CIFIUS Clearance.

Following the Closing Date, the purchase price may be increased or decreased based on differences between previous estimates of the amount of Closing Date cash, working capital and financial indebtedness and actual amounts as of the Closing Date (the "**Purchase Price Adjustments**"). The parties have the right to dispute the Purchase Price Adjustments in good faith and in the absence of an agreement such adjustments will be determined by an independent expert.

German Bidco, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany, is a wholly-owned subsidiary of the Issuer, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany. The Issuer, in turn, is a wholly-owned subsidiary of Faenza Germany GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated and existing under the laws of Germany, which is in turn directly wholly-owned by Faenza Luxembourg S.à r.l., a newly-incorporated Luxembourg limited liability company ("**LuxCo 3**"), which is in turn directly wholly-owned by Faenza MidCo S.à r.l., a newly-incorporated Luxembourg limited liability company ("**LuxCo 2**"), which is itself directly wholly-owned by Faenza Holding S.à r.l., a newly-incorporated Luxembourg limited liability company ("**LuxCo 1**"). Each of German Bidco, the Issuer, German HoldCo, LuxCo 1, LuxCo 2 and LuxCo 3 were formed to facilitate the Transactions.

The Financing

The purchase price for the Acquisition is expected to be €1,490 million on a cash-free and debt-free basis, excluding transaction fees and expenses. The purchase price will be adjusted for various effects, including adding cash elements subtracting certain financial indebtedness and adjusting for net working capital (see also "*Use of Proceeds*"). The Acquisition will be financed as follows:

- the Sponsor will make a contribution of approximately €521.7 million which will, indirectly through the intermediate holding companies, be contributed to the share capital of the Issuer in exchange for common equity;
- our borrowing under our new Term Loan Facility; and
- the proceeds of the Notes.

As of the Closing Date, our new Senior Secured Credit Facilities will also provide for our new Revolving Credit Facility in the amount of €100.0 million. The Revolving Credit Facility is not currently expected to be drawn as of the Closing Date, other than the issuance of guarantees entered into in the ordinary course of business. See "*Use of Proceeds*."

The proceeds from the financing described above will be used to:

- fund the consideration payable for the share capital of the Group and certain shareholder loan repayment receivables purchased in the Acquisition;
- redeem or repay certain existing indebtedness of the Group, including substantially all of the outstanding third party indebtedness of the Target and its subsidiaries (other than the shareholder loans acquired pursuant to the Acquisition); and
- pay the fees, premiums and expenses incurred in connection with the Acquisition and the Transactions, including estimated fees and expenses to be incurred in connection with the Offering.

Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Notes into the Escrow Account in the name of the Issuer. The Escrow Account will be controlled by, and pledged on a first-ranking basis in favor of, the Trustee on behalf of the holders of the Notes. The release of escrow proceeds is subject to the satisfaction of certain conditions, including the consummation of the Acquisition. If the Acquisition is not consummated on or prior to October 15, 2013, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the relevant Issue Date to the date of special mandatory redemption. See *"Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption."*

We refer to the Acquisition, the Refinancing, the equity contributions, the borrowings under our new Senior Secured Credit Facilities, this Offering and the payment of Transaction Costs, collectively as the "**Transactions**." See *"Use of Proceeds," "Capitalization," "Description of Certain Financing Arrangements," "Description of Notes."*

USE OF PROCEEDS

We intend to use the net proceeds of this Offering as part of the financing for the Acquisition and to pay certain fees, commissions and related expenses. Pending the consummation of the Acquisition, the Initial Purchasers will deposit the gross proceeds from the Offering of the Notes into the Escrow Account for the benefit of the holders of the relevant Notes. See "*Description of Notes—Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption*." The net proceeds from the Offering of the Notes are €299,799,250, after taking into account the fees and expenses associated with the Offering of the Notes.

The following table summarizes the estimated sources and uses of funds in connection with the Transactions as if the Transactions had occurred on March 31, 2013. The amounts set forth in the table will vary from actual amounts on the Closing Date depending on several factors, including our estimate of purchase price adjustments and fees and expenses and exchange rate fluctuations. You should read the following together with the information included under the heading "*The Transactions*" included elsewhere in this Offering Circular.

Sources of Funds	Amount (in € million)	Uses of Funds	Amount (in € million)
New Senior Secured Credit Facilities[1]	647.4	Purchase price[4]	1,412.4
Notes offered hereby[2]	306.7	Repayment of third party debt[5]	11.4
Equity contributions[3]	521.7	Estimated fees and expenses[6]	52.0
Total Sources	**1,475.8**	**Total Uses**	**1,475.8**

(1) Our new Senior Secured Credit Facilities will consist of (a) the new €100.0 million Revolving Credit Facility and (b) the new €647.4 million Term Loan Facility. A portion of the Term Loan Facility will be made available in U.S. dollars. We expect that our new Revolving Credit Facility will be undrawn at the closing of the Transactions. Does not include original issue discount, if any. See "*Capitalization*" and "*Description of Certain Financing Arrangements.*"

(2) Represents the aggregate principal amount of the Notes at the Closing Date. The Notes may be issued at a price to investors less than their stated principal amount. In such case, the principal amount of the Notes, the estimated fees and expenses incurred in this offering, borrowings under our new Revolving Credit Facility and the equity contributions may change.

(3) Represents the expected equity contributions from the Sponsor to fund a portion of the consideration paid to the Sellers. The amount of the equity contributions may be further adjusted pursuant to the working capital adjustment in the Acquisition Agreement or if the fees and expenses (including any financing costs) are greater or less than our current estimate of €52.0 million.

(4) Represents the total cash payment in consideration for the capital stock, other equity interests and assets of the Target paid at closing. The amount stated here reflects adjustments to the €1,490 million purchase price agreed in the Acquisition Agreement. In addition to the amount paid at closing, the total consideration includes a deferred payment component in the amount of €150 million which will be funded by CeramTec into a blocked account with proceeds paid to CeramTec pursuant to a receivable due from Rockwood. The €150 million in the blocked account will be paid to the Sellers shortly after the Closing Date.

(5) Represents current and non-current third party liabilities as of March 31, 2013 that are anticipated to be repaid in connection with the Transactions. We anticipate that certain local facilities and finance leases totaling approximately €1.2 million as of March 31, 2013 will remain outstanding following consummation of the Transactions.

(6) Consists of our estimate of fees and expenses associated with the Transactions, including placement fees, Initial Purchaser discounts, underwriting and other financing fees, any original issue discount, fees paid to the Sponsor and other transaction costs for advisory and professional fees and other expenses.

CAPITALIZATION

The following table sets forth as of March 31, 2013, CeramTec's cash and cash equivalents and capitalization on:

- an actual basis; and
- an as adjusted basis to give effect to the Transactions as if they had occurred on March 31, 2013.

This table should be read in conjunction with the information presented under the captions "*Offering Circular Summary—Summary Historical and Adjusted Combined Financial Information and Other Data*," "*The Transactions*," "*Use of Proceeds*," "*Selected Historical Financial Information and Other Data*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Combined Financial Statements and related notes included elsewhere in this Offering Circular.

The as adjusted amounts set forth in the table and the accompanying footnotes below will vary from actual amounts on the Closing Date, which will either be August 31 or September 30. You should read the following together with the information included under the heading "*The Transactions*" included elsewhere in this Offering Circular.

	As of March 31, 2013	
	Actual	**As Adjusted**
	(€ in millions)	
Cash and cash equivalents(1)	10.3	10.3
New Senior Secured Credit Facilities (2)	—	647.4
Notes offered hereby(3)	—	306.7
Financial liabilities to third parties(4)	12.0	0.6
Total third-party debt	**12.0**	**954.7**
Financial liabilities to affiliates(5)	260.0	—
Total stockholders' equity(6)	284.7	521.7
Total capitalization	**556.7**	**1,476.4**

(1) The as adjusted cash and cash equivalents as of March 31, 2013 reflects any cash and cash equivalents based on the assumed sources and uses as reflected in the table set out under "Use of Proceeds". Actual cash remaining on the Group's balance sheet and/or provided by the Sponsor at the Closing Date will depend on, among other things, the working capital position of the Group.

(2) Our new Senior Secured Credit Facilities will consist of (a) the new €100.0 million Revolving Credit Facility and that will be undrawn at the closing of the Transactions and (b) the new Term Loan Facility. A portion of the Term Loan Facility will be made available in U.S. dollars. The amounts are shown without giving effect to any deferred financing fees or original issue discount.

(3) Represents the aggregate principal amount of the Notes at the Closing Date. The Notes may be issued at a price to investors less than their stated principal amount. In such case, the principal amount of the Notes, the estimated fees and expenses incurred in this offering, borrowings under our new Revolving Credit Facility and the equity contributions may change.

(4) Represents current and non-current third party liabilities as of March 31, 2013 excluding certain finance leases in an amount of less than €0.6 million. We currently anticipate that certain local bank facilities will remain in place following the consummation of the Transactions.

(5) Represents current and non-current indebtedness owed to affiliates of the Target as of March 31, 2013 which will be repaid in connection with the Transactions.

(6) The as adjusted stockholders' equity represents the expected equity contributions from the Sponsor to fund a portion of the consideration paid to the Sellers. The amount of the equity contributions may be further adjusted pursuant to the working capital adjustment in the Acquisition Agreement or if the fees and expenses (including any financing costs) are greater or less than our current estimate of €52.0 million.

SELECTED HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth our summary historical combined financial information and summary unaudited interim combined financial information for the periods and dates indicated.

The summary historical financial data as of March 31, 2013 and for the three month periods ended March 31, 2012 and 2013 has been derived from the Unaudited Condensed Combined Interim Financial Statements of Target, an indirect subsidiary of the Issuer. The Unaudited Condensed Combined Interim Financial Statements have been prepared in accordance with IAS 34 and, in the opinion of the management, include all adjustments necessary for fair presentation of such financial statements. These interim results are not necessarily indicative of results to be expected for the full year. The historical financial data of Target included in this Offering Circular as of and for the years ended December 31, 2010, 2011 and 2012 has been derived from the audited Combined Annual Financial Statements. The Combined Annual Financial Statements are prepared in accordance with IFRS as adopted in the EU. The Unaudited Condensed Combined Interim Financial Statements have been prepared using the recognition and measurement principles consistent to that applied in the Combined Annual Financial Statement except for the changes in accounting policy in relation to defined benefit plan accounting. The Unaudited Condensed Combined Interim Financial Statements include, in the opinion of our management, all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the information set forth herein. The results of operations for prior years are not necessarily indicative of the results to be expected for the full fiscal year or any future period.

The summary unaudited combined financial information for the LTM Period has been calculated by adding the unaudited combined interim financial information for the three-month period ended March 31, 2013 , derived from the Unaudited Condensed Combined Interim Financial Statements, and the combined historical financial information for the year ended December 31, 2012, derived from the Combined Annual Financial Statements, and subtracting the unaudited combined interim financial information for the three months ended March 31, 2012, also derived from the Unaudited Condensed Combined Interim Financial Statements.

This information is only a summary and should be read in conjunction with "*Risk Factors*," "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and our Unaudited Condensed Combined Interim Financial Statements and the notes thereto and our audited Combined Annual Financial Statements and the accompanying notes appearing elsewhere in this Offering Circular, as well as the other financial information included in this Offering Circular.

Combined Statement of Comprehensive Income Data

	Year Ended December 31,			**Three Months Ended March 31,**		**Twelve Months Ended March 31,**
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
			(in € million)			
Net sales	389.0	419.9	425.2	110.2	107.1	422.1
Cost of products sold	229.6	242.4	241.5	62.1	59.6	239.0
Gross profit on sales	159.5	177.5	183.7	48.2	47.5	183.1
Selling costs	50.2	52.1	54.7	13.7	14.5	55.6
General administration costs	15.1	13.6	12.9	3.5	3.3	12.7
Other income	1.5	0.4	1.2	0.7	0.1	0.6
Other expenses	23.5	29.0	25.8	6.4	7.4	26.8
Profit from operations	72.2	83.2	91.5	25.3	22.4	88.6
Financial income	0.1	0.3	0.5	0.1	0.1	0.6
Financial expenses	24.4	18.4	14.7	4.7	3.2	13.3
Financial result	(24.3)	(18.1)	(14.1)	(4.6)	(3.1)	(12.7)
Earnings before taxes	47.8	65.1	77.4	20.7	19.3	75.9
Taxes on income	(11.0)	(18.4)	(22.4)	(5.8)	(6.2)	(22.8)
Net income	**36.8**	**46.7**	**55.0**	**14.9**	**13.1**	**53.2**

Combined Balance Sheet Data

	As of December 31,			As of March 31,
	2010	2011	2012	2013
	(in € million)			
Assets				
Non-current assets	519.4	512.7	505.9	503.0
Current assets	110.2	140.5	208.4	218.7
Total assets	**629.6**	**653.2**	**714.3**	**721.8**
Equity and Liabilities				
Total equity	188.1	231.5	282.7	284.7
Non-current liabilities	357.8	364.9	378.9	380.8
Current liabilities	83.7	56.8	52.7	56.2
Total liabilities	441.5	421.7	431.6	437.0
Total equity and liabilities	**629.6**	**653.2**	**714.3**	**721.8**

Combined Statement of Cash Flows Data

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
	(in € million)				
Cash flow from operating activities	93.7	85.1	115.3	22.9	17.0
Cash flow from investing activities	(32.3)	(31.0)	(29.5)	(4.9)	(6.0)
Cash flow from financing activities	(59.1)	(53.1)	(81.5)	(16.2)	(10.4)
Change in cash and cash equivalents	**2.3**	**1.0**	**4.3**	**1.8**	**0.6**
Cash and cash equivalents at the beginning of the period	2.3	3.9	5.2	5.2	9.5
Effects of exchange rate changes on cash and cash equivalents	(0.7)	0.4	(0.0)	(0.0)	0.2
Cash and cash equivalents at the end of the period	**3.9**	**5.2**	**9.5**	**7.0**	**10.3**

Other Unaudited Financial and Operating Data

	Year Ended December 31,			Three Months Ended March 31,		As of and for the Twelve Months Ended March 31,
	2010	2011	2012	2012	2013	2013
	(in € million unless otherwise stated)					
Total hip joint implant components sold (*in thousand units*)(1)	804	892	1,009	247	284	1,046
EBITDA(2)	109.6	121.8	131.2	35.0	32.3	128.5
Adjusted EBITDA(2)	116.1	132.2	136.1	35.2	34.8	135.6
Adjusted EBITDA margin (%)(3)	29.8	31.5	32.0	32.1	32.4	32.1
Cash Conversion Ratio (%)(4)	69.6	73.8	76.8	85.6	81.4	75.5
Capital expenditures(5)	33.3	32.0	30.5	5.1	6.0	31.4

(1) Includes both ceramic ball heads and ceramic cup inserts sold.

(2) EBITDA consists of net income before taxes on income, financial result and depreciation and amortization. Adjusted EBITDA consists of EBITDA adjusted for costs that are considered by management to be non recurring in nature. Adjusted EBITDA is defined as EBITDA before Rockwood management fees, restructuring costs, exchange gains/losses on financing activities, a warranty provision, an adjustment for a rebate to a customer, share-based payments relating to the Rockwood share-based payment plan, other non-recurring items and estimated standalone costs to operate as a standalone company. Other non-recurring items include acquisition costs, transaction closing costs, bonus payments relating to Rockwood, integration costs, gains and losses on asset disposals, costs relating to the preparation of the Acquisition, upfront cash costs relating to Rockwood's refinancing in 2011 which were immediately recognized as an expense and certain other non-recurring items. We believe EBITDA and Adjusted EBITDA gives investors meaningful information to help them understand our operating results and to analyze our financial and business trends on a period-to-period basis.

EBITDA and Adjusted EBITDA and the related ratio data are not calculated or presented in accordance with IFRS and other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do. As a result, these financial measures have limitations as analytical and comparative tools and you should not consider these items in isolation, or as a substitute for analysis of our results as reported under IFRS. EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. In calculating these financial measures, we make certain adjustments that are based on assumptions and estimates that may prove to have been inaccurate. In addition, in evaluating these financial measures, you should be aware that in the future we may incur expenses similar to those eliminated in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For additional information regarding EBITDA and Adjusted EBITDA and our use and presentation of those measures and the related risks, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*"

The following table reconciles net income to EBITDA and Adjusted EBITDA for the periods presented:

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
			(in € million)			
Net income	36.8	46.7	55.0	14.9	13.1	53.2
Taxes on income	11.0	18.4	22.4	5.8	6.2	22.8
Financial result	24.3	18.1	14.1	4.6	3.1	12.7
Amortization and depreciation	37.4	38.6	39.7	9.8	9.9	39.8
EBITDA	**109.6**	**121.8**	**131.2**	**35.0**	**32.3**	**128.5**
Rockwood management fee[(a)]	6.5	7.0	3.5	1.1	1.8	4.3
Restructuring costs[(b)]	0.2	0.5	1.9	0.0	0.1	1.9
Exchange losses/gains on financing activities	(0.6)	0.8	(0.6)	(0.6)	0.2	0.3
Warranty provision[(c)]	—	—	0.4	—	—	0.4
Adjustment for rebate to a customer[(d)]	—	0.2	(0.8)	(0.2)	0.5	(0.0)
Share-based remuneration[(e)]	0.9	0.7	0.7	0.2	0.2	0.8
Other non-recurring items[(f)]	1.3	3.0	1.4	0.2	0.0	1.2
Standalone costs[(g)]	(1.8)	(1.8)	(1.8)	(0.5)	(0.5)	(1.8)
Adjusted EBITDA	**116.1**	**132.2**	**136.1**	**35.2**	**34.8**	**135.6**

(a) The Rockwood management fee relates to payments made to Rockwood for providing certain group functions and services to the Group, mainly insurance coverage, treasury and tax support. Following the completion of the Transactions, we will not pay management fees to Rockwood. However, we expect to incur standalone costs in connection with building up group functions and services provided to us by Rockwood, most notably insurance coverage, treasury and tax support. See footnote (g) below.

(b) Restructuring costs refers to headcount reductions and severance payments.

(c) In 2012, we recognized a provision relating to our ball head production. The provision was not utilized and based on our assessment we believe that the reason for this provision no longer exists.

(d) The adjustment for a rebate paid to a customer refers to price calculation adjustments in 2011, 2012 and the first quarter of 2013 and a subsequent €1.1 million refund to this customer in the first quarter of 2013. The price adjustment for the first quarter of 2012 is based on the assumption that one fourth of the adjustments related to 2012 are allocated to this quarter.

(e) Share-based remuneration relates to costs in connection with the Rockwood share-based payment plan which will be discontinued after the completion of the Transactions.

(f) Other non-recurring items include acquisition costs, transaction closing costs, bonus payments relating to Rockwood, integration costs, gains and losses on asset disposals, costs relating to the preparation for the Acquisition, upfront cash costs relating to Rockwood's refinancing in 2011 which were immediately recognized as expenses and certain other non-recurring items.

(g) Estimated standalone costs are management's estimates established in connection with the Transactions for recurring costs for group functions and services previously provided to us by Rockwood, mainly insurance coverage, treasury and tax support.

(3) The Adjusted EBITDA margin is the ratio of Adjusted EBITDA to net sales.

(4) The Cash Conversion Ratio for the Group is defined as the ratio of (i) EBITDA minus capital expenditures to (ii) EBITDA. The following table shows the calculation of the Cash Conversion Ratio on a Group level:

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
			(in € million except ratios)			
EBITDA	109.6	121.8	131.2	35.0	32.3	128.5
Capital expenditures for property, plant and equipment	(32.7)	(30.3)	(29.3)	(4.8)	(5.9)	(30.3)
Capital expenditures for other intangible assets	(0.6)	(1.6)	(1.2)	(0.2)	(0.2)	(1.1)
EBITDA minus capital expenditures	76.3	89.8	100.7	30.0	26.3	97.0
Cash Conversion Ratio (*in %*)	**69.6**	**73.8**	**76.8**	**85.6**	**81.4**	**75.5**

Management estimates that the Cash Conversion Ratio for Medical Applications has been above 85% in each of the last three fiscal years while the Cash Conversion Ratio for Industrial Applications has been approximately 55% in each of the last three fiscal years.

(5) Capital expenditures are the sum of capital expenditures for property, plant and equipment and capital expenditures for other intangible assets.

Sales by Business Group

Sales by business group including internal sales

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	2011	2012	2012	2013	2013
			(in € million)			
Medical Applications[(1)]	**117.6**	**130.3**	**146.1**	**35.9**	**40.3**	**150.5**
Industrial Applications[(1)]	**271.4**	**289.7**	**279.1**	**74.3**	**66.8**	**271.6**
Thereof Multifunctional Ceramics	46.8	45.7	44.6	11.7	10.4	43.3
Thereof Electronic Applications	46.6	47.3	40.8	10.5	10.0	40.3
Thereof Cutting Tools	32.0	37.0	34.0	9.7	8.5	32.8
Thereof Mechanical Systems	39.2	36.0	33.6	8.4	9.9	35.1
Thereof Mechanical Applications	18.6	22.8	22.7	5.8	5.7	22.6
Thereof ETEC	22.3	23.7	21.9	5.5	4.0	20.4
Thereof Other Applications	112.5	117.9	118.4	31.6	28.6	115.4
Consolidation	(46.6)	(40.8)	(36.9)	(8.9)	(10.3)	(38.3)
Total net sales[(2)]	**389.0**	**419.9**	**425.2**	**110.2**	**107.1**	**422.1**

(1) The numbers presented for Medical Applications and Industrial Applications are external net sales to third parties.

(2) The sales presented for the business units of Industrial Applications include internal sales to Group companies. The line item "Consolidation" represents all internal sales between business units which are listed under Industrial Applications. Our management believes that sales including internal sales for our business units in Industrial Applications provide a better description of trends in these business units due to substantial internal sales between our business units in Industrial Applications.

Sales by business group excluding internal sales

	Year Ended December 31,			Three Months Ended March 31,		Twelve Months Ended March 31,
	2010	2011	2012	2012	2013	2013
			(in € million)			
Medical Applications	**117.6**	**130.3**	**146.1**	**35.9**	**40.3**	**150.5**
Industrial Applications	**271.4**	**289.7**	**279.1**	**74.3**	**66.8**	**271.6**
Thereof Multifunctional Ceramics	42.6	42.4	41.8	11.1	9.4	40.1
Thereof Electronic Applications	42.4	43.4	36.9	9.4	8.6	36.1
Thereof Cutting Tools	31.8	36.4	33.2	9.5	8.4	32.1
Thereof Mechanical Systems	29.5	27.1	25.7	6.7	7.5	26.5
Thereof Mechanical Applications	18.1	22.1	22.1	5.7	5.6	22.0
Thereof ETEC	16.0	20.4	19.8	4.9	3.8	18.7
Thereof Other Applications	91.0	97.8	99.6	27.0	23.5	96.1
Total net sales	**389.0**	**419.9**	**425.2**	**110.2**	**107.1**	**422.1**

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

The following discussion and analysis of our financial condition and results of operations addresses periods prior to the consummation of the Transactions. The historical financial data for the three month periods ended March 31, 2012 and 2013 has been derived from the Unaudited Condensed Combined Interim Financial Statements of Target. The Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 and, in the opinion of the management, include all adjustments necessary for a fair presentation of such financial statements. These interim results are not necessarily indicative of results to be expected for the full year. The historical financial data of Target included in this Offering Circular for the years ended December 31, 2010, 2011 and 2012 has been derived from the audited Combined Annual Financial Statements. The Combined Annual Financial Statements are prepared in accordance with IFRS as adopted in the EU. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period.

The discussion and analysis of historical periods do not reflect the significant impact that the Transactions will have on our financial position, results of operations and cash flows, including, without limitation, increased levels of indebtedness and related interest expense and the impact of purchase accounting (including changes in depreciation and amortization). In addition, the statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business and other forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors," "Presentation of Financial and Other Information" and "Special Note Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion and analysis together with the sections entitled "Presentation of Financial and Other Information," "Selected Historical Financial Information and Other Data" and "Risk Factors" and the historical audited and unaudited Combined Financial Statements, including the related notes, which appear elsewhere in this Offering Circular. No financial information of the Issuer has been included in this Offering Circular.

Overview

We are a leading global developer, manufacturer and supplier of HPC products. Our HPC products are made of advanced ceramics which are highly specialized materials with superior biological, mechanical, electrical, thermal or chemical properties compared to competing products made from metal 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. We currently offer a wide range of HPC products from hip joint prostheses components to actuators in valves for diesel and gasoline injection systems and ceramic components for efficient cooling in LED lighting technology. The versatility of HPC products and resulting wide-range of applications provides us with a highly diversified end market and customer base.

Our operations can be divided into two business groups—Medical Applications and Industrial Applications.

Our core Medical Applications business accounted for 35.7% of Group net sales and but contributed the majority of our EBITDA in the LTM Period. Medical Applications benefit from relatively high margins and modest capital expenditure requirements compared to Industrial Applications, and are the major contributor to Group cash flows, supplemented by Industrial Applications. Over the 2010 to 2012 period, Medical Applications had a Cash Conversion Ratio of over 85% each year, whereas Industrial Applications had a Cash Conversion Ratio of approximately 55% each year.

In fiscal year 2012, we generated 74.8% of our net sales in Europe (including Germany). However, our customers have a strong export focus as their end-products, such as automotive parts, are exported world-wide. In addition, we have a global infrastructure with manufacturing facilities in Europe, North America, Asia and South America and over 3,100 employees worldwide. We believe that we are a truly global company with a global sales footprint.

In the LTM Period, we generated net sales of €422.1 million and Adjusted EBITDA of €135.6 million, respectively, representing a 32.1% Adjusted EBITDA margin. During the 2010 to 2012 period, our net sales and Adjusted EBITDA registered a CAGR of 4.5% and 8.3% respectively and our Cash Conversion Ratio increased from 69.6% to 76.8%. We believe we have a highly cash generative business supported by modest maintenance capital expenditure requirements of €15 million annually, as estimated by our management. For an explanation of the components of Adjusted EBITDA and Cash Conversion Ratio, see "*Selected Historical Financial Information and Other Data—Other Financial and Operating Data.*"

Key Factors Affecting Our Results of Operations and Financial Condition

Position in the Medical Market, Hip Replacement Market Growth and Increasing Ceramic Hip Implant Penetration

A significant part of our growth in net sales from €389.0 million in 2010 to €425.2 million in 2012 has been due to favorable developments in Medical Applications. Sales in Medical Applications increased from €117.6 million in 2010 (30.2% of our total net sales) to €146.1 million (34.4% of our total net sales) in 2012. We are currently the only producer of ceramic-on-ceramic pairings used in FDA approved hip joint implants in the United States and are a leading manufacturer of ceramic components for ceramic-on-polyethylene pairings. The ceramic components we manufacture include ball heads and cup inserts. In 2008 we sold approximately 641,000 ball heads and cup inserts. Since then we have significantly increased the total annual number ball heads and cup inserts sold to approximately 1,009,000 in 2012. To date, more than 8 million patients globally have received hip joint replacements which include our BIOLOX® ceramics components. We estimate that nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component. We estimate that our BIOLOX® products represent more than 90% of the ceramic components used for these hip joints implant systems today. Our Medical Applications business also has relatively high margins compared to our Industrial Applications, which contributed significantly to the growth in our Adjusted EBITDA (from €116.1 million in 2010 to €136.1 million in 2012) and our Adjusted EBITDA margin (from 29.8% in 2010 to 32.0% in 2012). In each of the last three fiscal years, the Cash Conversion Ratio in Medical Applications was above 85%, according to management estimates.

The following table provides estimates of the growth in number of units sold and the estimated total number of hip procedures for the last five years (for more information on market trends in our target markets in Medical Applications see "*Business—Our Business—Medical Applications—Artificial Hip Joint Market*"):

	Year Ended December 31,					
	2008	**2009**	**2010**	**2011**	**2012**	**CAGR 2008-20012**
						(%)
Number of our units sold (ball-heads and inserts) (*in thousands*)[1]	641	671	804	892	1,009	12%
Number of total hip joint procedures *(in millions)*	1.4	1.4	1.5	1.6	1.7	5%

(1) On average, approximately 75% of our total ceramic hip implant components sold in the last several years were ball heads. This is principally due to the lower share of the total hip implant market of ceramic-on-ceramic components compared to ceramic-on-polyethylene components. For more information on the type of implants available on the market, please see "*Business—Our Business—Medical Applications—Products*."

According to a leading international consultancy firm, the number of hip joint implants is estimated to grow by a CAGR of 6% from an estimated 1.7 million in 2012 to an estimated 2.2 million in 2017 driven by factors including an aging population in Europe and the United States, increasingly common health problems, such as obesity, and improved health care access in emerging markets. Geographically, the strongest market growth in the overall hip joint replacement market (for all materials including ceramic, metal and polyethylene) has been Asia, specifically China, although Europe currently has the highest share of ceramic components in all hip joints transplanted. By total volume, we expect that our sales in Medical Applications will increase the most in Europe and North America in the next several years. However, the growth in Asia should increasingly contribute to our net sales growth, as the number of Asian hip joint replacements increases.

Additionally, the number of ceramic components in hip joints is estimated to grow by a CAGR of 8% from 2012 to 2017, according to a leading international consultancy firm. The demand for, and share of ceramic components in hip joint implants, has increased from 2008 to 2012 and is expected to continue to increase due to superior wear resistance and benign toxicity characteristics of HPC components compared to other materials. The overall market for ceramic components for hip replacement systems principally consists of ball heads due to the higher share of ceramic-on-polyethylene combinations compared to ceramic-on-ceramic combinations. Both combinations have reached a sizeable share of the market by replacing other components such as metal. According to a leading international consultancy firm, the share of ceramic ball heads of all ball heads used in hip joint implants is estimated to grow from 40% in 2012 to 44% in 2017. Cup inserts represent a smaller part of the overall market and our net sales in Medical Applications over the last three years, because ceramic-on-ceramic combinations do not hold a similarly high market share as ceramic-on-polyethylene combinations. The market for ceramic cup inserts and our sales of cup inserts has also increased in the last few years. The share of ceramic cup inserts of all cup inserts used in hip joint implants is estimated to grow from 15% in 2012 to 17% in 2017, according to a leading international consultancy firm.

We maintain good relationships with our largest customers, the Big 5 hip replacement system manufacturers (Biomet, DePuy, Smith & Nephew, Stryker and Zimmer), who together have a dominant market share of hip joint implant systems sold worldwide. We have a longstanding relationship with each of these manufacturers, including long term contracts with several of these manufacturers and a clear track record of renewals of our supply contracts with our other customers. Our components are used in products that require regulatory approval, specifically FDA approval in the U.S. Any replacement of our components in our customers' end products would require new regulatory approval which would be expensive, time consuming and includes the risk of the failure to receive FDA approval. In addition, surgeons tend to be reluctant to adopt new alternative products for critical medical procedures where they lack experience or there is limited clinical evidence. As a result, our business unit Medical Products has enjoyed a very stable market position. Furthermore, the cost of our HPC ceramic components (both ball heads and cup inserts) included in a complete hip joint implant system represents a small part of the overall costs of the total system, while our ceramic components are critical to the performance of these products and therefore our customers' are not incentivized to replace our components.

Economic, Industry 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. As a result, while we currently generate approximately three fourths of our net sales based on sales to our direct customers in Europe, we are globally more diversified due to the export focus of many our European customers. The following table provides an overview of our net sales by geography in the last three fiscal years as a percentage of total net sales in the given period:

	Fiscal Year Ended December 31,		
	2010	**2011**	**2012**
		(%)	
Europe (including Germany)	73.5	74.8	74.8
Thereof Germany	30.7	32.2	30.7
North America	11.8	10.1	10.6
Asia	11.8	11.1	10.9
Other regions	2.9	3.9	3.6

While our Medical Applications are not particularly affected by macroeconomic developments, our net sales in our Industrial Applications are influenced by economic growth in our target markets, particularly in Europe. However, due to the large number of niche markets in which we operate, the effect of economic downturns has in the past been partially offset by the various different developments in our industrial target markets. Additionally, while 65.6% of our total net sales were attributable to our Industrial Applications in 2012, our Medical Applications generated more than half of our Adjusted EBITDA in 2012. Over the 2010 to 2012 period, Medical Applications had a Cash Conversion Ratio of over 85% each year, whereas Industrial Applications had a Cash Conversion Ratio of approximately 55% each year. As a consequence, our profitability and cash generation is less affected by negative developments in the economies of our target markets than our overall net sales.

By net sales, the automotive market was the largest single end market for our Industrial Applications, 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 net sales. In the past, Germany has registered a GDP growth of 0.7% in 2012, 3.0% in 2011 and 4.2% in 2010, while GDP in the European Union declined by 0.3% in 2012 after growing 1.6% in 2011 and 2.1% in 2010. As of May 2013, the OECD projects global growth of 3.1% in 2013 which is expected to accelerate to 4.0% in 2014. The United States is projected to grow by 1.9% in 2013 and 2.8% in 2014, while the eurozone's GDP is projected to decline by 0.6% in 2013, but shall rebound in 2014 to 1.1% GDP growth.

Next to the overall GDP growth rate influencing the results of the operations of our Industrial Applications, each of our industrial markets is also influenced by separate and distinct factors and has a different economic cycle. In the past, we have, for example, been affected by political and fiscal decisions of the Chinese government that had an impact on the textile industry in China. In addition, effects such as government subsidies for new car sales (vehicle scrappage programs) have materially affected the automobile sector in the past, specifically in Germany and other European countries in 2009 and 2010 where car sales have been significantly increased as a result of such government subsidy programs.

Innovation and New Products

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. In the last ten years, we have successfully introduced at least 10 new production processes and more than 2,000 New Products and developed approximately 50 new materials and substantially modified approximately 150 existing materials. In 2012, our R&D expenses were €15.7 million, equal to 3.7% of net sales, which we fully expense in our income statement in line with IFRS.

As one of the largest suppliers of HPC products worldwide, we have been a key research partner for many large medical, automotive, electronics and industrial customers in applications such as electro-mechanical, wear or heat resistance and lightweight applications. Due to joint development efforts with our customers, we are also often the sole supplier of a particular product.

In the last few years, our innovations have played a fundamental role in our ability to maintain and grow our global market share in the different markets in which we operate in. In the three fiscal years, approximately 30% of our net sales were generated from New Products introduced less than five years before the relevant year. We aim that the share of our net sales of New Products introduced in the last five years will continue to be approximately 30% or above in the future.

We expect that modification, innovation and new product design will be a key driver of our net sales and Adjusted EBITDA in the future. Our current development projects include the development of new medical applications, in particular we aim to create market opportunities for knee joint implants and implants for several other body parts, transparent ceramics for ballistic glass, new technologies that include piezo ceramics which can convert pressure and acceleration into electricity, structure copper technology (the metallization of ceramic substrates) to hybrid roller bearings, semiconductor applications or industrial water filtration for the mining industry (see also "*Business—Our Business Strategy—Expand Product Portfolio and Continue R&D Success*").

Growth Investment

The HPC market is a high-tech market that requires constant innovation, research and development investments as well as the ability and willingness to co-develop new products with our customers. As a consequence, growth investments are crucial to continued success in our target markets. In the past several years, our results of operations have particularly been impacted by the following:

- We increased our research and development expenses from €12.8 million in 2010 to €15.7 million in 2012 as part of our strategy to strive to be an innovation leader and to further enhance our close development relationship with key customers. We expense all our research and development costs, which we include in other expenses, in a given period in accordance with IFRS.

- In addition to our strategy to gradually increase our research and development investments, we increased our sales force globally in recent years as part of our strategy to increase presence in the high-growth emerging markets in Asia, Latin America and elsewhere. As a consequence of this strategy, our selling costs increased from €50.2 million in 2010 to €54.7 million in 2012.

- We are constantly investing in our infrastructure and machinery and have kept capital expenditures relatively stable in the last three years, although 2010 saw a particularly high amount of capital expenditures in property plant and equipment of €32.7 million after certain investments were deferred from 2009 to 2010. We are generally able to defer a certain part of our maintenance capital expenditures to following years, however, we do not defer crucial investments in machinery and other operating equipment; such maintenance capital expenditures amounts to approximately €15 million annually. Our maintenance capital expenditures are closely monitored and are subject to a rigorous analysis. Our capital investments are also aligned with our continued efficiency programs (also see *"—Efficiency and Operational Excellency Programs*").

- We are currently expanding our manufacturing plant in Marktredwitz, Germany. The Marktredwitz facility will include two new BIOLOX® ball-head lines and one BIOLOX® cup insert line. Our new production facility is expected to increase our current output capacity of approximately 1.2 million units by an estimated additional 350,000 components by the beginning of 2015 when the expansion will be operational. According to our current plans, we will incur capital expenditures of approximately €13 million in 2013 and approximately €20 million in 2014 and plan to invest approximately €10 million thereafter until 2017, all net of government subsidies. We believe that this expansion will significantly contribute to our net sales growth and Adjusted EBITDA growth in the future, and maintain our leadership in the market for ceramic hip joint implant components.

Efficiency and Operational Excellency Programs

We are a high-tech company that operates in a significant number of niche markets offering a large variety of products. We plan to continue improving our earnings and cash flows by reducing operating costs within the business through a number of measures, such as precisely planned capital expenditures and R&D spending with strict control on cost, success-oriented sales, our employee innovation program and marketing initiatives in close collaboration with our customers, specifically in Medical Applications.

We have a diverse product portfolio serving multiple markets with more than 20,000 products and manufacture products at 18 different sites globally. As part of our entrepreneurial culture, we aim to constantly improve our productivity, manufacturing processes, research and development projects, sales and administrative functions and increase our productivity through economies of scale. In the last three years, we have completed projects to reduce the amount of material to manufacture our medical ball heads and cup inserts saving raw material costs, by reducing wastage and also reduced quality costs. In total, we are currently pursuing a large number of efficiency measures across our Group, with most of them relating to our production sites and manufacturing processes including energy efficiency measures. Additionally, 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 net sales.

As a result of the measures taken as part of our efficiency drive and operational excellence program, we have reduced our Quality Costs as a percentage of sales to less than 4% over the past three years while net savings from our employee innovation program have increased to over €3 million per year. Our drive for constant improvement has contributed to an increase in our gross margin (gross profits on sales to net sales) from 41.0% in 2010 to 43.2% in 2012 and 44.4% in the first quarter of 2013 and an increase in our Adjusted EBITDA margin from 29.8% in 2010 to 32.0% in 2012 and 32.4% in the three month period ended March 31, 2013.

Competition and Price Pressure

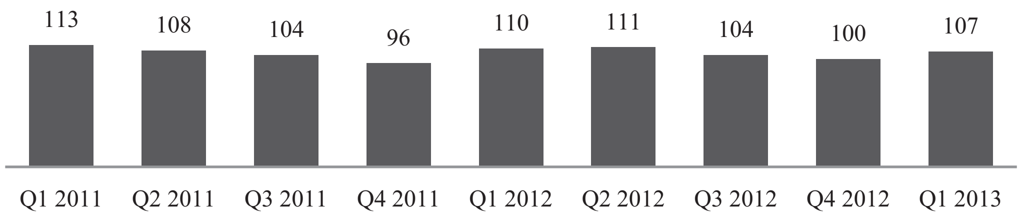
We currently estimate nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component and we estimate that our BIOLOX® products represent more than 90% of the ceramic components for these hip joint implant systems. The cost of our HPC ceramic components (both ball heads and cup inserts) included in a complete hip joint implant system represents a small part of the overall costs of the total system, but are critical to the performance of these products and therefore our customers' are not incentivized to replace our components. We are the sole supplier of ceramic ball heads and inserts to the Big 5 hip implant system manufactures. Due to our position as the market leader in our core medical products market, our close relationship with our customers and high switching costs for our customers, price pressure due to competition has been limited in the past. While we regularly renegotiate prices with several of our medical customers, we were able to keep our prices relatively stable and believe that we expect to be able to offset any price decreases for our ceramic hip implant components with further efficiency gains and positive effects of economies of scale.

We are also among the market leaders in many of the industrial niche markets that we target. Most of our main HPC competitors have either a different target market or geographical focus. Additionally, due to the large variety of our products, we are the sole supplier of certain specialized products in certain niche areas. However, specifically in the automotive end market and the electronics end market we have faced pressure from competitors in certain niche markets.

Seasonality

Our business is not significantly affected by seasonal trends. We register a slight slowdown of business in the summer months and in December. However, due to the diversification across a large number of products sold and our global geographic footprint, the fluctuations in net sales on a quarter-by-quarter basis we experience over the course of a year are low. Our net sales are usually the strongest in the first quarter of a year (€113 million, €110 million and €107 million in the first quarters of 2011, 2012 and 2013, respectively), while they are lowest in the fourth quarter (€96 million and €100 million in the last quarter of 2011 and 2012, respectively). The slowdown in the summer and at the end of December is driven by the impact of vacation at our production sites and year-end holidays. Our business units that have the largest exposure to the automotive end market, such as Cutting Tools, Electronic Applications and Multifunctional Ceramics, experience the highest seasonality.

The following chart shows our net sales for all quarters for the last two fiscal years and the first quarter of 2013 in million Euro:



Key Consequences of the Transactions

We expect that the following effects of the Transactions will have a notable impact on our results of operations and our balance sheet:

Acquisition Accounting in Connection with the Transactions

As a result of the Transactions and the application of acquisition accounting, our assets and liabilities will be adjusted based on their fair values as of the Closing Date. We anticipate these adjustments will result in an increase in our future operating expenses due to the depreciation and amortization expense related to the increased carrying amount of our fixed assets and the additional recognition of identifiable intangible assets. We also anticipate that the adjustments will result in an increase in the value of our inventory and, in turn, our cost of products sold and negatively affecting our gross profit on sales for the period in which the inventory is sold. Additionally, the excess of the total purchase price over the fair value of our assets and liabilities on the Closing Date will be recognized as goodwill. A preliminary assessment of the fair values of our assets indicates that the value at which we carry our intangible assets and goodwill will be higher then the amounts currently recognized. Any identifiable indefinite-lived assets, including goodwill, will be subject to annual impairment testing. See "*—Critical Accounting Policies and Significant Accounting Estimates—Goodwill*."

The preliminary purchase price allocation is subject to changes as a result of completion of an appraisal of fair value of assets acquired and liabilities assumed. The final purchase price allocation will be adjusted based on the completion of an appraisal of assets acquired and liabilities assumed and may differ materially from the estimated allocation.

Stand-alone Costs and Savings

We have been part of Rockwood since 2004. As a result of the Transactions, we will become a standalone company. Historically, we have operated as a separate segment of Rockwood and have only received limited support services, most notably insurance coverage, treasury and tax support. We are in the process of developing these services within our Group. We estimate that we will incur one-off costs of approximately €1 million for introducing functions such as information technology, material management, controlling and financing functions that relate to consolidation of financial information and other matters such as handling environmental and quality audits as well as regulatory approval processes and legal matters relating to export control and other regulations. We estimate that costs associated with services and functions that we have not incurred in the past, because we were part of Rockwood, will lead to recurring costs. However, we believe that these costs will be approximately €1.8 million. While we will incur costs relating to functions we will have to establish as a standalone company, we believe that these costs will be less than the costs we have in the past incurred for management services fees charged by Rockwood which amounted to €3.5 million in 2012, €7.0 million in 2011 and €6.5 million in 2010. Costs for the Rockwood management fees will end upon the closing of the Transactions.

Deferred Taxes

Following the Transactions we expect having lower required tax payments due to our changed capital structure with a higher level of debt and a deferred tax benefit primarily associated with goodwill in an amount of approximately €77.8 million as of December 31, 2012 (as accounted for on the unconsolidated German GAAP financial statements (HGB) of Target for December 31, 2012) stemming from the acquisition of the beneficial ownership of certain assets in 2004 in connection with the acquisition of our Group by Rockwood. This goodwill is not amortized under IFRS but is amortized under the German tax code. Such goodwill amortization will reduce our taxable income in Germany in the future. As a result, we expect we will achieve significant tax savings for every year until 2019.

Furthermore, as part of remeasuring all our assets, we will also remeasure our U.S. assets to reflect the purchase price paid in connection with the Transactions, which we expect will lead to additional nominal tax savings for 15 years starting in 2016.

Increase in Indebtedness

Following the Transactions, we will have increased indebtedness. On an as adjusted basis, after giving effect to the Transactions, as of March 31, 2013, our total indebtedness would have been €954.7 million, including the Notes. Our indebtedness will consist of the Term Loan Facility in the amount of €647.4 million and the obligations under the Notes. In addition to this indebtedness, our new Revolving Credit Facility in an amount of up to €100 million will be available to us, which we do not currently plan to use at the Closing Date.

The indentures governing the Notes and the credit agreement governing our new Senior Secured Credit Facilities will contain a number of covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. For a description of the covenants under the Indenture and our new Senior Secured Credit Facilities see "*Description of Notes,*" and "*Description of Certain Financing Arrangements.*"

Our ability to make payments on and to refinance our indebtedness, including the Notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control as well as the factors described in "*Risk Factors.*"

Key Components of our Historical Results of Operations

Net Sales

Net sales comprise the proceeds from the sale of goods and services (excluding VAT) and are recognized at fair value of return less discounts. The revenues from the sale of goods are recognized when the goods are delivered and title have passed.

In Medical Applications, we generally enter into long-term contracts with our key customers. Those long-term contracts are generally based on fixed prices, but do not include any minimum purchase requirements. However, we and our customers renegotiate our sales prices for our ceramic hip implant components on a regular basis.

In Industrial Applications, we usually agree framework contracts with our largest customers. Based on these framework agreements we enter into separate pricing agreements as part of the order and delivery process for our products. Occasionally, we negotiate minimum purchase requirements with some customers in pricing agreements.

Cost of Products Sold

The following table shows costs of products sold for the fiscal years 2010, 2011 and 2012 and the three month periods ended March 31, 2012 and 2013:

	Fiscal Year Ended December 31,			Three Months Ended March 31,	
	2010	**2011**	**2012**	**2012**	**2013**
	(in € million, except as otherwise indicated)				
Cost of materials and packing	79.8	82.9	82.0	22.5	20.5
Energies	14.0	15.2	15.3	4.1	4.3
Other variable costs	6.0	6.0	6.6	1.8	1.2
Thereof freight costs	2.9	3.0	3.1	0.7	0.6
Personnel expenses	87.0	91.1	93.7	23.9	23.9
Amortization and depreciation expenses	22.6	23.9	25.2	6.1	6.4
Maintenance expenses of factory building and equipment	12.8	10.3	8.1	2.4	2.4
Other costs	7.3	13.0	10.6	1.3	0.9
Cost of products sold	**229.6**	**242.4**	**241.5**	**62.1**	**59.6**
As a percentage of net sales (in %)	59.0	57.7	56.8	56.4	55.6

Cost of products sold reflects all costs incurred by us for the delivery of goods to the customer. Our cost of products sold as a percentage of net sales has decreased continuously over the last three fiscal years and also in the first quarter of 2013 as a result of a higher growth in our high-margin Medical Applications compared to Industrial Applications and therefore a more favorable product mix.

Cost of materials and packing are variable costs and include raw materials and costs of contract workers and make up about one third of our overall cost of products sold. We do not usually enter into long term relationships with suppliers of raw materials and we procure our raw materials from a large number of suppliers. Most of our raw materials are subject to regional or global market prices. We have not experienced significant changes in raw material costs. The overall costs have changed due to increased volume of production and effects of a changed product mix.

Energy costs are partly variable and includes costs for natural gas, electricity and water as well as certain other energy related costs. The majority of energy costs are electricity costs, while about one third relates to natural gas.

Other variable costs include freight costs, which makes up about half of total other variable costs, and certain other variable costs not part of cost of materials and packing or energies.

Our personnel expenses relating to manufacturing activity are mostly fixed costs (excluding costs for a small number of contract workers (*Leiharbeiter*)) and include wages, bonuses and social costs, post-retirement costs and severance payments. The increase in personnel expenses is principally due to the expansion in the numbers of our workers employed and yearly wage increases. While we view our personnel expenses as generally fixed, in Germany we can arrange for flexible short-time work (*Kurzarbeit*) for a large part of our workforce in unfavorable conditions, as occurred in 2009. Under the flexible short-time work scheme, we can significantly reduce our personnel expenses for a certain period of time and under certain conditions taking advantage of German governmental support for part of the personnel expenses and rules that allow us to temporarily reduce wages.

Amortization and depreciation driven by depreciation of our manufacturing sites and machinery.

Maintenance expenses are fixed costs and relates mostly to maintenance for manufacturing facilities.

Lastly, the “other costs” line item includes changes in inventories as well as, rentals and leasing expenses. It also includes pension costs, royalty charges and fixed costs absorption variance.

Approximately half our costs of products sold are fixed costs, mainly our personnel expenses, maintenance expenses and several of the other costs. However, to a certain extent we have flexibility in respect of personnel expenses for our German workers during economic downturns.

Selling Costs

The following table shows selling costs for the fiscal years 2010, 2011 and 2012 and the three month periods ended March 31, 2012 and 2013:

	Fiscal Year Ended December 31,			Three Months Ended March 31,	
	2010	**2011**	**2012**	**2012**	**2013**
Selling costs (*in € million*)	50.2	52.1	54.7	13.7	14.5
As a percentage of net sales (in %)	12.9	12.4	12.9	12.4	13.6

Selling costs are incurred in the marketing of finished products and certain services rendered to customers in connection with the sale of products. Selling costs also include costs for promotion and advertisement of our products, either in our target end markets or directly in connection with selling our products to our existing or new customers.

The largest component of selling costs is personnel costs which make up about one third of overall selling costs. Representing approximately one fifth of the overall selling costs, the second largest component is amortization expenses, principally the amortization of trade names, trademarks, intangible assets allocated to customer relationships as well as technology know-how and other intellectual property related to selling activities. Other components of selling costs include sales commissions, pension and other post-retirement costs, advertising, insurance, travel and entertainment, patents and licenses, consulting, telecommunication costs and various other smaller selling related expenses.

The principal driver of our selling costs are strategic decisions on whether to expand our sales force and our selling activity. The components of selling costs which do not directly relate to costs of employees, broadly increase in line with our personnel costs.

Commissions to our sales staff are principally paid as a percentage of sales generated for us but are relatively small compared to fixed personnel costs. As a result, most of our selling costs are fixed costs, with the notable exception of sales commissions.

General Administration Costs

The following table shows general administration costs for the fiscal years 2010, 2011 and 2012 and the three month periods ended March 31, 2012 and 2013:

	Fiscal Year Ended December 31,			Three Months Ended March 31,	
	2010	**2011**	**2012**	**2012**	**2013**
General administration costs (*in € million*)	15.1	13.6	12.9	3.5	3.3
As a percentage of net sales (in %)	3.9	3.2	3.0	3.2	3.1

General administration costs include personnel costs (salaries, benefits, travel, consulting (such as legal and audit), insurance, contract services, rentals and other operating expenses) relating to any administrative functions and other costs incurred to run the business. In the last three fiscal years fluctuations in our general administration costs were primarily caused by variations in bonus payments for management and key employees.

About two-thirds of our general administration costs are personnel expenses, which are partially fixed, but as far as they relate to bonuses paid out to management and other key employees, are variable costs. Other main components within general administration costs are IT-expenses, travel costs, pension cost, rentals as well as professional and contract services.

Following the closing of the Transactions, we will incur higher recurring general administration costs as a standalone company, because we need to replace certain administrative functions Rockwood has provided to for us in the past (see "*—Key Consequences of the Transaction—Stand-alone Costs Savings*").

Other Income

Other income includes various smaller income sources, including other operating income, gains on asset disposals and non-operating currency gains.

Other Expenses

The largest part of this line-item consists of costs relating to research and development, which accounted for €12.8 million in 2010, €14.7 million in 2011 and €15.7 million in 2012. In line with IFRS we expense all of our costs relating to R&D. Other expenses also include costs in connection with management services provided by Rockwood (which will not be payable after the Transactions). The fee for management services paid to Rockwood was €6.5 million in 2010, €7.0 million in 2011 and €3.5 million in 2012. Other expenses also include depreciation not allocated to costs of products sold, selling costs or general administration costs, foreign exchange losses, losses on asset disposals and non-operating currency losses.

Financial Income

Financial income includes interest from shareholder loans, bank balances and certain other interest income.

Financial Expenses

Historically, financial expenses primarily reflected interest paid on shareholder loans. As a consequence of the Transactions, these shareholder loans will no longer exist and financial expenses will reflect interest on our new Senior Secured Credit Facilities and on the Notes. Financial expenses also include the accumulation of interest on provisions and accrued liabilities and as well as certain other financing costs and financial expenses.

Taxes on income

In the past, Target was part of a consolidated tax group for income tax and VAT purposes with Rockwood Specialities Group GmbH, Frankfurt am Main, Germany, which is part of Rockwood, as the controlling company. Hence, all domestic corporate income taxes, trade taxes and VAT were only incurred and payable at the level of the controlling company and not at the level of Target. However, the tax expense in our combined statement of comprehensive income is presented under the assumption that Target is an independent taxpayer rather than a member of a consolidated tax group with Rockwood Specialties Group GmbH, which is part of Rockwood, for income tax purposes. Furthermore, Target directly owns foreign corporations, whose tax expense was computed on the basis of the taxable income, determined under local law, and the respective applicable tax rate. Furthermore, the companies included in the Combined Financial Statements, in which Target is not participating directly, are included with the tax expense determined on the basis of the taxable income under local law and the thereof applicable tax rate.

The following table provides an overview over the split in earnings before taxes as they relate to Germany and other countries:

	Fiscal Year Ended December 31		
	2010	2011	2012
		(in € million)	
Germany	44.4	60.0	69.6
Abroad	3.4	5.1	7.8
Total earnings before taxes	**47.8**	**65.1**	**77.4**

Our effective tax rate includes the current and also the deferred tax expenses and takes into account all impacts, e.g. through non-deductible operating expenses or an amended tax assessment basis. The following table shows the reconciliation of the expected to the effective tax rate (i.e. tax expense in relation to the earnings before taxes):

	Fiscal Year Ended December 31,					
	2010		2011		2012	
	(in € million)	(%)	(in € million)	(%)	(in € million)	(%)
Earnings before income taxes	**47.8**	—	**65.1**	—	**77.4**	—
Expected tax expense	13.2	27.5	18.3	28.1	21.7	28.0
Permanent differences	0.0	0.0	0.2	0.2	0.2	0.3
Chances in the tax rate	0.3	0.7	0.1	0.1	0.6	0.7
Corrections in the prior years	(2.5)	(5.2)	(0.1)	(0.1)	(0.1)	(0.1)
Other adjustments	0.1	0.1	(0.1)	(0.1)	0.1	0.1
Tax expense and effective tax rate	**11.0**	**23.1**	**18.4**	**28.2**	**22.4**	**29.0**

Recent Developments

Based upon preliminary monthly management accounts, we estimate our sales in Medical Applications for the second quarter will continue the strong trend we observed in the first quarter with net sales increasing by approximately €5 million compared to the equivalent period in 2012. Based on these same accounts, we estimate our net sales in the Industrial Applications for the second quarter will have improved from the results in the first quarter with net sales across most of our business units increasing compared to the first quarter with the result that net sales are broadly flat when compared to the equivalent period in 2012. As a result we estimate that overall net sales will increase in the first half year when compared to the first half of 2012 and that EBITDA for the first half of 2013 was relatively stable when compared to the same period in 2012.

These estimates are based on our preliminary review of our results of operations and are inherently subject to adjustments during the preparation of our financial statements.

Results of Operations

The following discussion should be read in conjunction with the information contained in our audited Combined Annual Financial Statements and the notes thereto as well as in our Unaudited Condensed Combined Interim Financial Statements and the notes thereto included elsewhere in this Offering Circular. However, our historical results of operations set forth below and elsewhere in this Offering Circular may not necessarily reflect what would have occurred if we had been a separate, standalone entity during the periods presented or what will occur in the future.

Three Months Ended March 31, 2013 Compared to Three Months Ended March 31, 2012

The following table sets forth amounts from our combined financial information along with the percentage change for the three-month period ended March 31, 2013 compared to the three-month period ended March 31, 2012:

	Three Months Ended March 31,		
	2012	**2013**	**Change**
	(in € million)		**(%)**
Net sales	110.2	107.1	(2.8)
Cost of products sold	62.1	59.6	(4.0)
Gross profit on sales	**48.2**	**47.5**	**(1.3)**
Selling costs	13.7	14.5	6.5
General administration costs	3.5	3.3	(5.9)
Other income	0.7	0.1	n/m
Other expenses	6.4	7.4	16.3
Profit from operations	**25.3**	**22.4**	**(11.4)**
Financial income	0.1	0.1	(10.9)
Financial expenses	4.7	3.2	n/m
Financial result	**(4.6)**	**(3.1)**	**(31.3)**
Earnings before taxes	**20.7**	**19.3**	**(7.1)**
Taxes on income	(5.8)	(6.2)	5.4
Net income	**14.9**	**13.1**	**(12.0)**

Net Sales

The following table provides an overview over our net sales in the first quarter of 2012 compared to the first quarter of 2013 on a business unit level:

	Three Months Ended March 31,		
	2012	**2013**	**Change**
	(in € million)		**(%)**
Medical Applications(1)	**35.9**	**40.3**	**12.3**
Industrial Applications(1)	**74.3**	**66.8**	**(10.1)**
Thereof Multifunctional Ceramics	11.7	10.4	(11.1)
Thereof Electronic Applications	10.5	10.0	(4.8)
Thereof Cutting Tools	9.7	8.5	(12.4)
Thereof Mechanical Systems	8.4	9.9	17.9
Thereof Mechanical Applications	5.8	5.7	(1.7)
Thereof ETEC	5.5	4.0	(27.3)
Thereof Other Applications	31.6	28.6	(9.5)
Consolidation(2)	(8.9)	(10.3)	15.7
Total net sales	**110.2**	**107.1**	**(2.8)**

(1) The numbers presented for Medical Applications and Industrial Applications are external net sales to third parties.

(2) The sales presented for the business units of Industrial Applications include internal sales to Group companies. The line item "Consolidation" represents all internal sales between business units which are listed under Industrial Applications. Our management believes that sales including internal sales for our business units in Industrial Applications provide a better description of trends in these business units due to substantial internal sales between our business units in Industrial Applications.

Our net sales in Medical Applications continued to grow significantly by 12.3% from €35.9 million in the first quarter of 2012 to €40.3 million in the first quarter of 2013, principally due to our strong market position in the growing THR market and increased market share of ceramic ball heads and cup inserts. Our number of hip joint implants (ball-heads and cup inserts) sold increased from 247 thousand units in the first quarter of 2012 to 284 thousand units in the first quarter of 2013.

Net sales in Industrial Applications decreased by 10.1% from €74.3 million in the first quarter of 2012 to €66.8 million in the first quarter of 2013. Our sales in Multifunctional Ceramics decreased partly due to lower sales to one of our large customers caused by a €1.1 million rebate to this customer as a consequence of price calculation adjustments related to 2011 and 2012. Cutting Tools declined mainly due to a slowdown in the automotive industry. Mechanical Applications' sales remained stable due to positive developments in the textile industry compensating for lower demand in its other end markets. Mechanical Systems developed favorably due to higher demand for cartridges for sanitary fittings. Sales in ETEC decreased because we successfully completed our project for the 2014 Winter Olympics ski jump tracks during 2012 which resulted in higher sales in the first quarter of 2012. Sales in Other Applications slowed down because of lower demand in our subsidiaries in Malaysia, North America and the Czech Republic.

Geographically, net sales increased in Europe due to volume growth with our largest five customers in Medical Applications, while sales in other regions of the world slowed down, partially because of less favorable conditions in the global economy affecting net sales in Industrial Applications.

Cost of Products Sold and Gross Profit on Sales

The following table shows a break-down of our costs of products sold for the three month periods ended March 31, 2012 and 2013:

	Three Months Ended March 31			
	2012		**2013**	
	(in € million)	**(% of net sales)**	**(in € million)**	**(% of net sales)**
Cost of materials and packing	22.5	20.4	20.5	19.1
Energies	4.1	3.7	4.3	4.0
Other variable costs	1.8	1.6	1.2	1.1
Personnel expenses	23.9	21.7	23.9	22.3
Amortization and depreciation expenses	6.1	5.5	6.4	6.0
Maintenance expenses of factory building and equipment	2.4	2.2	2.4	2.2
Other costs	1.3	1.2	0.9	0.8
Cost of products sold	**62.1**	**56.3**	**59.6**	**55.6**

Cost of products sold decreased by 4.0% from €62.1 million or 56.3% of net sales in the first quarter of 2012 to €59.6 million or 55.6% of net sales in the first quarter of 2013. The decrease was primarily caused by lower demand for our industrial applications and as a result lower costs of materials and packing. Our gross profit on sales decreased from €48.2 million in the first quarter of 2012 to €47.5 million, but our gross profit margin increased positively from 43.7% in the first quarter of 2012 to 44.4% as a result of a more favorable product mix with a larger share of our higher margin products in Medical Applications in our total sales in the first quarter of 2013.

Selling Costs

Our selling costs increased from €13.7 million or 12.4% of net sales in the first quarter of 2012 to €14.5 million or 13.6% of net sales in the first quarter of 2013 in line with our strategy to increase our sales force globally and develop stronger customer relationships. Most notably, our expenses increased because of sales force and sales activity increases in Medical Applications and Electronic Applications. Additionally, we invested in selling activities related to our project to develop new medical products.

General Administration Costs

Our general administration costs decreased from €3.5 million or 3.2% of net sales in the first quarter of 2012 to €3.3 million or 3.1% of net sales in the first quarter of 2013. Personnel expenses included in general administration costs remained approximately constant. For the first quarter of 2012 general administrative costs included expenses related to an accrual for an employee development program.

Other Income

Other income decreased from €0.7 million in the first quarter of 2012 to €0.1 million in the first quarter of 2013, principally driven by an operating currency gain of €0.6 million in the first quarter of 2012.

Other Expenses

Our other expenses increased by 16.3% from €6.4 million in the first quarter of 2012 to €7.4 million in the first quarter of 2013. The increase in other expenses was principally driven by higher management fees paid to Rockwood and to a lesser extent by a higher non-operating currency loss in the first quarter of 2013.

Financial Income

Financial income remained stable at €0.1 million in both the first quarter of 2012 and the first quarter of 2013.

Financial Expenses

Financial expenses decreased from €4.7 million in the first quarter of 2012 to €3.2 million in the first quarter of 2013. The change was principally due to lower interest costs for Rockwood's external financing allocated to us in the first quarter of 2013. The effect was partially offset by extraordinary amortization of deferred financing costs and higher interest for pensions in the first quarter of 2013.

Taxes on Income

Taxes on income increased from €5.8 million in the first quarter of 2012 to €6.2 million in the first quarter of 2013, specifically due to higher taxable income and an increase in the tax rate for German trade income taxes.

Net income

Our net income declined from €14.9 million in the first quarter of 2012 to €13.1 million in the first quarter of 2013, driven primarily by the reduction in net sales in Industrial Applications due to a slow-down of the economy despite healthy growth in our Medical Applications and Mechanical Systems business. Several other factors had an influence on our net income, including the increase of selling costs, the increase in other expenses caused principally by higher management fees and higher taxes on income. These increased expenses were partially offset by lower financial expenses principally resulting from lower interest rates.

Fiscal Year Ended December 31, 2012 Compared to the Fiscal Year Ended December 31, 2011

The following table sets forth amounts from our combined financial information along with the percentage change for fiscal year 2012 compared to fiscal year 2011:

	Fiscal Year Ended December 31		
	2011	**2012**	**Change**
	(in € million)		**(%)**
Net sales	419.9	425.2	1.3
Cost of products sold	242.4	241.5	(0.4)
Gross profit on sales	**177.5**	**183.7**	**3.5**
Selling costs	52.1	54.7	4.9
General administration costs	13.6	12.9	(5.0)
Other income	0.4	1.2	n/m
Other expenses	29.0	25.8	(11.0)
Profit from operations	**83.2**	**91.5**	**10.0**
Financial income	0.3	0.5	n/m
Financial expenses	18.4	14.7	(20.2)
Financial result	(18.1)	(14.1)	(21.8)
Earnings before taxes	**65.1**	**77.4**	**18.9**
Taxes on income	(18.4)	(22.4)	22.0
Net income	**46.7**	**55.0**	**17.7**

Net Sales

The following table provides an overview over our sales in fiscal year 2011 compared to 2012 on a business unit level:

	Fiscal Year Ended December 31		
	2011	**2012**	**Change**
	(in € million)		**(%)**
Medical Applications[1]	**130.3**	**146.1**	**12.2**
Industrial Applications[1]	**289.7**	**279.1**	**(3.6)**
Thereof Multifunctional Ceramics	45.7	44.6	(2.4)
Thereof Electronic Applications	47.3	40.8	(13.7)
Thereof Cutting Tools	37.0	34.0	(8.1)
Thereof Mechanical Systems	36.0	33.6	(6.7)
Thereof Mechanical Applications	22.8	22.7	(0.4)
Thereof ETEC	23.7	21.9	(7.6)
Thereof Other Applications	117.9	118.4	0.4
Consolidation[2]	(40.8)	(36.9)	9.6
Total net sales	**419.9**	**425.2**	**1.3**

(1) The numbers presented for Medical Applications and Industrial Applications are external net sales to third parties.

(2) The sales presented for the business units of Industrial Applications include internal sales to Group companies. The line item "Consolidation" represents all internal sales between business units which are listed under Industrial Applications. Our management believes that sales including internal sales for our business units in Industrial Applications provide a better description of trends in these business units due to substantial internal sales between our business units in Industrial Applications.

Our net sales increased by 1.3% from €419.9 million in fiscal year 2011 to €425.2 million in fiscal year 2012, principally due to growth in our Medical Applications.

Our net sales in Medical Applications increased by 12.2% from €130.3 million in fiscal year 2011 to €146.1 million in fiscal year 2012. The increase was due to our strong market position in the growing THR market and increased market share of ceramic ball heads and cup inserts. Our number of hip joint implants (ball-heads and cup inserts) sold increased from 892 thousand units in fiscal year 2011 to 1,009 thousand units in fiscal year 2012.

This positive development was offset by a reduction in net sales by 3.6% in Industrial Applications from €289.7 million to €279.1 million. The decline in net sales in Industrial Applications was largely driven by less favorable market conditions in our industrial end markets, especially due to a slowing economy in Europe. In 2012, the automotive end market started to slow in Europe which impacted sales in certain of our business units in Industrial Applications. Electronic Applications' sales to third parties and internal sales decreased from €47.3 million in fiscal year 2011 to €40.8 million in fiscal year 2012 due to a decrease in demand in the electronics end market which started towards the end of fiscal year 2011.

In Germany, net sales declined due to a slowdown in the automotive sector. Net sales in the rest of Europe increased from €179.0 million to €187.5 million, particularly due to sales to our top Medical Applications customers located in other countries in Europe. Similarly, sales in North America rose from €42.4 million to €45.2 million due to slightly better economic conditions in the United States.

Cost of Products Sold and Gross Profit on Sales

The following table shows a break-down of our costs of products sold for the fiscal years 2011 and 2012:

	Fiscal Year Ended December 31			
	2011		**2012**	
	(in € million)	**(% of net sales)**	**(in € million)**	**(% of net sales)**
Cost of materials and packing	**82.9**	**19.8**	**82.0**	**19.3**
Energies	15.2	3.6	15.3	3.6
Other variable costs	6.0	1.4	6.6	1.5
Personnel expenses	91.1	21.7	93.7	22.0
Amortization and depreciation expenses	23.9	5.7	25.2	5.9
Maintenance expenses of factory building and equipment	10.3	2.5	8.1	1.9
Other costs	13.0	3.1	10.6	2.5
Cost of products sold	**242.4**	**57.7**	**241.5**	**56.8**

Cost of products sold decreased slightly from €242.4 million or 57.7% of net sales in fiscal year 2011 to €241.5 million or 56.8% of net sales in fiscal year 2012 despite higher net sales resulting in an increase of our gross profit on sales by 3.5% from €177.5 million in the fiscal year 2011 to €183.7 million in fiscal year 2012. As a result, our gross profit margin developed positively and increased from 42.3% to 43.2%. While our personnel expenses relating to cost of products sold increased from €91.1 million in fiscal year 2011 to €93.7 million in fiscal year 2012, particularly due to annual wage increases in Germany, we were able to decrease our cost of materials and packing from €82.9 million to €82.0 million partially because of efficiency gains in production. Additionally, maintenance expenses declined because of repairs originally scheduled for 2009 were deferred to the years 2010 and partly to 2011.

Selling Costs

Selling costs increased by 4.9% from €52.1 million or 12.4% of net sales in fiscal year 2011 to €54.7 million to 12.9% of net sales in fiscal year 2012. The increase was primarily due to an expansion and creation of selling capacities as part of our growth strategy and our increasing focus on international markets, especially in Medical Applications and Electronic Applications.

General Administration Costs

General administration costs decreased by 5.0% from €13.6 million or 3.2% of net sales in fiscal year 2011 to €12.9 million or 3.0% of net sales in fiscal year 2012. This was principally due to lower bonus payments in 2012 compared to 2011.

Other Income

Other income increased from €0.4 million in fiscal year 2011 to €1.2 million in fiscal year 2012, principally due to higher foreign exchange gains due to positive exchange rate movements in 2012.

Other Expenses

Other expenses decreased by 11.0% from €29.0 million in fiscal year 2011 to €25.8 million in fiscal year 2012. While research and development expenses, as part of our strategy, increased from €14.7 million in fiscal year 2011 to €15.7 million in fiscal year 2012 particularly due to hiring employees in the development division to realize planned growth projects, expenses relating to management services provided by Rockwood decreased from €7.0 million to €3.5 million.

Financial Income

Financial income increased from €0.3 million in fiscal year 2011 to €0.5 million in fiscal year 2012, principally due to higher interest income from bank balances and increased interest income from shareholder loans.

Financial Expenses

Financial expenses decreased from €18.4 million in fiscal year 2011 to €14.7 million in fiscal year 2012 because of a decrease in interest due on shareholder loans to Rockwood as Rockwood reduced its interest rates paid on external debt as a result of a refinancing.

Taxes on Income

Taxes on income increased from €18.4 million in fiscal year 2011 to €22.4 million in fiscal year 2012. This was primarily caused by the growth in our earnings before taxes.

Net income

Our net income improved by 17.7% from €46.7 million in fiscal year 2011 to €55.0 million in fiscal year 2012 mainly driven by our increased profitability and gross profit margin due to an improved product mix, decreases in expenses for the management fee charged by Rockwood as well as a decrease on interest payments for shareholder loans.

Fiscal Year Ended December 31, 2011 Compared to Fiscal Year Ended December 31, 2010

The following table sets forth amounts from our combined financial information along with the percentage change for fiscal year 2011 compared to fiscal year 2010:

	Fiscal Year Ended December 31		
	2010	2011	Change
	(in € million)		(%)
Net sales	389.0	419.9	7.9
Cost of products sold	229.6	242.4	5.6
Gross profit on sales	**159.5**	**177.5**	**11.3**
Selling costs	50.2	52.1	3.7
General administration costs	15.1	13.6	(10.0)
Other income	1.5	0.4	(76.3)
Other expenses	23.5	29.0	23.3
Profit from operations	**72.2**	**83.2**	**15.3**
Financial income	0.1	0.3	n/m
Financial expenses	24.4	18.4	(24.6)
Financial result	(24.4)	(18.1)	(25.7)
Earnings before taxes	**47.8**	**65.1**	**36.1**
Taxes on income	(11.0)	(18.4)	66.7
Net income	**36.8**	**46.7**	**27.0**

Net Sales

The following table provides an overview over our sales in fiscal year 2010 compared to 2011 on a business unit level:

	Fiscal Year Ended December 31		
	2010	2011	Change
	(in € million)		(%)
Medical Applications(1)	**117.6**	**130.3**	**10.8**
Industrial Applications(1)	**271.4**	**289.7**	**6.7**
Thereof Multifunctional Ceramics	46.8	45.7	(2.4)
Thereof Electronic Applications	46.6	47.3	1.5
Thereof Cutting Tools	32.0	37.0	15.6
Thereof Mechanical Systems	39.2	36.0	(8.2)
Thereof Mechanical Applications	18.6	22.8	22.6
Thereof ETEC	22.3	23.7	6.3
Thereof Other Applications	112.5	117.9	4.8
Consolidation(2)	(46.6)	(40.8)	(12.4)
Total net sales	**389.0**	**419.9**	**8.0**

(1) The numbers presented for Medical Applications and Industrial Applications are external net sales to third parties.

(2) The sales presented for the business units of Industrial Applications include internal sales to Group companies. The line item "Consolidation" represents all internal sales between business units which are listed under Industrial Applications. Our management believes that sales including internal sales for our business units in Industrial Applications provide a better description of trends in these business units due to substantial internal sales between our business units in Industrial Applications.

Net sales increased by 8.0% from €389.0 million in fiscal year 2010 to €419.9 million in fiscal year 2011 driven by growth in Medical Applications, Cutting Tools, Mechanical Applications and ETEC. We principally benefited from the sustained growth in our target medical applications market and from the generally growing economies in our core geographic markets.

In Medical Applications, our net sales increased by 10.8% from €117.6 million in fiscal year 2010 to €130.3 million in fiscal year 2011. The increase was due to our strong market position in the growing THR market and increased market share of ceramic ball heads and cup inserts. Our number of hip joint implants (ball-heads and cup inserts) sold increased from 804 thousand units in fiscal year 2010 to 892 thousand in the fiscal year 2011.

Net sales increased by 6.7% from €271.4 million in fiscal year 2010 to €289.7 million in fiscal year 2011 in Industrial Applications. The main drivers for the increase in net sales were Mechanical Applications due to increasing demand in the textile industry in China and Cutting Tools due to growth in the automotive industry. The growth in most of our other industrial applications business units was also principally linked to an improving economy in Europe, the United States and the rest of the world, a strong increase in sales in the automotive industry and, until a slow-down at the end of fiscal year 2011, strong demand in the electronics industry. ETEC achieved growth with its ballistic products in Germany and the rest of Europe. Within Other Applications, several businesses contributed to the increase in sales, especially Emil Müller GmbH.

Geographically, the largest contributor of growth was Europe, particularly due to sales in Medical Applications and sales in Industrial Applications principally to automotive customers. Automotive in particular benefited from increased demand in the European and global car market. Our net sales in Germany increased from €119.6 million in the fiscal year 2010 to €135.3 million in fiscal year 2011 caused partially by 3.0% GDP growth in the Germany. Geographically, our net sales in North America decreased from €46.0 million to €42.4 million caused by lower sales in ETEC USA relating to ballistic products. We registered healthy growth as part of our strategy to diversify our global sales in Asia with a net sales growth of €45.9 million in fiscal year 2010 to €46.8 million in fiscal year 2011 and other regions of the world from €11.2 million to €16.4 million.

Cost of Products Sold and Gross Profit on Sales

The following table shows a break-down of our costs of products sold for the fiscal years 2010 and 2011:

	Fiscal Year Ended December 31			
	2010		2011	
	(in € million)	(% of net sales)	(in € million)	(% of net sales)
Cost of materials and packing	79.8	20.5	82.9	19.8
Energies	14.0	3.6	15.2	3.6
Other variable costs	6.0	1.5	6.0	1.4
Personnel expenses	87.0	22.4	91.1	21.7
Amortization and depreciation expenses	22.6	5.8	23.9	5.7
Maintenance expenses of factory building and equipment	12.8	3.3	10.3	2.5
Other costs	7.3	1.9	13.0	3.1
Cost of products sold	**229.6**	**59.0**	**242.4**	**57.7**

Cost of products sold increased by 5.6% from €229.6 million in fiscal year 2010 to €242.4 million in fiscal year 2011, which was less than our overall net sales growth rate. This positive development resulted in an increase of our gross profit on sales by 11.3% from €159.5 million to €177.5 million. Our gross profit margin increased from 41.0% to 42.3%. Our personnel expenses relating to cost of products sold increased from €87.0 million to €91.1 million, particularly due to annual wage increases in Germany and an increase in the number of workers employed. In line with our net sales growth, our cost of materials and packaging also increased from €79.8 million to €82.9 million. Additionally, we registered an increase in other costs that are part of our cost of materials and packing stemming from a change in inventory levels due to a buildup of additional safety inventory in Medical Applications to guarantee deliveries to customers. Our maintenance costs decreased because 2010's maintenance costs were inflated by shifts of maintenance repairs from 2009 to 2010, and partially to 2011.

Selling Costs

Selling costs increased by 3.7% from €50.2 million in fiscal year 2010 to €52.1 million in fiscal year 2011. The increase was primarily due to an expansion and creation of selling capacities as part of our growth strategy and our increasing focus on international markets, especially in Medical Applications and Electronic Applications. By function, the increase was mainly driven by costs relating to increased number of employees, more advertisement costs as well as a general increase in selling activities.

General Administration Costs

General administration costs decreased by 10.0% from €15.1 million in fiscal year 2010 to €13.6 million in fiscal year 2011. This was primarily caused by lower personnel expenses principally reflecting higher bonuses for our manager and key personnel in 2010. Higher bonus payments in 2010 were the result of our business outperforming the 2010 budget targets, while the adjusted higher budget targets in 2011 resulted in lower actual bonus payments.

Other Income

Other income decreased from €1.5 million in fiscal year 2010 to €0.4 million in fiscal year 2011, caused principally by foreign currency gains in 2010 compared to foreign currency losses in 2011. In addition, ETEC received lower government grants and subsidies in 2011 compared to 2010.

Other Expenses

Other expenses increased by 23.3% from €23.5 million in fiscal year 2010 to €29.0 million in fiscal year 2011. Research and development expenses increased from €12.8 million in fiscal year 2010 to €14.7 million in fiscal year 2011 primarily due to hiring employees in the development division to realize planned growth projects. Additionally, in 2011 we incurred upfront cash costs relating to Rockwood's refinancing in 2011 which were immediately recognized as an expense in connection with refinancing expenses as part of Rockwood's debt refinancing and a currency loss in 2011 as well as higher Rockwood management fees.

Financial Income

Financial income increased from €0.1 million in fiscal year 2010 to €0.3 million in fiscal year 2011, principally due to higher bank balances, increased interest income from shareholder loans and other interest income.

Financial Expenses

Financial expenses decreased from €24.4 million in fiscal year 2010 to €18.4 million in fiscal year 2011. This decrease was caused by lower interest payments on shareholder loans in 2011, partially as a result of repayments of part of our shareholder loans. In addition, we paid lower interest rates on the loans, because Rockwood refinanced its external debt and therefore also charged lower interest rates on such shareholder loans.

Taxes on Income

Taxes on income increased from €11.0 million in fiscal year 2010 to €18.4 million in fiscal year 2011. This was principally the result of tax adjustments connected to prior years in connection with a tax audit. To a lesser extent, this increase was caused by the growth in our earnings before taxes.

Net income

Our net income improved by 27.0% from €36.8 million in fiscal year 2010 to €46.7 million in fiscal year 2011. This very positive development was driven by our strong net sales growth and increased gross profit margin due to an improved product mix as well as our efforts to lower general administration costs. Additionally, the increase in net income was a result of lower interest payments on shareholder loans. The positive developments were partly offset by a significant increase in taxes on income.

Liquidity and Capital Resources

Prior to the Transactions

Our principal source of liquidity prior to the consummation of the Transactions has been cash generated from operations as well as internal financing arrangements within Rockwood. We also received certain capital contributions from our shareholder in 2011 and 2012 as part of Rockwood's intra-group cash and capital management. Our liquidity needs arise primarily from the need to fund our working capital requirements. Prior to the Transactions, we utilized Rockwood's central cash management program, and accordingly, any excess cash generated was transferred to Rockwood. These transfers included cash payments to Rockwood to cover costs allocated to us by Rockwood. See "*—Key Factors Affecting Our Results of Operations and Financial Condition—Stand-alone Cost and Savings.*"

Following the Transactions

Following the consummation of the Transactions, we expect that our primary cash needs will be related to debt service requirements, working capital requirements, capital expenditures, tax payments and restructuring costs, which we expect to be funded by cash flows from operations. On an as adjusted basis, after giving effect to the Transactions, our adjusted interest expense for the LTM period would have been €59.0 million.

Following the Transactions, we expect that our primary source of liquidity will continue to be cash flows from operations. In addition, there will be funds available under our new Revolving Credit Facility that we may utilize to meet our future cash needs up to an amount of €100 million.

The following table shows our sources and uses of cash for the fiscal year 2010, 2011 and 2012 and the three-month periods ended March 31, 2012 and 2013:

	Fiscal year ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
	(in € million)				
Net income	36.8	46.7	55.0	14.9	13.1
Taxes on income	11.0	18.4	22.4	5.8	6.2
Profit before taxes	47.8	65.1	77.4	20.7	19.3
Income taxes paid (-) /income taxes received	(0.3)	0.3	(0.8)	(0.3)	(0.3)
Depreciation and amortization on non-current assets	37.4	38.6	39.7	9.8	9.9
Losses from disposal of non-current assets	0.4	0.3	0.1	0.1	0.0
Increase/decrease (-) in provisions	10.7	(5.4)	1.9	2.9	(3.3)
Increase in inventories	(12.5)	(4.6)	(1.7)	(1.4)	(5.7)
Increase in trade accounts receivable	(4.5)	(4.1)	(1.8)	(8.3)	(6.8)
Increase (-) /decrease in other accounts receivable	0.0	0.0	(0.0)	(0.3)	0.0
Increase (-) /decrease in sundry net current assets	1.0	(0.8)	(1.1)	0.5	(0.2)
Increase/decrease (-) in trade accounts payable	11.7	(5.8)	(1.1)	(3.8)	(1.6)
Increase in other accounts payable	1.0	0.8	2.0	2.8	5.5
Expense recognized in respect of share-based payments	0.9	0.7	0.7	0.2	0.2
Cash flows from operating activities	**93.7**	**85.1**	**115.3**	**22.9**	**17.0**
Cash inflow from disposal of property, plant and equipment	1.0	0.9	1.0	0.2	0.0
Cash outflow for capital investments in property, plant and equipment	(32.7)	(30.3)	(29.3)	(4.8)	(5.9)
Cash outflow for capital investments in other intangibles assets	(0.6)	(1.6)	(1.2)	(0.2)	(0.2)
Cash flows from investing activities	**(32.3)**	**(31.0)**	**(29.5)**	**(4.9)**	**(6.0)**
Proceeds from/repayment (-) of loans to affiliated companies	(55.4)	(0.2)	0.8	0.6	0.3
Cash inflow/outflow (-) from current accounts with affiliated companies	33.8	(38.2)	(62.7)	(15.2)	(12.4)
Proceeds from /repayment (-) of borrowings	(2.2)	1.9	(4.5)	(0.8)	2.4
Cash outflow from profit transfer/dividends to the shareholder	(34.7)	(48.4)	(59.7)	—	—
Cash inflow from capital contribution from shareholder	0.4	34.6	48.2	—	—
Cash outflow from the repurchase of instruments within the scope of the share-based payment program	(0.9)	(0.7)	(0.7)	(0.2)	(0.2)
Cash outflow from the repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution	(0.1)	(2.2)	(2.9)	(0.6)	(0.5)
Cash flows from financing activities	**(59.1)**	**(53.1)**	**(81.5)**	**(16.2)**	**(10.4)**
Change in cash and cash equivalents	**2.3**	**1.0**	**4.3**	**1.8**	**0.6**
Effects of exchange rate changes on cash and cash equivalents	(0.7)	0.4	(0.0)	0.0	0.2
Cash and cash equivalents at the beginning of the period	2.3	3.9	5.2	5.2	9.5
Cash and cash equivalents at the end of the period	**3.9**	**5.2**	**9.5**	**7.0**	**10.3**

Cash flows from operating activities

Cash flows from operating activities decreased from €22.9 million in the first quarter of 2012 to €17.0 million in the first quarter of 2013, principally due to higher inventories and a decrease in provisions. These effects were partially offset by an increase in other accounts payable and a lower increase in trade accounts receivable in the first quarter of 2013 compared to the first quarter of 2012.

Cash flows from operating activities increased from €85.1 million in fiscal year 2011 to €115.3 million in fiscal year 2012. The increase was partially driven by higher cash flow generated in Medical Applications. Additionally, effects in our net working capital contributed to the positive development. Our inventory levels in 2012 increased to a lesser extent compared to 2011 because in 2011 and 2010, we had significantly built up safety margins in Medical Applications' inventory to ensure prompt delivery of products to our customers. Our trade accounts receivable increased only moderately by €1.8 million in 2012, while they increased by €4.1 million in 2011. Our trade accounts payable decreased slightly in 2012, while they decreased by €5.8 million in 2011. The changes in accounts receivables and payables principally related to shifts in year-end payment patterns for raw materials and other operational costs, respectively and payments by customers.

Cash flows from operating activities decreased from €93.7 million in 2010 to €85.1 million in 2011. The decline in cash flows from operating activities was experienced despite net income increasing from €36.8 million in fiscal year 2010 to €46.7 million in fiscal year 2011 driven by a good economy and our growth in Medical Applications. Profit before taxes was impacted in 2010 by the recognition of significant non-cash provisions in that period primarily associated with bonuses for our managers and key personnel as compared to profit before taxes in 2011. In addition, the decline was also caused by a reversal in the effect of changes in trade accounts payable: while an increase in trade accounts payable of €11.7 million had a positive effect on cash flows in 2010, trade accounts payable decreased by €5.8 million in 2011. This effect was partially offset by a build-up of inventory in 2010 for our medical products to assure immediate and reliable delivery to our medical customers amounting to a cash outflow of €12.5 million compared to a cash outflow of just €4.6 million in 2011.

Cash flows used in investing activities

Cash flows from investing activities increased from €4.9 million in the first quarter of 2012 to €6.0 million in the first quarter of 2013 in line with our planned maintenance capital expenditures.

Cash flows from investing activities decreased from €32.3 million in 2010 to €31.0 million in 2011 and €29.5 million in 2012. Cash outflows were principally driven by capital expenditures in property, plant and equipment which were €32.7 million in 2010, €30.3 million in 2011 and €29.3 million in 2012. Approximately half of these cash outflows are part of our required maintenance capital expenditures and capital investments in our manufacturing plants and other tangible assets and the other half is driven by growth and other investments (see also "—*Capital Expenditures*"). The development was partially driven by higher capital investments in 2010 because of deferrals of investments from 2009. Some of these deferred investments in 2009 were also completed in 2011.

Cash flows used in financing activities

We have been part of Rockwood since 2004. As a consequence, we were also integrated in the intra-group financing and cash pooling of Rockwood. Rockwood provided substantial capital contributions to us in 2011 and 2012, while we transferred our profits to our parent company and also participated in the group wide cash pooling system through shareholder loans. Following the Transactions, we expect that our cash flows used in financing activities will be principally driven by our interest payments on our new Senior Secured Credit Facilities and on the Notes.

Cash flows from financing activities decreased from €16.2 million in the first quarter of 2012 to €10.4 million in the first quarter of 2013 mainly due to lower cash outflow from current accounts with affiliated companies in the first quarter of 2012 compared to the first quarter of 2013 and proceeds from borrowings in the first quarter of 2013 compared to repayment of borrowings in the first quarter 2012.

Cash flows from financing activities increased from €53.1 million in fiscal year 2011 to €81.5 million in fiscal year 2012. The principal drivers of this change were higher cash outflows from current accounts with affiliated companies and in connection with payments to Rockwood. In addition, while Rockwood provided a capital contribution of €34.6 million in fiscal year 2011, Rockwood provided a higher capital contribution of €48.2 million in fiscal year 2012.

Cash flows from financing activities decreased from €59.1 million in fiscal year 2010 to €53.1 million in fiscal year 2011. While we repaid loans to Rockwood in an amount of €55.4 million in 2010, we received a cash inflow of €33.8 million from current accounts with Rockwood. In 2011, a cash outflow from current accounts with affiliated companies of €38.2 million was partially compensated by a capital contribution by our shareholder of €34.6 million compared to a capital contribution of €0.4 million in 2010.

Capital Expenditures

The following table provides an overview of our capital expenditures in the fiscal years 2010, 2011 and 2012 and the three month periods ended March 31, 2012 and 2013:

	Fiscal Year Ended December 31,			Three Months Ended March 31,	
	2010	**2011**	**2012**	**2012**	**2013**
	(in € millions unless otherwise stated)				
Capital investments in intangible assets	0.6	1.6	1.2	0.2	0.2
Capital investments in property, plant and equipment	32.7	30.3	29.3	4.8	5.9
Total	**33.3**	**32.0**	**30.5**	**5.1**	**6.0**
As a percentage of total net sales (%)	8.6	7.6	7.2	4.6	5.6

Our capital expenditures are primarily connected to the maintenance of our manufacturing facilities as well as to our corporate facilities. At our manufacturing sites we invest in machinery and manufacturing equipment on an ongoing basis. We are able to operate with annual required maintenance capital expenditures of approximately €15 million annually, as estimated by our management, while the rest of our capital investments include costs incurred for expansion, construction and acquisitions of equipment and properties and for environmental matters relating to safety or health and other costs. While we cannot defer crucial maintenance capital investments in our machinery and other operating equipment, we have in the past, notably in 2009, deferred planned capital investments in our properties and plants such as repairs of roofs and improvement and maintenance expenses relating to our manufacturing sites.

We expect that our capital expenditures will significantly increase in 2013 due to the expansion of our manufacturing plant for ceramic components for hip joint implants in Marktredwitz. We currently plan that approximately €13 million of capital expenditures will be incurred in 2013 and approximately €20 million in 2014 with approximately €10 million planned for further expenditures until 2017, all net of government subsidies. Our expanded production facility is expected to increase our current output capacity of approximately 1.2 million units by an estimated additional 350,000 units by early 2015 when the expansion will be operational. In addition, our expanded Marktredwitz facility, together with our Plochingen facility will provide us with two full scale production sites, thereby allowing us to further provide security of supply for our customers, ensuring capacity to address future demand and enhancing our manufacturing scale advantage over our competitors.

According to our management's current plans, our capital expenditures in 2013 will be split as follows: approximately €15 million for required maintenance capital expenditures for both our Medical Applications and Industrial Applications business, €13 million for the expansion of our Marktredwitz plant and €22 million for other growth investment projects including approximately €7 million for growth investments in Medical Applications other than investments for the expansion of our Marktredwitz plant. Additionally, our management plans to spend approximately €2 million on environmental matters in 2013.

Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2013, as adjusted for the effects of the Transactions:

	Payments due by period									
Contractual Obligations	**Total**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 and beyond**
	(in € million)									
Senior Credit Facilities[1]	647.4	2.4	3.2	3.2	3.2	3.2	3.2	3.2	625.6	0.0
Notes	306.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	306.7
Total[2]	**954.1**	**2.4**	**3.2**	**3.2**	**3.2**	**3.2**	**3.2**	**3.2**	**625.6**	**306.7**

(1) Assumes the Notes and all amounts not otherwise amortized under the Senior Secured Credit Facilities will be paid at maturity. Excludes €100 million of the new Revolving Credit Facility which is expected to be undrawn at closing. Any U.S. dollar denominated loans under the Term Loan Facility will have 0.25% of initial principal amount amortizing each quarter while the Euro denominated loans under the Term Loan Facility will have no interim amortization. For illustrative purpose, we have assumed half of the Term Loan Facility will be denominated in U.S. dollars. The actual amortization profile depends on the final tranche sizing.

(2) Does not reflect any of the Target's existing indebtedness that is not repaid in the Refinancing.

Provisions for Pension Commitments

We provide our employees with various defined benefit and defined contribution pension plans in relation to retirement, invalidity 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, the financing and the plan assets of pension plans. We are currently considering a change to our pensions plans, following the consummation of the Transactions.

The following tables show 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 2012:

	Fiscal year ended December 31, 2012		
	German plans	Foreign plans	Total
	(in € million)		
Contractual obligation at the beginning of the year	**44.6**	**9.0**	**53.6**
Service costs	0.7	—	0.7
Interest expenses	2.0	0.4	2.4
Actuarial (gains)/losses	10.2	0.4	10.6
Currency Translation	0	0.2	0.2
Benefit payment	(2.2)	(0.6)	(2.8)
Other variances	—	0.0	0.0
Contractual obligation at the end of the year	**55.2**	**9.4**	**64.6**
Market value of the plan assets at the beginning of the financial year	**0.0**	**4.5**	**4.5**
Expected income from plan assets	0.0	0.3	0.3
Employers' contributions	0.0	0.1	0.1
Actuarial (gains)/losses	0.0	(0.1)	(0.1)
Currency translation	0.0	0.1	0.1
Benefit payments	0.0	(0.6)	(0.6)
Market value of the plan assets at the end of the year	**0.0**	**4.4**	**4.4**
Net liability/provisions for pension benefits	**(55.2)**	**(5.0)**	**(60.2)**

The following table shows the expected future benefit payments for our defined benefit plans taking into account future service periods as of the end of the fiscal year 2012:

	Benefit payments of the Target	Benefit payments from the plan assets	Total
	(in € million)		
2013	2.2	0.2	**2.5**
2014	2.3	0.3	**2.6**
2015	3.0	0.3	**3.3**
2016	2.5	0.3	**2.8**
2017	2.5	0.3	**2.8**
2018-2022	12.9	1.5	**14.4**

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements except for certain leases entered into in the normal course of business.

Critical Accounting Policies and Significant Accounting Estimates

Our principal accounting policies are described in note 2, titled "*Accounting, Valuation and Consolidation Principles*" of the audited Combined Annual Financial Statements included elsewhere in this Offering Circular. The preparation of the Combined Annual Financial Statements under IFRS requires assumptions and estimates to be made which can impact the measurement of the assets and liabilities recognized income and expenses, as well as the disclosure of contingent liabilities. Estimates and the assumptions underlying them are based on management's best estimate and facts, circumstances and information available to management. Actual amounts may deviate from estimated amounts. All estimates and assumptions are reviewed on a regular basis. Changes in estimates are adjusted in the current period in the event that the change only affects the current period. Otherwise the change is recorded in future periods.

Our management believes the accounting estimates discussed below represent those accounting estimates requiring the exercise of judgment where a different set of judgments could result in the greatest changes to our reported results.

Revenue recognition

Sales comprise the proceeds from the sale of goods and services (ex VAT) and are recognized at fair value of the return less discounts. The sales revenues and further revenues are realized as follows:

Revenues from sale of goods: Revenues from the sale of goods are recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Financial income, user fees, dividend income: Financial income is recognized *pro rata temporis* applying the effective interest method. Revenues resulting from user fees are accrued based on the substance of the relevant agreements and are recognized *pro rata temporis*. Income from dividends is recognized on the date on which the right to receipt of the payment comes into force.

Research and development costs

Research costs are recognized as an expense in the period in which they are incurred. Development costs must be capitalized if certain conditions are verifiable and cumulatively met. Amongst others it must thus be possible to use or sell the self-developed asset and furthermore, an economic benefit must arise for us from this use or sale. The amount capitalized for a self-developed intangible asset corresponds to the total of the incurred expenses as from the day on which the intangible asset meets the necessary requirements for the first time. If a self-developed intangible asset cannot be capitalized or if no intangible asset exists, the development costs are recognized through profit or loss in the period in which they are incurred.

Goodwill

Goodwill is measured at acquisition cost, when initially recognizing goodwill on business combinations. Goodwill arises from the excess of costs of the acquisition of a company over the share of the purchaser in fair value, i.e. in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. The recoverability of goodwill is checked at least once a year (in the fourth quarter) as well as in case of signs of indications of a possible impairment in value.

When performing the impairment test, goodwill acquired is assigned to the cash generating units that benefit most from the business combination as of the date of acquisition. A cash generating unit defines the lowest level within a company, on which the goodwill is monitored for the purpose of the allocation of resources, and is not larger than one segment.

We have defined Target and its domestic and foreign group companies, Emil Müller GmbH and its foreign group companies and CeramTec-ETEC GmbH as cash generating units.

If the realizable amount of a cash generating unit is lower than the carrying amount of the unit, the carrying amount of the goodwill assignable to the unit is first reduced and, if necessary, the relevant assets are also reduced proportionately. An impairment loss recognized for the goodwill cannot be reversed in future periods.

Other intangible assets

The other intangible assets with limited useful lives, including licenses, patents, concession rights, trademark rights and customer lists are capitalized at acquisition cost and are amortized on a straight-line basis over their estimated useful lives. The useful lives of intangible assets amount to 10 to 20 years for acquired know-how, 25 years for trademark rights, 7 to 15 years for customer lists and three years for software. The carrying amount is reviewed for impairment if there is any indication that those assets need to be impaired.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses as well as plus reversals of impairment losses (up to the amortized cost at most). Historical costs of property, plant and equipment acquired include the expenses that are directly attributable to the acquisition.

The recognized value is reviewed for impairment if there is any indication that those assets might have suffered an impairment loss. The recoverability is assessed by comparing the asset's carrying amount with its recoverable amount on the level of the cash generating unit. The recoverable amount of a cash generating unit is defined as the higher of fair value less costs to sell and the value in use of a cash generating unit. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. For assessing the impairment, the assets are grouped on the lowest level, for which independent cash flows are identifiable.

The historical cost of self-constructed assets comprises direct costs as well as the directly attributable indirect costs of material as well as production and administration overheads, including depreciation. If the construction runs over a longer period and an asset was identified, the historical costs also include the borrowing costs incurred during the construction period.

Current maintenance and repair costs are immediately recognized as expense. Costs for measures that serve the purpose of extending the useful lives of an asset or improving the future economic benefits of the asset are principally capitalized.

Government grants

Government grants paid as compensation for already incurred expenses are recognized in the combined statement of comprehensive income in the period, in which the cash inflow incurred. The acquisition or production costs of the property, plant and equipment for planned capital investments are reduced by the respective government grants directly at the recognition.

Leasing

A finance lease is a lease that transfers to the lessee all risks and rewards incidental to the ownership of an asset by means of the leasing agreement. Property leased under a finance lease is disclosed under property, plant and equipment and measured at the lower of fair value or the present value of the minimum lease payments. The corresponding liability is presented as commitment from finance leases within financial liabilities to the third parties. In the following periods, the leased is depreciated over the contract term or, if shorter, the useful life. The payment to the lessor comprises an interest component and a repayment amount, whereby the interest component is recognized through profit or loss as constant interest on the residual lease liability over the term of the lease. All other leases are classified as operating leases. Rental payments within the scope of this operating lease are expensed on a straight-line basis.

Deferred taxes

Generally, we recognize deferred tax assets and deferred tax liabilities for all temporary differences between tax bases and the carrying amounts in the Combined Financial Statements. The effect of amended tax rates on deferred tax assets and deferred tax liabilities is reflected in the income tax expense of the period, in which the law was enacted. The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Inventories

Inventories are valued at the lower of cost or net realizable value, i.e. the value that can be realized in normal business less the estimated cost of completion and selling expenses. As a general rule, the average value method or the standard cost method is used when determining the cost of inventories.

The purchase costs of inventories comprise the purchase price as well as all incidental costs directly attributable to the acquisition. Next to the direct cost of material and manufacturing costs, the costs of conversion of inventories also include appropriate portions of indirect costs of material and manufacturing costs, including the production-related depreciation as well as production-related administration costs. The costs of conversion of inventories do not include any borrowing interest incurred in the course of the production, since the inventories within our Group are not qualifying assets within the meaning of IAS 23. The net realizable value corresponds to the estimated sale proceeds less cost to complete and selling expenses. In this case, the reversal of write downs recognized would be up to the amount of the original cost of conversion of inventories.

Realization of deferred tax assets

Deferred taxes are computed on the basis of the tax rates that will—based on the current legislation—presumably apply as at the date, on which the temporary differences are expected to reverse as well as on an estimate of the future taxable income. Possible changes of the tax rates or income deviating from the expected ones may lead to the fact that a realization of deferred tax assets is not probable. The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Provisions for pensions

In relation to defined benefit plans of the Group, all accumulated actuarial gains and losses and prior service costs which were recorded in accumulated comprehensive (loss) income under U.S. GAAP because our Group was part of Rockwood which uses U.S. GAAP, were recognized within retained earnings at the date of transition to IFRS (net of deferred taxes). The disclosure change does not affect the amount of equity.

Defined benefits plans measured in line with the projected unit credit method as required by IAS 19 "Employee Benefits." When determining the defined benefit obligation, we take into account salary and pension adjustments expected in the future. The service costs for eligible participants results from the scheduled development of the projected benefit obligation. Differences between pension commitments expected and actually determined at year-end closing as well as deviations at year-end between the expected and the actual fair value of the plan assets (actuarial gains and losses) are netted in a separate line within equity (other comprehensive income). The pension commitments in Germany are determined under using the modified 1998 Standard Tables of Prof. Dr. Klaus Heubeck. The pension commitments outside of Germany are determined in compliance with country-specific bases of calculation and parameters. The commitments at year-end are offset against the plan assets at fair value (funded status). The pension provisions take into account the actuarial gains and losses directly recognized in equity as well as prior service costs.

The interest portion included in the pension expenses is disclosed under the interest expenses, while the expected income from plan assets is represented as the financial income. The current service costs are disclosed under the respective function costs.

The actuarial valuation of pension commitments is based on assumptions about discounting rates, returns on the plan assets expected in the long term, expected future salary and pension rises as well as mortgage tables. The assumptions may differ from the actual data. When determining the defined benefit obligation, we take into account salary and pension adjustments expected in future.

Deviations from these assumptions or expectations may materially affect the amount of the provisions for pensions.

A decline of one percentage point in the discounting rate used would for example lead to an increase in the present value of the pension commitments of approximately €9.7 million (2011: €7.4 million; 2010: €6.9 million). In return, an increase in the used discounting rate by one percentage point would lead to a decline in the present value of the pension commitments of approximately €9.2 million (2011: €7.0 million; 2010: €6.6 million).

Defined contribution plans are considered in the respective period.

Provisions for environment protection

Costs for the commitment of eliminating environmental damage are accrued if a use is probable and if the costs can be reliably estimated. The amount of each provision is affected by factors such as the degree of contamination, the required decontamination measures and further requests from authorities, companies or private persons. Changes of these factors or of the legal situation or new knowledge from further inspections and gained in the course of the taken decontamination measures may require the adjustment of the provision.

Provisions for litigation risks

The outcome of litigations cannot be forecasted with reasonable certainty. Adequate provisions were set up within the Combined Financial Statements for probable penalties and damages as well as other payment claims if these can be probable estimated. The actual outcome of the litigations may considerably differ from these estimates.

Qualitative and Quantitative Disclosure about Market Risk

Our business and financial results are affected by fluctuations in world financial markets, including interest rates, currency exchange rates and commodity prices.

Interest rate risk

Following the completion of the Transactions, our principal interest rate exposure will relate to outstanding amounts under our new Senior Secured Credit Facilities. We plan to fully draw €647.4 million of term loans under our new Senior Secured Credit Facilities, of which all will be subject to variable interest rates. Additionally, we will have our undrawn Revolving Credit Facility available to us in a maximum amount of €100 million. We intend to hedge our variable interest exposure through interest rate hedges on a majority of the term loans under our new Senior Secured Credit Facilities.

Assuming our new Senior Secured Credit Facilities are fully drawn and our Revolving Credit Facility remains undrawn and that we hedge exchange rate risks as described above, each one percentage point increase or decrease in the applicable interest rates would correspondingly change our interest expense on our new Senior Secured Credit Facilities by approximately €3.2 million per year.

Foreign exchange rate risk

In the past we were not significantly exposed to a particular foreign currency as most of our sales were denominated in Euro. The following table provides an overview of our net sales in different currencies converted into Euro in the last three fiscal years:

	Fiscal year ended December 31,		
	2010	**2011**	**2012**
		(in € million)	
Euro	313.8	345.4	346.1
US-Dollar	56.7	55.6	56.6
Chinese Renminbi	5.3	7.3	9.5
Polish Zloty	3.9	4.5	4.1
Malay Ringgit	4.0	2.3	3.7
British Pound	2.5	2.1	2.2
Other currencies	2.8	2.8	3.1
Total	**389.0**	**419.9**	**425.2**

Most of our costs, including our costs of products sold, selling costs and general administration costs, are incurred in Euro, while only slightly less than one tenth of our costs are incurred in U.S. dollar. Costs incurred in other currencies in aggregate amount to less than our costs in U.S. dollar. Similarly, our capital expenditures are mostly incurred in Euro with a small part of them in U.S. dollar and other currencies.

Our new Senior Secured Credit Facilities will provide for a U.S. dollar tranche in an amount yet to be determined. As a result, although part of our currency rate exposure due to our new U.S. dollar term loan will be offset by our U.S. dollar revenues which amounted to an equivalent of €56.6 million in 2012, we will be subject to significant foreign exchange rate risk in connection with our financing and interest payments on our credit facility. While we expect that we will hedge a portion of this currency exposure to the extent that the proportion of the U.S. dollar loans significantly exceed the proportion of our income denominated in U.S. dollars, we have not yet determined the exact amount of such currency hedging that we will enter into and, in any event we expect that we will be subject to some currency rate risk. Because we have not yet determined the extent of our currency hedging, we cannot determine our future sensitivity to exchange rate fluctuations.

Commodity price risk

We are subject to changes in our cost of sales caused by movements in underlying commodity prices (primarily oil and natural gas). Approximately one third of our costs of products sold is related to raw materials. Our price fluctuations generally follow industry indices. The raw materials we use are generally not traded on commodity exchanges with the exception of leadoxid which is connected to lead prices, goldsalts which are connected to the gold price, silversalts which are connected to silver and our natural gas needs which are connected to the commodities market for natural gas. We historically have not entered into long-term purchase contracts related to the purchase of raw materials.

BUSINESS

Overview

We are a leading global developer, manufacturer and supplier of HPC products. Our HPC products are made of advanced ceramics which are highly specialized materials with superior biological, mechanical, electrical, thermal or chemical properties compared to competing products made from metal 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. We currently offer a wide range of HPC products from hip joint prostheses components to actuators in valves for diesel and gasoline injection systems and ceramic components for efficient cooling in LED lighting technology. The versatility of HPC products and resulting wide-range of applications provides us with a highly diversified end market and customer base.

Our operations can be divided into two business groups—Medical Applications and Industrial Applications.

Medical Applications: Medical Products is our largest business unit and focuses on ceramic components for hip joint prostheses, such as ball heads and cup insert used in THR procedures. Ceramic materials are replacing traditional materials for hip joint prosthetic components such as metal which can trigger negative patient reactions, for example due to allergic reactions resulting from metal sensitivity, and have experienced documented safety concerns. Our HPC medical products are biologically inert and have high wear resistance and excellent friction behavior, making them one of the few materials that are durable and stable enough to withstand the corrosive effects of bodily fluids. More than 8 million patients globally have received hip joint replacements that include our BIOLOX® ceramic components. Today we estimate that nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component, and we estimate our BIOLOX® products represent more than 90% of the ceramic components used for these hip joint implant systems. This has positioned us as effectively the sole supplier of ceramic components for hip implant systems produced worldwide. Our manufacturing output for ceramic hip joint components is more than ten times higher than our competitors combined. We believe that our BIOLOX® brand has come to symbolize high quality and innovation and is increasingly preferred by surgeons and other medical professionals. We anticipate that our HPC products will be used for various other joint replacements, such as knee and shoulder implants in the future.

Industrial Applications: Our HPC products are also widely used in multiple industries including automotive, consumer electronics, power electronics and telecommunications. We are one of the only advanced ceramics manufacturers that produces a full-range of HPC products with a portfolio comprised of over 20,000 different products serving a highly diverse customer base, which we believe reduces our exposure to a single industry or product. Due to the superior technological and performance characteristics of advanced ceramics, such as better wear and heat resistance than alternative materials, our HPC products are often 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 play a vital role in increasing safety, improving cost-effectiveness and enhancing comfort in vehicles. Our substrates, which are ceramic plates with electrical, thermal and mechanical properties, are used for a variety of purposes in the electronics sector, including measurement and control technology and entertainment electronics and we also produce products that are essential to support the strong growth of the LED and power electronics sectors. All of our business units, other than Medical Products, are part of Industrial Applications. The key industrial business units are Multifunctional Ceramics, Electronic Applications, Cutting Tools, Mechanical Systems, Mechanical Applications and ETEC. All of our other business units, including chemical applications, Emil Müller GmbH and our foreign subsidiaries, are grouped into Other Applications and also included in Industrial Applications.

Our core Medical Applications business accounted for 35.7% of Group net sales but contributed the majority of our EBITDA in the LTM Period. Medical Applications benefit from relatively high margins and modest capital expenditure requirements compared to Industrial Applications, and are the major contributor to Group cash flows, supplemented by Industrial Applications. Over the 2010 to 2012 period, Medical Applications had a Cash Conversion Ratio of over 85% each year, whereas Industrial Applications had a Cash Conversion Ratio of approximately 55% each year.

In fiscal year 2012, we generated 74.8% of our net sales in Europe (including Germany). However, our customers have a strong export focus as their end-products, such as automotive parts, are exported world-wide. In addition, we have a global infrastructure with manufacturing facilities in Europe, North America, Asia and South America and over 3,100 employees worldwide. We believe that we are a truly global company with a global sales footprint.

In the LTM Period, we generated net sales of €422.1 million and Adjusted EBITDA of €135.6 million, respectively, representing a 32.1% Adjusted EBITDA margin. During the 2010 to 2012 period, our net sales and Adjusted EBITDA registered a CAGR of 4.5% and 8.3% respectively, and our Cash Conversion Ratio increased from 69.6% to 76.8%. We believe we have a highly cash generative business supported by modest maintenance capital expenditure requirements of €15 million annually, as estimated by our management. For an explanation of the components of Adjusted EBITDA and Cash Conversion Ratio, see "*Summary—Summary Historical and Adjusted Combined Financial Information and Other Data.*"

Our Competitive Strengths

We believe that our key competitive strengths are the following:

We have a Leading Market Position in Our Core Niche Applications with Long-standing Customer Relationships and a Successful Portfolio of Brands

We believe that we are among the market leaders across most of our HPC niche applications, and benefit from a strong portfolio of products and widely-recognized brands within the industry. Specifically, our BIOLOX® brand, used for our ceramic components for hip joint implants, is recognized as the industry standard for ceramic hip joint components around the globe. Today we estimate that nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component, and we estimate our BIOLOX® products represent more than 90% of the ceramic components used for these hip joint implant systems.

We believe that our strong position in the HPC-based hip replacement market is further supported by our strategic customer relationships with all of the key hip replacement implant OEMs, including Biomet, DePuy, Smith & Nephew, Stryker and Zimmer, known as the "Big 5", who together have a dominant market share of hip joint implant systems sold worldwide. We have a longstanding relationship with each of the Big 5 and we are effectively the sole supplier of ceramic ball heads and cup inserts for all of these manufacturers. We have developed customized products in collaboration with our key customers and work in close collaboration with them to promote the use of our BIOLOX® products with surgeons and other key decision makers.

We also have highly-respected non-medical global brands such as Ceramdisc® seals and regulator discs for mechanical systems, CeramCool® ceramic heat sinks for electronic applications and SPK® customized cutting tools for turning, milling and boring and high end engineering. We believe that we also hold strong market positions in a number of our non-medical end markets, including for example, textile machinery components. Our Industrial Applications products are often tailored solutions developed jointly with a customer. However, we are able to also market such specific solutions to other customers, very often modifying such product. Therefore, many of our products occupy the entire market for certain niche applications. We seek to maintain close relationships with all of our customers, including frequently pursuing joint R&D projects with them to meet their requirements, in order to enhance our competitive positioning.

We Operate in Attractive Industries

The end markets for our key applications benefit from organic growth opportunities, particularly the medical sector. Between 2008 and 2012, the number of hip replacement procedures world-wide has seen an estimated compound annual growth of approximately 5% to an estimated 1.7 million hip replacement procedures (excluding partial procedures) in 2012 worldwide. A leading international consultancy firm estimates that the number of these procedures will grow by approximately 6% per annum from 2012 to 2017 to a total of 2.2 million worldwide due to a number of factors including aging demographics, increased prevalence of obesity and improved healthcare access in emerging markets. The United States government estimates that between 2010 and 2030, the U.S. population between ages 65 and 74 will increase by 81%, between ages 75 and 84 will increase by 89% and 85 years of age and older will increase by 52%. Likewise, it is estimated that obesity prevalence in the United States will increase significantly between 2011 and 2030 by 33%, with severe obesity prevalence increasing by 130%. The improved access to healthcare in the emerging markets is also a key growth driver. Total hip replacement procedures in China are estimated to grow at a double-digit rate annually over the next five years from an estimated 200,000 in 2012.

Alongside the growth in hip replacement therapy, HPC hip joint components are replacing metal, particularly for hard-on-hard hip implant systems, as a result of the decline in metal-on-metal combinations due to patient safety concerns. Ceramic ball heads are also seen as an alternative to metal ball heads for use in combinations with polyethylene cup inserts. In 2012, according to estimates by a leading international consultancy firm, the penetration level of ceramic components, including ceramic ball heads and cup inserts, in the global hip joint components market was 28% and it is estimated to reach 31% by 2017. Certain markets have lower ceramics penetration rates than others, leading to high growth potential in these particular markets. For example, the United States has approximately half the ceramics penetration level of major European markets such as Germany, the UK and France. We believe these market dynamics, even if ceramics penetration in high growth markets do not reach the levels of Western European countries, provide us with an attractive growth opportunity in medical products for the foreseeable future.

In addition, the medical costs associated with THR procedures in developed countries are typically covered by government health care systems and/or public or private insurance companies due to their critical nature to patient well-being and quality of life thereby providing stability and resilience to the demand for our medical products regardless of macroeconomic conditions. We expect continued growth for our medical products given the trend towards substitution of metal products by ceramic components and the estimated increase in hip replacement procedures globally.

In Industrial Applications, we believe we will benefit from industry dynamics in our various end markets. Due to the diverse applications of the HPC products manufactured by our Industrial Applications business, our exposure to cyclicality in any particular industry is limited. Additionally, as certain industries improve from trough levels, such as the automotive industry, or expand, such as the LED lighting industry, we are well-positioned to capitalize on such positive developments by working closely with our customers to introduce new products and materials and develop new applications.

We Benefit from Significant Competitive Advantages including High Switching Costs in Our Key Markets

We benefit from a number of structural factors in our industry which enhance our competitive position. First, we have developed many of our products in conjunction with our customers. This has provided us a strong competitive advantage over smaller competitors and competitors with a shorter operating history. With respect to our medical products, our components are used in products that require regulatory approval, specifically FDA approval in the United States for hip implants. Any replacement of our components in our customers' end products would require new regulatory approval which would be a time consuming and cumbersome exercise for our customers with an uncertain outcome. Also, surgeons tend to be reluctant to adopt new alternative products for critical medical procedures where they lack experience or there is limited clinical evidence. As a result, we have enjoyed a very stable market position in medical products. Also, we estimate that our manufacturing output for the HPC medical products that we produce is more than ten times that of our competitors combined thereby providing us a strong advantage in terms of scale, efficiency, reliability and ability to serve our customers. Separately, and across all the sectors we serve, we tend to produce components which add significant value to the end products despite a limited impact on the costs of such products. For instance, the cost of our HPC components (both ball heads and cup inserts) included in a complete hip joint implant system represents only a small percentage of our customers' total cost of such systems, but are critical to the overall performance of the hip implant prostheses. We believe that the limited cost savings opportunities, the substantial know-how required as well as the close collaboration with customers for product development and promotion, are major hurdles for any new competitor.

There are a number of other factors that strengthen our Industrial Applications business, leading to greater market opportunities, assisting in maintaining our profitability and protecting our position with our existing clients. HPC products are increasingly being used in new and demanding applications where traditional materials such as metal are unable to respond as well to the greater demands of such applications. Many of our products are jointly developed with customers, taking into account specific customer requirements and are embedded in our customers' products and their manufacturing processes. As a result, for many of these applications we are the sole supplier to our customers. Therefore, our customer would have to obtain approval from the end-customer using the product before replacing our product within their product or processes. For example, our piezo ceramic tapes have been specified in a number of electronic products and hence cannot be easily replaced. Due to the specialized nature of our products, manufacturing complexity and extensive qualification requirements, customer switching costs are relatively high. As a result of this complexity and due to the high product performance and reliability requirements competition in the HPC market is primarily based on product quality, product specifications and customer service rather than pricing.

We are a Technology Leader in High Performance Ceramics (HPC) with a Sustainable Technological Advantage

We are a technology leader in our industry with a strong and lengthy track record of developing new materials and products. Due to most of our products being highly specialized and customized, usually developed in collaboration with a customer, we believe we will be able to preserve our technological advantage. Our material sciences knowledge, R&D infrastructure, decades of HPC experience and complex manufacturing process know-how is critical to product development and performance, and is the bedrock for our technological advantage.

Our research and development capabilities have earned us a reputation as a leading innovator in the HPC sector. These capabilities have been integral to our ability to develop innovative products and our efforts to explore the application of HPC's unique properties to create innovative system solutions. Our customers tap our extensive experience in manufacturing complex ceramic components to pioneer new components or processes that they need for their production process or products. Based on our diverse customer base and strong customer relationships, we are often the first to know of a need for a new material or product and are optimally placed in the production process to develop a solution.

We have a highly qualified R&D team, with over 300 personnel with advanced technical qualification, including 156 R&D scientists and 45 PhDs, engineers and technical service personnel as of March 31, 2013. In the last ten years, we have successfully introduced at least 10 new production processes, more than 2,000 New Products, and developed approximately 50 new materials and substantially modified approximately 150 existing materials. For example, we have recently developed and put into place a new granulation process, which allows us to produce contamination-free material at a higher quality level and, thus, be at the cutting-edge of this technology. During 2010 through 2012, the contribution to our revenues from New Products introduced within the last five years of the relevant period was approximately 30% each year.

We have a Global Footprint, with Efficient Global Manufacturing and Innovation Capabilities and Extensive Marketing and Sales Expertise

Headquartered in the manufacturing heart of Germany, we have a global infrastructure with 18 manufacturing facilities in Europe, North America, Asia and South America. All our manufacturing facilities also generally include on-site sales staff. Many of these facilities are located near our customers, allowing for close relations, fast deliveries and reliable technical service. In addition, we have invested and continue to invest in high-growth emerging markets. Our facilities in China, South Korea, Malaysia, Brazil, Poland and the Czech Republic position us for further growth.

Our manufacturing facilities are state of the art and have been awarded various quality certifications. All of our production sites are ISO 9001 certified and the sites that produce products for the automotive industry have also been QS9000 certified. Our Medical Applications production sites have also obtained the industry standard certification for medical products.

As many of our HPC products are customized, our marketing and sales activities need to be closely aligned to customer requirements. We have a dedicated sales force of 290 staff worldwide responsible for customer relationships. Customers for our medical products are covered by specially trained sales personnel operating from the relevant production facilities. In this regard we work closely with all of the Big 5 hip replacement implant OEMs in marketing activities, including advertisements, training and education sessions for hip implant surgeons. This approach has positioned BIOLOX® as a leading brand among surgeons, other medical professionals and OEMs and as the industry standard.

We Operate a Highly Cash Generative Business Supported by our Resilient Medical Applications Business

Our business has a successful track record of delivering strong financial results with revenue and Adjusted EBITDA registering a CAGR of 4.5% and 8.3%, respectively, between 2010 and 2012. Our high Adjusted EBITDA margin of approximately 32.0% in 2012, up from 29.8% in 2010, reflects our high-tech, customer-focused and technical services-oriented business model. We also benefit from a highly variable cost structure that provides stability to our gross margins which improved from 41.0% in 2010 to 43.2% in 2012 and 44.4% in the first quarter of 2013 due to a greater revenue contribution from high-margin medical products, cost discipline and operational excellence. Our well-invested manufacturing footprint is able to operate with annual required maintenance capital expenditures of approximately €15 million, as estimated by our management, representing about half of our annual capital expenditures each year in the last several years. Our R&D and growth capital expenditure programs allow us to defer a significant part of planned expenditures from one year to another if required or desired. Our high and stable margins combined with our modest maintenance capital expenditure requirements support our cash generative business.

Our core medical business contributes significantly to our overall performance and cash flows. In the LTM Period, Medical Applications accounted for €150.5 million, or 35.7%, of our net sales but contributed a majority of our EBITDA. Medical Applications benefit from relatively high margins and modest capital expenditure requirements compared to Industrial Applications, and are the major contributor to Group cash flows, supplemented by Industrial Applications. Over the 2010 to 2012 period, Medical Applications had a Cash Conversion Ratio of over 85% each year, whereas Industrial Applications had a Cash Conversion Ratio of approximately 55% each year. Our medical products demonstrate growing revenues supported by a number of factors including a favorable growth outlook for THR procedures and increased ceramic penetration forecasted, most of which are independent from macroeconomic conditions. As a result, from 2008 to 2012, the number of ceramics components we sold for use in hip joint implant systems consistently grew each year recording a CAGR of 12% for such period.

Experienced Senior Management Team Supported by a Highly Committed Sponsor

Our senior management team is experienced and highly regarded in the industry, with decades of relevant industry experience and an over 11 year average tenure with us. Our CEO, Dr. Zimmermann, and our CFO, Mr. Müller, have been with us for 12 and 21 years, respectively, with our CTO, Mr Adler, having joined us two years ago. In addition to their experience with us, each of the members of our senior management team have extensive experience working for other manufacturing entities, including other businesses in the ceramics sector, and play important roles in the ceramics industry. Our CEO, CFO and CTO are aided by a broad base of experienced senior managers who have proven track records of developing and commercializing innovative HPC products across various applications while reducing costs and developing and maintaining strong customer relations. Our senior management team seeks to both ensure operational excellence and maintain close relationships with our key customers to ensure the performance of our business. To this end they have led a continuous improvement of our business by capitalizing on strategic and organic growth opportunities, pursuing operational efficiencies, continuously managing fixed costs, developing new products and technology with a particular focus on customer service. In addition, in connection with the Transactions we anticipate that the senior members of our management team will be reinvesting in our business and we anticipate the implementation of a customary management equity plan for our senior and other management employees thereby ensuring the alignment of their interests for the growth and performance of our business.

We also expect to benefit from Cinven's strong expertise in the healthcare sector. In recent years funds advised by Cinven have made a significant number of investments in the healthcare sector, including leveraged buyouts of companies in medical devices, healthcare services and life sciences/biotechnology sectors such as Phadia, Sebia, Spire and Avecia. Cinven also has experience in the advanced chemical materials sector through its investment in Victrex, a leading global manufacturer of performance polymers.

Our Business Strategy

We aim to be a leading provider of HPC products world-wide and a technology leader in the global advanced ceramics industry. To achieve these goals, the key components of our business strategy are as follows:

Maintain Leadership in HPC Medical Applications

We currently estimate nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component and we estimate that our BIOLOX® products represent more than 90% of the ceramic components for these hip joint implant systems. We have significant opportunities to capitalize on and further extend our leadership in this sector by expanding production capacity with respect to our market leading BIOLOX® hip joint implant components and developing new product lines with respect to knees and shoulders.

In anticipation of approximately 6% per annum estimated volume growth in hip replacement procedures worldwide from 2012 to 2017 and the increased share of ball heads and cup inserts used in hip joint implant systems, we are currently expanding our production facility in Marktredwitz in order to meet expected customer needs. Our expanded production facility will include two additional BIOLOX® ball-head lines and one additional BIOLOX® cup insert line and is expected to be operational by early 2015. This expansion will increase our current output capacity of approximately 1.2 million units by an estimated additional 350,000 units. Our expanded Marktredwitz facility, together with our Plochingen facility will provide us with two full scale production sites, thereby allowing us to further provide security of supply for our customers, ensuring capacity to address future demand and enhancing our manufacturing scale advantage over our competitors.

The ceramics penetration rate in the United States is approximately half the penetration level of major European markets such as Germany, UK and France. We intend to work closely with hip implant system manufacturers, particularly the Big 5, in providing surgeon education and training. In collaboration with these OEMs, we will continue to actively promote BIOLOX® products to patients in US, who are increasingly becoming more knowledgeable and aware of the benefits and risks of implant materials and exert influence on surgeon decision-making unlike in Europe.

We intend to leverage our success in the hip joint segment of the medical products end market and develop a range of new product lines for other ceramic medical applications. Together with a customer, we have already conducted clinical trials for ceramic knee joint replacement components in the European market as well as launched our new development project for Medical Applications in 2012, which is aimed at identifying potential additional new product lines in the medical space. New medical products that are already in a market development phase include ceramic parts for shoulder and small joints replacements and spine implants. The successful introduction of products into these additional niches would provide us an opportunity to leverage our existing technology and assets into additional attractive markets.

Expand Product Portfolio and Continue R&D Success

We expect demand for HPC products to increase over the long-term in all of our end markets as HPC components replace lesser-quality materials and as technological advances result in new or more cost-efficient HPC applications. To take advantage of growing demand, in addition to our new development project for Medical Applications, we are currently pursuing a variety of projects to expand our product portfolio and to ensure we remain at the forefront of new technologies. These projects include:

- The development of transparent ceramics for ballistic glass, which is largely used in armored vehicles with the same protective quality at half the weight of traditional materials and the development of sintered silicon carbide (SSiC) ceramic, the material of choice to reduce the weight of armored military vehicles;

- Examining new technologies relating to piezo ceramics which can convert pressure and acceleration into electrical signals (and vice versa), leading to innovative new applications in a multitude of areas, including medical applications, precision driving technology, automotive, energy and other industrial applications; and

- Examining the potential of structure copper technology (the metallization of ceramic substrates) which is used, among other things, in LED-related applications and power electronics applications.

We have historically been able to successfully convert our leading R&D capabilities into new products sold on the market, as witnessed by our introduction of approximately 2,000 New Products in the last five years, and plan to continue to pursue such innovation in the future. We aim to continue to derive an extensive part of our net sales from newly developed and introduced products. We generally co-develop products in collaboration with our customers. This increases the likelihood of our R&D spending to be directly applicable to newly commercialized products. We believe that we can continue our disciplined spending on R&D, maintain our innovation focus, enhance our cooperation on R&D with our customers and manage the costs of developing new products. In 2012, R&D expenses were €15.7 million, equal to 3.7% of net sales and was fully expensed in the period.

Strengthen Customer Relationships and Brand Recognition

We intend to reinforce our strong relationships with our customers and increase our brand recognition by working more closely with our key partners in order to improve the efficiency of our existing products, develop new ones and educate customers and critical decision makers about the superiority of HPC products. We believe we can leverage our long-standing customer relationships and strong reputation by further investing in educational and training initiatives and co-development opportunities. We are continuously looking for ways to market our products to end-users, often in tandem with our customers, to enhance our "component branding." This approach has had, and continues to have, positive results with respect to our Medical Applications through our relationship with the Big 5 producers of hip joint implant systems.

We are also attuned to our customers' needs and capabilities so that we can provide improved technologies in line with market developments. We have found that joint development and customer collaboration have resulted in increased customer satisfaction and a corresponding increase in demand for our products. We often jointly develop products with our customers in order to take into account their specific requirements and we plan to continue this approach in the future. In our Industrial Applications business we have historically maintained key customer relationships, some of whom have been our partners for decades. Over our 100 years of operations, we have developed many strong relationships across our industrial business, based on close collaboration with key industry players such as BASF, Bosch, Honeywell, Rheinmetall and Volkswagen. We will strive to remain a customer facing organization with responsibility for customer support, with each of our business units taking responsibility for a wide range of services from product development and production to sales and marketing. For our customers, this means that we will provide them proximity, a high level of expertise and the ability to quickly respond to their demand for HPC products.

Penetrate High Growth Emerging and Asian Markets

We aim to expand further globally, particularly in emerging and Asian markets. For example, with respect to our HPC medical products, one of the fastest growing markets for hip replacement procedures is China. According to estimates, from 2008 to 2012, China experienced annual double-digit growth rates in the number of hip replacement procedures. In the next five years, hip replacement procedures in China are estimated to grow significantly faster than the U.S. market and continue to realize double-digit annual growth, according to a leading international consultancy firm.

In addition to selling our products directly into high growth emerging and Asian markets, many of our HPC components for both Medical Applications and Industrial Applications are used by OEMs for inclusion in products that are in turn sold into these markets. Accordingly, the demand for our products, even if sold locally to OEMs, reflects a larger global demand dynamic.

We believe that we will be able to leverage our existing global manufacturing footprint, sales force, technology and customer portfolio. We intend to selectively introduce and promote product lines which fit into emerging and Asian markets. We currently have facilities in Germany, the United States, China, South Korea, Malaysia, Brazil, Poland and the Czech Republic and specifically aim to gain new market share in China, India, Brazil and Russia. As such we will continue to seek to position ourselves to capitalize on continued growth in the emerging and Asian markets and worldwide.

Continue Operational Excellence

We are continuously identifying and implementing a number of measures for efficiency gains. We believe our operational excellence program which is implemented across all our business units has improved our Adjusted EBITDA and margins in the past years and contributed to our profitability and competitiveness. Our continued improvement initiatives include three major areas: materials, utility and personnel costs. We will continue to build efficiency plans annually, set targets and monitor such targets via tracking tools. In the past, our main focus in operational efficiencies related to scrap reduction, manufacturing cycle reduction, the decrease of quality costs, total productive maintenance and synchronous production enhancements as well as the reduction of electricity costs and heating costs. As a result of all these measures, we have continuously reduced our Quality Costs, consisting of internal and external failure costs, from approximately 6% in 2004 as a percentage of sales to slightly above 3% in 2012. In addition, net savings from our employee innovation program, whereby our employees can submit suggestions for improvements, have increased to over €3 million per year. Our operational efficiency measures include a wide-range of many different initiatives throughout our production process and organization. We introduced new guidelines for the size of cylinders used to produce ceramic components which have achieved a reduction in raw materials used. Additionally, we intend to produce polycrystalline cubic boron nitrides (PcBN) blanks in-house rather than sourcing them externally which will increase the net output ratio of our cutting tools business unit and improve per unit profitability. Along with the cost savings gained through these efficiency measures, we monitor our price competitiveness and intend to optimize pricing by understanding customer needs and sensitivities as well as analyzing product lifecycles and business cycles. We aim to continue to improve our manufacturing processes, energy management and other parts of our business in the future by focusing on our annual efficiency plans and constantly analyzing operational excellence targets.

Focus on Cash Flow Growth and Reduction of Indebtedness

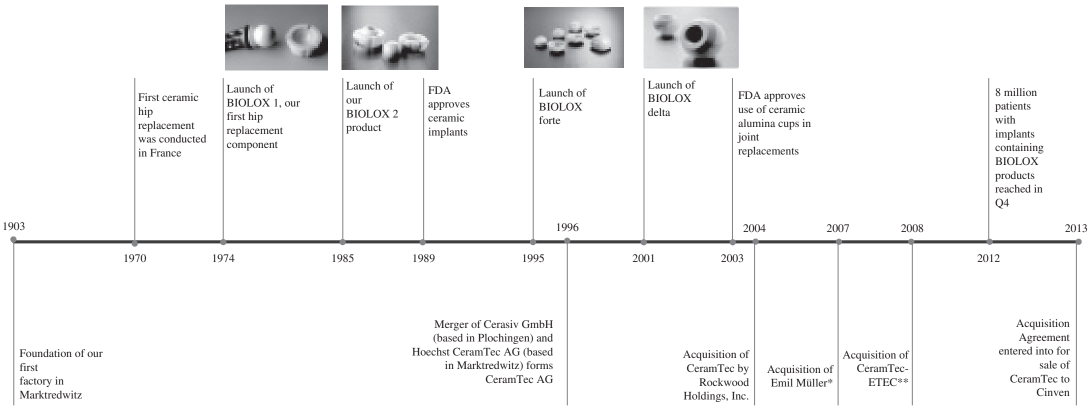
Our business is highly cash generative and we aim to improve our cash flow generation in order to reduce our overall indebtedness. To achieve our goal to significantly reduce our indebtedness, we will place significant management emphasis on continued further cash generation, efficient capital spending and working capital management. We believe that our current manufacturing capabilities and sales network generates significant free cash flow and that they provides us with the platform to roll out new products to our large existing customer base and translate revenue growth into profitability and cash generation. Driven by low maintenance capital expenditures requirements and flexible R&D programs, we plan to continuously reduce our net indebtedness to EBITDA ratio. We believe that by reducing our indebtedness following the Transactions we will maximize our strategic opportunities in the future which could include an initial public offering of the business.

Our History

Our history dates back to 1903 when our first factory opened in Marktredwitz, Germany and started manufacturing advanced ceramics. In 1951 our first factory in Plochingen opened. Through a series of combinations, the Group in substantially its current form was established in 1996 when ceramic company Cerasiv GmbH and Hoechst CeramTec AG merged. Our current owners, Rockwood, acquired the Group in 2004 from Metallgesellschaft AG. In June 2013, German BidCo (an entity controlled by the Sponsor and a wholly-owned subsidiary of the Issuer) entered into the Acquisition Agreement with Rockwood for the acquisition of CeramTec. See "*The Transactions*" for more information.

Throughout our history we believe we have been at the forefront of new technology providing innovative solutions for our customers and introducing first-in-market products such as ceramic preforms (metal matrix composites) used in production of vehicle parts, specifically as part of lightweight construction, and being the only manufacturer of ceramic-on-ceramic ball head and cup insert components for hip replacement systems approved by the FDA. We launched our first ceramic hip joint component, BIOLOX® 1, in 1974. Since the development of BIOLOX® 1, we have continued to build on our expertise in ceramic components for hip replacement systems and have released four generations of BIOLOX® materials to date. Our BIOLOX® materials and related product manufacturing processes represent our core know-how and is exclusive to us. With each generation of BIOLOX® materials, we have continued to refine our BIOLOX® materials to target a wider range of applications. We achieved a major milestone in the fourth quarter of 2012 with over eight million patients world-wide having received an implant containing BIOLOX® products.

The following timeline provides an overview of our history and key product milestones:



* Produces HPC components used in the production process for automotive diesel engines.

** Produces HPC components for ballistic protection used in armored vehicles.

Overview of HPC Products

The global ceramics market comprises products and components based on inorganic, non-metallic, microcrystalline materials that are manufactured at high temperatures. Ceramics can be divided into traditional ceramics, such as bricks, tiles and white ware and high performance ceramics, which are ceramic materials and products optimized for special purposes. High performance ceramics include ceramic powders, ceramic additives, structural ceramics and functional ceramics.

HPC products have superior characteristics compared to classic metal or polymer products in five key aspects: biological/chemical, mechanical, thermal, electric/magnetic and optical.

Dimension	Key Characteristics of HPC
Biological/Chemical	**Corrosion/oxidation resistance**: due to high levels of chemical stability, ceramic materials are highly resistant to chemical corrosion, oxidation, and other chemical processes **Adsorption**: adhesion of atoms, ions, or molecules from a gas, liquid or dissolved solid to a ceramic surface possible **Biocompatibility**: ceramic materials are biologically inert, making them durable and stable enough to withstand the corrosive effects of bodily fluids
Mechanical	**Strength/hardness**: flexural strength relates to ceramic's ability withstand mechanical loads without fracturing **Abrasion/wear resistance**: due to high hardness and material strength, ceramics have a high abrasion and wear resistance **Weight**: ceramics are lighter than high-strength metals with the same volume
Thermal	**Thermal conductivity**: some ceramics are able to transfer heat extremely well through the material **Thermal expansion**: ceramics have low thermal expansion—they keep their size and volume relatively constant when heated **Heat shock resistance**: ceramics have the ability to withstand high temperatures (high melting point)
Electric / Magnetic	**Electric conductivity**: ceramics can exhibit various electrical characteristics: insulator (insulating effect), dielectric (insulator that accumulates electricity), conductor (conduct electricity—depending on voltage level) and magnetic (ferrite ceramics) **Piezoelectricity**: some ceramics possess a unique property allowing them to convert mechanical shock or vibration into electrical signals, and vice versa (direct and indirect piezoelectric effect)
Optical	**Transparency**: ceramics can be made translucent by minimizing pores and boundary elements after sintering, and by increasing crystal size in order to reduce boundary interfaces **Other electro-optical effects**: ceramics can exhibit changes in fluorescence, phosphorescence, colour tone, and birefringence due to interactions with light and, electric/ magnetic fields

HPC's unique characteristics enable their application in multiple end-user markets. Listed below are examples of the HPC characteristics that are sought after by various industries for use in different products:

- *Medical—implants:* The medical industry utilizes the high strength and low abrasion mechanical qualities of HPC to cope with weight pressure. In addition, as a result of the biocompatibility and lack of allergic reactions with the human body, HPC are regarded as the material of choice for implant prosthesis components, in particular for hip procedures;

- *Automotive—fuel injection systems:* The automotive industry utilizes the electric/magnetic characteristic of advanced ceramics by using the indirect piezo effect, converting electricity into motion, for fuel injection systems to provide accurate fuel supply without time delays;

- *Automotive—cutting tools:* The automotive industry utilize the mechanical, thermal and chemical characteristics of HPC products for cutting tools which are high strength and have thermal resistance for hot hardness during machining and reduced chemical reactions with material resulting in increased output / throughput;

- *High-power LED—packages:* The high-power LED industry utilizes the thermal and electric characteristics of advanced ceramics for the production and manufacturing of packages, one of the structural components of an LED product, by incorporating ceramic substrates with high thermal conductivity and electrical insulation;

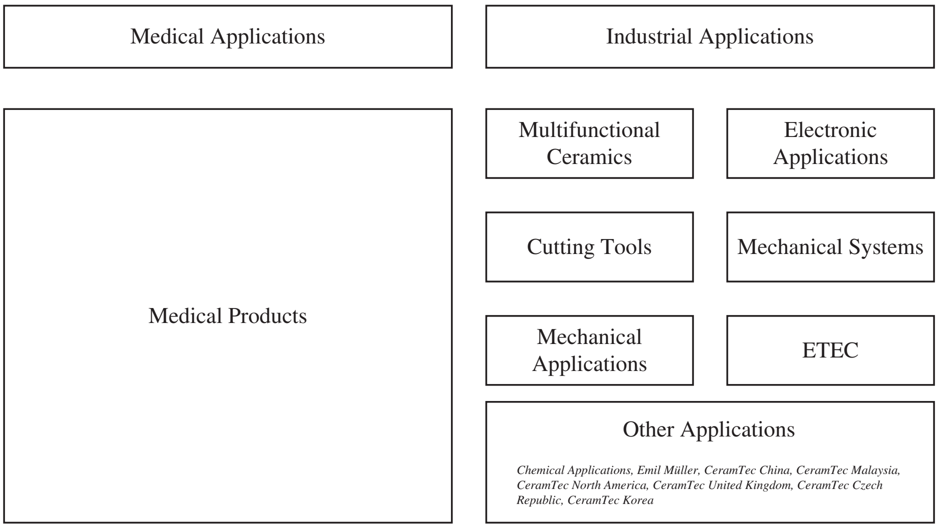
- *Electronics—packages:* The electronics industry utilizes the electric characteristic of advanced ceramics to embed transistor packages or integrated circuits in HPC products and provide insulation; and

- *Sanitary—water tap:* The sanitary industry utilizes the mechanical and chemical characteristics of advanced ceramics for water taps to provide greater strength to cope with mechanical and water pressure as well as reduce corrosion.

Our Business

Overview

Our business can be divided into Medical Applications and Industrial Applications. Medical Applications accounted for €150.5 million, or 35.7%, of our net sales, but contributed the majority of our EBITDA in the LTM Period. Medical Applications benefit from relatively high margins and modest capital expenditure requirements compared to Industrial Applications, and is the major contributor to Group cash flows, supplemented by our Industrial Applications business. The following chart provides an overview of how our business units are presented in this Offering Circular:



Medical Applications

Overview

Medical Products is our largest business unit and focuses on ceramic components for hip joint prostheses, such as ball heads and cup insert, used in total hip replacement (THR) procedures. Ceramic materials are replacing traditional materials such as metal contained in hip joint prosthetic components. Besides their wear resistance and excellent friction behavior, high performance ceramics are biologically inert, making them one of the few materials that are durable and stable enough to withstand the corrosive effects of bodily fluids. In addition, unlike metal products, no allergic reactions caused by high performance ceramics have been reported to date. As a result, we believe that high performance ceramics will increasingly become more common for medical applications, such as for the repair and replacement of hips, knees and other human body parts.

BIOLOX® is our key brand and product line for our core medical business, and has become the product of choice for surgeons for hip implant systems around the globe. We currently estimate nearly one in two hip joint implant systems sold worldwide includes at least one ceramic component, and we estimate our BIOLOX® products represent more than 90% of the ceramic components used for these hip joint implant systems. Our end customers are hip replacement implants OEMs including Biomet, DePuy, Smith & Nephew, Stryker and Zimmer, the so-called “Big 5” who together have a dominant market share of hip joint implant systems sold worldwide. We are effectively the sole supplier of ceramics ball heads and cup inserts for all of these hip replacement implants OEMs. Many of our medical products have been developed in collaboration with our customers to find a customized component for their hip implant systems. We believe that our BIOLOX® brand has come to symbolize high quality and the industry standard.

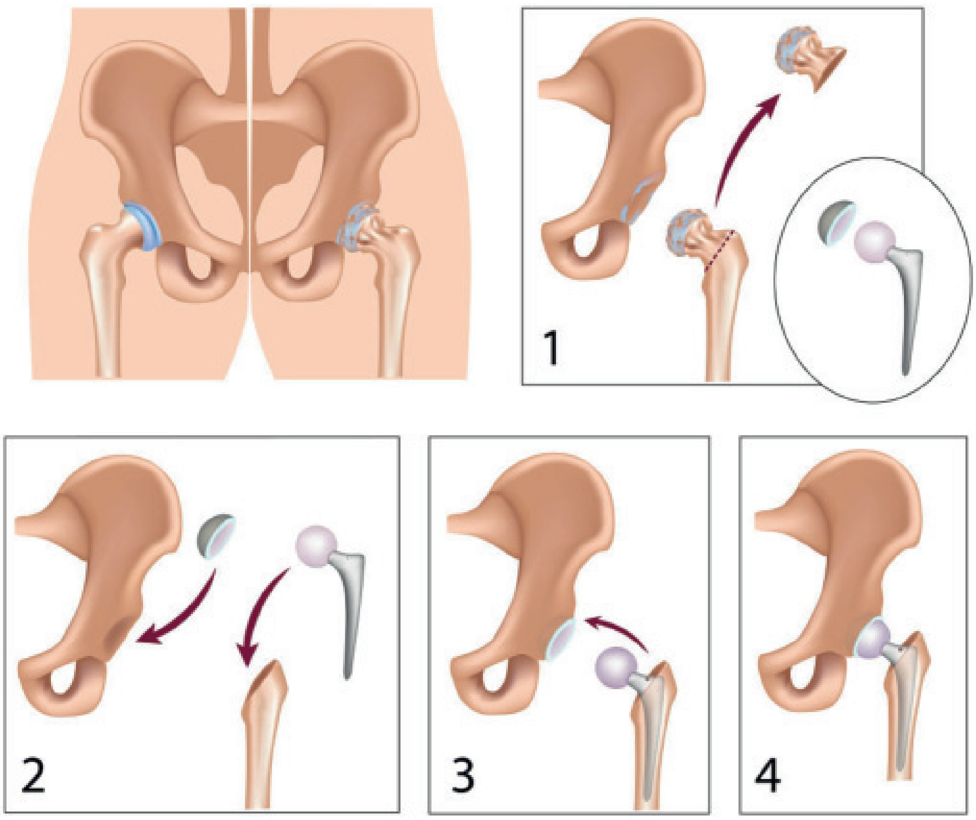
The ceramic components for hip joint prostheses are produced at our facilities in Marktredwitz and Plochingen in Germany and are sold to OEM orthopedic implant manufacturers globally. According to our current planning, the proposed medical production facilities expansion in Marktredwitz, which is expected to start production in early 2015, will expand our existing 1.2 million unit production capacity by an additional 350,000 units. Each of our Marktredwitz and Plochingen facilities will produce approximately half of the total components we sell. This will allow us to further ensure security of supply for our customers and increase our ability to efficiently react to fluctuations in demands by having more production lines. The expansion will include two BIOLOX® ball head production lines and one BIOLOX® insert line.

Hip Replacement Therapy

The most common cause of chronic hip pain and disability is arthritis, including osteoarthritis, rheumatoid arthritis and traumatic arthritis.

Hip replacement therapy is used to treat hip pain when other more conservative alternatives such as medication or physical therapy no longer work. It involves surgically replacing damaged parts of the hip with implants or prostheses. As a result of age or other factors, the protective cartilage tissue between the bones that meet at the hip joint (the acetabulum and femur) can be worn out, damaging the joint and causing pain and reduced mobility. Depending on the type and severity of damage to the joint, treatments of choice are partial or total joint replacement procedures, respectively, or a revision procedure after an initial implant. If only a portion of the femoral side of the joint is damaged, the affected parts can be replaced, with a partial joint replacement restoring function and reducing discomfort for patients. However, when the entire joint is damaged, a total joint replacement is necessary. A revision procedure may be required or desirable to replace, repair or enhance the initial prosthesis. While our current product portfolio mainly consists of components for total hip replacement systems, we also manufacture components for partial and revision procedures. In 2012, approximately 1.7 million hip replacement procedures (excluding partial procedures) were performed worldwide, according to a leading international consultancy firm.

The diagram below illustrates the step-by-step procedure carried out for a total hip replacement.

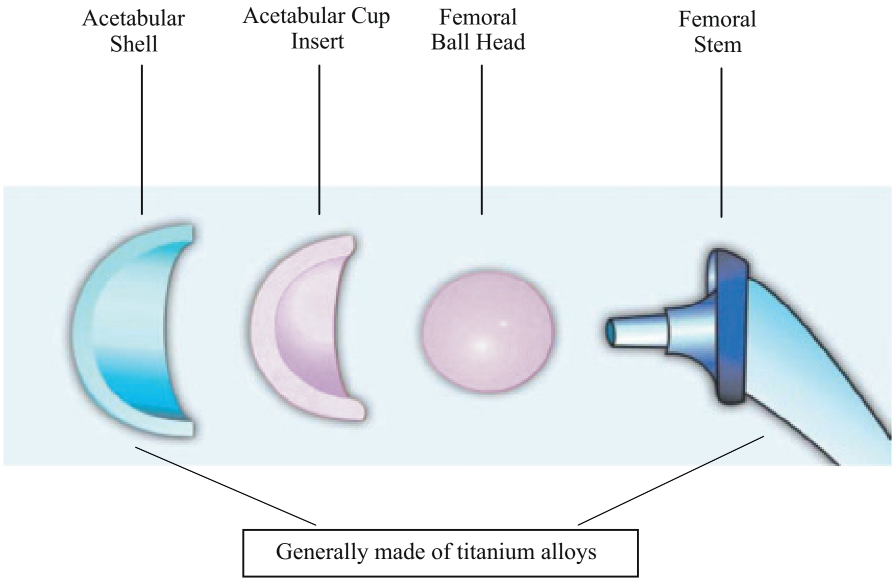


Hip replacement therapy is one of the most successful surgical procedures in modern medicine, according to the American Academy of Orthopaedic Surgeons. First performed in 1960, improvements in both surgical techniques and materials have greatly increased the effectiveness of total hip replacement. A successful hip replacement procedure will relieve pain, increase motion and allow the patient to live a fuller, more active life. According to the American Academy of Orthopaedic Surgeons, the chance of a hip replacement lasting 20 years is approximately 80%.

Materials for Hip Implant Components

To replicate the action of a human hip joint, an artificial hip replacement commonly has four parts: femoral stem, femoral ball head, acetabular insert and acetabular shell. The “acetabular cup” replaces the natural hip socket and consists of a shell and an insert. The acetabular cup forms the socket in the ball-and-socket structure of the hip joint implant. The femoral ball head allows the hip joint to rotate. The femoral stem is inserted into the femur and anchors the implant in place.

Hip Joint Replacement System



The acetabular cup insert, is made of ceramic, metal or polyethylene (plastic), while the acetabular ball head is made of ceramic or metal. The insert and the ball head together form the "bearing" and is a performance-critical part of the hip implant system. The bearing affects the durability, mobility, flexibility and range-of-motion of the artificial joint. All of our hip joint products are advanced ceramic bearing components. The following table shows the options for combinations of materials used in artificial hip joint bearings:

Femoral Ball head		**Acetabular insert**	**Description**
Ceramics	+	Ceramics	Latest combination; lowest wear rate
Ceramics	+	Polyethylene	Ceramics in combination with (cross-linked) ultra-high molecular weight polyethylene
Metal	+	Polyethylene	Predominant combination today though higher wear
Metal	+	Metal	Generally withdrawn from the market due to wear particles resulting in metal toxicity

☐ Medical Applications Products

An important aspect of the bearings in total hip replacement systems is the amount of wear. Wear particles created by the articulating femoral ball head and acetabular cup insert are deposited in the surrounding tissues and have the potential to trigger inflammation and loosening of the implant, as well as other negative side effects. For example, metal-on-metal hip implants can cause cobalt and chromium wear particles to enter the patient's bloodstream and result in metal toxicity.

We believe that due to the superior wear rate and biocompatibility of ceramic components, ceramic materials will increase penetration in the hip joint market. Ceramic ball heads can also be used in combination with polyethylene or the more recently-developed highly cross-linked polyethylene cup insert with better results than metal ball heads. Additionally, clinical studies have demonstrated that ceramic-on-ceramic bearings have the lowest wear rates and generate wear particles with the lowest level of reactivity due to size, shape and chemical composition.

Products

For ceramic ball heads and cup insert used for hip joint implant systems, we believe our BIOLOX® brand has come to symbolize high quality and innovative products. More than eight million patients globally have received hip joint replacements using BIOLOX® products and no patient allergic reaction caused by a BIOLOX® product has been reported to date. We believe that CeramTec is currently the market leader in ceramic components for hip joints globally. We estimate that nearly one in two hip joint implant systems sold worldwide include ceramic components, and we estimate our BIOLOX® products represent more than 90% of the ceramic components used for these hip joint implant systems.

We currently offer two different ceramic materials under our BIOLOX® brand which are compatible with each other.

- BIOLOX®*forte*, introduced in 1995, offers properties that exceed the requirements outlined in ISO 6474-1, the relevant standard establishing the mechanical and other properties for the product, that is taken into account by the FDA in its approval process. BIOLOX®*forte* is made of high purity alumina with a small share of magnesium oxide to control grain growth and achieve maximum density. BIOLOX®*forte* is based on 35 years of clinical experience, particularly our experience with hip joint replacement parts marketed and sold before the introduction of our BIOLOX®*forte* implants.

- BIOLOX®*delta* is a newer material than BIOLOX®*forte*. It is a mixed oxide ceramic with increased fracture strength, excellent wear properties and biocompatibility. The main difference between BIOLOX®*forte* and BIOLOX®*delta* is BIOLOX®*delta*'s greater strength which makes it possible to produce thinner cup inserts and revision ball heads. BIOLOX®*delta* was developed to open up a broader range of clinical uses for a wider range of customer-specific designs for ball heads and cup insert including customers who are not currently using BIOLOX®*forte*.

We sell the following products to our OEM implant manufacturer customers for use in their hip joint replacement systems.

- BIOLOX® *Ball Heads*: Given the size range of our BIOLOX® ball heads and compatibility with other BIOLOX® family products as well as conventional polyethylene and highly cross-linked polyethylene cup insert, we are able to offer our customers a number of possibilities for their hip replacement systems. We produce ball heads with diameters of 22.2mm, 28mm, 32mm, 36mm, 40mm, 44 mm and 48 mm (22.2 mm, 44 mm and 48 mm are available in BIOLOX®*delta* only) to accommodate the size of the patient's acetabular cup, and with neck lengths in up to four sizes, small, medium, large and x-large to accommodate a patient's body structure, such as leg length and tension of ligaments, and lifestyle needs. BIOLOX® ball heads are available in both BIOLOX®*forte* and BIOLOX®*delta* materials.

- BIOLOX® *Cup Inserts*: We manufacture two types of ceramic cup insert—monoblock cup inserts which are assembled during the production process by our customers and modular cup inserts which are larger and assembled by surgeons during the hip replacement procedure. With our ceramic modular cup insert, long term secure fixation of the insert in the acetabular shell is achieved by means of a particular fixation concept which fixes the BIOLOX® cup insert directly into the metal acetabular shell. With our monoblock cup inserts, state-of-the-art materials make it possible to optimize the diameter ratio between the ceramic head and the acetabulum. This enables treating even patients with a small acetabulum with relatively large ceramic ball heads, thereby leading to an increased range of motion and improved stability. Previously, this was only possible with metal-on-metal bearings. A special process is used to press the ceramic monoblock cup insert into the metal acetabular shell. BIOLOX® cup inserts are available in both BIOLOX®*forte* and BIOLOX®*delta* materials.

- BIOLOX®*forte—Large Ball Heads*: BIOLOX®*forte* Large Ball Heads are used for partial hip replacement surgery. Large ball heads make it possible to combine the superior wear properties of BIOLOX®*forte* ceramics with the advantages provided by a hemiarthroplasty, which entails smaller incisions and shorter operating times. Surface wettability and friction exceeds that of metal ball heads. The extremely smooth surface reduces friction during the movement of the large BIOLOX®*forte* ball head and protects the patient's natural acetabular cartilage. This can significantly reduce complications that can result from wearing of the pelvic bone.

- BIOLOX® *DUO*: BIOLOX® DUO which is made from BIOLOX®*forte* is an innovative ceramic-on-ceramic alternative in partial hip replacement. There are two parts to the BIOLOX® DUO: the ceramic ball head is attached to the femoral stem and articulates against the ceramic cavity of a ball-shaped bipolar shell which in turn articulates against the patient's natural acetabular cartilege. The bipolar system transfers joint movement mainly into the ceramic-on-ceramic bearing part reducing the relative motion on the acetabular side to further protect the patient's natural cartilage. Additionally, the ceramic-on-ceramic bearing results in reduced wear debris compared to polyethylene and metal. Consequently metal sensitivity and the risk of aseptic loosening due to polyethylene particles are also reduced. The implant is particularly suitable for younger, more active patients and for patients with metal sensitivity.

- BIOLOX® *OPTION*: The BIOLOX® OPTION product is used for revision procedures in total hip replacement. It is intended for use either for cup revision or ball head exchange in cases where ceramic heads must be replaced on in situ femoral stems. Furthermore, the neck system offers an increased range of neck lengths for primary hip replacements.

In fiscal year 2012, approximately half of the products sold (by piece) by the Medical Applications business were BIOLOX®*delta* ball heads which can be used with ceramic cup insert or polyethylene cup insert. The rest of the products sold were other BIOLOX®*delta* products, such as BIOLOX®*delta* cup insert or BIOLOX® OPTION, with BIOLOX®*forte* ball heads and cup insert and BIOLOX® DUO making up a smaller part of the total products sold. The following table provides an overview of the number of units sold in the past five years.

	2008	2009	2010	2011	2012	CAGR 2008-2012
		(in thousands)				(%)
Total number of units	641	671	804	892	1,009	12%

Artificial Hip Joint Market

According to a leading international consultancy firm, there were an estimated 1.7 million hip replacement procedures (excluding partial procedures) performed worldwide in 2012. The number of hip replacement procedures globally increased by an estimated 5% per annum from 2008 to 2012 and are estimated to increase by approximately 6% per annum over the next five years. The following table provides an overview of estimated growth rates for the hip joint replacement market and the number of hip joint replacement procedures in 2012 (based on primary total hip replacement procedures and revision procedures performed, excluding partial replacement procedures) in specific countries and globally as estimated by a leading international consultancy firm:

	Estimated CAGR for 2008 - 2012	Estimated number of hip joint replacement procedures in 2012 (in thousands)	Estimated CAGR for 2012 - 2017
United States	4%	378	4%
UK	5%	92	4%
Germany	1%	253	1%
France	3%	132	3%
China	Double-digit	200	Double-digit
Japan	5%	73	4%
Rest of the World	—	548	—
Global	**5%**	**1,676**	**6%**

In developed markets such as Europe and the United States, growth in the artificial hip joint market is primarily driven by an aging population, as well as by an increase in obesity rates. Both age and obesity are significant contributors to hip joint problems. 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.

As the hip replacement market grows, ceramic components are expected to increase their share of the market by replacing traditional materials for hip joint prosthetic components such as metal which can trigger negative patient reactions, for example due to allergic reactions resulting from metal sensitivity, and have experienced documented safety concerns.

The ceramic hip implant component penetration rate in the United States is approximately half the penetration level of major European markets such as Germany, the UK and France. In Europe, the penetration levels of ceramic components have been relatively higher due to the difference in regulatory regimes and earlier introduction of ceramic products. The downturn in metal-on-metal implants has also benefitted ceramic components in Europe in recent years.

The following table provides an overview of estimated penetration rates of ceramic hip components for the total hip joint replacement (excluding partial) market globally based on research by a leading international consultancy firm:

	Estimated 2012 ceramic penetration			Estimated 2017 ceramic penetration		
	Ball heads	**Cup inserts**	**Total**	**Ball heads**	**Cup inserts**	**Total**
Global	40%	15%	28%	44%	17%	31%

Customer and Distribution Channel

We have a longstanding relationship with all of the key hip replacement implant OEMs including Biomet, DePuy, Smith & Nephew, Stryker and Zimmer, known as the "Big 5", who together have a dominant market share of hip joint implant systems sold worldwide. We are effectively the sole supplier for these Big 5 hip implant manufacturers and believe that our strategic relationship with each of the Big 5 is key to our strong position in the ceramic hip replacement components market. We co-design our ceramic components (both ball heads and cup inserts) which are highly customized to the hip implant prosthesis of our end-customers and are critical to the overall performance of their hip implant systems. As a result, we believe that our customers are not incentivized to replace our components and switch suppliers. Our core know-how lies in the BIOLOX® materials and the manufacturing process to make our products. Our manufacturing output for hip replacement components is more than ten times that of our competitors combined which enhances our ability and reliability for handling large volume orders and making timely deliveries in line with our customer's demands. Our anticipated Marktredwitz capacity expansion, which is expected to start production by 2015, will further improve our flexibility in handling large volume orders in a timely manner.

We also engage in proactive and targeted marketing efforts, both in collaboration with our OEM customers and directly to end-users and key decision makers. Health care regulatory bodies in the applicable jurisdiction, insurance providers, health care systems and the reimbursement environment all influence the choice of hip implant systems. In Europe, surgeons are the paramount decision makers who choose the hip replacement materials based on patient needs and personal experience. In the United States, while surgeons are also important, patients are increasingly becoming more knowledgeable and aware of the benefits and risks of implant materials and in some cases exert influence on decision-making. To reach our key audience, we conduct surgeon training sessions and produce educational literature on our medical products that we make widely available. We hold workshops with high class international faculty covering all aspects of bearings in total hip replacement procedures. We also participate in industry congresses and conferences such as the Annual Meeting of the American Academy of Orthopaedic Surgeons (AAOS) in the United States and the European Federation of National Associations of Orthopaedics and Traumatology (EFORT) Congress, where we showcase our BIOLOX® products, alongside booths where our customers are promoting their hip replacement systems. At our customer's booths, participants can also observe our ceramic components with its distinctive coloring as part of the hip prostheses. Additionally, in collaboration with our OEM customers we participate in direct to customer marketing strategies targeting patients. For example, Zimmer is promoting our BIOLOX®*delta* brand as a component in their THR systems through corporate advertisement videos (available on YouTube), which features a test of the ceramic ball head's strength by hitting it off a golf tee.

Our key customers comprise the bulk of revenues generated by Medical Applications. In 2012, the top five Medical Applications customers made up 61% of the business unit's net sales and the top ten customers accounted for 79% of net sales.

Competition in Medical Applications

We estimate our BIOLOX® products represent more than 90% of the ceramic components used for nearly half of the hip joint implant systems sold worldwide. Our competitors are mainly active in niche markets or specific geographies as shown in the table below. Additionally, some of our competitors, such as Kyocera, Ceraver and Mathys, manufacture hip replacement systems (rather than only the components) and therefore compete directly against our customers.

Topic	**CeramTec**	**Morgan Technical Ceramics**	**Metoxit**	**Kyocera**	**C5 medicalwerks**	**Ceraver**	**Mathys**
Ceramic medical products	BIOLOX® • Ballheads • Cup inserts • Knee	Hip VITOX • Ballheads • Cup inserts	BIO HIP • Ballheads • Cup inserts	BIOCERAM • Ballheads • Knee • Shoulder	• Ballheads • Cup inserts • Knee	Cerafit • Ballheads	Bionit • Ballheads • Cup inserts Ceramys • Ballheads • Cup inserts • Knee
Hip implant ceramic component market share	>90%	←		Worldwide <10%			→
Market focus	Worldwide	EU	Switzerland	Japan	U.S.	France	EU

A number of hurdles exist for any of our competitors to gain market share, particularly in the United States and Europe. Our ceramic ball heads and cup inserts have bespoke geometric specifications that accommodate our customers' hip implant systems. If our customers were to switch to a new supplier or produce ceramic components in-house then a new procedure or approval by the applicable regulatory authority is required. Time-consuming and expensive regulatory procedures for new products and costly clinical trials provide a high barrier of entry for other hip joint implant makers and enhances our competitive positioning.

Due to the in-vivo nature of hip replacement therapy, surgeons tend to be reluctant to adopt new hip implant prostheses where they lack experience or if there is limited clinical history. Our BIOLOX® product line has been in the market since 1974 and has been implanted in over 8 million patients worldwide with no patient allergy case reported to date. As a result, BIOLOX® is considered the industry standard by surgeons for ceramic-based total hip replacement procedures.

Given the foregoing, we enjoy a stable market leading position in our Medical Applications based on significant competitive advantage in the form of, amongst others things, regulatory approval requirements, well-established relationships with key hip implant manufacturers including the Big 5, and the high reputational and financial risk associated with the impact of an implant product failure and recall.

Additional orthopaedic applications

Besides our core business in the hip joint replacement market, we believe that the knee joint replacement and the shoulder joint replacement market could provide for growth in net sales for Medical Applications. Recently we began marketing and selling ceramic knee joints, although our hip joint components sales still constitute the vast majority of our sales in Medical Applications. The total knee joint replacement market is larger than the total hip joint market. However, ceramic components have not reached a significant market share of the total knee implant market to date. We view the market for shoulder prostheses as another attractive area of application for ceramic joint components and have products for this market in our development pipeline.

Regulation

United States

Medical devices, such as hip replacement systems, are subject to extensive regulation by the FDA under the Federal Food, Drug, and Cosmetic Act (the "**FDCA**") as well as other regulatory bodies in the United States. These regulations govern, among other things, product development, testing, manufacturing, labeling, safety, storage, market clearance or approval, advertising and promotion, import and export, sales and distribution and performance/effectiveness.

Failure to comply with the FDCA could result in, among other things, warning letters, civil penalties, delays in approving or refusal to approve a product candidate, product recall, product seizure, interruption of production, operating restrictions, suspension or withdrawal of product approval, injunctions or criminal prosecution.

In the United States, the development, testing, marketing and manufacturing of medical devices are regulated under the Medical Device Amendments of 1976 to the Federal Food, Drug and Cosmetic Act, the Safe Medical Devices Act of 1990, the FDA Modernization Act of 1997, the Medical Device User Fee and Modernization Act of 2002, the FDA Amendments Act of 2007, the FDA Safety and Innovation Act of 2012, and additional regulations promulgated by the FDA and various other federal, state and local agencies. In general, these statutes and regulations require that manufacturers adhere to certain standards designed to ensure the safety and efficacy of medical devices and related medical products.

Most of our customers' products and our ceramic-on-polyethylene products (ceramic ball heads against "soft" cup insert made from polyethylene or variants of polyethylene, such as highly cross-linked polyethylene), require the submission of a premarket notification, commonly referred to as a 510(k), to the FDA prior to marketing the product. This process requires our customers, for their products, and us, for our ceramics-on-polyethylene products, to demonstrate that the device is at least as safe and effective as, or "substantially equivalent" to, a legally marketed device before the hip prosthesis can receive an order from the FDA finding substantial equivalence and clearing the new device for commercial distribution in the United States. The order is granted to our customer for their hip replacement system which is sold to the end customer.

Certain other devices our customers develop and market and our ceramic-on-ceramic products (hard-hard bearings, i.e. ceramic ball heads against ceramic cup insert) fall into a class of products for which the FDA has implemented stringent clinical investigation and premarket approval (PMA) requirements. The PMA process requires clinical and laboratory data that establishes that our ceramic-on-ceramic bearing is safe and effective due to our supply of key components of the overall hip replacement prostheses. The FDA will approve our customer's hip prosthesis for commercial distribution if it determines that the data and information in the PMA relating to design, materials, bench and animal testing and human clinical data, including the data on our ceramic components, constitute valid scientific evidence and that there is reasonable assurance that the device is safe and effective for its intended use.

As part of the PMA review, the FDA will typically inspect the manufacturer's facilities (which includes our facilities, because we supply key components to the overall hip replacement joints) for compliance with the Quality System Regulation (QSR) which governs testing, control, documentation and other aspects of quality assurance. The FDA will approve the new device for commercial distribution if it determines that the data and information in the PMA constitute valid scientific evidence and that there is reasonable assurance that the device is safe and effective for its intended use(s). Once FDA approval is granted to our customer for their hip replacement system containing our ceramic components, it can be marketed to the end-customers.

One or more clinical trials are almost always required to support a PMA application and are sometimes required to support a 510(k) submission. Clinical studies of unapproved or uncleared medical devices or devices being studied for uses for which they are not approved or cleared (investigational devices) must be conducted in compliance with FDA requirements.

We maintain a master file with the FDA to support our customers through the regulatory process and protect our technology and know-how. The master file that we keep directly with the FDA contains data and information on our products so that we can provide our customers with a reference to the file number that they can use during the approval or notification process with the FDA. This also means that we do not need to share our valuable know-how or studies with our customer. Changes in a medical device approved by the FDA, including changes or substitution of components, such as our ceramic components, usually triggers a new FDA approval process, including the PMA process and potentially additional clinical trials.

After a device is cleared or approved for marketing, numerous and pervasive regulatory requirements continue to apply. These include the QSR regulation, which governs, among other things, how manufacturers design, test, manufacture, exercise quality control over and document manufacturing of their products, labeling and claims regulations, which prohibit the promotion of products for unapproved or "off-label" uses and impose other restrictions on labeling, and the Medical Device Reporting regulation, which requires reporting to the FDA certain adverse experiences associated with use of the product.

European Economic Area

The regulation of our customers' and therefore our products in Europe falls primarily within the EEA, which consists of the twenty-eight Member States of the European Union plus Iceland, Liechtenstein and Norway, and has approximately 500 million inhabitants.

In the EEA, our customers' devices are required to comply with the essential requirements of the EU Medical Devices Directive (Council Directive 93/42/EEC of 14 June 1993 concerning medical devices, as amended). Compliance with these requirements entitles our customers to affix the CE conformity mark to their medical devices verifying that the products meet EU safety, health or environmental requirements and without which they cannot be commercialized in the EEA. The European standards bodies, mainly the European Committee for Standardization (CEN), have adopted numerous harmonized standards covering a wide range of devices or specific devices or device categories. Compliance with the relevant harmonized standards applicable to a given medical device provides a presumption of conformity with the essential requirements. The European Commission has adopted various guidelines, consensus statements and interpretative documents aimed at ensuring the uniform application of the provisions of the Medical Devices Directive. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity mark our customers must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices (Class I non-sterile, non-measuring devices), where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directive, a conformity assessment procedure requires the intervention of an independent and neutral institution appointed by a Member State of the EEA to conduct the conformity assessment (a "**Notified Body**"). Typically, the Notified Body, during the course of reviewing our customers' product application (Design Dossier), confirms that their Quality System certifications are being upheld through ongoing assessments which are conducted separately and must be in evidence to complete the conformity assessment. Based on the same Quality System certifications, our customers and we can draw up an EC Declaration of Conformity which allows our customers to affix the CE mark to their products.

Further, the advertising and promotion of our products is subject to EEA Member States' laws implementing Directive 93/42/EEC concerning Medical Devices, or the EU Medical Devices Directive, Directive 2006/114/EC concerning misleading and comparative advertising, and Directive 2005/29/EC on unfair commercial practices, as well as other EEA Member State legislation governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of our customers' and our products to the general public and may impose limitations on our promotional activities with healthcare professionals.

Industrial Applications

Our HPC products are also widely used in multiple industries ranging from automotive, consumer electronics, power electronics and telecommunications. We are one of the only advanced ceramics manufacturers that produce a full-range of HPC products with a portfolio comprised of over 20,000 different products serving a highly diverse customer base. Due to the superior characteristics of advanced ceramics, such as better wear and heat resistance than alternative materials, our HPC products are often performance-critical components which are co-developed with our customers. We have six key business units within our Industrial Applications group: Multifunctional Ceramics, Electronic Applications Cutting Tools, Mechanical Systems, Mechanical Applications and ETEC. All of our other business units, including chemical applications, Emil Müller GmbH and our foreign subsidiaries are grouped into Other Applications and included in Industrial Applications. The following table shows the sales by business unit (which includes internal sales to Group companies) and the total sales of Industrial Applications (net sales to third parties).

	Year Ended December 31,			Three Months Ended March 31,	
	2010	2011	2012	2012	2013
	(in € million)				
Multifunctional Ceramics	46.8	45.7	44.6	11.7	10.4
Electronic Applications	46.6	47.3	40.8	10.5	10.0
Cutting Tools	32.0	37.0	34.0	9.7	8.5
Mechanical Systems	39.2	36.0	33.6	8.4	9.9
Mechanical Applications	18.6	22.8	22.7	5.8	5.7
ETEC	22.3	23.7	21.9	5.5	4.0
Other Applications	112.5	117.9	118.4	31.6	28.6
Consolidation	(46.6)	(40.8)	(36.9)	(8.9)	(10.3)
Industrial Applications	**271.4**	**289.7**	**279.1**	**74.3**	**66.8**

Multifunctional Ceramics

Multifunctional Ceramics manufactures tapes, piezo ceramics, silicate ceramics and metallized ceramics. All Multifunctional Ceramics products are produced in our manufacturing site in Lauf, Germany. Multifunctional Ceramics' end market is principally automotive and to a lesser extent electronics and medical. A small share of sales is also attributed to the industrial end market. Multifunctional Ceramics' key customers include Bosch, Eaton, ITT Exelis, Littlefuse, Philips, PI Piezo Nano Positioning and Zeiss.

Piezo Ceramics

Piezo ceramics are capable of converting mechanical energy such as pressure or acceleration into electrical energy or, conversely, of transforming electrical signals into mechanical movement or oscillation. Our piezo ceramic components and tapes are used in sensors, actuators and in power transducers for high-power ultrasonic applications, non-destructive material testing and sonar applications. For example, our customers use piezo ceramic components for a variety of purposes in automobiles, acting as sensors for electronic controls such as safety airbags and anti-lock braking systems (ABS) and providing information on a vehicle's engine performance. Piezo ceramics are also used in the medical industry for high frequency medical imaging.

We have developed special high-performance materials for implementation in piezo applications, as piezo ceramic components are sometimes exposed to high stress environments, while fulfilling their functions with maximum reliability.

Electrical/Thermal Ceramics

Silicate ceramics have a number of end-users based on their properties of good electrical insulation, high thermal shock resistance and low thermal conductivity. Applications include measurement and precision engineering, heating and thermal engineering, automotive engineering and lighting technology.

Electronic Applications

Electronic Applications, located in the Marktredwitz site in Germany, develops and manufactures substrates as carriers for electronic circuits, ceramic tapes for lambda sensors (which measure the oxygen content of the exhaust gases in a car) and electrical resistor cores. Substrates are ceramic plates with electrical, thermal and mechanical properties that serve as heat conductors in electronic applications. Demand for Electronic Applications' products are driven by LED and power electronic applications. We believe that we are among the leading manufacturers of both aluminum oxide and aluminum nitride substrates in terms of technological leadership. We are also currently developing structured copper technology (SCT) for the metallization of ceramic substrates with copper which can be used, for example, in LED-related applications. Key products sold by Electronic Applications includes CeramCool (ceramic heat sinks for high-power LEDs and high power electronics) and CeramCell fuel cell components (based on ceramic tape materials, which are used in solid oxide fuel cell systems). Electronic Applications' end markets are principally electronics and automotive. Our key Electronic Applications customers include Bosch, Continental, Epcos, Infineon, Philips, Lumileds, Citizen, OSRAM, Curamik and Vishay.

Cutting Tools

We are a leading supplier of ceramic cutting tools as well as other tools and tooling systems for high speed processing in the automotive, metalworking and mechanical engineering industries. Beneficial properties of ceramic materials such as high melting points, excellent hardness and superior war resistance make ceramics a favored high-speed cutting tool materials. In addition, the longer life and faster cutting speeds possible with ceramics allow customers to save costs by increasing their throughput and reducing the downtime for replacing their cutting tools. Under the SPK® brand name, we offer a wide range of cutting ceramics and precision tools for machining applications. Additionally, in recent years our newly-introduced CBN product range has been a key growth driver for Cutting Tools. These are polycrystalline cubic boron nitrides (PcBN) cutting materials, which are characterized by an outstanding hardness especially under high temperatures. The primary customers of Cutting Tools are automotives OEMs and their suppliers including Volkswagen, Daimler, Volvo and Buderus.

Our Ebersbach site in Germany develops and produces the ceramic cutting materials, inserts and tool systems which are distributed to customers worldwide.

Mechanical Systems

Mechanical Systems products are used primarily in residential new construction and remodeling activities. Our products are used in the sanitary fittings and automotive supplier industries in areas where fluids are pumped, compressed or stirred, such as bushings, face seal rings, pump components, valve shims and sealing discs. Mechanical Systems products are manufactured in large batches at two sites in Germany, Wittlich and Lauf.

Through different combinations of aluminum oxides and silicon carbides, we are able to fine-tune the sliding and sealing properties of seal rings and bearings to closely match the actual operating environments. The largest Mechanical Systems product group is sealing discs for single lever mixers in the sanitary fittings market comprised of Ceramdisc®-branded ceramic discs, for customers such as Grohe. Automotive uses of sealing rings and discs have become an increasingly important part of our product mix, based on the multitude of uses from valves and sensor bodies to seal rings, seals and rollers for fuel and water pumps or roller bearings all the way to friction bearings and shafts. Mechanical Systems also offers sanitary fitting cartridges which are designed to use in high end faucet and mixing units.

Mechanical Applications

Mechanical Applications develops and manufactures high performance ceramic components that are used in diverse mechanical applications. All products are highly tailored to customer requirements and, therefore, produced in small quantities at our Plochingen facility in Germany.

Key product groups in Mechanical Applications include cutting blades, drawing and forming tools, drawing cones and capstans, guide elements, precision parts, preforms and friction discs which are supplied to the general industrial, machinery, metalworking, automotive, textile, welding, paper machine and dentistry industries.

Our revenue in Mechanical Applications is in a large part derived from emerging markets, with—according to estimates by our management—a particularly high market share for texturing application in China. Our friction discs, which are used for three-axle spindle units in friction texturing of yarns, are the global standard in textile machine engineering. The most important market for friction discs is China where four of the five largest machine builders for texturing machines are located.

ETEC

CeramTec-ETEC GmbH is one of the leading providers of components for ballistic protection such as ceramic-based supplementary armor plating for vehicles to protect against direct fire, artillery, mortar shrapnel and mine explosions. ETEC also provides solutions for wear and corrosion protection in industrial plants, specifically in machines and systems in steel plants, in foundries, in the mining, processing and preparation of minerals, within the paper, pulp, chemical and pharmaceutical industries, in power plants, in cement production, and in concrete production and transportation. As part of our strategy to develop new products with a particular high potential for market growth and high margins, ETEC has invested in R&D related to transparent ceramics for light-weight ballistic systems that are attractive for use in armored vehicles, amongst other uses.

Geographically, the largest part of ETEC's revenues was from Europe with a particular focus on customers in Germany. End markets are a diverse mix of industrial niche markets, but also military suppliers such as Rheinmetall Chempro.

Other Applications

Other Applications is comprised of our Chemical Applications business along with Emil Müller GmbH, and our foreign subsidiaries including CeramTec China, CeramTec Malaysia, CeramTec North America, CeramTec United Kingdom, CeramTec Czech Republic and CeramTec Korea.

Chemical Applications

Chemical Applications produces catalyst carriers, products for metal casting, protective insulating tubes and laboratory ceramics that offer high resistance against aggressive chemicals and extreme temperature conditions. We believe the expansion of catalyst carriers into ethylene oxide production following the expiration of certain patents provides a growth opportunity for us by leveraging our established micro porous material.

Emil Müller GmbH

Emil Müller GmbH is a producer of foundry cores that are mainly used in the manufacturing process for pistons for automotive diesel engines. The foundry cores, which are made of water-soluble material, are used in aluminum casting in order to guarantee high surface performance in the finished component and thermal shock resistance during manufacturing.

CeramTec Suzhou / China

CeramTec Suzhou / China produces textile machine components, including thread guides, eyelets and extractor nozzles. It also provides hard machining of seal and regulator discs for sanitary and industrial fittings. CeramTec Suzhou / China acts as a laser house for processing ceramic substrates.

CeramTec Malaysia

CeramTec Malaysia produces and sells dipping formers for the production of rubber gloves for use in surgical procedures, examination, home and industry. With more than 1,800 models of different dipping formers for rubber gloves, in the widest range of applications, we believe that we are the world's largest supplier in this sector. The main end markets include laboratories and general industry.

CeramTec North America

CeramTec North America has special ceramic-to-metal and glass-to-ceramic seal technology capabilities. Key product groups for ceramic-metal connections are various hermetically sealed components including feedthroughs, multipin accessories and coaxial isolators, high-voltage bushings and ultra-high vacuum applications. In addition, CeramTec North America produces ceramics specifically formulated for the automotive, pump components and textile industries.

CeramTec United Kingdom

CeramTec United Kingdom produces cylindrical ceramic tubes for fuse links, star cores, ceramic tubes for gas igniters, cylindrical ceramic rods for resistors, dry pressed ceramic and lasered ceramic substrates.

CeramTec Czech Republic

CeramTec Czech Republic provides gaskets up to 900 mm, slide bearings, burner elements, nozzles, bushings, elements for ball mills, ball valves, special components, armor plating (SAPI) and other materials.

CeramTec Korea /Laser Treatment for Ceramics

CeramTec Korea acts as a laser house for processing ceramic substrates. We have a technology center for laser treatment of ceramics in Marktredwitz in Germany and, in addition, we run additional laser houses in the UK, China and South Korea (through CeramTec Korea). These laser houses have been established to serve the local markets with custom-tailored and structured substrates. The master plates (templates for products) are all produced in Marktredwitz, Germany where the laser technology and equipment is also developed.

End Markets

Medical (Life Sciences) End Market

Our Medical Applications business constitutes the vast majority of our sales into the medical end market. See "—*Medical Applications*." In our Industrial Applications business, certain advanced ceramics products are also used in various medical devices, such as lithotripters and ultrasonic cleaners and in dental ceramics. We believe that in the future additional growth opportunities in the medical end market may include ceramic components for trauma applications, which relate to medical instruments and equipment.

Automotive End Market

Our advanced ceramics play a key role in increasing safety, cost effectiveness and comfort in vehicle engineering. Piezo ceramic components act as sensors for electronic controls and provide information on the vehicle's engine running smoothness, position and changes in direction. Electronic components based on ceramic substrates react to this information and control motor management, safety systems such as ABS and ASR and release the airbag when necessary. Piezo ceramic tapes are used for actuators in valves for diesel and gasoline injection systems. In engines, heat resistant ceramic parts like valve components, backings in the crankshaft housing and components for gasoline and water pumps ensure increased efficiency, less wear and lower noise emission.

We believe that future advanced ceramics products in the automotive end market will also include new innovations in composite metal matrix ceramics in light metal construction, modern LED lighting systems with ceramic components that improve visibility and protective ceramics for higher safety performance.

The automotive industry is subject to increasingly stringent environmental and emission standards as well as fuel efficiency limits, particularly in the European Union and the United States. These increased standards require car manufacturers to invest in new technologies that will provide additional demand for advanced ceramics.

Electronics End Market

We are one of the leading manufacturers of HPC components in electronic applications. Our substrates and various other components are used throughout the field of electronics. For example, ceramic heat sinks provide the right environment for high power electronics. We are focused on the high power substrate segment which is expected to drive the growth in the LED lighting market. We are also positive on the growth of renewables and electric cars as well as the market for zirconia tapes. Our components are used in the automotive industry, optoelectronics, measurement and control technology and in industry and entertainment electronics.

Industrial End Market

Our advanced ceramics make it possible to securely control processes, reduce emissions and take responsible care of scarce resources in many areas of chemicals and process engineering. Specifically advanced ceramics characteristics such as high wear resistance, temperature resistance and high corrosion resistance make our products an alternative to other materials in equipment, machine and plant engineering.

Our products contribute to the operating life and performance capabilities of machines and plants specifically in chemical, environmental or energy technology, in precision engineering or in metal forming. Metalworking is another example where high-performance machining with SPK® cutting materials and tools offers high process reliability along with economic and efficient production by significantly reducing production times and costs. Our industrial end market is very diverse and spans across industries and niches such as metal works, energy infrastructure, textile machinery, mechanical engineering, sanitary goods, white goods and chemicals, among others.

The following table provides an overview of which of our key business units operates in which end markets:

	Medical	Automotive	Electronic	Industrial
Medical Applications	✓			
Multifunctional Ceramics	✓	✓	✓	✓
Electronic Applications	✓	✓	✓	✓
Cutting Tools		✓		✓
Mechanical Systems	✓	✓		✓
Mechanical Applications	✓	✓		✓
ETEC				✓
Other Applications	✓	✓	✓	✓

Our HPC Competition

We believe that our key HPC competitors are Kyocera Corporation, CoorsTek Inc., 3M Company, NGK Spark Plug Co. Ltd., the Morgan Crucible Company and Kennametal, Inc. However, each of these competitors has either a different geographic focus or product strategy with respect to small niche applications. We are a market leader and we believe based on our estimates that our competitors, together with us, hold approximately half of the global HPC market share while the remaining half of the market is fragmented over a large number of HPC producers.

In our Medical Applications area, we believe that we are the clear market leader in ceramic components for hip replacements, while our competitors only hold small market shares with narrow geographic presence. In our industrial application area, competition varies based on the particular product group and niche markets we operate in.

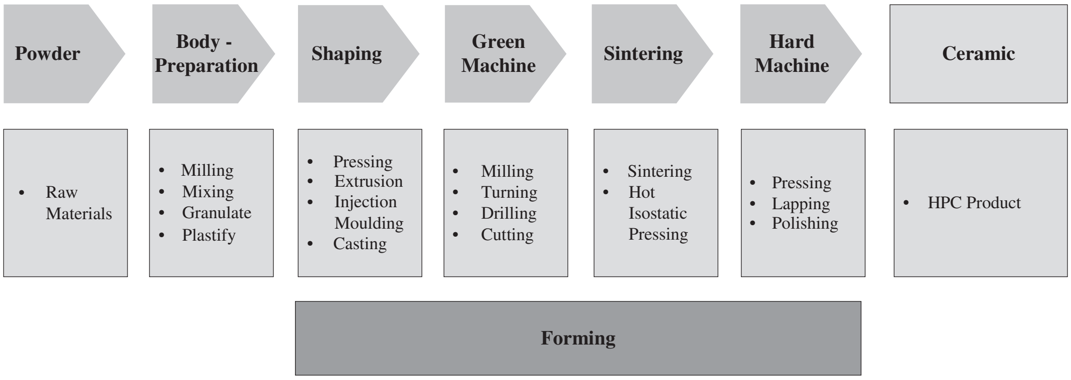
For competition in our Medical Applications, see also *"—Our Business—Medical Applications—Competition in Medical Applications*."

Our Production Process

The manufacturing processes to produce high performance ceramics are complex and involve multiple steps. Each ceramic component requires, to a large extent, its own individual production technology. Though our objective is to automate production processes to the greatest degree possible, certain processes require manual labor to maintain the integrity of the process.

Our know-how and decades of experience reflects a large variety of molding processes (dry pressing, injection molding, extruding and tape casting) and green machining of blanks we conduct as well as thermal processes and surface treatment (grinding, lapping and polishing). We believe that our production facilities are state of the art.

The following chart sets out the key production steps:



- ***Ceramic Raw Material***

The raw material for high performance ceramics (oxide and non-oxide ceramics) is generally based on ultra-pure, fine disperse oxides, nitrides, borides and carbides with specific chemical compound and particle morphologies. The required powder is primarily produced synthetically, as natural materials do not offer the necessary chemical purity, homogeneity and consistency.

- ***Powder Processing***

The second production step involves the preparation of the ceramic powder by mixing it with the necessary additives. The milling and mixing process is normally conducted in a watery suspension followed by granulation.

- ***Forming Process***

After the powder is prepared (either as dry granulate or in fluid form as slurry) it is formed into the required product form. The different procedures of forming are discussed below:

- Dry-Pressing: granulate pressed in form-giving cavity to achieve forms close to the end product

- Extrusion: used to achieve forms by forcing powder through a die (which is a specialized tool used to shape material using a press)

- Tape Casting: used to achieve thin sheet-like forms

- Slip Casting: used for medical glove formers

- Isostatic Pressing: used for electrical parts

- Injection Molding: used for textile components

After the forming, the dry-pressed part can be further processed to an “as-near-as-possible” final shape by being drilled or machined prior to being sintered. At this stage (i.e., before being sintered) the form has not reached its final density.

- ***Densification***

The components are thereafter sintered in a multi-stage process, which can generally be described as densification of powder by various methods to its final shape. The sintering temperature depends on the material’s consistency, but usually reaches between 1,050 degrees Celsius and 2,200 degrees Celsius. The densification process shrinks the sintered product by about 20% of the previous dimension in each direction. This step allows high performance ceramics to reach their required functionality. Taking into consideration the exact amount of unavoidable shrinkage is part of the complex skill set of an expert manufacturer like we are.

- ***Component Finishing***

In the next step, the sintered components are further refined in order to achieve higher specifications such as dimensional accuracy or surface structure. The processing steps include surface measures such as grinding, honing, lapping, lasering and ultrasonic treatment.

- ***End Quality Control***

Quality control is an important step of the production process to ensure the high quality standards required of high performance ceramics. We observe the FDA's Good Manufacturing Practice (GMP) guidelines in our development of medical products, choice of suppliers, inspection of incoming goods and in-process tests. We have received various customer awards for highest product quality.

Particularly for medical products, quality assurance plays a critical role. All production, final inspection and packaging processes meet the latest quality assurance standards and are DIN and ISO certified. Implants are subjected to a 100%—in other words piece by piece—final inspection.

During this inspection, all important quality and product characteristics are documented in full. The quality of materials and products is constantly being assessed in the testing and analytical laboratory. Each year, the safety of our products is assessed and confirmed through audits conducted yearly by our customers and health authorities from around the world including the FDA and our key Medical Applications customers.

Research and Development

As a manufacturer of high-tech products we believe that our continued emphasis on research and development is key to our future profitability. We currently manufacture and sell more than 20,000 products to customers globally. Approximately 2,000 New Products were newly introduced in the past five years. In the last decade we developed approximately 50 new materials and substantially modified 150 existing materials. Our total R&D expenses in fiscal year 2012 were €15.7 million including €1.5 million for third party contract research and development. Parts of the development costs are customer-related. All our R&D cost is expensed and not capitalized on balance sheet.

Our R&D efforts consist mainly of applications development in response to customer requirements. In addition, our R&D efforts are directed towards the innovation of new products and development of new materials to respond to anticipated customer needs. For example, formulations for materials were developed for oxide-ceramic materials with higher damage tolerance. Specific development topics for product groups are addressed in follow-up projects. The development of new technologies in materials preparation accompanied and supplemented by laboratory equipment for the development of materials and formulations on a pilot scale.

Our innovations have played a fundamental role in our ability to maintain and grow our global market share in the different markets in which we operate in. During 2010 through 2012, the contribution to our revenues from New Products, introduced within the last five years of the relevant period, was approximately 30% each year. Our material sciences knowledge, complex manufacturing process know-how, strong in-house R&D infrastructure and decades of HPC experience for co-developing products in close collaboration of our customers provide us with a sustainable competitive advantage.

The following table shows the number of employees (on average during the period) employed in research and development by region for the last three fiscal years and the three-month period ended on March 31, 2013:

	Year Ended December 31,			Three Months Ended March 31,
	2010	**2011**	**2012**	**2013**
Germany	120	138	145	151
United States	5	4	4	4
China	—	—	2	2
Total	**125**	**142**	**151**	**157**

Manufacturing, Sales Offices and Operations

We operate 18 production sites in Europe, North America, Asia and South America and maintain nine international sales offices. Our production sites have been awarded various quality certifications. All production sites are ISO 9001 certified, the sites producing for the automotive industry have been QS9000 certified and the sites producing medical applications have also obtained the industry standard certification for medical products.

We comply with several general certification standards, such as the ISO TS 16949 for the automotive industry and the ISO 13485 for medical products. Our suppliers are subject to guidelines to ensure the quality of deliveries. Further certifications include DIN EN ISO 14001 and AEO (Authorized Economic Operator), a European certification that allows our shipments to pass through customs clearance more quickly and easily, benefitting our customers.

The following table provides an overview of the locations of our manufacturing sites, the number of employees (on average) in fiscal year 2012, the size in square meters and whether the sites are leased or owned:

Location	Markets served	Employees in fiscal year 2012 (end of period)	Size (in thousand m²)	Leased / Owned
Germany				
Plochingen	Medical, Auto, Industry	571	31.1	Owned
Ebersbach	Auto, Industry	138	40.9	Owned
Lauf	Auto, Electronics, Industry	449	50.7	Owned
Lohmar	Ballistic Protection	139	14.5	Owned
Marktredwitz	Electronics, Auto, Medical	583	156.2	Owned
Wilhermsdorf	Auto	112	12.0	Leased
Wittlich	General Industry	29	3.4	Leased
Rest of Europe				
Colyton, UK	Electronics	81	29.0	Owned
Sumperk, Czech Rep.	General Industry	287	35.7	Owned
Gorzyce, Poland	Auto	68	1.6	Leased
Dolni Rychnov, Czech Rep.	Electronics	24	1.4	Owned
Americas				
Laurens, SC	Auto, Electronics, Industry	184	13.9	Owned
Birmingham, AL	Wear Corrosion/Protection	15	2.1	Owned
Puebla, Mexico	Auto	1	6.0	Owned
Nova Odessa, Brazil	Auto	14	1.9	Leased
Asia				
Suzhou, China	General Industry	108	2.5	Leased
Suwon, Korea	Electronics	9	0.5	Leased
Seremban, Malaysia	Medical	259	23.8	Owned

We are currently expanding our manufacturing plant for medical products in Marktredwitz. Our expanded production facility is expected to increase our current output capacity of approximately 1.2 million units by an estimated additional 350,000 units by early 2015. In addition, our expanded Marktredwitz facility, together with our Plochingen facility will provide us with two full scale production sites, thereby allowing us to further provide security of supply for our customers, ensuring capacity to address future demand and enhancing our manufacturing scale advantage over our competitors. For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditures.*"

Raw Materials

Our main raw materials are various aluminum oxide and zirconium oxide powders. The sourcing of our top 10 raw materials accounted for €16.2 million, representing 6.7% of costs of products sold in fiscal year 2012. In general, raw materials are sourced from a large number of different suppliers and are partially purchased on the commodities markets. In addition, we use a wide range of raw materials thus limiting dependence on any one supplier or raw material to a minimum. Our ten largest suppliers in 2012 accounted for about €32.6 million, representing about 13.5% of costs of products sold. We usually do not enter into long-term agreement with suppliers for our raw materials as they are generally widely available and we prefer to purchase opportunistically on spot market which provides us with manufacturing flexibility.

Intellectual Property

Our technology innovation efforts and industry expertise have built a strong intellectual property portfolio of patents and trademarks which we believe is the largest in the industry. As of March 31, 2013, we had a portfolio of 333 trademarks registered and 961 patents and protected designs. In addition to protecting our technology with patents, we have an extensive portfolio of proprietary technical knowledge. Most of our intellectual property was directly developed in-house and is owned by us rather than licensed, although a small part of the technology and products we develop and manufacture are also based on intellectual property that we license. None of our material patents are due to expire in the near future.

Sales and Marketing Organization

Customer relationships and industry know-how are key success factors in the high performance ceramics industry. As many of the high performance ceramics products are customized to customer-specific needs, sales and marketing activities need to be closely aligned to technological changes and corresponding customer requirements. We provide strong technical support to our customers—a critical competency of our business that allows us to introduce new materials and products and expand into new markets.

We ensure that our sales and marketing is closely aligned with our customers by having sales and marketing organized and run independently by each of our domestic business units as well as its major international subsidiaries. In total, we employed 290 sales people worldwide (222 in Europe, 27 in the Americas and 41 in other parts of the world) as of March 31, 2013.

In addition, we operate a network of independent sales offices. Medical Applications and Cutting Tools are covered by specially trained sales personnel operating from the relevant production facilities. We also utilize third-party sales representatives to market our products worldwide.

Customers

In fiscal year 2012 we served approximately 4,400 different customers. The biggest customer accounted for 7.0% of total net sales. The top ten customer base generated about 38% of total net sales. Our next ten customers accounted for 11% of total net sales and our remaining customers for 51% of our net sales.

Our key customers include Aesculap, BASF, Biomet, BOSCH, Curamik Electronics, Delphi, DePuy, Epcos, Grohe, Honeywell, Rheinmetal, Smith & Nephew, Stryker, Volkswagen, Wuxi Hongyan, Zeiss and Zimmer.

Although 74.8% of our net sales originated in Europe (including Germany) in fiscal year 2012, we have a global infrastructure with manufacturing facilities in Europe, North America, Asia and South America and over 3,100 employees worldwide. Our customers have a strong export-focus which positions us as a truly global company with a global sales footprint. The following table provides an overview of our sales on the basis of customer location for the last three fiscal years:

	Fiscal year ended December 31,					
Regional net sales (in € million)	**2010**	**%**	**2011**	**%**	**2012**	**%**
Germany	119.6	30.7	135.3	32.2	130.6	30.7
Rest of Europe	166.3	42.8	179.0	42.6	187.5	44.1
North America	46.0	11.8	42.4	10.1	45.2	10.6
Asia	45.9	11.8	46.8	11.1	46.5	10.9
Other regions	11.2	2.9	16.4	3.9	15.4	3.6
Total	**389.0**	**100.0**	**419.9**	**100.0**	**425.2**	**100.0**

Employees

As of March 31, 2013, we had approximately 3,100 employees located throughout the world consisting of sales, technical, manufacturing operations, supply chain and customer service personnel.

In Germany, there is employee and union representation in local and group works councils. The supervisory board of CeramTec GmbH is subject to German Codetermination Act with employee and union representatives on all matters covered by the law. In general, we maintain a good relationship with the employee representatives and the unions and have not experienced any strikes or industrial actions in the past five years. The majority of our employees have been working for us for more than ten years.

The following table shows a breakdown of the employees on a full-time and part-time basis as well as by function for the last three fiscal years and the three-month period ended March 31, 2013.

	Fiscal year ended			Three-months period ended March 31,
Headcount	**2010**	**2011**	**2012**	**2013**
Full-Time / Part-Time				
Full-Time	3,056	3,049	2,949	2,989
Part-Time	122	126	136	134
By Function				
Admin	263	224	230	226
Production	2,529	2,536	2,414	2,448
Selling	253	265	285	290
Research & Development	133	150	156	159
Total Number of Active Employees	**3,178**	**3,175**	**3,085**	**3,123**

Health, Safety and Environmental

We are subject to the health, safety and environmental legislation in the jurisdictions where our manufacturing sites are located. Most of our production is located within the European Union and specifically in Germany. As a result, we are principally subject to the health and safety standards as well as the environmental standards as adopted in the European Union and specifically locally in Germany.

For a discussion of the regulations relating to our medical products, see "*—Our Business—Medical Applications—Regulation.*"

Our environmental management system has been certified in accordance with DIN EN ISO 14001. Capital expenditure and expenses related to environmental protection in our Group in 2012 amounted to €4.0 million (2011: €4.4 million; 2010: €3.2 million). Major components of these expenses included air pollution prevention with €2.5 million in 2012 (2011: €2.1 million; 2010: €0.7 million) and water pollution prevention with €0.8 million in 2012 (2011: €1.4 million; 2010: €1.7 million).

Legal Proceedings

We are from time to time party to legal proceedings that arise in the ordinary course of business. Those legal proceedings include a variety of small product liability cases in Europe brought by individuals. Additionally, we have been subject to legal disputes relating to intellectual property and ordinary course contractual disputes.

In the United States, in the past ten years, we have been involved in four product liability claims along with the OEM implant manufacturer and the medical office that performed the procedure. There was no evidence presented of a defect in our components in any of the cases. Each of the cases was settled out of court for a modest amount. There are currently no pending cases in the United States as of the date of this offering memorandum. In Europe, there are currently 31 product liability cases involving fractured ceramic ball heads and cup inserts. The exposure per case is not material other than for three cases in Europe for which our counsel believe we have good merits for defense. We have sufficient reserves in line with our perceived risk in connection with the product liability claims.

MANAGEMENT

The Issuer

The Issuer is a limited liability company (*Gesellschaft mit beschränkter Haftung*), incorporated and existing under the laws of Germany. The following table sets forth certain information with respect to individuals who are managing directors (*Geschäftsführer)* of the Issuer as of the date hereof:

Name	Age	Position
Dr. Klaus Peter Bleyer	72	Managing Director
Pontus Pettersson	35	Managing Director

The following section presents a brief summary of the biographies of the Issuer's directors:

Dr. Klaus Peter Bleyer—Managing Director. Dr. Bleyer has 40 years of experience in the automotive supply industry. Dr. Bleyer started his career a financial analyst at Standard Elektrik Lorenz in Germany and became CFO of the SWF Auto-Electri Group in 1975. In 1981, he became President and CEO of the SWF-Group and, in 1987, became president of Electrical Systems Group at ITT Automotive. After a period at ZF Friedrichshafen from 1989 to 2001, Dr. Bleyer served on the boards Faurecia and Klöckner Pentaplast (a former Cinven investment). Currently, he is Chairman of the Board of various German companies, such as JOST (a Cinven investment), Mahle, Bertrand, Ravensburger and Lindauer Dornier. He also serves as Advisory Council Chairman for the University of Ulm. Dr. Bleyer has a degree in business administration from the University of Erlangen-Nürnberg.

Pontus Pettersson—Managing Director. Pontus Pettersson joined Cinven in 2011 and is a member of the Industrials team. In this capacity, he has been involved in a number of transactions and investments including Prezioso and Ahlsell. Prior to joining Cinven, Mr. Pettersson was a Principal at KKR & Co. in London, Tokyo and Menlo Park. Previously, he worked at Altor Equity Partners in Stockholm as well as at Goldman Sachs. Mr. Pettersson has worked on numerous investments, including ACO Hud, Ferrosan and Lindorff Group. Mr. Pettersson has a BA in Politics, Philosophy and Economics from Oxford University and an MBA from the Stanford University Graduate School of Business.

The Target

The Target is a limited liability company (*Gesellschaft mit beschränkter Haftung*), incorporated and existing under the laws of Germany. The following table sets forth certain information with respect to individuals who are managing directors (*Geschäftsführer)* of the Target as of the date hereof:

Name	Age	Position
Dr. Ulf-D. Zimmermann	63	Managing Director and Chief Executive Officer (CEO)
Rolf-Michael Müller	54	Managing Director and Chief Financial Officer (CFO)
Sigurd Adler	54	Managing Director and Chief Technology Officer (CTO)

The following section presents a brief summary of the biographies of our executive officers and directors:

Dr. Ulf-D. Zimmermann—Chief Executive Officer. Dr. Ulf-D. Zimmermann has been with CeramTec for 12 years and serves as Chief Executive Officer. Dr. Zimmermann studied Management Engineering at the Technical University in Berlin. While obtaining his doctorate in Engineering, Dr. Zimmermann worked as a scientific assistant at the Technical University. From 1980 to 1990, Dr. Zimmermann worked for Flick KGaA in Ratingen—first as an assistant to the Executive Board, then later as the Managing Director of Eichener Machinenfabrik in Siegerland and Conti Systembau in Ratingen. In 1990, Dr. Zimmermann took over the position of Managing Director of the Diesel Engines Division of KHD AG in Cologne. From there, Dr. Zimmermann went on to become Division Manager of GEA AG Bochum in 1996, where he headed up WestfaliaSurge Oelde/Chicago. On April 1, 2001, Dr. Zimmermann was appointed to the Executive Board of Dynamit Nobel AG Troisdorf. Dr. Zimmermann simultaneously accepted the appointment to Chairman of the Executive Board of CeramTec, which belonged to the Dynamit Nobel Group at that time. Following the acquisition by Rockwood in August 2004, Dr. Zimmermann also took over the role of Division President Rockwood headquartered in Princeton, NJ, USA.

Rolf-Michael Müller—Chief Financial Officer. Rolf-Michael Müller has been with CeramTec for 21 years and serves as Chief Financial Officer. Mr. Müller studied Business from 1979 to 1983 at the European Business School in Germany, France and the U.K. and received an MBA. After starting his career at Arthur Andersen & Co. in Frankfurt, Mr. Müller moved to Metallgesellschaft AG Frankfurt. Mr. Müller focused mainly on Controlling and Business Development and became Department Manager there. In 1992, Mr. Müller became Managing Director of Cerasiv GmbH, which was incorporated into the new CeramTec Group in 1996 as part of the merger with Hoechst CeramTec. On September 1, 1996 Mr. Müller was appointed CFO of CeramTec and is responsible for our Finance, Accounting, Controlling, IT, Human Resources, Legal and Purchasing Departments. Mr. Müller has been Chairman of the Ceramics Industry Association since

2009, President of the Ceramics Industry Association of Germany since 2012, member of the board of the Federal Association of German Industry (BDI), and board member of the German Economic Institute in Cologne. In June 2012, Mr. Müller took over chairmanship of the advisory board of Reutlingen college (ESB Business School).

Sigurd Adler—Chief Technology Officer. Sigurd Adler serves as Chief Technology Officer of CeramTec. Mr. Adler assumed the role of Technical Director of the CeramTec Group in April 2011. Mr. Adler has a B.S. degree in Mechanical Engineering in Darmstadt and has worked for several different global corporations in the mechanical engineering, automotive supply, building materials and specialty chemicals sectors. Among others, Mr. Adler filled positions at Kühnle, Kopp & Kausch AG, Rockwood GmbH, and Umicore AG (for the past ten years as Vice President of Global Production & Technology and as Director of South America responsible for the company's catalytic converter division). Mr. Adler contributed and expanded his technical expertise in leadership roles in the areas of production and product and process development. Mr. Adler is also experienced in leading and developing globally-oriented businesses operating in highly competitive technological markets.

Employment and Compensation Arrangements

The aggregate compensation of the members of senior management (the CEO, the CFO and the CTO) for the performance of their function within the Group for the year ended December 31, 2012 amounted to €1.7 million (including pension contributions for a defined contribution plan and bonuses), in addition to benefits in kind such as company cars and mobile phones.

Senior management also intends to enter into an agreement with the Cinven Funds relating to equity participation of management in the Target. For more information on this agreement, see "*Shareholders*."

SHAREHOLDERS

Following the Transactions, the Target will be the indirect wholly-owned subsidiary of the Issuer. The Cinven Funds will indirectly (through wholly-owned intermediate holding companies) own substantially all of the entire share capital of the Issuer and certain employees and members of management of the Target will indirectly own the remainder. See "*Summary—Corporate Structure.*"

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activity we regularly enter into agreements with companies within our Group. Historically we also entered into a variety of transactions with affiliates within Rockwood and have mainly financed ourselves by receiving loans and other funds from Rockwood. This financing in particular included loans from sister companies within Rockwood. These transactions were performed at market conditions and will be terminated upon the closing of the Transactions. For a detailed list of related party transactions we have entered into in the last three fiscal years, see footnote 10 to the Combined Financials Statements.

From time to time, we may also enter into other employment or compensation arrangements with senior management or other key employees. See "*Management—Employment and Compensation Arrangements.*"

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the expected material terms of certain financing arrangements to which we and certain of our subsidiaries intend to become a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The terms of the Senior Secured Credit Agreement and Intercreditor Agreement may differ from the terms described below. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following summary of certain provisions of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Copies of the Intercreditor Agreement and a summary of certain additional terms of the Senior Secured Credit Agreement are available from us upon request.

Senior Secured Credit Agreement

Overview and Structure

We expect to enter into a senior secured credit agreement relating to our new Senior Secured Credit Facilities with Deutsche Bank AG New York Branch, as administrative agent, Deutsche Bank AG, London Branch, as collateral agent, Deutsche Bank Securities Inc., Royal Bank of Canada, and UBS Securities LLC as joint lead arrangers and joint bookrunners, and other agents and lenders (the "**Senior Secured Credit Agreement**"). Our new Senior Secured Credit Facilities will be used to fund, in part, the Transactions, and will consist of the following:

- the €647.4 million Term Loan Facility a portion of which will be in U.S. dollars; and
- the €100.0 million multi-currency Revolving Credit Facility.

Our new Revolving Credit Facility will provide for revolving loans, swingline loans and letters of credit, with a €25.0 million swingline sublimit and a €25.0 million letter of credit sublimit. We anticipate that the revolving portion of our new Senior Secured Credit Facilities will be undrawn at the Closing Date; however, a limited amount may be available on such date to fund certain upfront fees payable to the lenders or original issue discount applicable to the facilities and certain amounts with respect to letters of credit. We intend to use future borrowings under our new Revolving Credit Facility to fund working capital and for other general corporate purposes. Our ability to draw under our new Revolving Credit Facility or issue letters of credit thereunder will be conditioned upon, among other things, delivery of required notices, accuracy of the representations and warranties contained in the Senior Secured Credit Agreement and the absence of any default or event of default under the Senior Secured Credit Agreement.

Subject to certain conditions, after the initial borrowing date under our new Senior Secured Credit Facilities (which date will be the Closing Date), without the consent of the then existing lenders (but subject to the receipt of commitments), our new Term Loan Facility and/or our new Revolving Credit Facility may be increased by (or additional term loan facilities may be added in) an aggregate amount (for both the term loans and revolving loans) equal to:

- €136.3 million plus
- an unlimited amount so long as on a pro forma basis the maximum first lien net leverage requirement (which is equal to 4.75) is satisfied.

Interest and Fees

Borrowings under the Senior Secured Credit Agreement will bear interest at a floating rate per annum equal to, at our option, either:

- Adjusted LIBOR (as defined in the Senior Secured Credit Agreement) plus an applicable margin, or
- the alternate base rate (ABR) plus an applicable margin.

The following fees will be applicable under our new Revolving Credit Facility:

- an unused line fee of 0.50% per annum;
- a per annum letter of credit participation fee on the aggregate stated amount of each letter of credit available to be drawn equal to the applicable spread over Adjusted LIBOR;

- a letter of credit fronting fee equal to 0.125% per annum on the aggregate stated amount of each letter of credit available to be drawn; and

- certain other customary fees and expenses.

Our new Revolving Credit Facility matures five years after the Closing Date and our new Term Loan Facility mature seven years after the Closing Date. A portion of the new Term Loan Facility will be subject to customary amortization in equal quarterly installments in an amount equal to 1.00% per annum of the original principal amount thereof, with the remaining balance due at final maturity.

Commencing on the Closing Date, 0.25% of initial principal amount of any U.S. dollar denominated portions of our new Term Loan Facility will amortize per quarter.

Repayments

Voluntary Prepayment

We may voluntarily prepay loans or reduce commitments under our new Senior Secured Credit Facilities, in whole or in part, in minimum principal amounts to be agreed, subject to reimbursement of the lenders' redeployment costs in the case of a prepayment of Adjusted LIBOR borrowings, other than on the last day of the relevant interest period.

Mandatory Prepayment

We must prepay our new Term Loan Facility with the net cash proceeds of, among other things:

- asset sales;

- casualty and condemnation events;

- the incurrence or issuance of indebtedness (other than indebtedness permitted to be incurred under our new Senior Secured Credit Facilities unless specifically incurred to refinance a portion of our new Senior Secured Credit Facilities); and

- 50% of excess cash flow (such percentage to be subject to reductions based on the achievement of a specified senior secured leverage ratio), in each case, subject to certain reinvestment rights and other exceptions.

Our obligations under our new Senior Secured Credit Facilities will be guaranteed by the Issuer and the other Guarantors to the extent required to satisfy the guarantor coverage test described below and each of our current and future direct and indirect wholly owned restricted subsidiaries other than:

- subsidiaries designated as unrestricted;

- certain immaterial subsidiaries;

- any subsidiary that is prohibited by applicable law from guaranteeing our new Senior Secured Credit Facilities or which would require governmental approval to provide a guarantee unless such approval has been received;

- any subsidiary that is prohibited by contractual obligation from guaranteeing our new Senior Secured Credit Facilities;

- not-for-profit subsidiaries;

- any non-United States subsidiary for which the providing of a guarantee could reasonably be expected to result in any violation or breach of, or conflict with, fiduciary duties of such subsidiary's officers, directors or managers;

- any subsidiary of the U.S. Borrower that is a "controlled foreign corporation" within the meaning of Section 957 of the Code (each, a "**CFC**");

- any subsidiary of the U.S. Borrower (i) that is organized under the laws of the United States, any state thereof or the District of Columbia and (ii) that owns no material assets other than equity interests of one or more CFCs (each a "**CFC Holdco**");

- certain wholly owned subsidiaries engaging in permitted receivables financings;

- a subsidiary with respect to which a guarantee by it would result in material adverse tax consequences (other than as a result of Section 956 of the Code or any related provision) to the Issuer, German Bidco or one or more of the restricted subsidiaries;

- any subsidiary that is a special purpose entity;

- any subsidiary with respect to which we and the administrative agent under the Senior Secured Credit Agreement reasonably agree that the cost or other consequences (including any adverse tax consequences) of guaranteeing the Senior Secured Credit Facilities shall be excessive in view of the benefits to be obtained by the lenders therefrom; and

- certain other special purpose entities, in each case, subject to certain other exceptions including, without limitation, certain guaranty and security principles applicable to foreign subsidiaries.

Under the new Senior Secured Credit Facilities we are required to comply with a guarantor coverage ratio test. As of the last day of any period for which financial statements have been delivered to the Administrative Agent, (x) the consolidated total assets of all Guarantors have to constitute at least 80% of the consolidated total assets of the Issuer and its subsidiaries and (y) the consolidated EBITDA of all Guarantors have to constitute at least 80% of the consolidated EBITDA of the Issuer and its subsidiaries.

Our obligations under our new Senior Secured Credit Facilities will be secured by a first priority lien on substantially all of our assets and each subsidiary guarantor's assets, including our capital stock and the capital stock of each of our direct restricted subsidiaries (which in the case of any CFC or any CFC Holdco, shall be limited to 65% of the voting equity interests in such subsidiary), in each case, subject to certain exceptions. Our subsidiaries that guarantee our new Senior Secured Credit Facilities will guarantee the Notes.

Covenants

Negative Covenants

Our new Senior Secured Credit Facilities will contain customary negative covenants, including restrictions on our ability and our restricted subsidiaries' ability to, without limitation:

- merge and consolidate with other companies;

- incur indebtedness;

- grant liens or security interests on assets;

- make acquisitions, loans, advances or investments;

- pay dividends;

- sell or otherwise transfer assets;

- optionally prepay or modify terms of certain junior indebtedness;

- enter into transactions with affiliates;

- amend or modify organizational documents in a manner adverse to the lenders;

- enter into restrictive agreements;

- change our lines of business;

- fail to comply with certain passive holding company restrictions with respect to the Issuer; and

- change our fiscal year.

With respect to our new Revolving Credit Facility, we will also be required to maintain a maximum first lien net leverage ratio, to be tested, commencing with the second full fiscal quarter after the Closing Date, at the end of any quarter when more than 30% of our new Revolving Credit Facility (including swing line loans and any unreimbursed drawings under letters of credit to the extent not cash collateralized over a certain threshold) is utilized at such date. In addition, our new Senior Secured Credit Facilities will contain negative covenants restricting certain activities of the Issuer.

Affirmative Covenants

Our new Senior Secured Credit Facilities will contain customary affirmative covenants, which will require us to, without limitation:

- deliver financial and other information to the administrative agent;

- give notice to the administrative agent upon the occurrence of certain material events;

- preserve our existence;
- pay material taxes and other claims;
- maintain properties and insurance;
- maintain books and records;
- maintain our centers of main interests;
- use the proceeds of the Senior Secured Credit Facilities as provided for in the Senior Secured Credit Agreement;
- allow for access to properties and records for inspection by the administrative agent;
- comply with applicable laws and regulations, including environmental laws;
- use commercially reasonable efforts to maintain ratings; and
- provide further assurances and for the provision of additional collateral and guarantees.

Events of Default

Our new Senior Secured Credit Facilities will provide that, upon the occurrence of certain events of default (subject to applicable cure periods), our obligations thereunder may be accelerated and the lending commitments terminated, and include, without limitation:

- payment defaults to the lenders;
- material inaccuracies of representations and warranties;
- covenant defaults;
- cross-defaults to other material indebtedness (including the Notes);
- voluntary and involuntary bankruptcy proceedings;
- material money judgments;
- material ERISA/pension plan events;
- actual or asserted invalidity of any material guarantee, any security documents or the intercreditor agreement;
- certain change of control events; and
- other customary events of default.

Intercreditor Agreement

General

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer and each of the Guarantors (together with any other entity which accedes to the Intercreditor Agreement as a debtor, the "**Debtors**") will enter into the Intercreditor Agreement with, among others, the Trustee, the Collateral Agent and the lenders under our Senior Secured Credit Facilities. The Intercreditor Agreement will be governed by New York law and set out, among other things, the relative ranking of certain debt of the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that debt and the terms pursuant to which certain of that debt will be subordinated. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

Ranking and Priority

Priority of Debts

The Intercreditor Agreement does not purport to rank the liabilities owed by the Debtors to the creditors (collectively, the "**Primary Creditors**") under the Senior Secured Credit Facilities, certain hedging obligations, certain cash management liabilities (the "**Senior Liabilities**") and the Notes as between themselves.

Transaction Security

The transaction security will secure the Senior Liabilities only.

Subordinated Intra-Group Liabilities

The Intercreditor Agreement provides that the intra-group liabilities of one member of the group to another member of the group are postponed and subordinated to the liabilities owed by the Debtors to the Primary Creditors.

Senior Creditors and Senior Liabilities

Payment of Senior Liabilities

The Debtors may make payments in respect of the Senior Liabilities at any time in accordance with the loan documents.

Amendments and Waivers

The senior lenders may amend or waive the terms of the loan documents (other than the Intercreditor Agreement) in accordance with their terms (and subject to any consent required under them) at any time, including, but not limited to, amendments which increase the amount of the Senior Liabilities.

Noteholders and Note Liabilities

Option to Purchase Senior Secured Liabilities and Transfer Hedging Obligations and Cash Management Obligations

Upon acceleration under the Senior Secured Credit Agreement, the Secured Hedging Agreements or the Secured Cash Management Agreements or the Notes or enforcement of the transaction security, holders of the Notes may elect to purchase the lenders' liabilities under the Senior Secured Credit Facilities Agreement for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. Holders of the Notes must also elect for the counterparties to hedging obligations and cash management obligations to transfer their hedging obligations or cash management obligations, as the case may be, to holders in exchange for the amount that would have been payable under such hedging obligations or cash management obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

Effect of Insolvency Event; Filing of Claims

An "**Insolvency Event**" occurs in relation to the Issuer or any of its subsidiaries (in this section, the "**Group**") if:

- any resolution is passed or order made for its winding up, dissolution, administration or reorganization, a moratorium is declared in relation to any of its indebtedness or an administrator is appointed to it;
- any composition, compromise, assignment or arrangement is made with any of its creditors;
- certain specified events with respect to insolvency occur in respect of a member of the Group incorporated in Germany;
- a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer is appointed in respect of that member of the Group or any of its assets; or
- any analogous procedure or step to those described above in respect to the member of the Group is taken in any jurisdiction.

The Intercreditor Agreement provides that, after the occurrence of an Insolvency Event in relation to any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to pay that distribution: (i) to the extent the liabilities in respect of which such distribution is made are secured, in favor of the Collateral Agent, to the Collateral Agent until the liabilities owing to the secured parties have been paid in full and (ii) to the extent the liabilities in respect of which such distribution is made are unsecured, to the Collateral Agent and the Trustee according to their respective interests therein until the liabilities owing to the secured parties and the noteholders, respectively, have been paid in full. With respect to the foregoing clause (i), the Collateral Agent shall apply distributions paid to it in accordance with the provisions set out under the caption *"—Application of Proceeds"* below.

Generally, to the extent that any member of the Group's liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any creditor which benefited from that set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off for application in accordance with the provisions set out in the caption "—*Application of Proceeds*" below and any intra-group lender which benefited from that set-off shall pay an amount equal to the amount of the liabilities owed to it which are discharged by that set-off, to the extent the relevant intra-group liabilities in respect of which such set-off was applied are secured in favor of the Collateral Agent, to the Collateral Agent for application in accordance with the provisions set out in the caption "—*Application of Proceeds*" below and to the extent the relevant intra-group liabilities in respect of which such set-off was applied are unsecured, to the Collateral Agent and the Collateral Agent will return such amount to the relevant member of the Group whose liabilities were discharged.

If the Collateral Agent or any other secured party receives a distribution in a form other than in cash in respect of any of the Senior Liabilities owed to them by a member of the Group, the senior liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the senior liabilities.

After the occurrence of an Insolvency Event in relation to any member of Group, each creditor to whom Senior Liabilities are owing (the "**Senior Creditors**") and each intra-Group lender irrevocably authorizes the Collateral Agent, on its behalf, to:

(i) take any enforcement action (in accordance with the terms of the Intercreditor Agreement) against that member of the Group;

(ii) demand, sue, prove and give receipt for any or all of that member of the Group's liabilities owed to the creditors under the debt documents (other than the liabilities under the Notes);

(iii) collect and receive all distributions on, or on account of, any or all of that member of the Group's liabilities owed to the creditors under the debt documents (other than the liabilities under the Notes); and

(iv) file claims, take proceedings and do all other things the Collateral Agent considers reasonably necessary to recover that member of the Group's liabilities owed to the creditors under the debt documents (other than the liabilities under the Notes).

Each Senior Creditor and intra-Group lender will (i) do all things that the Collateral Agent reasonably requests in order to give effect to the matters disclosed under this section and (ii) if the Collateral Agent is not entitled to take any of the actions contemplated by this section or if the Collateral Agent requests that such creditor take that action, undertake that action itself in accordance with the instructions of the Collateral Agent or grant a power of attorney to the Collateral Agent (on such terms as the Collateral Agent may reasonably require) to enable the Collateral Agent to take such action.

Turnover

Turnover by Senior Creditors and Intra-Group Lenders

Subject to certain exceptions, the Intercreditor Agreement provides that if at any time prior to the later of the full and final discharge of Senior Liabilities or the date on which all Note liabilities are fully and finally discharged, any Senior Creditor or intra-Group lender receives or recovers:

(i) any payment or distribution of, or on account of or in relation to, any of the liabilities owed to the creditors under the debt documents which is not either (x) a payment or distribution permitted under the Intercreditor Agreement or (y) made in accordance with the provisions set out below under the caption "—*Application of Proceeds*;"

(ii) any amount by way of set-off in respect of any of the liabilities owed to it which does not give effect to a payment permitted under the Intercreditor Agreement;

(iii) any amount:

(A) on account of, or in relation to, any of the liabilities owed to the creditors under the debt documents:

(I) after the occurrence of an acceleration event or the enforcement of any security; or

(II) as a result of any other litigation or proceedings against a member of the Group (other than after the occurrence of an Insolvency Event in respect of that member of the Group); or

(B) by way of set-off in respect of any of the liabilities owed to it after the occurrence of an acceleration event or the enforcement of any security,

other than, in each case, any amount received or recovered in accordance with the provisions set out below the caption "—*Application of Proceeds*;"

(iv) the proceeds of any enforcement of any security except in accordance with the provisions set out below under the caption "—*Application of Proceeds*;" or

(v) any distribution or payment of, or on account of or in relation to, any of the liabilities owed by any member of Group which is not in accordance with the provisions set out in the caption "—*Application of Proceeds*" and which is made as a result of, or after, the occurrence of an insolvency event in respect of that member of Group,

that Senior Creditor or intra-Group lender will: (i) in relation to receipts and recoveries not received or recovered by way of set-off (A) that represents security or the proceeds of security (x) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Collateral Agent and promptly pay or distribute that amount to the Collateral Agent for application in accordance with the terms of the Intercreditor Agreement and (y) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Collateral Agent for application in accordance with the terms of the Intercreditor Agreement and (B) that do not represent security or the proceeds of security, hold the amount of that receipt or recovery on trust for the Collateral Agent and promptly pay or distribute that amount to the Collateral Agent and the Collateral Agent shall return such amount to the relevant member of the Group from whom such receipt or recovery was obtained; and (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery (A) that represents security or the proceeds of security, to the Collateral Agent for application in accordance with the Intercreditor Agreement and (B) that do not represent security or the proceeds of security, to the Collateral Agent, and the Collateral Agent shall return such amount to the relevant member of the Group from whom such receipt or recovery was obtained.

Exclusions

The provisions of the Intercreditor Agreement described in this section will not apply to any receipt or recovery (x) by way of close-out, payment or other netting required or permitted by the terms of any secured hedging agreement or (y) by a cash management bank's right of netting or set-off relating to any notional cash pooling, target or zero balancing or other cash management arrangement where multiple debtor accounts are operated on a net basis.

Sums or Property Received by Debtors, the Trustee or Noteholders

If any of the Debtors, the Trustee or the noteholders receives or recovers any property which is security property or any amount representing proceeds of security following the taking of certain specified enforcement actions or following an Insolvency Event which is continuing, that Debtor, the Trustee or that Noteholder will:

(i) hold such property that is security property on trust for the Collateral Agent and promptly transfer such property;

(ii) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Collateral Agent and promptly pay that amount to the Collateral Agent for application in accordance with the terms of the Intercreditor Agreement; and

(iii) if requested by the Collateral Agent (which request will be deemed to have been given automatically if any Insolvency Event with respect to such person occurs), promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Collateral Agent for application in accordance with the terms of the Intercreditor Agreement.

Enforcement

Enforcement Instructions

The Collateral Agent may refrain from enforcing the security unless instructed otherwise by the Required Lenders (as defined in the Senior Secured Credit Agreement).

Subject to the security having become enforceable in accordance with its terms the Required Lenders may give, or refrain from giving, instructions to the Collateral Agent to enforce, or refrain from enforcing, the security as they see fit.

No secured party shall have any independent power to enforce, or to have recourse to enforce, any security or to exercise any rights or powers arising under the security documents except through the Collateral Agent.

Manner of Enforcement

If the security is being enforced as set forth above under the caption "—*Enforcement Instructions*," the Collateral Agent shall enforce the security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Collateral Agent) as the Required Lenders shall instruct or, in the absence of any such instructions, as the Collateral Agent considers in its discretion to be appropriate.

Enforcement Standstill Period

None of the Collateral Agent, any Agent or any Primary Creditor (including the Trustee) may take any enforcement action unless:

(i) an Insolvency Event has occurred in respect of a Debtor, the Issuer or a Guarantor which under the terms of the loan documents, the note documents, the secured hedging agreements or the secured cash management agreements (as the case may be) entitles it to take Enforcement Action; or

(ii) the relevant Enforcement Standstill Period (defined below) has expired; or

(iii) the last paragraph of this section applies.

Prior to taking any enforcement action (other than in case of clause (i) above), the Collateral Agent or a Primary Creditor must (x) (in the case of the Administrative Agent, the Collateral Agent or a Senior Creditor) notify the Trustee in writing of the commencement of a 120-day enforcement standstill period with effect from and including the date of such notice; or (y) (in the case of the Trustee or a Noteholder) notify the Administrative Agent and the Collateral Agent in writing of the commencement of a 120-day enforcement standstill period with effect from and including the date of such notice. Upon the expiration of such 120-day period (or (i) such shorter period if any as the Administrative Agent and the Trustee may agree in writing or (ii) the date on which the Collateral Agent notifies the Trustee in writing that it intends to take any enforcement action that it is, at such time, entitled to take under any collateral document on behalf of the Senior Creditors) (the "**Enforcement Standstill Period**"), each of the Collateral Agent and/or the Primary Creditors will be permitted to take such enforcement action as it is otherwise entitled to take, regardless of whether it or another party gave the notice. During any Enforcement Standstill Period, the Administrative Agent, the Collateral Agent and the Trustee agree in good faith (but without prejudice to their respective rights at the end of the Enforcement Standstill Period) to consult with each other as to any proposed enforcement action other than, in the case of the Collateral Agent, with respect to the enforcement of any share pledges.

Notwithstanding any of the foregoing paragraphs, each of the Administrative Agent and the Collateral Agent may at any time take any enforcement action that it is entitled to take under the terms of and pursuant to any share pledge during the Enforcement Standstill Period without any obligation to consult with any other Party. Additionally, during the Enforcement Standstill Period, each of the Administrative Agent and the Collateral Agent may at any time take such Enforcement Action as it may be entitled to take if (i) the Collateral Agent determines that it would be in the best interests of the Senior Creditors to take such action and/or (ii) the Collateral Agent believes (acting reasonably) that the Charged Property or the value thereof is in material jeopardy. If such enforcement action is taken pursuant to the immediately preceding sentence, any Enforcement Standstill Period then in effect will immediately terminate and each of the Agents, the Collateral Agent and/or the Primary Creditors will be allowed to take such enforcement action as it is otherwise entitled to take at that time.

Application of Proceeds

The Intercreditor Agreement provides that all amounts from time to time received or recovered by the Collateral Agent in connection with the realization or enforcement of all or any part of the transaction security or from any disposal of intra-group receivables (for the purposes of this section, the "**Recoveries**") shall be held by the Collateral Agent on trust to apply them at any time as the Collateral Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this section), in the following order of priority:

(i) in discharging any sums owing to the Collateral Agent (subject to certain exceptions), any receiver or any delegate;

(ii) in discharging all costs and expenses incurred by any Primary Creditor in connection with any realization or enforcement of the transaction security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Collateral Agent under the Intercreditor Agreement;

(iii) in payment or distribution to:

(A) the Administrative Agent on its own behalf and on behalf of the other Senior Creditors; and

(B) certain hedge counterparties and the cash management banks party to the Intercreditor Agreement,

for application towards the discharge of:

(I) the liabilities under the Senior Secured Credit Facilities;

(II) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each hedge counterparty) and the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each cash management bank),

on a *pro rata* basis between the two immediately preceding paragraphs (I) and (II) above;

(D) if none of the Debtors is under any further actual or contingent liability under any loan document, secured hedging agreement or secured cash management agreement, in payment or distribution to any person to whom the Collateral Agent is obliged to pay or distribute in priorty to any Debtor; and

(E) the balance, if any, in payment or distribution to the relevant Debtor.

Required Consents

The Intercreditor Agreement provides that, subject to certain exceptions, it may be amended or waived only with the consent of the Administrative Agent, each L/C Issuer (as defined in the Senior Secured Credit Facility Agreement), the Swing Line Lender, the Required Lenders, the Trustee and the Collateral Agent.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other things, the provisions set out in this section and under the captions *"—Redistribution," "—Application of Proceeds"* and the order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of:

(i) the Administrative Agent;

(ii) the senior lenders, each L/C Issuer and the Swing Line Lender;

(iii) the Trustee;

(iv) each hedge counterparty (to the extent that the amendment or waiver would adversely affect the hedge counterparty);

(v) each cash management bank (to the extent that the amendment or waiver would adversely affect the cash management bank); and

(vi) the Collateral Agent.

Effectiveness

Any amendment, waiver or consent given in accordance with the provisions described in this section will be binding on all parties and the Collateral Agent may effect, on behalf of any Primary Creditor, any permitted amendment, waiver or consent.

Exceptions

Subject to the paragraph immediately below, if the amendment, waiver or consent may impose new or additional obligations on, or withdraw or reduce the rights of, any party other than:

(i) in the case of a Primary Creditor (other than the Administrative Agent, any L/C Issuer, the Swing Line Lender or any arranger), in a way which affects, or would affect, Primary Creditors of that party's class generally; or

(ii) in the case of a Debtor, to the extent consented to by the Issuer under the Intercreditor Agreement,

the consent of that party is required. Subject to the two paragraphs immediately below, an amendment, waiver or consent which relates to the rights or obligations of the Administrative Agent, any L/C Issuer, the Swing Line Lender, any arranger, the Collateral Agent (including, without limitation, any ability of the Collateral Agent to act in its discretion under the Intercreditor Agreement), a hedge counterparty or a cash management bank may not be effected without the consent of the Administrative Agent, or, as the case may be, that L/C Issuer, the Swing Line Lender, that arranger, the Collateral Agent, that hedge counterparty or that cash management bank.

The immediately preceding paragraph shall not apply:

- to any release of security, claim or liabilities; or

- to any consent,

which, in each case, the Collateral Agent gives in accordance with the provisions set out in the caption *"—Proceeds of Disposals"* above.

Agreement to Override

Unless expressly stated otherwise in the Intercreditor Agreement, the Intercreditor Agreement overrides anything in the documents governing the Senior Obligations, the Indenture and the Notes to the contrary.

DESCRIPTION OF NOTES

General

In this description, the terms "*we*," "*us*" and "*our*" each refer to Faenza GmbH, a German limited liability company (the "*Issuer*"), and its consolidated subsidiaries, including the entities and assets being purchased in the Acquisition.

The Notes are to be issued under an indenture (the "*Indenture*"), to be dated as of the Issue Date, among the Issuer, the Guarantors and U.S. Bank Trustees Limited, as trustee (the "*Trustee*"). Copies of the Indenture (and any supplemental indenture) may be obtained from the Issuer upon request and, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, may be obtained at the office of the Luxembourg listing agent appointed by the Issuer.

The following summarizes certain provisions of the Indenture and the Notes and refers to the Intercreditor Agreement; it does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture and the Intercreditor Agreement. Capitalized terms used in this "Description of Notes" section and not otherwise defined have the meanings set forth in the section "—Certain Definitions."

The Issuer will issue Notes with an initial aggregate principal amount of €306.7 million. The Issuer may issue additional debt securities under the Indenture in one or more series ("*Additional Notes*") from time to time after this offering without notice or the consent of holders of Notes. Any offering of Additional Notes would be subject to the covenant described below under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock." The initial Notes and any Additional Notes subsequently issued under the Indenture will vote as a single class (except as otherwise described under "—Amendments and Waivers").

Any Additional Notes that the Issuer issues in the future will be identical in all respects to the Notes that the Issuer is issuing hereby (including with respect to Guarantees), except that Additional Notes issued in the future may have different issuance prices and will have different issuance dates. All Notes, including any Additional Notes, will be treated as a single class for all purposes under the Indenture, including (without limitation), with respect to waivers, amendments, redemptions and offers to purchase; *provided* that Additional Notes will not be issued with the same ISIN and/or CUSIP number, if any, as existing Notes unless such Additional Notes are fungible with the existing Notes for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of Notes," references to the Notes include the Notes offered hereby and any Additional Notes actually issued.

If a holder of Notes has given wire transfer instructions to the Issuer or the paying agent, the paying agent will pay all principal of, and, if applicable, interest and premium, if any, on, that holder's Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the paying agent and registrar unless the Issuer elects to make interest payments through the paying agent by check mailed to the holders of Notes at their addresses set forth in the register of holders.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of €100,000 and any integral multiple of €1,000 in excess thereof.

Ranking

The Notes will be joint and several senior obligations of the Issuer and will:

- rank equally in right of payment with all existing and future senior Indebtedness of the Issuer (including Indebtedness under the Issuer's guarantee of the Senior Credit Agreement);
- be effectively subordinated to any existing and future secured Indebtedness of the Issuer (including Indebtedness under the Issuer's guarantee of the Senior Credit Agreement) to the extent of the value of such assets securing such Indebtedness;
- rank contractually senior in right of payment to any future Subordinated Indebtedness of the Issuer;
- be structurally subordinated to all existing and future liabilities (including Indebtedness and trade payables) of all Non-Guarantor Subsidiaries; and
- be initially guaranteed on a senior basis by Faenza Acquisition GmbH and, after the Escrow Release Date (if applicable), by each Restricted Subsidiary that guarantees the Senior Credit Agreement.

At March 31, 2013, on a *pro forma* basis after giving effect to the Transactions, we would have had €954.7 million of Indebtedness on a consolidated basis (including the Notes offered hereby), of which €647.4 million would have been secured. In addition, the revolving credit facility under the Senior Credit Agreement will provide commitments with respect to an additional €100.0 million of secured Indebtedness. See "*Description of Certain Financing Arrangements*."

The Issuer is a holding company with limited direct operations. All of the operations of the Issuer are conducted through its Subsidiaries. Unless the Subsidiary is a Guarantor, claims of creditors of such Subsidiaries (including trade creditors) and claims of preferred stockholders (if any) of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of the Issuer, including holders of the Notes. The Notes, therefore, will be structurally subordinated to claims of creditors (including trade creditors) and preferred stockholders (if any) of Non-Guarantor Subsidiaries. Although the Indenture will contain limitations on the amount of additional Indebtedness that the Issuer and its Subsidiaries may Incur, such limitations are subject to a number of significant exceptions.

Guarantees

Initially, Faenza Acquisition GmbH and, after the Escrow Release Date (if applicable), each of the Issuer's Restricted Subsidiaries that is a borrower or a guarantor under the Senior Credit Agreement will jointly and severally, irrevocably, fully and unconditionally guarantee on a senior unsecured basis the performance and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all Obligations of the Issuer under the Indenture and the Notes (including interest which, but for the filing of a petition in bankruptcy with respect to the Issuer, would have accrued on any Obligation, whether or not a claim is allowed against the Issuer for such interest in the related bankruptcy proceeding) to the holders and the Trustee, whether for payment of principal of, premium, if any, or interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Guarantors being herein called the "*Guaranteed Obligations*").

Each Guarantee of a Guarantor will be a senior obligation of such Guarantor and will:

- rank equally in right of payment with all existing and future senior Indebtedness of such Guarantor (including its guarantee of the Indebtedness under the Senior Credit Agreement);
- be effectively subordinated to any existing and future secured Indebtedness of such Guarantor (including its guarantee of Indebtedness under the Senior Credit Agreement) to the extent of the value of the assets securing such guarantee of Indebtedness;
- rank contractually senior in right of payment to any existing and future Subordinated Indebtedness of such Guarantor; and
- be structurally subordinated to all existing and future liabilities (including Indebtedness and trade payables) of any of such Guarantor's Non-Guarantor Subsidiaries.

Each Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law. See "Limitations on Validity and Enforceability of the Guarantees and the Security Interests." This includes limiting Guarantees to an amount not to exceed the maximum amount that can be guaranteed by that Guarantor without rendering the Guarantee, as it relates to such Guarantor, voidable under applicable law. However, such limitations may not be effective under local law. For example, in a 2009 Florida bankruptcy case, such a limitation was found to be ineffective to protect the guarantees. See "Certain Insolvency Law Considerations and Local Law Considerations on Limitations on Validity and Enforceability of the Guarantees" and "Risk Factors— Risks Relating to the Notes—Corporate benefit, capital maintenance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Notes" and Risk Factors— Risks Relating to the Notes—Fraudulent conveyance laws may protect our creditors to your disadvantage." After the Issue Date, the Issuer will cause each Restricted Subsidiary (unless such Subsidiary is a Receivables Subsidiary or is already a Guarantor) that guarantees or Incurs any Indebtedness under any Credit Agreement or any Public Debt to execute and deliver to the Trustee a supplement to the Indenture pursuant to which such Restricted Subsidiary will guarantee performance and payment of the Notes on the same senior unsecured basis. See "—Certain Covenants—Future Guarantors."

Each Guarantee will be a continuing guarantee and, subject to the next two succeeding paragraphs, shall:

(1) remain in full force and effect until payment in full of all the Guaranteed Obligations;

(2) be binding upon each such Guarantor and its successors and assigns; and

(3) inure to the benefit of and be enforceable by the Trustee, the holders and their successors, transferees and assigns.

A Guarantee of a Guarantor will be automatically and unconditionally released and discharged upon:

(a) the sale, exchange, disposition or other transfer (including through merger or consolidation) of (x) the Capital Stock of such Guarantor, after which the applicable Guarantor is no longer a Restricted Subsidiary, or (y) all or substantially all the assets of such Guarantor if such sale, exchange, disposition or other transfer is made in compliance with the Indenture, so long as such Guarantor is also released from its guarantee and all pledges and security interests granted in connection with the Senior Credit Agreement;

(b) the Issuer designating such Guarantor to be an Unrestricted Subsidiary in accordance with the provisions set forth under "—Certain Covenants—Limitation on Restricted Payments" and the definition of "Unrestricted Subsidiary";

(c) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "—Certain Covenants—Future Guarantors," the release or discharge of the guarantee by such Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary or the repayment of the Indebtedness or Disqualified Stock, in each case, which resulted in the obligation to guarantee the Notes, except if a release or discharge is by or as a result of payment under such other guarantee;

(d) the Issuer's exercise of its legal defeasance option or covenant defeasance option as described under "—Defeasance," or if the Issuer's Obligations under the Indenture are discharged in accordance with the terms of the Indenture;

(e) upon the release or discharge of the guarantee by, or direct obligation of, such Guarantor of the Obligations under the Senior Credit Agreement, except a discharge or release by or as a result of payment under such guarantee or direct obligation; or

(f) the occurrence of certain other conditions as set forth in the Intercreditor Agreement.

Each of the Issuer's Subsidiaries that is a borrower or a guarantor under the Senior Credit Agreement will be a Guarantor although the holders of the Notes will not have the benefit of enforceable guarantees from the Target and its Subsidiaries that will be required to be Guarantors under the Indenture until after the Escrow Release Date (as defined below). As of March 31, 2013, after giving effect to the Transactions, our non-Guarantor subsidiaries would have had no financial liabilities and approximately €7.4 million of trade payables, deferred tax liabilities and other liabilities, all of which would have ranked structurally senior to the Notes and the Guarantees.

Terms of the Notes

The Notes will be senior obligations of the Issuer and will mature on August 15, 2021. Each note will bear interest at the rate per annum shown on the front cover of this Offering Circular from August 8, 2013, or from the most recent date to which interest has been paid or provided for, payable semi-annually to holders of record at the close of business on the February 1 or August 1 immediately preceding the interest payment date on February 15 and August 15 of each year, commencing February 15, 2014. On August 15, 2021, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon, if any, to but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Disbursement of Funds; Closing Date Holding Account; Special Mandatory Redemption

The gross proceeds from the sale of Notes in the offering (the "*Escrowed Funds*") will be deposited into one or more deposit accounts held by the Issuer at Deutsche Bank Aktiengesellschaft (the "*Closing Date Holding Accounts*"). Pursuant to a closing date holding account charge dated as of the Issue Date, the Issuer will grant a first priority security interest in the Escrowed Funds to the Trustee for the benefit of the holders of the Notes. Deutsche Bank Aktiengesellschaft will act as escrow agent (the "*Escrow Agent*") with respect to the Escrowed Funds pursuant to an escrow agreement (the "*Escrow Agreement*") dated as of the Issue Date among, *inter alios*, the Issuer, the Escrow Agent, and the Trustee on behalf of the holders of the Notes.

The Escrow Agreement will provide that the Escrowed Funds will be released to an escrow account held by a German notary established for purposes of closing the Acquisition on the date (the "*Escrow Release Date*") that the Issuer certifies to the Escrow Agent in accordance with the terms of the Escrow Agreement (the "*Offer Conditions Certificate*") that:

(i) the Acquisition shall be completed prior to the open of business on the next Business Day following the Escrow Release Date in accordance with the terms of the Acquisition Agreement, without giving effect to any modifications, amendments, consents or express waivers thereto that are materially adverse to the noteholders and on substantially the same terms as described in this Offering Circular under the heading "The Transactions"; and

(ii) the Escrowed Funds will be applied, directly or through intercompany transfers, for their permitted uses in accordance with the terms of the Escrow Agreement and, following such application, the Acquisition will be completed.

If the Acquisition has not been completed on or prior to October 15, 2013 or the Issuer certifies to the Trustee and the Escrow Agent that the Acquisition will not take place or that the Acquisition Agreement has been terminated (the "*Special Mandatory Redemption Certificate*"), the Issuer will redeem the Notes (a "*Special Mandatory Redemption*") at 100% of the issue price of the Notes plus accrued and unpaid interest thereon through to but not including the redemption date (the "*Special Mandatory Redemption Price*"). The Issuer will instruct the Escrow Agent to release the Escrowed Funds to the paying agent purpose of paying the Special Mandatory Redemption Price.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Funds, the Sponsor will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the holders of the Notes, pursuant to a guarantee provided by the Sponsor. See "Risk Factors—Risks Related to the Notes—If the conditions in the Escrow Agreement are not satisfied, the Issuer will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes; the conditions to the release of the proceeds from the Escrow Account are limited."

Notice of any Special Mandatory Redemption (any such notice a "*Special Redemption Notice*") will be mailed by first class mail to each Holder at its registered address on the first Business Day following the date the Issuer becomes required to effect a Special Mandatory Redemption and, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitting for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, will be given in accordance with applicable rules of the Luxembourg Stock Exchange. The redemption date will be five Business Days after the mailing of the Special Redemption Notice.

Paying Agent and Registrar for the Notes

We will make all payments (including principal, premium (if any) and interest) on the Notes, and we will accepts the Notes for exchange and transfer through an agent in London, England that we will maintain for these purposes (the "*Paying Agent*"). The Issuer will ensure, to the extent practicable and permitted by law, that it maintains a paying agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income (the "*Directive*"). We expect initially to appoint Elavon Financial Services Limited as the Paying Agent.

Upon written request from the Issuer, the registrar shall provide the Issuer with a copy of the register to enable them to maintain a register of the Notes at their registered offices. The Issuer may change the paying agent or registrar without prior notice to the holders of the Notes.

Optional Redemption

On and after August 15, 2016, the Issuer may redeem the Notes, at its option, in whole at any time or in part from time to time, upon notice as described under the heading "—Selection and Notice," at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, to (but not including) the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on August 15 of the years set forth below:

Period	Redemption price
2016	106.188%
2017	104.125%
2018	102.063%
2019 and thereafter	100.000%

In addition, at any time prior to August 15, 2016, the Issuer may redeem the Notes at its option, in whole at any time or in part from time to time, upon notice as described under the heading "—Selection and Notice," at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Notwithstanding the foregoing, at any time and from time to time, upon notice as described under the heading "—Selection and Notice," prior to August 15, 2016, the Issuer may redeem in the aggregate up to 40% of the original aggregate principal amount of the Notes (calculated after giving effect to any issuance of additional Notes) with an amount equal to the net cash proceeds of one or more Equity Offerings by the Issuer or any direct or indirect Parent of the Issuer, to the extent the net cash proceeds thereof are contributed to the common equity capital of the Issuer or used to purchase Capital Stock (other than Disqualified Stock) of the Issuer from it, at a redemption price (expressed as a percentage of the principal amount thereof) equal to 108.25% plus accrued and unpaid interest, if any, to (but not including) the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date);

provided, *however*, that at least 60% of the original aggregate principal amount of the Notes (calculated after giving effect to any issuance of Additional Notes) must remain outstanding after each such redemption; and *provided*, *further*, that such redemption shall occur within 120 days after the date on which any such Equity Offering is consummated.

In connection with any redemption of Notes (including with the net cash proceeds of an Equity Offering), any such redemption may, at the Issuer's option, be subject to one or more conditions precedent, including, but not limited to, consummation of any related Equity Offering. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption date, or by the redemption date so delayed.

The Issuer or its affiliates may at any time and from time to time purchase Notes. Any such purchases may be made through open market or privately negotiated transactions with third parties or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as well as with such consideration as the Issuer or any such affiliates may determine.

Redemption for Taxation Reasons

The Issuer may redeem the Notes, at its option, in whole, but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of noteholders of record on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts, if any, in respect thereof) and all Additional Amounts, if any, then due or that will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations, protocols or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "—Additional Amounts"), which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if the Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date); or

(2) any change in or amendment to an official position regarding the application, administration or interpretation of such laws, treaties, regulations, protocols or rulings (including by virtue of a holding, judgment or order by a government agency or court of competent jurisdiction), which change or amendment is publicly announced and becomes effective on or after the Issue Date (or, if the Relevant Taxing Jurisdiction becomes a Relevant Taxing Jurisdiction on a date after the Issue Date, after such later date) (each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"),

the Issuer is, or on the next date on which any amount would be payable in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer (including, where reasonable, the appointment of a new Paying Agent or, where such payment would be reasonable, the payment through another Payor).

Notwithstanding the foregoing, no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts were a payment then due. Prior to the publication, mailing or delivery of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to their right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Payor would be obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it will be conclusive and binding on the noteholders.

The foregoing provisions will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to a Payor is organized or otherwise considered to be a resident or doing business for tax purposes or any jurisdiction from or through which such successor makes any payment on the Notes or any Guarantee and any political subdivision or taxing authority or agency thereof or therein. The foregoing provisions will survive any termination, defeasance or discharge of the Indenture.

Additional Amounts

All payments made by, or on behalf of, the Issuer or any Guarantor (each, a "*Payor*") on or with respect to the Notes or any Guarantee will be made without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other similar governmental charge (including penalties, additions to tax and interest related thereto) (collectively, "*Taxes*") unless such withholding or deduction is required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which any payment on the Notes or any Guarantee is made by such Payor, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident or doing business for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax,

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required in respect of any payments made with respect to the Notes or any Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments by the noteholders after such withholding or deduction (including any such deduction or withholding in respect of such Additional Amounts), will not be less than the amounts that would have been received by the noteholders in respect of such payments on the Notes or the Guarantees in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed or levied but for the existence of any present or former connection between the relevant noteholder or beneficial owner (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over, the relevant noteholder or beneficial owner, if such noteholder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or disposition of such Notes or the receipt of any payment in respect of, or the enforcement of, the Notes or any Guarantee;

(2) any Taxes that would not have been so imposed or levied if the holder or beneficial owner of the Note had complied with a reasonable request in writing of the Payor (such request being made at a time that would enable such holder acting reasonably to comply with that request) to make a declaration of nonresidence or any other claim or filing or satisfy any certification, information or reporting requirement for exemption from, or reduction in the rate of, withholding to which it is entitled (*provided* that such declaration of nonresidence or other claim, filing or requirement is required by the applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes);

(3) any Taxes that are payable otherwise than by withholding in respect of a payment on the Notes or any Guarantee;

(4) any estate, inheritance, gift, sales, transfer or similar Taxes;

(5) any Taxes that are required to be deducted or withheld on a payment pursuant to the Directive or any law implementing, or introduced in order to conform to, the Directive;

(6) any Taxes imposed in connection with a Note presented for payment by or on behalf of a noteholder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Note to, or otherwise accepting payment from, another paying agent in a member state of the European Union; or

(7) any combination of the above.

Such Additional Amounts will also not be payable if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the noteholder or where, had the beneficial owner of the Note been the holder of the Note, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of clauses (1) to (7) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant taxing authority of the Relevant Taxing Jurisdiction in accordance with applicable law. Upon request, the Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each relevant taxing authority of each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to the Trustee. If, notwithstanding the efforts of such Payor to obtain such receipts, the same are not obtainable, such Payor will provide the Trustee with other reasonable evidence. Such receipts or other evidence will be made available by the Trustee to noteholders on request.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Notes or any Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to noteholders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor shall deliver such Officer's Certificate and such other information as promptly as practicable after the date that is 30 days prior to the payment date, but no less than five Business Days prior thereto, and otherwise in accordance with the requirements of Euroclear Bank S.A./N.V. ("*Euroclear*"), or Clearstream Banking, société anonyme ("*Clearstream*" and, together with Euroclear, the "*Clearing Systems*" and each a "*Clearing System*"), as applicable.

Wherever in the Indenture, the Notes, any Guarantee or this "Description of Notes" there is mentioned, in any context:

(1) the payment of principal;

(2) redemption prices or purchase prices in connection with a redemption or purchase of Notes;

(3) interest; or

(4) any other amount payable on or with respect to any of the Notes or any Guarantee;

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary Taxes, or any other excise, property or similar Taxes that arise in any Relevant Taxing Jurisdiction from the execution, delivery, issuance, initial resale, registration or enforcement of any Notes, the Indenture, any Guarantee or any other document or instrument in relation thereto. The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any successor to a Payor and to any jurisdiction in which any successor to a Payor is organized or otherwise considered to be a resident or doing business for Tax purposes or any jurisdiction from or through which such successor makes any payment on the Notes or any Guarantee and any political subdivision or taxing authority or agency thereof or therein.

Selection and Notice

In the case of any partial redemption, selection of the Notes for redemption will be made on a pro rata basis, unless otherwise required by applicable law, clearing systems requirements, or the requirements of the principal national securities exchange, if any, on which such Notes are listed (so long as the Trustee knows of such listing), in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof; *provided* that the selection of Notes for redemption shall not result in a holder of Notes with a principal amount of Notes less than the minimum denomination of €100,000. If any Note is to be purchased or redeemed in part only, the notice of purchase or redemption relating to such Note shall state the portion of the principal amount thereof that has been or is to be purchased or redeemed. Subject to the terms and procedures set forth under "Book Entry Settlement and Clearance," a new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuer has deposited with the paying agent funds sufficient to pay the principal of and premium, if any, plus accrued and unpaid interest, if any, on, the Notes to be redeemed.

Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address or otherwise in accordance with the procedures of the applicable Clearing System, except that redemption notices may be mailed more than 60 days prior to the redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream, as applicable, for communication to entitled account holders in substitution for the aforesaid mailing.

Change of Control

Upon the occurrence of any of the following events (each, *a* "*Change of Control*") after the Issue Date, each holder will have the right to require the Issuer to purchase all or any part of such holder's Notes at a purchase price in cash (the "*Change of Control Payment*") equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), except to the extent the Issuer has previously elected to redeem Notes as described under "—Optional Redemption":

(1) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any group acting for the purpose of acquiring,

holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act or any successor provision), other than any of the Permitted Holders, in a single transaction or in a related series of transactions, by way of merger, amalgamation, consolidation or other business combination or purchase of Equity Interests or otherwise, of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of Voting Stock of the Issuer representing more than 50% of the total voting power of the Voting Stock of the Issuer; or

(2) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all the assets of the Issuer and its Subsidiaries, taken as a whole, to a Person other than one or more of the Permitted Holders and any Person or group (as defined in clause (1) above), other than one or more Permitted Holders, is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of Voting Stock of the transferee Person in such sale, lease or transfer of assets representing more than 50% of the total voting power of the Voting Stock of such transferee Person.

Within 30 days following any Change of Control, except to the extent that the Issuer has exercised its right to redeem the Notes as described under "—Optional Redemption," the Issuer shall deliver a notice (a "*Change of Control Offer*") to each holder with a copy to the Trustee, or otherwise in accordance with the procedures of the applicable Clearing System, describing:

(1) that a Change of Control has occurred or, if the Change of Control Offer is being made in advance of a Change of Control, that a Change of Control is expected to occur, and that such holder has, or upon such occurrence will have, the right to require the Issuer to purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date);

(2) the transaction or transactions that constitute, or are expected to constitute, such Change of Control;

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is delivered) (the "*Change of Control Payment Date*");

(4) that any Note not properly tendered will remain outstanding and continue to accrue interest;

(5) that unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(6) that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the paying agent or tender agent for such Change of Control Offer specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(7) that holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes, *provided* that the paying agent receives, not later than the expiration time of the Change of Control Offer, a telegram, telex, facsimile transmission or letter setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(8) that if the Issuer is redeeming less than all of the Notes, the holders of the remaining Notes will be issued new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered. The unpurchased portion of the Notes must be equal to €100,000 or an integral multiple of €1,000 in excess thereof;

(9) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and

(10) the other instructions determined by the Issuer, consistent with this covenant, that a holder must follow in order to have its Notes purchased.

While the Notes are in global form and the Issuer makes an offer to purchase all of the Notes pursuant to the Change of Control Offer, a holder of the Notes may exercise its option to elect for the purchase of the Notes to be made through the facilities of the applicable Clearing System, in accordance with the rules and regulations thereof.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon such Change of Control.

The Issuer will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under this paragraph by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent permitted by law,

(1) accept for payment all Notes issued by it or portions thereof validly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the paying agent, or tender agent for such Change of Control Offer, as applicable, an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver, or cause to be delivered, to the Trustee for cancellation the Notes so accepted together with an Officer's Certificate to the Trustee stating that such Notes or portions thereof have been tendered to and purchased by the Issuer.

This Change of Control purchase provision is a result of negotiations between the Issuer and the Initial Purchasers. The Issuer has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Issuer could decide to do so in the future. Subject to the limitations discussed below, the Issuer could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Issuer's capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" and "—Certain Covenants—Liens."

Such restrictions in the Indenture can be waived only with the consent of the holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

The Senior Credit Agreement may prohibit or limit, and future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes as a result of a Change of Control. In the event a Change of Control occurs at a time when the Issuer is prohibited from purchasing the Notes, the Issuer could seek the consent of their lenders to permit the purchase of the Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuer does not obtain such consent or repay such borrowings, the Issuer will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes after any applicable notice and lapse of time would constitute an Event of Default under the Indenture.

The occurrence of events that would constitute a Change of Control would constitute a default under the Senior Credit Agreement. Future Indebtedness of the Issuer may also contain prohibitions on certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. If the Issuer experiences a change of control that triggers a default under the Senior Credit Agreement, we could seek a waiver of such default or seek to refinance the Senior Credit Agreement. In the event we do not obtain such a waiver or refinance the Senior Credit Agreement, such default could result in amounts outstanding under our Senior Credit Agreement being declared due and payable. Moreover, the exercise by the holders of their right to require the Issuer to repurchase the Notes could cause a default under such senior Indebtedness, even if the Change of Control itself does not, due to the financial effect of such purchase on the Issuer.

The Issuer's ability to pay cash to the holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases. See "Risk Factors—Risks Related to the Notes—We may not be able to raise the funds necessary to finance a change of control offer required by the Indenture. Our inability to do so would result in an event of default under the Indenture."

The definition of "Change of Control" includes a phrase relating to the sale, lease or transfer of "all or substantially all" of the assets of the Issuer and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder. Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to purchase its Notes as a result of a sale, lease or transfer of less than all of the assets of the Issuer and its Subsidiaries taken as a whole to another Person or group may be uncertain. See "Risk Factors—Risks Related to the Notes—The term "all or substantially all" in the context of a Change of Control has no clearly established meaning under the relevant law and is subject to judicial interpretation."

The provisions under the Indenture relating to the Issuer's obligation to make an offer to purchase the Notes as a result of a Change of Control, including the definition of "Change of Control," may be waived or modified at any time (including after a Change of Control) with the written consent of the holders of a majority in principal amount of the Notes.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture. If on any date following the Issue Date (i) the Notes have Investment Grade Ratings from both Rating Agencies, and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "*Covenant Suspension Event*"), the Issuer and its Restricted Subsidiaries will not be subject to the following covenants or provisions (collectively, the "*Suspended Covenants*"):

(1) "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(2) "—Limitation on Restricted Payments";

(3) "—Dividend and Other Payment Restrictions Affecting Subsidiaries";

(4) "—Asset Sales";

(5) "—Transactions with Affiliates"; and

(6) clause (4) of the first paragraph of "—Merger, Consolidation or Sale of All or Substantially All Assets."

In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "*Reversion Date*") one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrade the rating assigned to the Notes below an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture with respect to future events.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the "*Suspension Period*." Upon the occurrence of a Covenant Suspension Event, the amount of Excess Proceeds from Net Cash Proceeds shall be reset at zero. With respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made will be calculated as though the covenant described under the caption "—Limitation on Restricted Payments" had been in effect prior to, but not during, the Suspension Period. No Subsidiary may be designated as an Unrestricted Subsidiary during the Suspension Period, unless such designation would have complied with the covenant described under "—Limitation on Restricted Payments" as if such covenant were in effect during such period. In addition, all Indebtedness Incurred, or Disqualified Stock or Preferred Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (c) of the second paragraph of "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock." In addition, for purposes of the covenant described under "—Transactions with Affiliates," all agreements and arrangements entered into by the Issuer and any Restricted Subsidiary with an Affiliate of the Issuer during the Suspension Period prior to such Reversion Date will be deemed to have been entered into on or prior to the Issue Date, and for purposes of the covenant described under "—Dividend and Other Payment Restrictions Affecting Subsidiaries," all contracts entered into during the Suspension Period prior to such Reversion Date that contain any of the restrictions contemplated by such covenant will be deemed to have been existing on the Issue Date.

During the Suspension Period, any reference in the definitions of "Permitted Liens" and "Unrestricted Subsidiary" to the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" or any provision thereof shall be construed as if such covenant had remained in effect since the Issue Date and during the Suspension Period.

Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of any failure to comply with the Suspended Covenants during any Suspension Period and the Issuer and any Subsidiary of the Issuer will be permitted, without causing a Default or Event of Default or breach of any of the

Suspended Covenants (notwithstanding the reinstatement thereof) under the Indenture, to honor, comply with or otherwise perform any contractual commitments or obligations entered into during a Suspension Period following a Reversion Date and to consummate the transactions contemplated thereby; *provided* that, to the extent any such commitment or obligation results in the making of a Restricted Payment, such Restricted Payment shall be made under clause (c) of the first paragraph or the second paragraph of the covenant described under the caption "—Limitation on Restricted Payments" and if not permitted by any of such provisions, such Restricted Payment shall be deemed permitted under clause (c) of the first paragraph of the covenant described under the caption "—Limitation on Restricted Payments" and shall be deducted for purposes of calculating the amount pursuant to such clause (c) (so that the amount available under such clause (c) immediately following such Restricted Payment shall be negative).

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Rating.

The Issuer shall provide an Officer's Certificate to the Trustee indicating the occurrence of any Covenant Suspension Event or Reversion Date. The Trustee will have no obligation to (i) independently determine or verify if such events have occurred, (ii) make any determination regarding the impact of actions taken during the Suspension Period on the Issuer and its Restricted Subsidiaries' future compliance with their covenants or (iii) notify the holders of any Covenant Suspension Event or Reversion Date.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock, and the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided*, *however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock and any Restricted Subsidiary may issue shares of Preferred Stock, in each case if the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries' most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 2.00 to 1.00 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness had been Incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period; *provided*, *further*, that the aggregate amount of Indebtedness (including Acquired Indebtedness) that may be Incurred and Disqualified Stock or Preferred Stock that may be issued pursuant to the foregoing by Non-Guarantor Subsidiaries shall not exceed the greater of (x) €50.0 million and (y) 7.0% of Total Assets, at any one time outstanding, after giving *pro forma* effect to such incurrence or issuance (including a *pro forma* application of the net proceeds therefrom).

The foregoing limitations will not apply to (collectively, "*Permitted Debt*"):

(a) Incurrence by the Issuer or its Restricted Subsidiaries of Indebtedness under any Credit Agreement, the guarantees thereof and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) up to an aggregate principal amount not to exceed €900.0 million outstanding at any one time;

(b) the Incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes (not including any Additional Notes) and the Guarantees thereof, as applicable;

(c) Indebtedness of the Issuer and its Restricted Subsidiaries existing on the Issue Date (other than Indebtedness described in clause (a) or (b) above);

(d) Indebtedness (including, without limitation, Capitalized Lease Obligations and mortgage financings as purchase money obligations) Incurred by the Issuer or any of its Restricted Subsidiaries, Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any Restricted Subsidiaries to finance all or any part of the purchase, lease, construction, installation, repair or improvement of property (real or personal), plant or equipment or other fixed or capital assets (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) and Indebtedness arising from the conversion of the obligations of the Issuer or any Restricted Subsidiary under or pursuant to any "synthetic lease" transactions to on balance sheet Indebtedness of the Issuer or such Restricted Subsidiary, in an aggregate principal amount or liquidation preference, including all Indebtedness Incurred and Disqualified Stock or Preferred Stock issued to renew, refund, refinance, replace, defease or discharge any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued pursuant to this clause (d), not to exceed the greater of (x) €50.0 million and (y) 7.0% of Total Assets, at any one time outstanding;

(e) Indebtedness Incurred by the Issuer or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit and bank guarantees issued in the ordinary course of business, including, without limitation, (i) letters of credit or performance or surety bonds in respect of workers' compensation claims, health, disability or other employee benefits (whether current or former) or property, casualty or liability insurance or self-insurance, or other Indebtedness with respect to reimbursement-type obligations regarding workers' compensation claims, health, disability or other employee benefits (whether current or former) or property, casualty or liability insurance and (ii) guarantees of Indebtedness Incurred by customers in connection with the purchase or other acquisition of equipment or supplies in the ordinary course of business;

(f) Indebtedness arising from agreements of the Issuer or its Restricted Subsidiaries providing for indemnification, earn-outs, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the acquisition or disposition of any business, assets or a Subsidiary of the Issuer in accordance with the terms of the Indenture, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(g) Indebtedness of the Issuer to a Restricted Subsidiary; *provided* that (x) such Indebtedness owing to a Non-Guarantor Subsidiary shall be subordinated in right of payment to the Issuer's Obligations with respect to the Notes and (y) any subsequent issuance or transfer of any Capital Stock or any other event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (g);

(h) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; *provided* that any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock not permitted by this clause (h);

(i) Indebtedness of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary; *provided* that (x) if the Issuer or a Guarantor Incurs such Indebtedness owing to a Non-Guarantor Subsidiary, such Indebtedness is subordinated in right of payment to the Issuer's Obligations with respect to the Notes or Guarantee of such Guarantor, as applicable, and (y) any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary lending such Indebtedness ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (i);

(j) Hedging Obligations Incurred in the ordinary course of business (and not for speculative purposes);

(k) obligations (including reimbursement obligations with respect to letters of credit and bank guarantees) in respect of performance, bid, appeal and surety bonds and completion guarantees and similar obligations provided by the Issuer or any Restricted Subsidiary;

(l) Indebtedness or Disqualified Stock of the Issuer or any Restricted Subsidiary and Preferred Stock of any Restricted Subsidiary in an aggregate principal amount or liquidation preference that, when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (1), does not exceed the greater of (x) €50.0 million and (y) 7.0% of Total Assets, at any one time outstanding (it being understood that any Indebtedness, Disqualified Stock or Preferred Stock Incurred pursuant to this clause (1) shall cease to be deemed Incurred or outstanding pursuant to this clause (1) but shall be deemed Incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on which the Issuer, or such Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness, Disqualified Stock or Preferred Stock pursuant to the first paragraph of this covenant);

(m) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness or other obligations of the Issuer or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness or other obligations by the Issuer or such Restricted Subsidiary is permitted under the terms of the Indenture;

(n) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary that serves to refund, refinance, replace, redeem, repurchase, retire or defease, and is in an aggregate principal amount (or if issued with original issue discount an aggregate issue price) that is equal to or less than, Indebtedness Incurred or Disqualified Stock or Preferred Stock issued as permitted under the first paragraph of this covenant or clause (b), (c), (f), this clause (n), (o), (r) or (dd) of this paragraph or any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to so refund, replace, refinance, redeem, repurchase, retire or defease such Indebtedness, Disqualified Stock or Preferred Stock, plus any additional Indebtedness Incurred or Disqualified Stock or Preferred Stock issued to pay premiums (including reasonable tender premiums), defeasance costs, other costs, and fees and expenses in connection therewith (subject to the following proviso, "*Refinancing Indebtedness*") prior to its respective maturity; *provided*, *however*, that such Refinancing Indebtedness:

(1) to the extent that such Refinancing Indebtedness refinances, Disqualified Stock, Preferred Stock or Subordinated Indebtedness, has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred that is not less than the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded, refinanced, replaced, redeemed, repurchased or retired;

(2) has a Stated Maturity which is no earlier than the Stated Maturity of the Indebtedness being refunded, refinanced, replaced, redeemed, repurchased or retired;

(3) to the extent that such Refinancing Indebtedness refinances (i) Subordinated Indebtedness, such Refinancing Indebtedness is Subordinated Indebtedness or (ii) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Disqualified Stock or Preferred Stock, respectively; and

(4) shall not include (x) Indebtedness, Disqualified Stock or Preferred Stock of a Non-Guarantor Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Guarantor, or (y) Indebtedness or Disqualified Stock of the Issuer or Indebtedness, Disqualified Stock or Preferred Stock of a Restricted Subsidiary that refinances Indebtedness, Disqualified Stock or Preferred Stock of an Unrestricted Subsidiary;

(o) Indebtedness, Disqualified Stock or Preferred Stock (i) of the Issuer or any of its Restricted Subsidiaries Incurred to finance an acquisition of any assets (including Capital Stock), business or Person and (ii) of any Person that is acquired by the Issuer or any of its Restricted Subsidiaries or merged into or consolidated or amalgamated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture; *provided*, *however*, that after giving effect to such acquisition, merger, consolidation or amalgamation and the Incurrence of such Indebtedness, Disqualified Stock or Preferred Stock, either:

(1) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of this covenant; or

(2) the Fixed Charge Coverage Ratio of the Issuer is equal to or greater than immediately prior to such acquisition, merger, consolidation or amalgamation;

(p) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

(q) Indebtedness of the Issuer or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to any Credit Agreement, so long as such letter of credit has not been terminated and is in a principal amount not in excess of the stated amount of such letter of credit or bank guarantee;

(r) Contribution Indebtedness;

(s) Indebtedness of the Issuer or any Restricted Subsidiary consisting of (x) the financing of insurance premiums or (y) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(t) Indebtedness of Non-Guarantor Subsidiaries in an aggregate principal amount not to exceed the greater of (x) €50.0 million and (y) 7.0% of Total Assets, at any one time outstanding (it being understood that any Indebtedness Incurred pursuant to this clause (t) shall cease to be deemed Incurred or outstanding pursuant to this clause (t) but shall be deemed Incurred and outstanding pursuant to the first paragraph of this covenant from and after the first date on which such Non-Guarantor Subsidiary could have Incurred such Indebtedness pursuant to the first paragraph of this covenant);

(u) Indebtedness of a joint venture to the Issuer or a Restricted Subsidiary and to the other holders of Equity Interests of such joint venture, so long as the percentage of the aggregate amount of such Indebtedness of such joint venture owed to such holders of its Equity Interests does not exceed the percentage of the aggregate outstanding amount of the Equity Interests of such joint venture held by such holders;

(v) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings);

(w) Indebtedness owed on a short-term basis to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements, including cash pooling arrangements, to manage cash balances of the Issuer and the Restricted Subsidiaries including treasury, depository, overdraft, credit, purchasing or debit card, electronic funds transfer and other cash management arrangements and Indebtedness in respect of netting services, overdraft protection, credit card programs, automatic clearinghouse arrangements and similar arrangements in each case in connection with deposit accounts;

(x) Indebtedness consisting of Indebtedness issued by the Issuer or any Restricted Subsidiary to future, current or former officers, directors, managers, employees, consultants and independent contractors thereof or any direct or indirect Parent thereof, their respective estates, heirs, family members or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Issuer or any direct or indirect Parent of the Issuer to the extent described in clause (4) of the second paragraph under the caption "—Limitation on Restricted Payments";

(y) customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business;

(z) Indebtedness Incurred by the Issuer or a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange, warehouse receipts or similar facilities or the discounting or factoring of receivables for credit management purposes, in each case Incurred or undertaken in the ordinary course of business;

(aa) Indebtedness Incurred by the Issuer or any Restricted Subsidiary to the extent that the net proceeds thereof are promptly deposited with the Trustee to satisfy and discharge the Notes in accordance with the Indenture;

(bb) (i) guarantees Incurred in the ordinary course of business in respect of obligations to suppliers, customers, franchisees, lessors, licensees, sub-licensees and distribution partners and (ii) Indebtedness Incurred by the Issuer or a Restricted Subsidiary as a result of leases entered into by the Issuer or such Restricted Subsidiary in the ordinary course of business on behalf of customers for property or equipment to be used by the Issuer or such Restricted Subsidiary, such customers or a subcontractor in providing services to a customer and for which the Issuer or such Restricted Subsidiary will be reimbursed by such customer;

(cc) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness consisting of guarantees of Indebtedness Incurred by Permitted Joint Ventures; *provided* that the aggregate principal amount of Indebtedness guaranteed pursuant to this clause (cc) does not at any one time outstanding exceed the greater of (x) €10.0 million and (y) 1.25% of Total Assets;

(dd) Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or a Restricted Subsidiary Incurred to finance or assumed in connection with an acquisition of any assets (including Capital Stock), business or Person in an aggregate principal amount or liquidation preference that, when taken together with any Refinancing Indebtedness in respect thereof, does not exceed €30.0 million in the aggregate at any one time outstanding together with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and/or Preferred Stock issued or Incurred pursuant to this clause (dd);

(ee) guarantees Incurred in connection with government subsidies received by the Issuer and or its Restricted Subsidiaries; *provided* that the aggregate principal amount of Indebtedness guaranteed pursuant to this clause (e) does not at any one time outstanding exceed €15.0 million;

(ff) Indebtedness in respect of the "Deferred Purchase Price Amount" as defined in the Acquisition Agreement; *provided* that such Indebtedness does not exceed €150.0 million and such Indebtedness is repaid in full in accordance with the terms of the Acquisition Agreement following the consummation of the Acquisition; and

(gg) Indebtedness in connection with a PLTA to the extent permitted under clause (ii) to the proviso to clause (13)(f) of the second paragraph of the covenant described under "—Limitation on Restricted Payments".

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer shall, in its sole discretion, at the time of Incurrence, divide, classify or reclassify, or at any later time divide, classify or reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in any manner that complies with this covenant; *provided* that all Indebtedness under the Senior Credit Agreement Incurred on or prior to the Issue Date shall be deemed to have been Incurred pursuant to clause (a) of the second paragraph of this covenant and the Issuer shall not be permitted to reclassify all or any portion of such Indebtedness. Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest or dividends in the form of additional Indebtedness with the same terms, the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of Disqualified Stock or Preferred Stock of the same class, the accretion of liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that are otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; *provided* that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

For purposes of determining compliance with any Euro-denominated restriction on the Incurrence of Indebtedness, the Euro-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed or first Incurred (whichever yields the lower Euro equivalent), in the case of revolving credit debt; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable Euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such Euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced (plus the aggregate amount of premiums (including reasonable tender premiums), defeasance costs and other costs, fees, discounts and expenses in connection therewith).

The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to Secured Indebtedness merely because it is unsecured or (2) Indebtedness as subordinated or junior to any other Indebtedness merely because it has a junior priority with respect to the same collateral.

Limitation on Restricted Payments

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests, including any payment made in connection with any merger or consolidation involving the Issuer (other than (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) of the Issuer; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities);

(2) purchase, redeem, defease or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect Parent of the Issuer, including in connection with any merger or consolidation;

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case, prior to any scheduled repayment, sinking fund payment or maturity, any Subordinated Indebtedness of the Issuer or any Guarantor (other than the payment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness of the Issuer or any Guarantor in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, redemption, repurchase, defeasance, acquisition or retirement and (B) Indebtedness permitted under clause (g) or (i) of the definition of "Permitted Debt"); or

(4) make any Restricted Investment;

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) immediately after giving effect to such transaction on a pro forma basis, the Issuer could Incur €1.00 of additional Indebtedness under the Fixed Charge Coverage Ratio test described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Issue Date (including Restricted Payments permitted by clauses (1) and (8) of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is less than the sum of, without duplication,

(1) 50% of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) beginning on the first day of the fiscal quarter in which the Issue Date occurs to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, or, in the case such Consolidated Net Income for such period is a deficit, minus 100% of such deficit, *plus*

(2) 100% of the aggregate net proceeds, including cash and the Fair Market Value of assets other than cash, received by the Issuer after the Issue Date from the issue or sale of Equity Interests of the Issuer (other than Excluded Equity), including such Equity Interests issued upon exercise of warrants or options, *plus*

(3) 100% of the aggregate amount of contributions to the capital of the Issuer received in cash and the Fair Market Value of assets other than cash after the Issue Date (other than Excluded Equity), *plus*

(4) the principal amount of any Indebtedness, or the liquidation preference or maximum fixed repurchase price, as the case may be, of any Disqualified Stock, in each case, of the Issuer or any Restricted Subsidiary thereof issued after the Issue Date (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Restricted Subsidiary (other than to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary)) that, in each case, has been converted into or exchanged for Equity Interests in the Issuer or any direct or indirect Parent of the Issuer (other than Excluded Equity), *plus*

(5) 100% of the aggregate amount received by the Issuer or any Restricted Subsidiary in cash and the Fair Market Value of assets other than cash received by the Issuer or any Restricted Subsidiary from:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary of the Issuer) of Restricted Investments made by the Issuer and its Restricted Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Issuer and its Restricted Subsidiaries by any Person (other than the Issuer or any of its Restricted Subsidiaries) and from repayments of loans or advances which constituted Restricted Investments,

(B) the sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Restricted Subsidiary (other than to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary)) of the Capital Stock of an Unrestricted Subsidiary, or

(C) any distribution or dividend from an Unrestricted Subsidiary, *plus*

(6) in the event any Unrestricted Subsidiary has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary, in each case after the Issue Date, the Fair Market Value of the Investment of the Issuer in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable), after deducting any Indebtedness associated with the Unrestricted Subsidiary so designated or combined or any Indebtedness associated with the assets so transferred or conveyed (other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary was made pursuant to clause (10) of the next succeeding paragraph or constituted a Permitted Investment).

The foregoing provisions will not prohibit:

(1) the payment of any dividend or distribution or consummation of any redemption within 60 days after the date of declaration thereof or the giving of a redemption notice related thereto, if at the date of declaration or notice such payment would have complied with the provisions of the Indenture;

(2) (a) the redemption, repurchase, retirement or other acquisition of any Equity Interests ("*Retired Capital Stock*") of the Issuer or any direct or indirect Parent of the Issuer, or Subordinated Indebtedness of the Issuer or any Guarantor, in exchange for, or out of the proceeds of the issuance or sale of, Equity Interests of the Issuer or any direct or indirect Parent of the Issuer or contributions to the equity capital of the Issuer (other than Excluded Equity) (collectively, including any such contributions, "*Refunding Capital Stock*");

(b) the declaration and payment of accrued dividends on the Retired Capital Stock out of the proceeds of the issuance or sale (other than to a Restricted Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Restricted Subsidiaries) of Refunding Capital Stock; and

(c) if immediately prior to the retirement of the Retired Capital Stock, the declaration and payment of dividends thereon was permitted under clause (6) of this paragraph and has not been made as of such time (the "*Unpaid Amount*"), the declaration and payment of dividends on the Refunding Capital Stock (other than Refunding Capital Stock the proceeds of which were used to redeem, repurchase, retire or otherwise acquire any Equity Interests of the Issuer or any direct or indirect Parent of the Issuer) in an aggregate amount no greater than the Unpaid Amount;

(3) the prepayment, redemption, defeasance, repurchase or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Guarantor made by exchange for, or out of the proceeds of the Incurrence of, Refinancing Indebtedness thereof;

(4) the purchase, retirement, redemption or other acquisition (or Restricted Payments to the Issuer or any direct or indirect Parent of the Issuer to finance any such purchase, retirement, redemption or other acquisition) for value of Equity Interests (other than Disqualified Stock) of the Issuer or any direct or indirect Parent of the Issuer held directly or indirectly by any future, present or former employee, officer, director, manager, consultant or independent contractor of the Issuer or any direct or indirect Parent of the Issuer or any Subsidiary of the Issuer or their estates, heirs, family members, former spouses or permitted transferees (including for all purposes of this clause (4) Equity Interests held by any entity all of whose Equity Interests are held by any such future, present or former employee, officer, director, manager, consultant or independent contractor or their estates, heirs, family members, former spouses or permitted transferees) pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement or any stock subscription or shareholder or similar agreement; *provided*, *however*, that the aggregate amounts paid under this clause (4) shall not exceed (x) €10.0 million in any calendar year or (y) subsequent to the consummation of an underwritten public Equity Offering of common stock of the Issuer or any direct or indirect Parent of the Issuer (an "*IPO*"), €25.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over for the next two succeeding calendar years up to a maximum of (1) €20.0 million in the aggregate in any calendar year or (2) subsequent to the consummation of an IPO, €30.0 million in the aggregate in any calendar year); *provided*, *further*, *however*, that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds received by the Issuer from the issuance or sale of Equity Interests (other than Disqualified Stock) of the Issuer or any direct or indirect Parent of the Issuer (to the extent contributed to the Issuer), in each case, to any future, present or former employees, officers, directors, managers, consultants or independent contractors of the Issuer and its Restricted Subsidiaries or any direct or indirect Parent of the Issuer that occurs after the Issue Date, other than in connection with, or pursuant to, the Equity Contribution; *provided* that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (c) of the immediately preceding paragraph; *plus*

(b) the cash proceeds of key man life insurance policies received by the Issuer or any direct or indirect Parent of the Issuer (to the extent contributed to the Issuer) and its Restricted Subsidiaries after the Issue Date; *plus*

(c) the amount of any cash bonuses otherwise payable to employees, officers, directors, managers, consultants or independent contractors of the Issuer and its Restricted Subsidiaries or any direct or indirect Parent of the Issuer that are foregone in return for the receipt of Equity Interests; *less*

(d) the amount of cash proceeds described in clause (a), (b) or (c) of this clause (4) previously used to make Restricted Payments pursuant to this clause (4); (*provided* that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (a), (b) and (c) above in any calendar year); in addition, cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, current or former officer, director, employee, manager, consultant or independent contractor (or any permitted transferees thereof) of the Issuer or any of its Restricted Subsidiaries (or any direct or indirect Parent thereof), in connection with a repurchase of Equity Interests of the Issuer or any direct or indirect Parent of the Issuer from such Persons will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provisions of the Indenture;

(5) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries and any class or series of Preferred Stock of any Restricted Subsidiaries issued or Incurred in accordance with the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(6) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) and the declaration and payment of dividends to the Issuer or any direct or indirect Parent of the Issuer, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of the Issuer or any direct or indirect Parent of the Issuer issued after the Issue Date; *provided*, *however*, that (A) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a *pro forma* basis, the Fixed Charge Coverage Ratio of the Issuer would have been at least 2.00 to 1.00 and (B) the aggregate amount of dividends declared and paid pursuant to this clause (6) does not exceed the net cash proceeds actually received by the Issuer from the sale (or the contribution of the net cash proceeds from the sale) of Designated Preferred Stock;

(7) any Restricted Payments made in connection with the consummation of the Transactions or as contemplated by the Acquisition Agreement, including any dividends, payments or loans made to the Issuer or any direct or indirect Parent of the Issuer to enable it to make any such payments, in each case, as described in this Offering Circular;

(8) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preferred Stock or through Excluded Equity) of the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving pro forma effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 5.0 to 1.0 and (ii) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving pro forma effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 4.5 to 1.0;

(9) Restricted Payments that are made with Excluded Contributions;

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), other Restricted Payments in an aggregate amount taken together with all other Restricted Payments made pursuant to this clause (10) since the Issue Date not to exceed €40.0 million in the aggregate;

(11) the payment, purchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Indebtedness, Disqualified Stock or Preferred Stock of the Issuer and its Restricted Subsidiaries pursuant to provisions similar to those described under "Change of Control" and "—Asset Sales"; *provided* that, prior to such payment, purchase, redemption, defeasance or other acquisition or retirement for value, the Issuer (or a third party to the extent permitted by the Indenture) has made any required Change of Control Offer or Asset Sale Offer, as the case may be, with respect to the Notes as a result of such Change of Control or Asset Sale, as the case may be, and have repurchased, redeemed, defeased, acquired or retired all Notes validly tendered and not withdrawn in connection with such Change of Control Offer or Asset Sale Offer, as the case may be;

(12) without duplication of clause 13(f), for any taxable period for which Issuer and/or any of its Subsidiaries is a member of a group filing a consolidated, combined, affiliated or unitary income tax return (including, for the avoidance of doubt, joining in a German fiscal unity) with Holdings or any other direct or indirect Parent of the Issuer for any applicable income tax purposes, Restricted Payments to Holdings or such other direct or indirect Parent of the Issuer in amounts required for Holdings or such other Parent to pay such consolidated, combined, affiliated or unitary income taxes imposed on such entity to the extent such income taxes are attributable to the income of the Issuer and/or its Subsidiaries; *provided*, *however*, that the amount of such payments in respect of any taxable period does not, in the aggregate, exceed the amount that the Issuer and/or its Subsidiaries that are members of such consolidated, combined, affiliated or unitary group would have been required to pay in respect of such income taxes in respect of such taxable period if the Issuer and its Subsidiaries paid such income taxes directly on a separate company basis or as a stand-alone consolidated, combined, affiliated or unitary income tax group for such taxable period and prior taxable periods ending after the Issue Date (reduced by any such taxes paid directly by the Issuer or any Subsidiary);

(13) the declaration and payment of dividends, other distributions or other amounts to, or the making of loans to Holdings or any other direct or indirect Parent of the Issuer for such entity to, if applicable:

(a) pay amounts equal to the amounts required for Holdings or any other direct or indirect Parent of the Issuer to pay fees and expenses, customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers, employees, directors, managers, consultants or independent contractors of Holdings or any other direct or indirect Parent of the Issuer, if applicable, and general corporate operating (including, without limitation, expenses related to auditing and other accounting matters) and overhead costs and expenses of the Issuer or any direct or indirect Parent of the Issuer, if applicable, in each case to the extent such fees, expenses, salaries, bonuses, benefits and indemnities are attributable to the ownership or operation of the Issuer and its Subsidiaries;

(b) pay amounts equal to amounts required for Holdings or any direct or indirect Parent of the Issuer to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Issuer (other than as Excluded Equity) and that has been guaranteed by, and is otherwise considered Indebtedness of, the Issuer or any Restricted Subsidiary Incurred in accordance with the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" (except to the extent any such payments have otherwise been made by any such Guarantor);

(c) pay fees and expenses incurred by Holdings or any other direct or indirect Parent of the Issuer related to (i) the maintenance of such Parent of its corporate or other entity existence and performance of its obligations under the Indenture and similar obligations under the Senior Credit Agreement, (ii) any unsuccessful equity or debt offering of such Parent and (iii) any equity or debt issuance, incurrence or offering, any disposition or acquisition or any investment transaction by the Issuer or any of its Restricted Subsidiaries (or any acquisition of or investment in any business, assets or property that will be contributed to the Issuer or any of its Restricted Subsidiaries as part of the same or a related transaction) permitted by the Indenture;

(d) make payments to the Sponsor (i) representing annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €1.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) or (ii) for any other financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, including in connection with the consummation of the Transactions, which payments are approved in respect of such activities by a majority of the Board of Directors of the Issuer in good faith;

(e) pay franchise and similar taxes and other fees and expenses required to maintain its organizational existence; and

(f) participate in a PLTA to Holdings or any other direct or indirect Parent of the Issuer that is the common parent of a consolidated, combined, unitary or similar group for tax purposes (a "*Tax Group*") with respect to the taxable income, operations or assets of the Issuer and such Tax Group; *provided* that (i) if and to the extent a cash payment is required to cover any Taxes imposed on such Tax Group for any taxable period, such payment or distribution shall be made in cash, but the amount of such cash payments made with respect to such taxable period shall not exceed the amount that the Issuer and/or its Restricted Subsidiaries, as applicable, would have been required to pay in respect of such Taxes for such taxable period as a stand-alone Tax Group and (ii) the remainder of such payments or distributions under such PLTA shall not be made in cash to Holdings (or to such other direct or indirect Parent company of the Tax Group), but instead shall be made in the form of a receivable of Holdings against the Issuer (and of any other direct or indirect Parent company of the Tax Group against Holdings), which receivable (x) shall be made expressly subordinated to all Obligations under the Indenture, the Notes and the Guarantees and (y) shall be re-contributed (*wiedereingelegt*) into the capital reserves (*Kapitalrücklage*) of the Issuer (or of any Parent or Holdings) pursuant to section 272 subsection 2 number 4 of the German Commercial Code (*Handelsgesetzbuch*) or other applicable law no later than five (5) Business Days after such payment under a PLTA;

(14) (i) repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants, (ii) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable or expected to be payable by any future, present or former director, officer, employee, manager, consultant or independent contractor of the Issuer or any direct or indirect Parent of the Issuer or any Subsidiary of the Issuer (or their respective Affiliates, estates or immediate family members) in connection with the exercise of stock options or the grant, vesting or delivery of Equity Interests and (iii) loans or advances to officers, directors, employees, managers, consultants and independent contractors of the Issuer or any direct or indirect Parent of the Issuer or any Subsidiary of the Issuer in connection with such Person's purchase of Equity Interests of the Issuer or any direct or indirect Parent of the Issuer; *provided* that no cash is actually advanced pursuant to this clause (iii) other than to pay taxes due in connection with such purchase, unless immediately repaid;

(15) purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing and the payment or distribution of Receivables Fees;

(16) payments or distributions to satisfy dissenters' rights, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of the Indenture applicable to mergers, consolidations and transfers of all or substantially all the property and assets of the Issuer;

(17) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries the primary assets of which are cash and/or Cash Equivalents);

(18) the payment of cash in lieu of the issuance of fractional shares of Equity Interests in connection with any merger, consolidation, amalgamation or other business combination, or in connection with any dividend, distribution or split of, or upon exercise or conversion of warrants, options or other securities exercisable or convertible into, Equity Interests of the Issuer or any direct or indirect Parent of the Issuer;

(19) the making of payments to the Sponsor (i) representing annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €1.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) or (ii) for any other financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, including in connection with the consummation of the Transactions, which payments are approved in respect of such activities by a majority of the Board of Directors of the Issuer in good faith; and

(20) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any Parent; *provided* that the Consolidated Leverage Ratio does not exceed 3.5 to 1.0 on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment.

For purposes of clauses (12) and (13) above, taxes shall include all interest and penalties with respect thereto and all additions thereto.

As of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. The Issuer will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments or Permitted Investments in an amount determined as set forth in the last sentence of the definition of "Investments." Such designation will only be permitted if a Restricted Payment or Permitted Investment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

For purposes of the covenant described above, if any Investment or Restricted Payment (or a portion thereof) would be permitted pursuant to one or more provisions described above and/or one or more of the exceptions contained in the definition of "Permitted Investments," the Issuer may divide and classify such Investment or Restricted Payment (or a portion thereof) in any manner that complies with this covenant and may later divide and reclassify any such Investment or Restricted Payment so long as the Investment or Restricted Payment (as so divided and/or reclassified) would be permitted to be made in reliance on the applicable exception as of the date of such reclassification.

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) (i) pay dividends or make any other distributions to the Issuer or any of its Restricted Subsidiaries on its Capital Stock; or (ii) pay any Indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(b) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries;

except in each case for such encumbrances or restrictions existing under or by reason of:

(1) contractual encumbrances or restrictions of the Issuer or any of its Restricted Subsidiaries in effect on the Issue Date, including pursuant to the Senior Credit Agreement and the other documents relating to the Senior Credit Agreement;

(2) the Indenture, the Notes and the Guarantees;

(3) applicable law or any applicable rule, regulation or order;

(4) any agreement or other instrument of a Person acquired by or merged or consolidated with or into the Issuer or any Restricted Subsidiary that was in existence at the time of such acquisition (or at the time it merges with or into the Issuer or any Restricted Subsidiary or assumed in connection with the acquisition of assets from such Person (but, in each case, not created in contemplation thereof)), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that in connection with a merger under this clause (4), if a Person other than the Issuer or such Restricted Subsidiary is the Successor Company with respect to such merger, any Subsidiary of such Person, or any agreement or instrument of such Person or any Subsidiary of such Person, shall be deemed acquired or assumed, as the case may be, by the Issuer or such Restricted Subsidiary, as the case may be, at the time of such merger;

(5) customary encumbrances or restrictions contained in contracts or agreements for the sale of assets applicable to such assets pending consummation of such sale, including customary restrictions with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary;

(6) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(7) customary provisions in operating or other similar agreements, asset sale agreements and stock sale agreements entered into in connection with the entering into of such transaction, which limitation is applicable only to the assets that are the subject of those agreements;

(8) purchase money obligations for property acquired and Capitalized Lease Obligations entered into in the ordinary course of business, to the extent such obligations impose restrictions of the nature discussed in clause (c) above on the property so acquired;

(9) customary provisions contained in leases, sub-leases, licenses, sublicenses, contracts and other similar agreements entered into in the ordinary course of business to the extent such obligations impose restrictions of the type described in clause (c) above on the property subject to such lease;

(10) any encumbrance or restriction of a Receivables Subsidiary effected in connection with a Qualified Receivables Financing; *provided*, *however*, that such restrictions apply only to such Receivables Subsidiary;

(11) other Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any Restricted Subsidiary that is Incurred subsequent to the Issue Date pursuant to the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *provided* that (i) such encumbrances and restrictions contained in any agreement or instrument will not materially affect the Issuer's ability to make anticipated principal or interest payments on the Notes (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) or (ii) such encumbrances and restrictions contained in any agreement or instrument taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Indenture or the Senior Credit Agreement (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(12) any encumbrance or restriction contained in Secured Indebtedness otherwise permitted to be Incurred pursuant to the covenants described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" and "—Liens" to the extent limiting the right of the debtor to dispose of the assets securing such Indebtedness;

(13) any encumbrance or restriction arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, (x) detract from the value of the property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or any Restricted Subsidiary or (y) materially affect the Issuer's ability to make future principal or interest payments on the Notes, in each case, as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer;

(14) customary provisions in joint venture agreements or arrangements and other similar agreements or arrangements relating solely to the applicable joint venture;

(15) any encumbrance or restriction pursuant to Hedging Obligations Incurred for the purposes of interest rate hedging with respect to Indebtedness that was permitted to be Incurred by the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; and

(16) any encumbrances or restrictions of the type referred to in clauses (a), (b) and (c) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (15) above; *provided* that such encumbrances and restrictions contained in any such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing are, in the good faith judgment of the Issuer, not materially more restrictive as a whole than the encumbrances and restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this covenant, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Issuer or a Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Asset Sales

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, cause or make an Asset Sale, unless:

(1) The Issuer or any of its Restricted Subsidiaries, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value (as determined at the time of contractually agreeing to such Asset Sale) of the assets sold or otherwise disposed of; and

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents or Replacement Assets; *provided*, *however* that the amount of:

(a) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of the Issuer or such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes or are otherwise extinguished in connection with the transactions relating to such Asset Sale) that are assumed by the transferee of any such assets or Equity Interests pursuant to an agreement that releases or indemnifies the Issuer or such Restricted Subsidiary, as the case may be, from further liability;

(b) any notes or other obligations or other securities or assets received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents, or by their terms are required to be satisfied for cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received) within 180 days of the receipt thereof; and

(c) any Designated Non-cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of (x) €20.0 million and (y) 2.75% of Total Assets, at the time of the receipt of such Designated Non-cash Consideration (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value);

shall each be deemed to be Cash Equivalents for the purposes of this clause (2).

Within 365 days after the Issuer's or any Restricted Subsidiary's receipt of the Net Cash Proceeds of any Asset Sale, the Issuer or such Restricted Subsidiary may apply an amount equal to the Net Cash Proceeds from such Asset Sale, at its option:

(1) to permanently reduce Obligations under the Senior Credit Agreement and, in the case of revolving loans, to correspondingly reduce commitments with respect thereto;

(2) to permanently reduce Obligations under Indebtedness (other than Subordinated Indebtedness) that is secured by a Lien, which Lien is permitted by the Indenture and, in the case of revolving loans, to correspondingly reduce commitments with respect thereto;

(3) to permanently reduce Obligations under (x) other Pari Passu Indebtedness of the Issuer or the Guarantors (*provided* that if the Issuer or any Guarantor shall so reduce such Obligations under such other Pari Passu Indebtedness, the Issuer will (A) equally and ratably reduce Obligations under the Notes as provided under "Optional Redemption" or through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or (B) make an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, *plus* accrued and unpaid interest, if any, the principal amount of Notes that would otherwise be redeemed under clause (A) above) or (y) Indebtedness of a Non-Guarantor Subsidiary, in each case, other than Indebtedness owed to the Issuer or another Restricted Subsidiary (and, in each case, correspondingly reduce commitments with respect thereto);

(4) to make an investment in any one or more businesses (*provided* that if such investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary), assets (other than working capital assets), or property or capital expenditures, in each case used or useful in a Similar Business;

(5) to make an investment in any one or more businesses (*provided* that if such investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary), properties (other than working capital assets) or assets (other than working capital assets) that replace the businesses, properties and/or assets that are the subject of such Asset Sale; or

(6) any combination of the foregoing;

provided that the Issuer and its Restricted Subsidiaries will be deemed to have complied with the provisions described in clause (1), (2) , (4) or (5) of this paragraph if and to the extent that, within 365 days after the Asset Sale that generated the Net Cash Proceeds, the Issuer or such Restricted Subsidiary, as applicable, has entered into and not abandoned or rejected a binding agreement to repay indebtedness or to make an investment, as applicable in compliance with the provision described in clause (1), (2), (4) or (5) of this paragraph, and that transaction is thereafter completed within 180 days after the end of such 365-day period.

Pending the final application of any such amount of Net Cash Proceeds, the Issuer or such Restricted Subsidiary may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest or utilize such Net Cash

Proceeds in any manner not prohibited by the Indenture. The Indenture will provide that any amount of Net Cash Proceeds from any Asset Sale that are not invested or applied as provided and within the time period set forth in the second paragraph of this covenant will be deemed to constitute "*Excess Proceeds*" (*provided* that any amount of proceeds offered to holders pursuant to clause (3)(x) above or pursuant to an Asset Sale Offer made at any time after the Asset Sale shall be deemed to have been applied as required and shall not be deemed to be Excess Proceeds without regard to the extent to which such offer is accepted by the holders). When the aggregate amount of Excess Proceeds exceeds €30.0 million, the Issuer shall make an offer (an "*Asset Sale Offer*") to all holders of Notes and, if required by the terms of any Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness, to purchase the maximum principal amount of such Notes and Pari Passu Indebtedness, as appropriate, on a pro rata basis, that may be purchased out of the Excess Proceeds at an offer price, in the case of the Notes, in cash in an amount equal to 100% of the principal amount thereof (or in the event such other Indebtedness was issued with original issue discount, 100% of the accreted value thereof), plus accrued and unpaid interest, if any (or such lesser price, if any, as may be provided by the terms of such other Indebtedness), to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture and the agreement governing such Pari Passu Indebtedness. The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within ten (10) Business Days after the date that Excess Proceeds exceed €30.0 million by transmitting electronically or by mailing to the holders the notice required pursuant to the terms of the Indenture, with a copy to the Trustee. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, such notice may be given by delivery of such notice to Euroclear or Clearstream, as applicable, for communication to entitled account holders in substitution for the aforementioned mailing. The Issuer may satisfy the foregoing obligations with respect to such Net Cash Proceeds from an Asset Sale by making an Asset Sale Offer with respect to such Net Cash Proceeds prior to the expiration of the application period or by electing to make an Asset Sale offer with respect to such Net Cash Proceeds before the aggregate amount of Excess Proceeds exceeds €30.0 million.

To the extent that the aggregate amount of Notes and such Pari Passu Indebtedness tendered or otherwise surrendered is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and Pari Passu Indebtedness tendered or otherwise surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes (and the Issuer or its agents shall select such Pari Passu Indebtedness) to be purchased in the manner described below. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero. To the extent the Excess Proceeds exceed the outstanding aggregate principal amount of the Notes (and, if required by the terms thereof, all Pari Passu Indebtedness), the Issuer needs only make an Asset Sale Offer up to the outstanding aggregate principal amount of Notes (and any Pari Passu Indebtedness), and any additional Excess Proceeds shall not be subject to this covenant and shall be permitted to be used for any purpose in the Issuer's discretion.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations are applicable in connection with the purchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Indenture by virtue thereof.

The provisions under the Indenture relative to the Issuer's obligation to make an offer to repurchase the Notes as a result of an Asset Sale may be waived or modified at any time with the written consent of the holders of a majority in principal amount of the Notes.

The Senior Credit Agreement will prohibit or limit, and future credit agreements or other agreements to which the Issuer becomes a party may prohibit or limit, the Issuer from purchasing any Notes pursuant to an Asset Sale Offer. In the event the Issuer is prohibited from purchasing the Notes, the Issuer or one of its Affiliates could seek the consent of their lenders to the purchase of the Notes or attempt to refinance the borrowings that contain such prohibition. If the Issuer or one of its Affiliates does not obtain such consent or repay such borrowings, they will remain prohibited from purchasing the Notes. In such case, the Issuer's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

If more Notes are tendered pursuant to an Asset Sale Offer than the Issuer is required to purchase, selection of the Notes for redemption will be made on a pro rata basis, unless otherwise required by applicable law, clearing system requirements or the requirements of the principal national securities exchange, if any, on which such Notes are listed (so long as the Trustee knows of such listing), in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof; *provided* that the selection of Notes for redemption shall not result in a holder of Notes with a principal amount of Notes less than the minimum denomination of €100,000. No note will be repurchased in part if less than the minimum denomination of such note would be left outstanding.

Notices of an Asset Sale Offer shall be mailed by first class mail, postage prepaid, or sent electronically, at least 30 but not more than 60 days before the purchase date to each holder of Notes at such holder's registered address or otherwise in accordance with procedures of the applicable Clearing System. If any Note is to be purchased in part only, any notice of purchase that relates to such Note shall state the portion of the principal amount thereof that has been or is to be purchased.

A new Note in principal amount equal to the unpurchased portion of any Note purchased in part will be issued in the name of the holder thereof upon cancellation of the Note. On and after the purchase date, unless the Issuer defaults in payment of the purchase price, interest shall cease to accrue on Notes or portions thereof purchased.

Transactions with Affiliates

The Indenture will provide that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each of the foregoing, an "*Affiliate Transaction*") involving aggregate consideration in excess of €5.0 million, unless:

(a) such Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €10.0 million, the Issuer delivers to the Trustee a resolution adopted in good faith by the majority of the Board of Directors of the Issuer, approving such Affiliate Transaction, together with an Officer's Certificate certifying that the Board of Directors of the Issuer determined or resolved that such Affiliate Transaction complies with clause (a) above.

The foregoing provisions will not apply to the following:

(1) (a) transactions between or among the Issuer and/or any of its Restricted Subsidiaries;

(2) (a) Restricted Payments permitted by the Indenture and (b) Permitted Investments (other than Permitted Investments described in clauses (2), (4), (10) and (18) of the definition of "Permitted Investments");

(3) transactions in which the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph;

(4) payments, loans, advances or guarantees (or cancellation of loans, advances or guarantees) to employees, officers, directors, managers, consultants or independent contractors for bona fide business purposes or in the ordinary course of business;

(5) any agreement or arrangement as in effect as of the Issue Date or as thereafter amended, supplemented or replaced (so long as such amendment, supplement or replacement agreement is not materially disadvantageous to the holders of the Notes when taken as a whole as compared to the original agreement as in effect on the Issue Date) or any transaction or payments contemplated thereby;

(6) payments to any Permitted Holder of reasonable out-of-pocket expenses incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its subsidiaries;

(7) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, the Acquisition Agreement, any stockholders or similar agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date or similar transactions, arrangements or agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under, any future amendment to any such existing transaction, arrangement or agreement or under any similar transaction, arrangement or agreement entered into after the Issue Date shall only be permitted by this clause (7) to the extent that the terms of any such existing transaction, arrangement or agreement, together with all amendments thereto, taken as a whole, or new agreement are not otherwise disadvantageous to the holders of the Notes, in the good faith judgment of the Board of Directors of the Issuer, in any material respect when taken as a whole as compared with the original transaction, arrangement or agreement as in effect on the Issue Date;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Issuer and its Restricted Subsidiaries (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction effected as part of a Qualified Receivables Financing;

(10) the sale, issuance or transfer of Equity Interests (other than Disqualified Stock) of the Issuer;

(11) payments by the Issuer or any of its Restricted Subsidiaries to the Sponsor made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with acquisitions or divestitures, which payments are (x) made pursuant to agreements with the Sponsor described in this Offering Circular or (y) approved by a majority of the Board of Directors of the Issuer in good faith or a majority of the disinterested members of the Board of Directors of the Issuer in good faith;

(12) any contribution to the capital of the Issuer (other than Disqualified Stock) or any investments by the Sponsor in Equity Interests (other than Disqualified Stock) of the Issuer (and payment of reasonable out-of-pocket expenses incurred by the Sponsor in connection therewith);

(13) any transaction with a Person (other than an Unrestricted Subsidiary) that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an Equity Interest in or otherwise controls such Person; *provided* that no Affiliate of the Issuer or any of its Subsidiaries other than the Issuer or a Restricted Subsidiary shall have a beneficial interest or otherwise participate in such Person;

(14) transactions between the Issuer or any of its Restricted Subsidiaries and any Person that would constitute an Affiliate Transaction solely because a director of which is also a director of the Issuer or any direct or indirect Parent of the Issuer; *provided*, *however*, that such director abstains from voting as a director of the Issuer or such direct or indirect Parent of the Issuer, as the case may be, on any matter involving such other Person;

(15) the entering into of any PLTA, any tax sharing agreement or arrangement and any payments permitted by clause (12), (13)(a) or (13)(e) or (13)(f) of the second paragraph of the covenant described under "—Limitation on Restricted Payments";

(16) transactions to effect the Transactions and the payment of all transaction, underwriting, commitment and other fees and expenses related to the Transactions;

(17) pledges of Equity Interests of Unrestricted Subsidiaries;

(18) the issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock option and stock ownership plans or similar employee benefit plans approved by the Board of Directors of the Issuer or of a Restricted Subsidiary, as appropriate, in good faith;

(19) any employment, consulting, service or termination agreement, or customary indemnification arrangements, entered into by the Issuer or any of its Restricted Subsidiaries with current, former or future officers, directors, employees, managers, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries (or of any direct or indirect Parent of the Issuer to the extent such agreements or arrangements are in respect of services performed for the Issuer or any of the Restricted Subsidiaries) and the payment of compensation to officers, directors, employees, consultants and independent contractors of the Issuer or any of its Restricted Subsidiaries (including amounts paid pursuant to any management equity plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, stock option or similar plans and any successor plan thereto and any supplemental executive retirement benefit plans or arrangements), in each case in the ordinary course of business or as otherwise approved in good faith by the Board of Directors of the Issuer or of a Restricted Subsidiary, as appropriate;

(20) investments by Affiliates in Indebtedness or preferred Equity Interests of the Issuer or any of its Subsidiaries, so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness or preferred Equity Interests, and transactions with Affiliates solely in their capacity as holders of Indebtedness or preferred Equity Interests of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such class (and there are such non-Affiliate holders) and such Affiliates are treated no more favorably than all other holders of such class generally;

(21) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of their obligations under the terms of, any customary registration rights agreement to which they are a party or become a party in the future;

(22) investments by the Sponsor in securities of the Issuer or any Restricted Subsidiary (and payment of reasonable out-of-pocket expenses incurred by the Sponsor in connection therewith);

(23) transactions with joint ventures for the purchase or sale of goods, equipment and services entered into in the ordinary course of business;

(24) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, in the ordinary course of business; and

(25) intellectual property licenses in the ordinary course of business.

Liens

The Indenture will provide that the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) on any asset or property of the Issuer or such Restricted Subsidiary, or any income or profits therefrom, or assign or convey any right to receive income therefrom, that secures any Indebtedness of the Issuer or such Restricted Subsidiary, unless (1) in the case of Liens securing Subordinated Indebtedness, the Notes and any applicable Guarantee (in the case of Liens securing Indebtedness of a Guarantor) are secured by a Lien on such property or assets of the Issuer or such Restricted Subsidiary and proceeds thereof that is senior in priority to such Liens; or (2) in all other cases, the Notes and the applicable Guarantee (in the case of Liens securing Indebtedness of a Guarantor) are secured equally and ratably with or prior to such Obligation with a Lien on the same assets of the Issuer or such (in the case of Liens securing Indebtedness of a Guarantor), as the case may be.

Any Lien that is granted to secure the Notes or such Guarantee pursuant to the preceding paragraph shall be automatically and unconditionally released and discharged at the same time as the release of the Lien (other than a release as a result of the enforcement of remedies in respect of such Lien or the Obligations secured by such Lien) that gave rise to the obligation to secure the Notes or such Guarantee.

Reports and Other Information

The Indenture will provide that so long as any Notes are outstanding, the Issuer will provide to the Trustee and, upon request, to holders of the Notes a copy of all of the information and reports referred to below:

(1) within 90 days (or in the case of any fiscal year ended on or before December 31, 2014, 120 days) after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2013, annual reports containing a level of detail that is comparable in all material respects to this Offering Circular and the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated statements of comprehensive income, cash flow and changes in equity of the Issuer for the three most recent fiscal years, including appropriate footnotes to such financial statements, and the report of the independent auditors on the financial statements; (b) pro forma statement of comprehensive income and balance sheet information, together with summary explanatory footnotes, for any acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates if the consolidated revenues, EBITDA or assets of the Person to which such acquisition or disposition relates, represent greater than 20% of the consolidated revenues, EBITDA or assets of the Issuer and its Subsidiaries on a pro forma basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, in each case unless pro forma information has been provided in a previous report pursuant to clause (2) below (*provided* that an acquisition, disposition or recapitalization that has occurred fewer than 60 days prior to the last day of the completed fiscal year as to which such annual report relates shall be reported in the next interim report provided pursuant to this covenant); (c) to the extent relating to annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments (*provided* that, in the case of cash flow numbers, these need only be provided as an audited footnote to the financial statements referred to above);

(2) within 45 days (or in the case of any fiscal quarter ending on or before March 31, 2014, 60 days) following the end of the first three fiscal quarters in each fiscal year of the Issuer (or, prior to consummation of the Acquisition, CeramTec GmbH) all quarterly financial statements containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of comprehensive income, cash flow and changes in equity for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) pro forma statement of comprehensive income and balance sheet information, together with summary explanatory footnotes, for any acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates if the consolidated revenues, EBITDA or assets of the Person to which such acquisition or disposition relates, represent greater than 20% of the consolidated revenues, EBITDA or assets of the Issuer and its Subsidiaries on a pro forma basis or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, in each case unless pro forma information has been provided in a previous report pursuant to clause (1) above (*provided* that an acquisition, disposition or recapitalization that has occurred fewer

than 60 days prior to the last day of the completed fiscal quarter as to which such quarterly report relates shall be reported in the next interim report provided pursuant to this covenant); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments; and

(3) promptly after the occurrence of a material acquisition, disposition, restructuring, senior management or board of directors changes or change in auditors, a report containing a description of such event.

All financial statement and pro forma financial information shall be prepared on a consistent basis for the periods presented and the financial statements required under clause (1) may be presented in the same format as in the Offering Circular; *provided*, *however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods, subject to the provisions of the Indenture. No report need include separate financial statements or financial data for any Guarantors or non-guarantor Subsidiaries of the Issuer; *provided* that the annual report in clause (1) shall include a statement of the aggregate percentage of the consolidated EBITDA of the Issuer represented by the Guarantors.

For so long as the Issuer has designated certain of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required to be provided by this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, or in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" or other comparable section, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, to the extent not satisfied by the foregoing, the Issuer will agree that, for so long as any Notes are outstanding, it will furnish to holders and to securities analysts and prospective investors in the Notes, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision).

Notwithstanding the foregoing, the financial statements, information, auditors' reports and other documents required to be provided as described above, may be, rather than those of the Issuer, those of any direct or indirect Parent of the Issuer; *provided* that, if the financial information so furnished relates to such direct or indirect Parent of the Issuer, the same is accompanied by consolidating information that explains in reasonable detail the differences between the information relating to such Parent, on the one hand, and the information relating to the Issuer and its Restricted Subsidiaries on a standalone basis, on the other hand.

Future Guarantors

If, after the Issue Date, (a) any Restricted Subsidiary (including any newly formed, newly acquired or newly redesignated Restricted Subsidiary, but excluding any Receivables Subsidiary) other than the Issuer or a Guarantor guarantees or Incurs any Indebtedness under any Credit Agreement or any Public Debt or (b) the Issuer otherwise elects to have any Restricted Subsidiary become a Guarantor, then, in each such case, the Issuer shall cause such Restricted Subsidiary, in the case of clause (a) within 20 Business Days of the date that such Indebtedness has been guaranteed or Incurred, to execute and deliver to the Trustee a supplemental indenture pursuant to which such Restricted Subsidiary shall become a Guarantor under the Indenture providing for a Guarantee by such Restricted Subsidiary on the same terms and conditions as those set forth in the Indenture and applicable to the other Guarantors; *provided*, *however*, that such Restricted Subsidiary shall not be obligated to become a Guarantor to the extent and for so long as the incurrence of such Note Guarantee could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction or (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership).

Each Guarantee will be limited as necessary to reflect limitations under local law in the applicable jurisdiction and defenses generally available to guarantors in such jurisdiction (including those relating to fraudulent conveyance, fraudulent transfer, voidable preference, financial assistance, corporate purpose, corporate benefit, capital maintenance and similar laws, regulations and defenses affecting the rights of creditors generally) or other considerations under applicable law. This includes limiting Guarantees to an amount not to exceed the maximum amount that can be guaranteed by that Guarantor without rendering the Guarantee, as it relates to such Guarantor, voidable under applicable law. However, such limitations may not be effective under local law. For example, in a 2009 Florida bankruptcy case, such a limitation was found to be ineffective to protect the guarantees.

Each Guarantee shall be released upon the terms and in accordance with the provisions of the Indenture described under "—Guarantees."

Merger, Consolidation or Sale of All or Substantially All Assets

The Indenture will provide that the Issuer may not consolidate or merge with or into or wind up into (whether or not the Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to any Person unless:

(1) the Issuer is the surviving Person or the Person formed by or surviving any such consolidation, merger or winding up (if other than such Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation or limited liability company organized or existing under the laws of the United States, any state thereof or the District of Columbia, any territory thereof or any member state of the European Union as in effect on December 31, 2003, Canada or any province of Canada, Norway or Switzerland (the Issuer or such Person, as the case may be, being herein called the "*Successor Company*");

(2) the Successor Company (if other than the Issuer) expressly assumes all the obligations of the Issuer under the Indenture, the Notes and the Intercreditor Agreement pursuant to supplemental indentures or other documents or instruments;

(3) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(4) immediately after giving *pro forma* effect to such transaction, as if such transaction had occurred at the beginning of the applicable four-quarter period, either:

(a) the Successor Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; or

(b) the Fixed Charge Coverage Ratio for the Issuer (or, if applicable, the Successor Company thereto) and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such transaction;

(5) each Guarantor, unless it is the other party to the transactions described above, shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's Obligations under the Indenture and the Notes; and

(6) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indentures (if any) comply with the Indenture.

The Successor Company will succeed to, and be substituted for, such Issuer under the Indenture, the Notes and the Intercreditor Agreement, and the Issuer will automatically be released and discharged from its obligations under the Indenture, the Notes and the Intercreditor Agreement. Notwithstanding the foregoing clauses (3) and (4), (a) the Issuer or any Guarantor may consolidate with, merge into or sell, assign, transfer, lease, convey or otherwise dispose of all or part of its properties and assets to the Issuer or any Guarantor, (b) the Issuer may merge or consolidate with an Affiliate of the Issuer incorporated or organized solely for the purpose of reincorporating or reorganizing such Issuer in another state of the United States, the District of Columbia, any territory of the United States, any member state of the European Union as in effect on December 31, 2003, Canada or any province of Canada, Norway or Switzerland so long as the principal amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby and (c) any Restricted Subsidiary may merge with the Issuer, *provided* that the Issuer is the Successor Company in such merger.

The Indenture will further provide that subject to certain provisions in the Indenture governing release of a Guarantee upon the sale or disposition of a Restricted Subsidiary that is a Guarantor, each Guarantor will not, and the Issuer will not permit any Guarantor to, consolidate or merge with or into or wind up into (whether or not such Guarantor is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, any Person unless:

(1) (a) such Guarantor is the surviving Person or the Person formed by or surviving any such consolidation, merger or winding up (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership, limited partnership or limited liability company or trust organized or existing under the laws of the United States, any state or

territory thereof or the District of Columbia, Germany or, in the case of a Guarantor organized or existing under the laws or any other jurisdiction, the laws of such jurisdiction (such Guarantor or such Person, as the case may be, being herein called the "*Successor Guarantor*");

(b) the Successor Guarantor (if other than such Guarantor) expressly assumes all the obligations of such Guarantor under the Indenture and the Intercreditor Agreement and such Guarantor's Guarantee pursuant to a supplemental indenture or other documents or instruments;

(c) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Guarantor or any of its Subsidiaries as a result of such transaction as having been Incurred by the Successor Guarantor or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(d) the Successor Guarantor (if other than such Guarantor) shall have delivered or caused to be delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture; or

(2) such sale or disposition or consolidation or merger is made in compliance with the covenant described under "—Asset Sales."

Subject to certain limitations described in the Indenture, the Successor Guarantor will succeed to, and be substituted for, such Guarantor under the Indenture and such Guarantor's Guarantee, and such Guarantor will automatically be released and discharged from its obligations under the Indenture and such Guarantor's Guarantee. Notwithstanding the foregoing, (1) a Guarantor may merge or consolidate with an Affiliate of the Issuer incorporated or organized solely for the purpose of reincorporating or reorganizing such Guarantor in the United States, any state or territory thereof, the District of Columbia, Germany or the jurisdiction of such Guarantor, so long as the principal amount of Indebtedness of the Issuer and the Restricted Subsidiaries is not increased thereby, (2) a Guarantor may consolidate or merge with or into or wind up into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties and assets to, another Guarantor or the Issuer, (3) a Guarantor may convert into a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the jurisdiction of organization of such Guarantor or the laws of a jurisdiction in the United States or Germany and (4) any Restricted Subsidiary may merge into any Guarantor, *provided*, in the case of this clause (4), that the surviving Person be a corporation, partnership, limited partnership, limited liability company or trust organized or existing under the laws of the United States, any state or territory thereof or the District of Columbia, Germany, or the jurisdiction of organization of such Restricted Subsidiary or Guarantor and the surviving Person of such merger (if not the Guarantor) shall become a Guarantor upon such merger.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer will use all commercially reasonable efforts to maintain the listing of the Notes on the Euro MTF Market of the Luxembourg Stock Exchange; *provided* that if (x) maintenance of such listing becomes unduly onerous, or (y) the Euro MTF Market of the Luxembourg Stock Exchange requires additional financial information from the Issuer or any of its Restricted Subsidiaries, then the Issuer will, prior to the delisting of the Notes from the Euro MTF Market of the Luxembourg Stock Exchange (if then listed on the Euro MTF Market of the Luxembourg Stock Exchange), use all commercially reasonable efforts to list and maintain a listing of Notes on another internationally recognized stock exchange.

Defaults

An Event of Default will be defined in the Indenture as:

(1) a default in any payment of interest on any Note when due continued for 30 days;

(2) a default in the payment of principal or premium, if any, of any Note when due at its Stated Maturity, upon optional redemption, upon required purchase, upon acceleration or otherwise;

(3) the failure by the Issuer or any Restricted Subsidiary to comply for 60 days after receipt of written notice with any of its obligations, covenants or agreements (other than a default referred to in clause (1) or (2) above) contained in the Notes or the Indenture;

(4) the failure by the Issuer or any Restricted Subsidiary to pay any Indebtedness for borrowed money (other than Indebtedness for borrowed money owing to the Issuer or a Restricted Subsidiary) within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default, in each case, if the total amount of such Indebtedness unpaid or accelerated exceeds €30.0 million or its foreign currency equivalent;

(5) certain events of bankruptcy or insolvency of the Issuer or a Significant Subsidiary (the "*Bankruptcy Provisions*");

(6) failure by the Issuer or any Significant Subsidiary to pay final and non-appealable judgments aggregating in excess of €30.0 million or its foreign currency equivalent (net of any amounts which are covered by enforceable insurance policies issued by solvent insurance companies), which judgments are not discharged, waived or stayed for a period of 60 days after such judgment becomes final and, in the event such judgment is covered by insurance, an enforcement proceeding has been commenced by any creditor upon such judgment or decree which is not promptly stayed; or

(7) the Guarantee of a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms thereof or of the Indenture), or any Guarantor that is a Significant Subsidiary denies in writing that it has any further liability under its Guarantee or gives written notice to such effect, other than by reason of the termination or discharge of the Indenture or the release of any such Guarantee in accordance with the Indenture and such Default continues for ten days.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clause (3) of the first paragraph above will not constitute an Event of Default until the Trustee or the holders of at least 25% in principal amount of outstanding Notes notify the Issuer of the default and such default is not cured within the time specified in clause (3) of the first paragraph above after receipt of such notice.

If an Event of Default (other than a Default relating to the Bankruptcy Provisions) occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of outstanding Notes by written notice to the Issuer may declare the principal of, premium, if any, and accrued but unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest will be due and payable immediately. If an Event of Default under the Bankruptcy Provisions occurs, the principal of, premium, if any, and interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holders. Under certain circumstances, the holders of a majority in principal amount of outstanding Notes may rescind any such acceleration with respect to the Notes and its consequences.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, waive, rescind or cancel any declaration of an existing or past Default or Event of Default and its consequences under the Indenture if such waiver, rescission or cancellation would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes (other than such nonpayment of principal or interest that has become due as a result of such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

In the event of any Event of Default specified in clause (4) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if prior to 20 days after such Event of Default arose, the Issuer delivers an Officer's Certificate to the Trustee stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured.

In case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have provided to the Trustee indemnity or security (which may include pre-funding) satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% of the aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security or indemnity (which may include pre-funding) reasonably satisfactory to it in any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a written direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to security or indemnification (which may include pre-funding) satisfactory to it in its sole discretion against all losses, liabilities and expenses that may be caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must mail to each holder of Notes notice of the Default within 90 days after it is known to the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interests on any Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is in the interests of the holders of the Notes. In addition, the Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year ending after the Issue Date, a certificate regarding compliance with the Indenture. The Issuer also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action the Issuer is taking or propose to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Notes and the Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and any existing or past Default or compliance with any provisions of such documents may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding other than Notes beneficially owned by the Issuer or its Affiliates (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that (x) if any such amendment or waiver will only affect one series of Notes (or less than all series of Notes) then outstanding under the Indenture, then only the consent of the holders of a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) shall be required and (y) if any such amendment or waiver by its terms will affect a series of Notes in a manner different and materially adverse relative to the manner such amendment or waiver affects other series of Notes, then the consent of the holders of a majority in principal amount of the Notes of such series then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) shall be required. However, without the consent of holders of at least 90% of the aggregate principal amount of then outstanding Notes affected (including, for the avoidance of doubt, any Notes held by Affiliates), no amendment, supplement or waiver may (with respect to any Notes held by a non-consenting holder):

(1) reduce the percentage of the aggregate principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or extend the time for payment of interest on any Note;

(3) reduce the principal of or change the Stated Maturity of any Note;

(4) waive a Default in the payment of principal of or premium, if any, or interest on the Notes, except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration;

(5) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described under "—Optional Redemption";

(6) make any Note payable in money other than that stated in such Note;

(7) impair the right of any holder to receive payment of principal of, premium, if any, or interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(8) make any change in the amendment or waiver provisions of the Indenture that require each holder's consent as described in clauses (1) through (7) of this sentence;

(9) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders to receive payments of principal of or premium, if any, or interest on the Notes; or

(10) make the Notes or any Guarantee subordinated in right of payment to any other obligations.

A Note does not cease to be outstanding because the Issuer or any Affiliate of the Issuer holds the Note; *provided* that in determining whether the holders of the requisite majority of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer or any Affiliate of the Issuer shall be disregarded and deemed not to be outstanding.

Without the consent of any holder, the Issuer, any Guarantor (with respect to a Guarantee or the Indenture to which it is a party) and the Trustee may amend or supplement the Indenture, the Notes, the Intercreditor Agreement and the Guarantees:

(1) to cure any ambiguity, omission, mistake, defect or inconsistency identified in an Officer's Certificate of the Issuer delivered to the Trustee;

(2) to conform the text of the Indenture (including any supplemental indenture or other instrument pursuant to which Additional Notes are issued), the Guarantees, the Notes or the Intercreditor Agreement to this "Description of Notes" or, with respect to any Additional Notes and any supplemental indenture or other instrument pursuant to which such Additional Notes are issued, to the "Description of Notes" relating to the issuance of such Additional Notes solely to the extent that such "Description of Notes" provides for terms of such Additional Notes that differ from the terms of the initial Notes, as contemplated by "General" above;

(3) to comply with the covenant relating to mergers, consolidations and sales of assets;

(4) to provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under the Indenture and the Notes or Guarantees, as the case may be;

(5) to provide for uncertificated Notes in addition to or in place of certificated Notes (*provide*d that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code);

(6) to add or release Guarantees in accordance with the terms of the Indenture with respect to the Notes;

(7) to add to the covenants of the Issuer and its Restricted Subsidiaries for the benefit of the holders or to surrender any right or power conferred upon the Issuer or any Guarantor;

(8) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation, to facilitate the issuance and administration of the Notes; *provided*, *however*, that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer Notes;

(9) to evidence and provide for the acceptance of appointment by a successor Trustee, *provided* that the successor Trustee is otherwise qualified and eligible to act as such under the terms of the Indenture; or

(10) to provide for or confirm the issuance of Additional Notes.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

No amendment of, or supplement or waiver to, the Indenture or the Notes shall be permitted to be effected if such amendment, supplement or waiver is in violation of or inconsistent with the terms of the Intercreditor Agreement. No amendment of, or supplement or waiver to, the Intercreditor Agreement shall be permitted to be effected without the consent of the Trustee, the Credit Agreement Administrative Agent and any other agent then party thereto, other than pursuant to the terms thereof.

No Personal Liability of Managers, Directors, Officers, Employees and Stockholders

No manager, managing director, director, officer, employee, incorporator or holder of any equity interests in the Issuer, any Subsidiary or any direct or indirect Parent of the Issuer, as such, will have any liability for any obligations of the Issuer or any Guarantor under the Notes, the Indenture or any Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Transfer and Exchange

A noteholder may transfer or exchange Notes in accordance with the Indenture. Upon any transfer or exchange, the registrar and the Trustee may require a noteholder, among other things, to furnish appropriate endorsements or transfer documents and the Issuer may require a noteholder to pay any taxes required by law or permitted by the Indenture. The registrar will not be required to transfer or exchange any Note selected for redemption (except in the case of a note to be redeemed in part, the portion of the note not to be redeemed) or to transfer or exchange any Note for a period of 15 days prior to a selection of Notes to be redeemed or tendered and not withdrawn in connection with a Change of Control Offer or an Asset Sale Offer. The Notes will be issued in registered form and the registered holder of a Note will be treated as the owner of such Note for all purposes.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either (a) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all of the Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) have been called for redemption or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee money or euro-denominated European Government Obligations in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Issuer directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(2) the Issuer and/or the Guarantors have paid all other sums payable under the Indenture; and

(3) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture and has each Guarantor's obligation discharged with respect to its Guarantee ("*legal defeasance*") and cure all then-existing Events of Default, except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes. The Issuer at any time may terminate its obligations and those of each Guarantor under certain covenants that are described in the Indenture, including the covenants described under "—Certain Covenants," the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "Defaults" and the undertakings and covenants contained under "—Change of Control" and "—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets" (other than clauses (1), (2) and (6) of the first paragraph thereof) ("*covenant defeasance*"). If the Issuer exercises its legal defeasance option or its covenant defeasance option or the option to satisfy and discharge the Indenture and the Guarantees, will be released and each Guarantor will be released from all of its obligations with respect to its Guarantee.

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect thereto. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (with respect to any Default by the Issuer or any of its Restricted

Subsidiaries with any of their obligations under the covenants described under "—Certain Covenants"), (4), (5) (with respect only to Significant Subsidiaries), (6) (with respect only to Significant Subsidiaries) or (7) under "—Defaults."

In order to exercise either defeasance option, the Issuer must irrevocably deposit or cause to be deposited in trust (the "*defeasance trust*") with the Trustee (or such other entity designated by the Trustee for such purpose) money or euro-denominated European Government Obligations (sufficient in the opinion of a nationally-recognized certified public accounting firm) for the payment of principal, premium (if any) and interest on the applicable issue of Notes to redemption or maturity, as the case may be (*provided* that if such redemption is made pursuant to the provisions described in the second paragraph under "—Optional Redemption," (x) the amount of money or euro-denominated European Government Obligations that the Issuer must irrevocably deposit or cause to be deposited will be determined using an assumed Applicable Premium calculated as of the date of such deposit, as calculated by the Issuer in good faith, and (y) the Issuer must irrevocably deposit or cause to be deposited additional money in trust on the redemption date as necessary to pay the Applicable Premium as determined on such date), and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or change in applicable U.S. federal income tax law).

Notices

Notices given by publication will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing; notices personally delivered will be deemed given at the time delivered by hand; notices given by facsimile will be deemed given when receipt is acknowledged; and notices given by overnight air courier guaranteeing next day delivery will be deemed given the next Business Day after timely delivery to the courier.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitting for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, notices to holders of the Notes will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

In addition, for so long as any Notes are represented by global certificates, all notices to holders will be delivered to relevant clearing systems, each of which will give such notices to the holders of book-entry interests.

Concerning the Trustee

U.S. Bank Trustees Limited is the Trustee under the Indenture. We expect to appoint Elavon Financial Services Limited as registrar and a paying agent with regard to the Notes.

The Trustee will be permitted to engage in transactions with the Issuer and its Affiliates; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The Indenture will provide that the holders of a majority in principal amount of the outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of the Notes, unless such holder shall have provided to the Trustee security and indemnity (which may include pre-funding) satisfactory to it against any loss, liability or expense.

Governing Law

The Indenture will provide that it, the Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Enforceability of Judgments

Because certain assets of the Issuer and Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or certain Guarantors, including judgments with respect to the payment of principal, premium, if any, interest, redemption price and any purchase price with respect to the Notes, may not be collectible within the United States.

The United States and Germany do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth in Sections 722 and 328 of the German Code of Civil Procedure (*Zivilprozessordnung*). See "*Service of Process and Enforcement of Civil Liabilities*."

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany, after having received an exequatur decision from a competent German court in accordance with the above principles. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Guarantees, the Issuer and each Guarantor that is organized under laws other than the United States or a state thereof will in the Indenture (1) irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City, County and State of New York, United States, (2) consent that any such action or proceeding may be brought in such courts and waive any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agree not to plead or claim the same, (3) designate and appoint CT Corporation as its authorized agent upon which process may be served in any such action or proceeding that may be instituted in any such court and (4) agree that service of any process, summons, notice or document by U.S. registered mail addressed to CT Corporation, with written notice of said service to such Person at the address of the Issuer set forth in the Indenture shall be effective service of process for any such action or proceeding brought in any such court.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer or any Guarantor under or in connection with the Notes, the Indenture and the Guarantees, including damages. Any amount with respect to the Notes, the Indenture or Guarantees received or recovered in a currency other than euros, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or any Guarantor or otherwise by any noteholder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or any Guarantor will only constitute a discharge to the Issuer or any Guarantor to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under the Notes, the Issuer and each Guarantor will indemnify such recipient and/or the Trustee against any loss sustained by it as a result. In any event, the Issuer and each Guarantor will indemnify the recipient against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein, for the holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and each Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or to the Trustee. For the purposes of this indemnity, it will be sufficient for the Trustee or the holder, as applicable, to certify (indicating the sources of information used) that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable due to current market conditions generally, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above).

Certain Definitions

"*Acquired Indebtedness*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is Incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of such specified Person, and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*Acquisition*" means the acquisition of the entities and assets comprising CeramTec as described in this Offering Circular under the heading "The Transactions."

"*Acquisition Agreement*" means that certain Sale and Purchase Agreement Regarding the Entire Share Capital of CeramTec GmbH, CeramTec North America Corporation, PST Press + Sintertechnik Sp.z o.o. and Press and Sinter Technics de Mexico, S.A. de C.V., dated as of 15 June 2013.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"*Applicable Premium*" means, with respect to any Note on any applicable redemption date, the greater of:

(1) 1.0% of the then outstanding principal amount of the Note; and

(2) the excess, if any, of

(a) the present value at such redemption date of (i) the redemption price of the Note at August 15, 2016 (such redemption price being set forth in the applicable table appearing above under the caption "Optional Redemption") plus (ii) all required interest payments due on the Note through August 15, 2016 (excluding accrued but unpaid interest to (but not including) the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(b) the then outstanding principal amount of the Note.

"*Asset Sale*" means:

(1) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a Sale/Leaseback Transaction) of the Issuer or any Restricted Subsidiary, or

(2) the issuance or sale of Equity Interests (other than preferred stock of Restricted Subsidiaries issued in compliance with the covenant described under "Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Disqualified Stock" and directors' qualifying shares or shares or interests required to be held by foreign nationals or other third parties to the extent required by applicable law) of any Restricted Subsidiary (other than to the Issuer or another Restricted Subsidiary) (whether in a single transaction or a series of related transactions), (each of the foregoing referred to in this definition as a "*disposition*") in each case, other than:

(a) sale, exchange or other disposition of cash, Cash Equivalents or Investment Grade Securities, or of obsolete, damaged, unnecessary, unsuitable or worn out equipment or other assets in the ordinary course of business, or dispositions of property no longer used, useful or economically practicable to maintain in the conduct of the business of the Issuer and its Restricted Subsidiaries (including allowing any registrations or any applications for registration of any intellectual property to lapse or become abandoned);

(b) the sale, conveyance, lease or other disposition of all or substantially all of the assets of the Issuer in compliance with the provisions described under "—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets" or any disposition that constitutes a Change of Control;

(c) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—Certain Covenants—Limitation on Restricted Payments" or any Permitted Investment;

(d) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary, in a single transaction or series of related transactions, with an aggregate Fair Market Value of less than €10.0 million;

(e) any transfer or disposition of property or assets or issuance or sale of Equity Interests by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to another Restricted Subsidiary;

(f) the creation of any Lien permitted under the Indenture;

(g) any issuance, sale, pledge or other disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(h) the sale, lease, assignment, license or sublease of inventory, equipment, accounts receivable, notes receivable or other current assets held for sale in the ordinary course of business or the conversion of accounts receivable to notes receivable or dispositions of accounts receivable in connection with the collection or compromise thereof in the ordinary course of business;

(i) the lease, assignment, license, sublicense or sublease of any real or personal property in the ordinary course of business;

(j) a sale or transfer of accounts receivable, or participations therein, and related assets of the type specified in the definition of "Receivables Financing" to a Receivables Subsidiary in a Qualified Receivables Financing or in factoring or similar transactions;

(k) a transfer of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) by a Receivables Subsidiary in a Qualified Receivables Financing;

(l) any exchange of assets for Related Business Assets (including a combination of Related Business Assets and a *de minimis* amount of cash or Cash Equivalents) of comparable or greater market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer);

(m) (i) non-exclusive licenses, sublicenses or cross-licenses of intellectual property or other general intangibles and (ii) exclusive licenses, sublicenses or cross-licenses of intellectual property or other general intangibles in the ordinary course of business of the Issuer and its Restricted Subsidiaries;

(n) the sale in a Sale/Leaseback Transaction of any property acquired after the Issue Date within twelve months of the acquisition of such property;

(o) the surrender or waiver of contract rights or settlement, release or surrender of a contract, tort or other litigation claim in the ordinary course of business;

(p) dispositions arising from foreclosures, condemnations, eminent domain, seizure, nationalization or any similar action with respect to assets, dispositions of property subject to casualty events and (except for purposes of calculating Net Cash Proceeds of any Asset Sale under the second and third paragraphs under "Certain Covenants—Asset Sales") dispositions necessary or advisable (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) in order to consummate any acquisition of any Person, business or assets; and

(q) dispositions of Investments (including Equity Interests) in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements or rights of first refusal between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements.

For the avoidance of doubt, the unwinding of Hedging Obligations shall not be deemed to constitute an Asset Sale.

"*Board of Directors*" means as to any Person, the board of directors or managers, sole member or managing member, as applicable, of such Person (or, if such Person is a partnership, the board of directors, board of managers, manager or other governing body of the general partner of such Person) or any duly authorized committee thereof.

"*Bund Rate*" means the yield to maturity as of such redemption date of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity (as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to August 15, 2016; *provided*, *however*, that if the period from the redemption date to August 15, 2016 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions are authorized or required by law or regulation to close in the State of New York, United States; London, England; Frankfurt, Germany or, with respect to any payments to be made under the Indenture, the place of payment.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Capitalized Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with IFRS.

"*Cash Contribution Amount*" means the aggregate amount of cash contributions made to the capital of the Issuer or any Guarantor and designated as a "Cash Contribution Amount" as described in the definition of "Contribution Indebtedness."

"*Cash Equivalents*" means:

(1) U.S. Dollars, Canadian Dollars, pounds sterling, euros or the national currency of any participating member state of the European Union and, with respect to any Foreign Subsidiaries, other currencies held by such Foreign Subsidiary in the ordinary course of business;

(2) securities issued or directly and fully guaranteed or insured by the government of the United States or any country that is a member of the European Union or any agency or instrumentality thereof in each case with maturities not exceeding two years from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of two years or less from the date of acquisition, bankers' acceptances, in each case with maturities not exceeding two years, and overnight bank deposits, in each case with any commercial bank having capital and surplus in excess of €250 million in the case of domestic banks or €100 million (or the equivalent thereof) in the case of foreign banks;

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above and clause (6) below entered into with any financial institution or securities dealers of recognized national standing meeting the qualifications specified in clause (3) above;

(5) commercial paper or variable or fixed rate notes issued by a corporation or other Person (other than an Affiliate of the Issuer) rated at least "A-2" or the equivalent thereof by Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) and in each case maturing within two years after the date of acquisition;

(6) readily marketable direct obligations issued by any state or commonwealth of the United States of America or any political subdivision thereof having an Investment Grade Rating from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) in each case with maturities not exceeding two years from the date of acquisition;

(7) Indebtedness issued by Persons (other than the Sponsor) with a rating of "A" or higher from S&P or "A-2" or higher from Moody's in each case with maturities not exceeding two years from the date of acquisition, and marketable short-term money market and similar securities having a rating of at least "A-2" or "P-2" from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, an equivalent rating from another nationally recognized rating service);

(8) investment funds investing at least 95% of their assets in investments of the types described n clauses (1) through (7) above and (9) and (10) below;

(9) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated AAA (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's; and

(10) in the case of investments by any Foreign Subsidiary or investments made in a country outside the United States of America, other investments of comparable tenor and credit quality to those described in the foregoing clauses (1) through (9) customarily utilized in the countries where such Foreign Subsidiary is located or in which such investment is made.

"*CeramTec*" means CeramTec GmbH, a German limited liability company, and its subsidiaries.

"*Code*" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of:

(1) interest expense of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, to the extent such expense was deducted in computing Consolidated Net Income of such Person (including (a) amortization of original issue discount, (b) the interest component of Capitalized Lease Obligations, and (c) net payments and receipts (if any) pursuant to interest rate Hedging Obligations with respect to Indebtedness and excluding (w) amortization of deferred financing fees (x) expensing of any bridge or other financing fees, (y) the non-cash portion of interest expense resulting from the reduction in the carrying value under purchase accounting of such Person's outstanding Indebtedness and (z) commissions, discounts, yield and other fees and charges (including any interest expense) related to any Receivables Financing);

(2) interest on Indebtedness of such Person and its Restricted Subsidiaries described in clause (13)(b) of the second paragraph under the covenant described under "Certain Covenants—Limitation on Restricted Payments"; and

(3) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued;

less interest income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis;

provided that, for purposes of calculating Consolidated Interest Expense, no effect shall be given to the discount and/or premium resulting from the bifurcation of derivatives under IAS 39 and related interpretations as a result of the terms of the Indebtedness to which such Consolidated Interest Expense relates.

For purposes of this definition, interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by such Person to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer)).

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided*, *however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect as if they had occurred on the first day of the reference period;

(2) the EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;

(6) for purposes of this definition, whenever *pro forma* effect is to be given to any pro forma event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. Any such *pro forma* calculation may include, without limitation, (1) adjustments calculated in accordance with Regulation S-X under the Securities Act, (2) adjustments calculated to give effect to any Pro Forma Cost Savings and (3) all adjustments of the type used in connection with the calculation of "Adjusted EBITDA" as set forth in footnote 2 to "Summary—Summary Historical Condensed Financial Information and Other Data" in this Offering Circular to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period; *provided* that any such adjustments that consist of reductions in costs and other operating improvements or synergies shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Cost Savings"; and

(7) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any interest rate agreement applicable to such Indebtedness, and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis; *provided*, *however*, that, without duplication:

(1) any net after-tax effect of extraordinary, nonrecurring or unusual gains or losses or income or expenses (including the effect of all fees and expenses relating thereto), including, without limitation, any fees, expenses or charges or payments made under or contemplated by the Acquisition Agreement or otherwise related to the Transactions, shall be excluded;

(2) the Net Income for such period shall not include the cumulative effect of a change in accounting principles during such period;

(3) any net after-tax effect of gains or losses on disposal of discontinued operations shall be excluded;

(4) any net after-tax gains or losses (including the effect of all fees and expenses or charges relating thereto) attributable to business dispositions (including Capital Stock of any Person) or asset dispositions or abandonments other than in the ordinary course of business (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) shall be excluded;

(5) any net after-tax gains or losses (including the effect of all fees and expenses or charges relating thereto) attributable to the early extinguishment or cancellation of Indebtedness, Hedging Obligations and other derivative instruments (including deferred financing costs written off and premiums paid) shall be excluded;

(6) the Net Income for such period of any Person that is not a Subsidiary of such Person, or is an Unrestricted Subsidiary, (other than a Guarantor or any Person at the Issue Date accounted for by the equity method of accounting; *provided* that to the extent not already excluded or deducted as minority interest expense, payments made in respect of interests of third parties shall be excluded), shall be included only to the extent of the amount of dividends or distributions or other payments paid in cash or Cash Equivalents (or to the extent converted into cash or Cash Equivalents) to the referent Person or a Restricted Subsidiary thereof in respect of such period;

(7) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(1) of the first paragraph of "Certain Covenants—Limitation on Restricted Payments," the Net Income for such period of any Restricted Subsidiary (other than a Guarantor) shall be excluded to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of its Net Income is not at the date of determination permitted without any prior governmental approval (which has

not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless all such restrictions with respect to the payment of dividends or similar distributions have been legally waived; *provided* that the Consolidated Net Income of such Person shall be increased by the amount of dividends or other distributions or other payments actually paid in cash or Cash Equivalents (or converted into cash or Cash Equivalents) by any such Restricted Subsidiary to such Person, to the extent not already included therein;

(8) any non-cash compensation expense realized from employee benefit plans or post-employment benefit plans, including pension-related charges under IAS 19, grants of stock appreciation or similar rights, stock options or other equity interests or rights to officers, directors and employees of such Person or any of its Restricted Subsidiaries shall be excluded;

(9) (a) (i) the non-cash portion of "straight-line" rent expense shall be excluded and (ii) the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense shall be included and (b) any net unrealized gains and losses resulting from fair value accounting required by IAS 39 (including as a result of the mark-to-market of obligations under swap contracts and other derivative instruments) shall be excluded;

(10) any net unrealized gains and losses relating to mark-to-market of amounts denominated in foreign currencies resulting from the application of IAS 39 (including net unrealized gains and losses from exchange rate fluctuations on intercompany balances and balance sheet items) shall be excluded;

(11) any (a) severance or relocation costs or expenses, (b) one-time non-cash compensation charges, (c) costs and expenses after the Issue Date related to employment of terminated employees, or (d) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other rights existing on the Issue Date of officers, directors and employees, in each case of such Person or any of its Restricted Subsidiaries, shall be excluded;

(12) accruals and reserves, contingent liabilities, charges associated with settlement of stock-based compensation and any gains and losses on the settlement of any pre-existing contractual or non-contractual relationships as a result of the Transactions that are established or adjusted within 12 months after the Issue Date and that are so required to be established, settled or adjusted in accordance with IFRS or as a result of adoption or modification of accounting policies shall be excluded;

(13) the effect of any non-cash impairment charges or write-ups, write-downs or write-offs of assets (including intangible assets, goodwill and deferred financing costs, but excluding accounts receivable) or liabilities resulting from the application of IFRS (including in connection with the Transactions) and the amortization of intangibles arising from the application of IFRS (excluding any non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period except to the extent such item is subsequently reversed) shall be excluded;

(14) any deferred tax expense associated with tax deductions or net operating losses arising as a result of the consummation of the Acquisition, or the release of any valuation allowance related to such item, shall be excluded;

(15) any non-cash interest expense and non-cash interest income, in each case to the extent there is no associated cash disbursement or receipt, as the case may be, before the earlier of the maturity date of the Notes and the date on which all the Notes cease to be outstanding, shall be excluded;

(16) any fees and expenses incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, Asset Sale or other disposition, issuance or repayment of Indebtedness, issuance of Equity Interests, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the Issue Date and any such transaction undertaken but not completed), and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, shall be excluded; and

(17) the effects from applying purchase accounting, including applying purchase accounting to inventory, fixed assets, software and other intangible assets and deferred revenue required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to such Person and its Restricted Subsidiaries), as a result of the Acquisition, any acquisition consummated prior to the Issue Date, or any other future acquisitions or the amortization or write-off of any amounts thereof, shall be excluded.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include the amount of proceeds actually received from business interruption and other liability and/or casualty insurance and reimbursements of any expenses and charges pursuant to indemnification or other reimbursement provisions in connection with any Permitted Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Indenture.

Notwithstanding the foregoing, for the purpose of the covenant described under "Certain Covenants—Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Income any income arising from the sale or other disposition of Restricted Investments, from repurchases or redemptions of Restricted Investments, from repayments of loans or advances which constituted Restricted Investments or from any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries, in each case to the extent such amounts increase the amount of Restricted Payments permitted under such covenant pursuant to clause (c)(5) or (6) of the first paragraph thereof.

"*Consolidated Non-Cash Charges*" means, with respect to any Person for any period, the aggregate depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment, non-cash compensation and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person for such period on a consolidated basis and otherwise determined in accordance with IFRS; *provided* that if any non-cash charges referred to in this definition represent an accrual or reserve for potential cash items in any future period, the cash payment in respect thereof in such future period shall be subtracted from EBITDA in such future period to such extent paid.

"*Consolidated Senior Secured Debt Ratio*" as of any date of determination (for purposes of this definition, the "*Calculation Date*") means the ratio of (1) (x) Consolidated Total Indebtedness of the Issuer and its Restricted Subsidiaries that is secured by a Lien as of such date (after giving effect to any Incurrence or repayment, repurchase, redemption, defeasance or other acquisition, retirement or discharge of Indebtedness on such date) minus (y) the amount of unrestricted cash and Cash Equivalents that would be stated on the balance sheet of the Issuer and its Restricted Subsidiaries and held by the Issuer and its Restricted Subsidiaries as of such date of determination to (2) the EBITDA of the Issuer and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such date; *provided* that (in the event that the Issuer shall classify Indebtedness Incurred on the date of determination as secured in part pursuant to clause (24) of the "Permitted Liens" definition and in part pursuant to one or more other clauses of such definition, as provided in the final paragraph of such definition) any calculation of Consolidated Total Indebtedness that is secured by a Lien for purposes of clause (x) above shall not include any such Indebtedness (and shall not give effect to any repayment, repurchase, redemption, defeasance or other acquisition, retirement or discharge of Indebtedness from the proceeds thereof) to the extent secured pursuant to any such other clause of such definition.

For purposes of making the computation referred to above, Investments, acquisitions (including the Transactions), dispositions, mergers, consolidations and discontinued operations, in each case with respect to a company, a business or an operating unit of a business, and operational changes (including the entry into any material contract or arrangement), that the Issuer or any of its Restricted Subsidiaries has both determined to make and made (or, solely with respect to operational changes, made or determined to make) after the Issue Date and during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date (each, for purposes of this definition, a "*pro forma event*") shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions (including the Transactions), dispositions, mergers, consolidations, discontinued operations and operational changes had occurred on the first day of the four-quarter reference period. If since the beginning of such period and on or prior to or simultaneously with the Calculation Date any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period and on or prior to or simultaneously with the Calculation Date shall have made or effected any Investment, acquisition, disposition, merger, consolidation or discontinued operation, in each case with respect to a company, a business or an operating unit of a business, or operational change that would have required adjustment pursuant to this definition, then the Consolidated Senior Secured Debt Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation, discontinued operation or operational change had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to any *pro forma* event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. Any such *pro forma* calculation may include, without limitation, (1) adjustments calculated in accordance with Regulation S-X under the Securities Act, (2) adjustments calculated to give effect to any Pro Forma Cost Savings and (3) all adjustments of the type used in connection with the calculation of "Adjusted EBITDA" as set forth in footnote 2 to "Summary—Summary Historical Condensed Financial Information and Other Data" in this Offering Circular to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period; *provided* that any such adjustments that consist of reductions in costs and other operating improvements or synergies shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Cost Savings."

"*Consolidated Taxes*" means, with respect to any Person and its Restricted Subsidiaries on a consolidated basis for any period, provision for taxes based on income, profits or capital, including, without limitation, state, franchise and similar taxes and foreign withholding taxes, and including (without duplication, and to the extent not otherwise included) an amount equal to the amount of tax distributions actually made to the holders of Capital Stock of such Person or any direct or indirect Parent of such Person in respect of such period in accordance with clause (12) of the second paragraph under "Certain Covenants—Limitation on Restricted Payments," which shall be included as though such amounts had been paid as income taxes directly by such Person.

"*Consolidated Total Indebtedness*" means, as of any date of determination, an amount equal to (1) the aggregate principal amount of Indebtedness of the Issuer and its Restricted Subsidiaries outstanding on such date, determined on a consolidated basis, to the extent required to be recorded on a balance sheet in accordance with IFRS, consisting of Indebtedness for borrowed money, Capitalized Lease Obligations or debt obligations evidenced by promissory notes or similar instruments and (2) the aggregate amount of all outstanding Disqualified Stock of the Issuer and all Disqualified Stock and Preferred Stock of its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock and Preferred Stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with IFRS. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or Preferred Stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or Preferred Stock as if such Disqualified Stock or Preferred Stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock or Preferred Stock, such fair market value shall be determined reasonably and in good faith by the Issuer.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor,

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Contribution Indebtedness*" means Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate principal amount not greater than the aggregate amount of cash contributions (other than Excluded Contributions) made to the capital of the Issuer or any Restricted Subsidiary (other than, in the case of such Restricted Subsidiary, contributions by the Issuer or any other Restricted Subsidiary to its capital) after the Issue Date and designated as a Cash Contribution Amount; *provided* that such Contribution Indebtedness is so designated as Contribution Indebtedness pursuant to an Officer's Certificate of the Issuer on the Incurrence date thereof.

"*Credit Agreement*" means (i) the Senior Credit Agreement and (ii) whether or not the Senior Credit Agreement remains outstanding, if designated by the Issuer to be included in the definition of "Credit Agreement," one or more (A) debt facilities, indentures or commercial paper facilities providing for revolving credit loans, term loans, notes, debentures, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, notes, mortgages, guarantees, collateral documents, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances), or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, increased (*provided* that such increase in borrowings is permitted under the Indenture), replaced or refunded in whole or in part from time to time and whether by the same or any other agent, lender or investor or group of lenders or investors.

"*Credit Agreement Administrative Agent*" means Deutsche Bank AG New York Branch, as Administrative Agent under the Senior Credit Agreement.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-cash Consideration*" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate of the Issuer, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of or collection on such Designated Non-cash Consideration.

"*Designated Preferred Stock*" means Preferred Stock of the Issuer or any direct or indirect Parent of the Issuer, as applicable (other than Excluded Equity), that is issued after the Issue Date for cash and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate of the Issuer, on the issuance date thereof, the cash proceeds of which are contributed to the capital of the Issuer (if issued by Holdings or any other direct or indirect Parent of the Issuer) and excluded from the calculation set forth in clause (c) of the first paragraph of the covenant described under "Certain Covenants—Limitation on Restricted Payments."

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person that, by its terms (or by the terms of any security into which it is convertible or for which it is puttable, redeemable or exchangeable), in each case, at the option of the holder thereof or upon the happening of any event:

(1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control or asset sale; *provided* that the relevant asset sale or change of control provisions, taken as a whole, are no more favorable in any material respect to holders of such Capital Stock than the asset sale and change of control provisions applicable to the Notes and any purchase requirement triggered thereby may not become operative until compliance with the asset sale and change of control provisions applicable to the Notes (including the purchase of any Notes tendered pursuant thereto)),

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock, or

(3) is redeemable at the option of the holder thereof, in whole or in part,

in each case prior to the date that is 91 days after the earlier of the maturity date of the Notes and the date the Notes are no longer outstanding; *provided*, *however*, that only the portion of Capital Stock that so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided*, *further*, *however*, that if such Capital Stock is issued to any employee or to any plan for the benefit of employees of the Issuer or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided*, *further*, that any class of Capital Stock of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Capital Stock that is not Disqualified Stock shall not be deemed to be Disqualified Stock.

"*EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

(a) increased, without duplication, to the extent the same (except in the case of clause (8)) was deducted in calculating Consolidated Net Income of such Person by:

   (1) Consolidated Taxes of such Person; *plus*

   (2) Fixed Charges of such Person for such period (including (x) net losses on Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate risk and (y) costs of surety bonds in connection with financing activities), plus amounts excluded from the definition of "Consolidated Interest Expense" pursuant to clauses 1(w) through 1(z) thereof; *plus*

   (3) Consolidated Non-cash Charges of such Person; *plus*

   (4) (A) the amount of management, monitoring, consulting and advisory fees, termination payments and related expenses paid to the Sponsor (or any accruals relating to such fees and related expenses) during such period to the extent permitted by the covenant described under "Certain Covenants—Transactions With Affiliates" and (B) the amount of expenses relating to payments made to option holders (or employees holding other rights tied to the equity value of the Issuer or any direct or indirect Parent of the Issuer) of the Issuer or any direct or indirect Parent of the Issuer in connection with, or as a result of, any distribution being made to shareholders of such Person or its direct or indirect Parent, which payments are being made to compensate such option holders as though they were shareholders at the time of, and entitled to share in, such distribution, in each case to the extent permitted under the Indenture; *plus*

   (5) any expenses or charges (other than Consolidated Non-cash Charges) related to any issuance of Equity Interests, Investment, acquisition, disposition, recapitalization or the Incurrence of Indebtedness permitted to be Incurred by the Indenture (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to (x) the offering of the Notes or (y) the Transactions, (ii) any amendment or other modification of the Notes or other Indebtedness and (iii) commissions, discounts, yield and other fees and charges (including any interest expense) related to any Qualified Receivables Financing; *plus*

(6) the amount of loss on sale of receivables and related assets to a Receivables Subsidiary in connection with a Qualified Receivables Financing; *plus*

(7) the amount of any restructuring charges, accruals or reserves (which, for the avoidance of doubt, shall include retention, severance, systems establishment cost, excess pension charges, contract termination costs, including future lease commitments, integration costs, transition costs, costs related to the start-up, closure, relocation or consolidation of facilities and costs to relocate employees), any costs associated with non-ordinary course tax projects/audits, signing, retention or completion bonuses, and any fees and expenses relating to any of the foregoing; *plus*

(8) all adjustments of the nature used in connection with the calculation of "Adjusted EBITDA" as set forth in footnote 2 to "Summary—Summary Historical Condensed Financial Information and Other Data" in this Offering Circular to the extent such adjustments continue to be applicable during the period in which EBITDA is being calculated; *provided* that any such adjustments that consist of reductions in costs and other operating improvements or synergies shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Cost Savings"; *plus*

(9) any costs or expenses incurred pursuant to any management equity plan or stock option plan or other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such costs or expenses are funded with cash proceeds (other than intercompany contributions or other transfers from the Issuer or any Guarantor) contributed to the capital of the Issuer or a Guarantor or the net cash proceeds of an issuance of Equity Interests of the Issuer (other than Excluded Equity) solely to the extent that such net cash proceeds are excluded from the calculation of the amount available for Restricted Payments under clause (c)(1) of the first paragraph of "—Certain Covenants—Limitation on Restricted Payments"; *plus*

(10) the amount of any non-controlling interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary deducted (and not added back) in such period in calculating Consolidated Net Income, excluding cash distributions in respect thereof;

(b) decreased by, without duplication, non-cash items increasing Consolidated Net Income of such Person for such period (excluding any items that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that reduced EBITDA in any prior period; *provided* that if any non-cash items represent a potential cash item in any future period, the cash receipt in respect thereof in such future period shall be added to EBITDA to such extent in such future period);

(c) increased (with respect to losses) or decreased (with respect to gains) by, without duplication, any net realized gains and losses relating to amounts denominated in foreign currencies resulting from the application of IAS 21 (including net realized gains and losses from exchange rate fluctuations on intercompany balances and balance sheet items, net of realized gains or losses from related Hedging Obligations (entered into in the ordinary course of business or consistent with past practice)); and

(d) increased (with respect to losses) or decreased (with respect to gains) by, without duplication, any gain or loss relating to non-speculative Hedging Obligations (excluding Hedging Obligations entered into in the ordinary course of business or consistent with past practice).

"*Equity Contribution*" means the cash equity contributions to the Issuer made, either directly or indirectly, by the Sponsor in order to provide the Issuer with capital, when taken together with the proceeds of the Notes and the borrowings under the Senior Credit Agreement, sufficient to consummate the Transactions on the Issue Date.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any public or private sale after the Issue Date of capital stock or Preferred Stock of the Issuer or any direct or indirect Parent of the Issuer, as applicable (other than Disqualified Stock), other than:

(1) public offerings with respect to the Issuer's or such direct or indirect Parent's common stock registered on Form S-4 or Form S-8;

(2) issuances to any Subsidiary of the Issuer; and

(3) any such public or private sale that constitutes an Excluded Contribution or Refunding Capital Stock.

"*European Government Obligations*" means any security that is (1) a direct obligation of Ireland, Belgium, the Netherlands, France, Germany or any other country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Excluded Contributions*" means the Net Cash Proceeds and Cash Equivalents, or the Fair Market Value of other assets, received by the Issuer after the Issue Date from:

(1) contributions to its common equity capital, and

(2) the sale of Capital Stock (other than Excluded Equity) of the Issuer, in each case designated as Excluded Contributions pursuant to an Officer's Certificate, the proceeds of which are excluded from the calculation set forth in clause (c) of the first paragraph of "—Certain Covenants—Limitation on Restricted Payments."

"*Excluded Equity*" means (i) Disqualified Stock, (ii) any Equity Interests issued or sold to a Restricted Subsidiary or any employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries (to the extent such employee stock ownership plan or trust has been funded by the Issuer or any Restricted Subsidiary), (iii) any Equity Interest that has already been used or designated (x) as (or the proceeds of which have been used or designated as) a Cash Contribution Amount, Designated Preferred Stock, an Excluded Contribution or Refunding Capital Stock, or (y) to increase the amount available under clause (4)(a) of the second paragraph under "—Certain Covenants—Limitation on Restricted Payments" or clause (14) of the definition of "Permitted Investments" or is proceeds of Indebtedness referred to in clause (13)(b) of the second paragraph under "—Certain Covenants—Limitation on Restricted Payments" and (iv) the Equity Contribution.

"*Fair Market Value*" means, with respect to any asset or property, the price that could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer).

"*Fixed Charge Coverage Ratio*" means, with respect to any Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Issuer or any of its Restricted Subsidiaries Incurs or redeems or repays any Indebtedness (other than in the case of revolving credit borrowings or revolving advances under any Qualified Receivables Financing unless the related commitments have been terminated and such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Preferred Stock or Disqualified Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence or redemption or repayment of Indebtedness, or such issuance or redemption of Preferred Stock or Disqualified Stock, as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that, in the event that the Issuer shall classify Indebtedness Incurred on the date of determination as Incurred in part pursuant to the first paragraph of "—Certain Covenants—Limitations on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" and in part pursuant to one or more clauses of the second paragraph of such covenant, as provided in the third paragraph of such covenant, any calculation of Fixed Charges pursuant to this definition shall not include any such Indebtedness (and shall not give effect to any repayment, repurchase, redemption, defeasance or other acquisition, retirement or discharge of Indebtedness from the proceeds thereof) to the extent Incurred pursuant to any such other clause of such definition.

For purposes of making the computation referred to above, Investments, acquisitions (including the Transactions), dispositions, mergers, consolidations and discontinued operations, in each case with respect to a company, a business or an operating unit of a business, and operational changes (including the entry into any material contract or arrangement), that the Issuer or any of its Restricted Subsidiaries has both determined to make and made (or, solely with respect to operational changes, made or determined to make) after the Issue Date and during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date (each, for purposes of this definition, a "*pro forma event*") shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions (including the Transactions), dispositions, mergers, consolidations, discontinued operations and operational changes (and the change of any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period and on or prior to or simultaneously with the Calculation Date any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period and on or prior to or simultaneously with the Calculation Date shall have made or effected any Investment, acquisition, disposition, merger, consolidation or discontinued operation, in each case with respect to a company, a business or an operating unit of a business, or operational change that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition, disposition, merger, consolidation, discontinued operation or operational change had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to any *pro forma* event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility or a Qualified Receivables Financing computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate. Any such *pro forma* calculation may include, without limitation, (1) adjustments calculated in accordance with Regulation S-X under the Securities Act, (2) adjustments calculated to give effect to any Pro Forma Cost Savings and (3) all adjustments of the type used in connection with the calculation of "Adjusted EBITDA" as set forth in footnote 2 to "Summary—Summary Historical Condensed Financial Information and Other Data" in this Offering Circular to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period; *provided* that any such adjustments that consist of reductions in costs and other operating improvements or synergies shall be calculated in accordance with, and satisfy the requirements specified in, the definition of "Pro Forma Cost Savings."

"*Fixed Charges*" means, with respect to any Person for any period, the sum of:

(1) Consolidated Interest Expense of such Person for such period, and

(2) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries.

"*Fixed IFRS Date*" means the Issue Date; *provided* that at any time after the Issue Date, the Issuer may by written notice to the Trustee elect to change the Fixed IFRS Date to be the date specified in such notice, and upon such notice, the Fixed IFRS Date shall be such date for all periods beginning on and after the date specified in such notice.

"*Fixed IFRS Terms*" means (a) the definitions of the terms "Capitalized Lease Obligation," "Consolidated Interest Expense," "Consolidated Net Income," "Consolidated Non-Cash Charges," "Consolidated Senior Secured Debt Ratio," "Consolidated Taxes," "Consolidated Total Indebtedness," "EBITDA," and "Net Income," (b) all defined terms in the Indenture to the extent used in or relating to any of the foregoing definitions, and all ratios and computations based on any of the foregoing definitions, and (c) any other term or provision of the Indenture or the Notes that, at the Issuer's election, may be specified by the Issuer by written notice to the Trustee from time to time.

"*Foreign Subsidiary*" means a Restricted Subsidiary not organized or existing under the laws of the United States of America, any state thereof or the District of Columbia and any direct or indirect Subsidiary of such Restricted Subsidiary.

"*guarantee*" means, as to any Person, a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"*Guarantee*" means any guarantee of the Obligations of the Issuer under the Indenture and the Notes in accordance with the provisions of the Indenture.

"*Guarantors*" means, each Restricted Subsidiary of the Issuer that executes the Indenture as a Guarantor on the Issue Date and each other Restricted Subsidiary of the Issuer that Incurs a Guarantee of the Notes (including, without limitation, Faenza Acquisition GmbH, CeramTec GmbH, CeramTec-ETEC GmbH, Cerasiv GmbH Innovatives Keramik Engineering, Emil Müller GmbH, CeramTec Acquisition Corporation, CeramTec North America Corporation and Durawear Corporation); *provided* that upon the release or discharge of such Person from its Guarantee in accordance with the Indenture, such Person automatically ceases to be a Guarantor.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency swap, interest rate or commodity cap agreements, currency exchange, interest rate or commodity collar agreements and foreign exchange contracts; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates, commodity prices or equity risks.

"*holder*" or "*noteholder*" means the Person in whose name a Note is registered on the Registrar's books.

"*Holdings*" means Faenza Germany GmbH, a German limited liability company.

"*IAS*" means International Accounting Standards, as adopted by the European Union.

"*IFRS*" means the International Financial Reporting Standards as issued by the International Accounting Standards Board. All ratios and computations based on IFRS contained in the Indenture shall be computed in conformity with IFRS.

"*Incur*" means, with respect to any Indebtedness, Capital Stock or Lien, to issue, assume, guarantee, incur or otherwise become liable for such Indebtedness, Capital Stock or Lien, as applicable; *provided* that any Indebtedness, Capital Stock or Lien of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary.

"*Indebtedness*" means, with respect to any Person, without duplication:

(1) the principal and premium (if any) of any indebtedness of such Person, whether or not contingent, (a) in respect of borrowed money, (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof), (c) representing the deferred and unpaid purchase price of any property, except any such balance that constitutes a trade payable, accrued expense or similar obligation to a trade creditor, in each case Incurred in the ordinary course of business, (d) in respect of Capitalized Lease Obligations, or (e) representing any Hedging Obligations, if and to the extent that any of the foregoing Indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability on a balance sheet (excluding the footnotes thereto) of such Person prepared in accordance with IFRS;

(2) to the extent not otherwise included, any guarantee by such Person of the Indebtedness of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business); and

(3) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person); *provided*, *however*, that the amount of such Indebtedness will be the lesser of: (a) the Fair Market Value of such asset at such date of determination, and (b) the amount of such Indebtedness of such other Person;

provided that (a) Contingent Obligations Incurred in the ordinary course of business and (b) obligations under or in respect of Receivables Financings shall be deemed not to constitute Indebtedness.

"*Independent Financial Advisor*" means an accounting, appraisal or investment banking firm or consultant, in each case of nationally recognized standing that is, in the good faith determination of the Issuer, qualified to perform the task for which it has been engaged.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "*IPO Entity*") as a result of which the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Initial Purchasers*" means the initial purchasers listed in this Offering Circular under "Plan of Distribution."

"*Intercreditor Agreement*" means the intercreditor agreement among, *inter alios*, Deutsche Bank AG New York Branch, as administrative agent, Deutsche Bank Securities Inc., Royal Bank of Canada and UBS Securities LLC, as senior arrangers, the senior lenders party thereto, U.S. Bank Trustees Limited, as note trustee, Faenza GmbH and certain of its subsidiaries and the other parties thereto, to be dated on or around the date of the consummation of the Acquisition.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof (other than Cash Equivalents) and in each case with maturities not exceeding two years from the date of acquisition,

(2) securities that have an Investment Grade Rating, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries,

(3) investments in any fund that invests at least 95% of its assets in investments of the type described in clauses (1) and (2) above which fund may also hold immaterial amounts of cash pending investment and/ or distribution, and

(4) corresponding instruments in countries other than the United States customarily utilized for high-quality investments and in each case with maturities not exceeding two years from the date of acquisition.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees of Indebtedness), advances or capital contributions (excluding accounts receivable, trade credit and advances or other payments made to customers, dealers, suppliers and distributors and payroll, commission, travel and similar advances to officers, directors, managers, employees, consultants and independent contractors made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by IFRS to be classified on the balance sheet of the Issuer in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. If the Issuer or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any Restricted Subsidiary, or any Restricted Subsidiary issues any Equity Interests, in either case, such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer shall be deemed to have made an Investment on the date of any such sale or other disposition equal to the Fair Market Value of the Equity Interests of and all other Investments in such Restricted Subsidiary retained. In no event shall a guarantee of an operating lease of the Issuer or any Restricted Subsidiary be deemed an Investment. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "—Certain Covenants—Limitation on Restricted Payments":

(1) "Investments" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to:

   (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation, less

   (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer.

The amount of any Investment outstanding at any time (including for purposes of calculating the amount of any Investment outstanding at any time under any provision of the covenant described under "—Certain Covenants—Limitation on Restricted Payments," and otherwise determining compliance with such covenant) shall be the original cost of such Investment (determined, in the case of any Investment made with assets of the Issuer or any Restricted Subsidiary, based on the Fair Market Value of the assets invested), reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in cash by the Issuer or a Restricted Subsidiary in respect of such Investment, and in the case of an Investment in any Person, shall be net of any Investment by such Person in the Issuer or any Restricted Subsidiary.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means August 8, 2013.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, hypothecation, charge, security interest, preference, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*Management Group*" means the group consisting of the executive officers and other management personnel of Holdings on the Issue Date or who became officers or management personnel of Holdings or any direct or indirect Parent of the Issuer, as applicable, and its Subsidiaries following the Issue Date (other than in connection with a transaction that would otherwise be a Change of Control if such persons were not included in the definition of "Permitted Holders"), or (in each case) family members thereof, or trusts, partnerships or limited liability companies for the benefit of any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Equity Interests of the Issuer.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"*Net Cash Proceeds*" means the aggregate cash proceeds (using the Fair Market Value of any Cash Equivalents) received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received in respect of or upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale and any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, and including any proceeds received as a result of unwinding any related Hedging Obligations in connection with such transaction but excluding the assumption by the acquiring Person of Indebtedness relating to the disposed assets or other consideration received in any other non-cash form), net of the direct cash costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration (including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions), and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements related thereto), amounts required to be applied to the repayment of principal, premium (if any) and interest on Indebtedness required (other than pursuant to the second paragraph of the covenant described under "Certain Covenants—Asset Sales") to be paid as a result of such transaction, any costs associated with unwinding any related Hedging Obligations in connection with such transaction and any deduction of appropriate amounts to be provided by the Issuer or any of its Restricted Subsidiaries as a reserve in accordance with IFRS against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer or any of its Restricted Subsidiaries after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"*Net Income*" means, with respect to any Person, the net income (loss) attributable to such Person, determined in accordance with IFRS and before any reduction in respect of Preferred Stock dividends.

"*Non-Guarantor Subsidiary*" means any Restricted Subsidiary of the Issuer that is not a Guarantor.

"*Obligations*" means any principal, interest (including any interest accruing subsequent to the filing of a petition in bankruptcy, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), premium, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Circular*" means this Offering Circular, dated July 25, 2013, related to the offering of Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary (or any person serving the equivalent function of any of the foregoing) of such Person (or of the general partner of such Person) or any individual designated as an "Officer" for purposes of the Indenture by the Board of Directors of such Person (or the Board of Directors of the general partner of such Person).

"*Officer's Certificate*" means a certificate signed on behalf of the Issuer by an Officer of the Issuer that meets the requirements set forth in the Indenture.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Pari Passu Indebtedness*" means:

(1) with respect to the Issuer, the Notes and any Indebtedness that ranks *pari passu* in right of payment to the Notes; and

(2) with respect to any Guarantor, its Guarantee and any Indebtedness that ranks *pari passu* in right of payment to such Guarantor's Guarantee.

"*Permitted Asset Swap*" means the substantially concurrent purchase and sale or exchange of Related Business Assets or a combination of Related Business Assets and cash or Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received must be applied in accordance with the covenant described under "Certain Covenants—Asset Sales."

"*Permitted Debt*" shall have the meaning assigned thereto in the covenant described under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

"*Permitted Holders*" means each of (i) the Sponsor, (ii) the Management Group (or its direct or indirect Parent) and (iii) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which the Persons described in clauses (i) and (ii) are members; *provided* that, without giving effect to the existence of such group or any other group, the Persons described in clauses (i) and (ii), collectively, beneficially own Voting Stock representing more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect Parents held by such group. Any Person or group, together with its Affiliates, whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates (other than any Affiliate that is an operating portfolio company of any Person that is a financial sponsor) constitute an additional Permitted Holder. "*Beneficial Ownership*" has the meaning given to such term under Rule 13d-3 under the Exchange Act, or any successor provision.

"*Permitted Investments*" means:

(1) any Investment in cash and Cash Equivalents or Investment Grade Securities;

(2) transactions between or among the Issuer and/or any of its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction);

(3) any Investments by Subsidiaries that are not Restricted Subsidiaries in other Subsidiaries that are not Restricted Subsidiaries;

(4) any Investment by the Issuer or any Restricted Subsidiary in a Person that is primarily engaged in a Similar Business if as a result of such Investment (a) such Person becomes a Restricted Subsidiary, or (b) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary (and any Investment held by such Person that was not acquired by such Person in contemplation of so becoming a Restricted Subsidiary or in contemplation of such merger, consolidation, amalgamation, transfer, conveyance or liquidation);

(5) any Investment in securities or other assets received in connection with an Asset Sale made pursuant to the provisions of "Certain Covenants—Asset Sales" or any other disposition of assets not constituting an Asset Sale;

(6) any Investment (x) existing on the Issue Date, (y) made pursuant to binding commitments in effect on the Issue Date or (z) that replaces, refinances, refunds, renews or extends any Investment described under either of the immediately preceding clauses (x) or (y); *provided* that any such Investment is in an amount that does not exceed the amount replaced, refinanced, refunded, renewed or extended, except as contemplated pursuant to the terms of such Investment in existence on the Issue Date or as otherwise permitted under this definition or the covenant described under "Certain Covenants—Limitation on Restricted Payments";

(7) loans and advances to, or guarantees of Indebtedness of, employees, directors, officers, managers, consultants or independent contractors in an aggregate amount, taken together with all other Investments made pursuant to this clause (7) that are at the time outstanding, not in excess of €5.0 million outstanding at any one time in the aggregate;

(8) loans and advances to officers, directors, employees, managers, consultants and independent contractors for business related travel and entertainment expenses, moving and relocation expenses and other similar expenses, in each case in the ordinary course of business;

(9) any Investment (x) acquired by the Issuer or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the Issuer of such other Investment or accounts receivable, or (b) as a result of a foreclosure or other remedial action by the Issuer or any of its Restricted Subsidiaries with respect to any Investment or other transfer of title with respect to any Investment in default and (y) received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer, or (B) litigation, arbitration or other disputes;

(10) Hedging Obligations permitted under clause (j) of "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(11) any Investment by the Issuer or any of its Restricted Subsidiaries in a Similar Business (other than an Investment in an Unrestricted Subsidiary) in an aggregate amount, taken together with all other Investments made pursuant to this clause (11) that are at the time outstanding, not to exceed the greater of (x) €35.0 million and (y) 5.0% of Total Assets; *provided*, *however*, that if any Investment pursuant to this clause (11) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (2) above and shall cease to have been made pursuant to this clause (11) for so long as such Person continues to be a Restricted Subsidiary;

(12) additional Investments by the Issuer or any of its Restricted Subsidiaries in an aggregate amount, taken together with all other Investments made pursuant to this clause (12) that are at the time outstanding, not to exceed the greater of (x) €50.0 million and (y) 7.0% of Total Assets; *provided*, *however*, that if any Investment pursuant to this clause (12) is made in any Person that is not a Restricted Subsidiary at the date of the making of such Investment and such Person becomes a Restricted Subsidiary after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (2) above and shall cease to have been made pursuant to this clause (12) for so long as such Person continues to be a Restricted Subsidiary;

(13) [intentionally omitted];

(14) Investments the payment for which consists of Equity Interests (other than Excluded Equity) of the Issuer or any direct or indirect Parent of the Issuer, as applicable; *provided*, *however*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (c) of the first paragraph of the covenant described under "Certain Covenants—Limitation on Restricted Payments";

(15) Investments consisting of the licensing, sublicensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;

(16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or purchases, acquisitions, licenses, sublicenses or leases or subleases of intellectual property, or other rights or assets, in each case in the ordinary course of business;

(17) any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Indebtedness;

(18) Investments of a Restricted Subsidiary acquired after the Issue Date or of an entity merged into or consolidated with a Restricted Subsidiary in a transaction that is not prohibited by the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of All or Substantially All Assets" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger or consolidation and were in existence on the date of such acquisition, merger or consolidation;

(19) repurchases of the Notes;

(20) guarantees of Indebtedness permitted to be Incurred under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," and Obligations relating to such Indebtedness and guarantees (other than guarantees of Indebtedness) in the ordinary course of business;

(21) advances, loans or extensions of trade credit in the ordinary course of business by the Issuer or any of the Restricted Subsidiaries;

(22) Investments consisting of purchases and acquisitions of assets or services in the ordinary course of business;

(23) Investments in the ordinary course of business consisting of Article 3 endorsements for collection or deposit and Article 4 customary trade arrangements with customers;

(24) intercompany current liabilities owed to Unrestricted Subsidiaries or joint ventures Incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Subsidiaries; and

(25) Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries existing on the Issue Date in an aggregate amount, taken together with all other Investments made pursuant to this clause (25) that are at the time outstanding, not to exceed the greater of (x) €25.0 million and (y) 3.5% of Total Assets.

"*Permitted Joint Venture*" means, with respect to any specified Person, a joint venture (which for the avoidance of doubt is not itself a Restricted Subsidiary) of such Person, which joint venture is engaged in a Similar Business and in respect of which the Issuer or a Restricted Subsidiary beneficially owns at least 35% of the shares of Equity Interests of such Person.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens Incurred in connection with workers' compensation laws, unemployment insurance laws or similar legislation, or in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or to secure public or statutory obligations of such Person or to secure surety, stay, customs or appeal bonds to which such Person is a party, or as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's, landlords', materialmen's, repairman's, construction contractors' and mechanics' Liens, in each case for sums not yet overdue by more than 30 days or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review (or which, if due and payable, are being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained, to the extent required by IFRS);

(3) Liens for taxes, assessments or other governmental charges (i) which are not yet due or payable or (ii) which are being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained to the extent required by IFRS, or for property taxes on property such Person or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge, levy or claim is to such property;

(4) Liens in favor of the issuers of performance and surety bonds, bid, indemnity, warranty, release, appeal or similar bonds or with respect to regulatory requirements or letters of credit or bankers' acceptances issued and completion of guarantees provided for, in each case, pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) survey exceptions, encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights-of-way, servitudes, sewers, electric lines, drains, telegraph and telephone and cable television lines, gas and oil pipelines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely interfere with the ordinary conduct of the business of such Person;

(6) Liens Incurred to secure Obligations in respect of Indebtedness permitted to be Incurred pursuant to clause (a) or (d) of the definition of "Permitted Debt"; *provided* that, (x) in the case of clause (d), such Lien extends only to the assets and/or Capital Stock the acquisition, lease, construction, repair, replacement or improvement of which is financed thereby and any replacements, additions and accessions thereto and any income or profits thereof;

(7) Liens of the Issuer or any of the Restricted Subsidiaries (in the case of Liens securing Indebtedness of a Restricted Subsidiaries) existing on the Issue Date (other than Liens Incurred to secure Indebtedness under the Senior Credit Agreement);

(8) Liens on assets of, or Equity Interests in, a Person at the time such Person becomes a Subsidiary; *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, that such Liens are limited to all or a portion of the property or assets (and improvements on such property or assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate; *provided*, *further*, that for purposes of this clause (8), if a Person other than the Issuer or any Restricted Subsidiaries becomes a Subsidiary pursuant to a merger and is the Successor Company with respect thereto, any Subsidiary of such Person shall be deemed to become a Subsidiary of the Issuer or such Restricted Subsidiaries, as applicable, and any property or assets of such Person or any Subsidiary of such Person shall be deemed acquired by the Issuer or such Restricted Subsidiaries, as the case may be, at the time of such merger;

(9) Liens on assets at the time the Issuer or a Restricted Subsidiaries acquired the assets, including any acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiaries; *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided*, *further*, that such Liens are limited to all or a portion of the property or assets (and improvements on such property or assets) that secured (or, under the written arrangements under which the Liens arose, could secure) the obligations to which such Liens relate; *provided*, *further*, that for

purposes of this clause (9), if, in connection with an acquisition by means of a merger or consolidation with or into the Issuer or any Restricted Subsidiaries, a Person other than the Issuer or Restricted Subsidiaries is the Successor Company with respect thereto, any Subsidiary of such Person shall be deemed to become a Subsidiary of the Issuer or such Restricted Subsidiaries, as applicable, and any property or assets of such Person or any such Subsidiary of such Person shall be deemed acquired by the Issuer or such Restricted Subsidiaries, as the case may be, at the time of such merger or consolidation;

(10) Liens securing Indebtedness or other obligations of the Issuer or a Restricted Subsidiaries owing to the Issuer or a Guarantor permitted to be Incurred in accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(11) Liens securing Hedging Obligations Incurred in compliance with the covenant described below under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock";

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit entered into in the ordinary course of business issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases, subleases, licenses, sublicenses, occupancy agreements or assignments of or in respect of real or personal property;

(14) Liens arising from, or from Uniform Commercial Code financing statement filings regarding, operating leases or consignments entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(15) Liens in favor of the Issuer or any Restricted Subsidiaries (but not, in the case of a Restricted Subsidiary that is not a Guarantor, Liens in favor of such Restricted Subsidiary over the assets of the Issuer or a Guarantor);

(16) Liens on accounts receivable and related assets of the type specified in the definition of "Receivables Financing" Incurred in connection with a Qualified Receivables Financing;

(17) deposits made or other security provided in the ordinary course of business to secure liability to insurance carriers or under self-insurance arrangements in respect of such obligations;

(18) Liens on the Equity Interests of Unrestricted Subsidiaries;

(19) grants of intellectual property, software and other technology licenses;

(20) judgment and attachment Liens not giving rise to an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(21) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(22) Liens Incurred to secure cash management services and other "bank products" (including those described in clause (w) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock");

(23) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clause (7), (8), (9), (11) or (24); *provided*, *however*, that (x) such new Lien shall be limited to all or part of the same property that secured (or, under the written arrangements under which the original Lien arose, could secure) the original Lien (plus improvements on such property), and (y) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clause (7), (8), (9), (11) or (24) at the time the original Lien became a Permitted Lien under the Indenture, and (B) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(24) Liens securing Pari Passu Indebtedness permitted to be Incurred pursuant to the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *provided* that at the time of any Incurrence of such Pari Passu Indebtedness and after

giving *pro forma* effect thereto (in a manner consistent with the calculation of the Fixed Charge Coverage Ratio or, with respect to any revolving Indebtedness, at the time of the initial borrowing of such revolving Indebtedness, after giving *pro forma* effect to the Incurrence of the entire committed amount of such Indebtedness, in which case such committed amount may thereafter be borrowed or reborrowed, in whole or in part, from time to time, without further compliance with this clause (24) so long as the entire committed amount is always deemed outstanding) under this clause (24), the Consolidated Senior Secured Debt Ratio shall not be greater than 4.75 to 1.00;

(25) other Liens securing Obligations the principal amount of which does not exceed the greater of (x) €50.0 million and (y) 7.0% of Total Assets, at any one time outstanding;

(26) Liens on the Equity Interests or assets of a joint venture to secure Indebtedness of such joint venture Incurred pursuant to clause (u) of the definition of "Permitted Debt";

(27) Liens on equipment of the Issuer or any Restricted Subsidiary granted in the ordinary course of business to such Issuer's or such Restricted Subsidiary's client at which such equipment is located;

(28) Liens created for the benefit of (or to secure) all of the Notes or the Guarantees;

(29) Liens on property or assets used to defease or to satisfy and discharge Indebtedness; *provided* that such defeasance or satisfaction and discharge is not prohibited by the Indenture;

(30) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation and exportation of goods in the ordinary course of business;

(31) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code, or any comparable or successor provision, on items in the course of collection; (ii) attaching to pooling, commodity trading accounts or other commodity brokerage accounts Incurred in the ordinary course of business; and (iii) in favor of banking or other financial institutions or entities, or electronic payment service providers, arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking or finance industry;

(32) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks or other Persons not given in connection with the issuance of Indebtedness; (ii) relating to pooled deposit or sweep accounts of the Issuer or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries; or (iii) relating to purchase orders and other agreements entered into with customers of the Issuer or any Restricted Subsidiary in the ordinary course of business;

(33) any encumbrance or restriction (including put and call arrangements) with respect to capital stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(34) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(35) Liens on vehicles or equipment of the Issuer or any of the Restricted Subsidiaries granted in the ordinary course of business; and

(36) Liens on property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness and other obligations in respect of such Indebtedness of such non-Guarantor not to exceed the greater of (x) €35.0 million and (y) 5.0% of Total Assets.

For purposes of determining compliance with this definition, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens described in this definition but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category), (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, and (z) in the event that a portion of Indebtedness secured by a Lien could be classified as secured in part pursuant to clause (24) above (giving effect to the Incurrence of such portion of such Indebtedness), the Issuer, in its sole discretion, may classify such portion of such Indebtedness (and any Obligations in respect thereof) as having been secured pursuant to clause (24) above and thereafter the remainder of the Indebtedness as having been secured pursuant to one or more of the other clauses of this definition.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government (or any agency or political subdivision thereof) or any other entity.

"*PLTA*" means any profit and loss transfer agreements entered into between the entities of the German tax group including, without limitation, Holdings, the Issuer and German Bidco, regarding German corporate income tax and trade tax.

"*Preferred Stock*" means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution or winding up.

"*Pro Forma Cost Savings*" means, without duplication, with respect to any period, the net reduction in costs and other operating improvements (including the entry into any material contract or arrangement) or synergies that have been realized or are reasonably anticipated to be realized in good faith with respect to a *pro forma* event within eighteen months of the date of such *pro forma* event and that are reasonable and factually supportable, as if all such reductions in costs had been effected as of the beginning of such period, decreased by any incremental expenses incurred or to be incurred during such period in order to achieve such reduction in costs.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions:

(1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and its Restricted Subsidiaries,

(2) all sales of accounts receivable and related assets by the Issuer or any Restricted Subsidiary to the Receivables Subsidiary are made at Fair Market Value (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer), and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Board of Directors or a member of Senior Management of the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure any Credit Agreement shall not be deemed a Qualified Receivables Financing.

"*Rating Agency*" means (1) each of Moody's and S&P and (2) if Moody's or S&P ceases to rate the Notes for reasons outside of the Issuer's control, a "nationally recognized statistical rating organization" within the meaning of Section 3 under the Exchange Act selected by the Issuer or any Parent of the Issuer as a replacement agency for Moody's or S&P, as the case may be.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), and (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Wholly Owned Restricted Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is recourse to or obligates the Issuer or any other Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Issuer nor any other Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(3) to which neither the Issuer nor any other Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Related Business Assets*" means assets (other than cash or Cash Equivalents) used or useful in a Similar Business; *provided* that any assets received by the Issuer or a Restricted Subsidiary in exchange for assets transferred by the Issuer or a Restricted Subsidiary will not be deemed to be Related Business Assets if they consist of securities of a Person, unless such Person is, or upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"*Replacement Assets*" means (1) substantially all the assets of a Person primarily engaged in a Similar Business, (2) a majority of the Voting Stock of any Person primarily engaged in a Similar Business that will become, on the date of acquisition thereof, a Restricted Subsidiary or (3) assets (other than working capital assets) or property used or useful in a Similar Business or that replace the businesses, properties and/or assets that are the subject of an Asset Sale.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of a Person other than an Unrestricted Subsidiary of such Person. Unless otherwise indicated in this "Description of Notes," all references to Restricted Subsidiaries shall mean Restricted Subsidiaries of the Issuer.

"*S&P*" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, or any successor to the rating agency business thereof.

"*Sale/Leaseback Transaction*" means an arrangement relating to property now owned or hereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or such Restricted Subsidiary leases it from such Person, other than leases between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries.

"*SEC*" means the Securities and Exchange Commission.

"*Secured Indebtedness*" means any Indebtedness secured by a Lien.

"*Securities Act*" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Senior Credit Agreement*" means the credit agreement to be entered into on or around the Escrow Release Date among, *inter alios*, Faenza Acquisition GmbH, as a borrower, the other borrowers party thereto, the guarantors from time to time party thereto, the financial institutions named therein and Deutsche Bank AG New York Branch, as Administrative Agent, as described under "Description of Certain Financing Arrangements," including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, as amended, restated, supplemented, waived, renewed or otherwise modified from time to time, and (if designated by Issuer) as replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time, including (if designated by Issuer) any agreement or indenture or commercial paper facilities with banks or other institutional lenders or investors extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof (*provided* that such increase in borrowings is permitted under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock") or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent lender or group of lenders.

"*Senior Management*" means the officers, directors, and other members of senior management of the Issuer or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer or any Parent.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"*Similar Business*" means any business engaged or proposed to be engaged in by CeramTec on the Issue Date and any business or other activities that are similar, ancillary, complementary, incidental or related to, or an extension, development or expansion of, the businesses in which CeramTec is engaged following the Acquisition on the Issue Date.

"*Sponsor*" one or more investment funds advised or managed by Cinven Capital Management (V) Limited Partnership Incorporated in its capacity as general partner of such investment funds, acting through its general partner Cinven Capital Management (V) General Partner Limited, in each case (whether individually or as a group), Affiliates of the foregoing (but excluding any operating portfolio companies of the foregoing).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"*Subordinated Indebtedness*" means (a) with respect to the Issuer, any Indebtedness of the Issuer which is by its terms expressly subordinated in right of payment to the Notes, and (b) with respect to any Guarantor, any Indebtedness of such Guarantor which is by its terms expressly subordinated in right of payment to its Guarantee.

"*Subsidiary*" means, with respect to any Person (1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of the Voting Stock is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, (2) any partnership, joint venture, limited liability company or similar entity of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or any Restricted Subsidiary of such Person is a controlling general partner or otherwise controls such entity and (3) any Person that is consolidated in the consolidated financial statements of the specified Person in accordance with IFRS.

"*Total Assets*" means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent consolidated balance sheet of the Issuer and its Restricted Subsidiaries, determined on a *pro forma* basis as set forth in the definition of Fixed Charge Coverage Ratio.

"*Transactions*" means the transactions contemplated by the Acquisition Agreement and as described in this Offering Circular under the heading "The Transactions," including the borrowings under the Senior Credit Agreement and the issuance of the Notes and the payment of related fees and expenses.

"*Trust Officer*" means any officer within the corporate trust administration department of the Trustee, with direct responsibility for performing the Trustee's duties under the Indenture and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of such person's knowledge of and familiarity with the particular subject.

"*Uniform Commercial Code*" means the Uniform Commercial Code as from time to time in effect in the State of New York.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any existing Subsidiary and any newly acquired or newly formed Subsidiary of the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Issuer or any other Subsidiary of the Issuer that is not a Subsidiary of the Subsidiary to be so designated; *provided*, *however*, that the Subsidiary to be so designated and its Subsidiaries do not at the time of designation have any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any of its Restricted Subsidiaries; *provided*, *further*, *however*, that either:

(a) the Subsidiary to be so designated has total consolidated assets of €1,000 or less; or

(b) if such Subsidiary has consolidated assets greater than €1,000, then such designation would be permitted under the covenant described under "Certain Covenants—Limitation on Restricted Payments."

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that immediately after giving effect to such designation:

(x) (1) the Issuer could Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under "Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," or

(2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation, and (y) no Event of Default shall have occurred and be continuing.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote (without regard to the occurrence of any contingency) in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness or Disqualified Stock or Preferred Stock, as the case may be, at any date, the quotient obtained by dividing (1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock or Preferred Stock multiplied by the amount of such payment, by (2) the sum of all such payments.

"*Wholly Owned Restricted Subsidiary*" is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

"*Wholly Owned Subsidiary*" of any Person means a direct or indirect Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares or shares or interests required to be held by foreign nationals or other third parties to the extent required by applicable law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person and one or more Wholly Owned Subsidiaries of such Person.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LOCAL LAW CONSIDERATIONS ON LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE GUARANTEES

Set out below is a summary of certain insolvency law considerations and limitations on the enforceability of the guarantees in each of the jurisdictions in which guarantees are being provided. It is a summary only, and proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply, and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the guarantees.

Also set out below is a brief description of certain aspects of insolvency law, in force as of the date hereof, in the European Union, Germany and the United States. In the event that any one or more of the guarantors experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

European Union

Several of the Guarantors are organized under the laws of the member states of the European Union.

Pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**"), the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU Member State (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different EU Member States may have differing and even conflicting views.

The term "centre of main interests" is not a static concept. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "centre of main interests" in the EU Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties". In that respect, factors such as where board meetings are held, the location where the company conducts the majority of its business and the perception of the company's creditors as regards the center of the company's business operations may all be relevant in the determination of the place where the company has its "centre of main interests."

If the "centre of main interests" of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation with these proceedings being governed by the *lex fori concursus*, i.e. the local laws of the court opening such main insolvency proceedings. Insolvency proceedings opened in one EU Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be opened in another EU Member State. The effects of those main proceedings, however, do not affect third party rights *in rem* situated within a territory or other Member State, in accordance with Article 5 of the EU Insolvency Regulation. If the "centre of main interests" of a debtor is in one EU Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another EU Member State (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" in the territory of such other EU Member State. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other EU Member State. If the company does not have an establishment in any other EU Member State, no court of any other EU Member State has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation. In the event that any one or more of the Issuer or the Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

Germany

Insolvency

Certain of the Guarantors are incorporated or organized under German law (the "**German Subsidiary Guarantors**"). Consequently, if the "centre of main interests" of such Guarantors is found to be in Germany (see "*—European Union*" above), in the event of an insolvency of any such Guarantor, insolvency proceedings may be initiated in Germany. Such proceedings would then be governed by German law. However, pursuant to the E.U. Insolvency Regulation, where a German company conducts business in more than one EU Member State, the jurisdiction of the German courts may be limited if the company's "centre of main interests" is found to be in a EU Member State other than Germany. This issue is to be determined at the time when the competent court decides on the commencement of the relevant insolvency proceedings.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity has, from an insolvency laws point of view, to be dealt with separately. As a consequence, there is, in particular, no pooling of claims amongst the respective entities of a group, but rather claims of and vis-à-vis each entity have to be dealt with separately.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor (*Insolvenzschuldner*) and/or a creditor files a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings under German law with respect to a debtor incorporated or established as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or any other corporation or partnership not having an individual as a personally liable shareholder, can be initiated by either the debtor or the creditor in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor. A debtor is illiquid if it is unable to pay its debts as and when they fall due. A debtor is over-indebted when its liabilities exceed the value of its assets unless a continuation of the business is predominantly likely. If a German limited liability company, a German stock corporation (*Aktiengesellschaft*), a European law stock corporation (*Societas Europaea*, or *SE*), any other limited liability company or any company not having an individual as personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the management of such company is obliged to file for insolvency without undue delay (*ohne schuldhaftes Zögern*), however, at the latest within 21 days after the mandatory insolvency reasons of illiquidity or over-indebtedness have occurred and non-compliance with these obligations exposes management to both damage claims as well as sanctions under criminal law. In addition, the debtor is entitled, but not obliged, to file for insolvency proceedings if it is foreseeable that the debtor will not be able to pay its debts as and when they fall due in the future (*drohende Zahlungsunfähigkeit*).

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the insolvency estate (*Insolvenzmasse*) during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets other than immovable assets during these preliminary proceedings and will, in almost all cases, appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has applied for so-called self-administration (*Eigenverwaltung*) in which event the court will only appoint a preliminary trustee (*vorläufiger Sachwalter*) who will supervise the management of the affairs by the debtor. The duty of the preliminary administrator is, in particular, to safeguard and to preserve the insolvency estate (*Insolvenzmasse*), to verify the existence of a reason for the opening of insolvency proceedings (*Insolvenzeröffnungsgrund*) and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. During preliminary insolvency proceedings a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) can be appointed by the court if the debtor satisfied two of the following three requirements in the fiscal year preceding the financial year preceding the filing: a balance sheet total in excess of €4,840,000 (after deducting an equity shortfall if the debtor is over indebted), revenues of at least €9,680,000 in the 12 months prior to the last day of the financial year preceding the filing and/or fifty or more employees on average. The requirements apply to the respective entity without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions made in the preliminary insolvency proceedings. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for "self-administration" proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary trustee (*vorläufiger Sachwalter*).

The court orders the opening of formal insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) if certain requirements are met, in particular if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, the right to administer and dispose over the business and assets of the debtor passes to the insolvency administrator (*Insolvenzverwalter*) who is appointed by the insolvency court unless the so-called self-administration (*Eigenverwaltung*) is ordered, in which event the court will only appoint a trustee (*Sachwalter*) who will supervise the management of the affairs by the debtor. The insolvency administrator has full administrative and disposal authority over the debtor's assets, whereas the debtor is no longer entitled to dispose of its assets. The insolvency administrator (or in case of self-administration, the debtor) may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the insolvency estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor (including secured debt, subject to rights of separate satisfaction (*Absonderungsrechte*) and other security interests). The insolvency administrator or trustee may, on the grounds of avoidance (*Insolvenzanfechtung*), also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the initiation of the insolvency proceedings. All creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)), wishing to assert claims against the debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*). Any individual enforcement action (*Zwangsvollstreckung*) already brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened. Secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, certain secured creditors have preferential rights (*Absonderungsrechte*) regarding the enforcement of their security interest. Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. The insolvency administrator generally has the sole right (i) to realize any movable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*) or transfers by way of security (*Sicherungsübereignung*)) as well (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*), in each case unless such assets or claims constitute certain financial collateral. In case that the enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any), are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceedings (*Massekosten*) and the creditors of the insolvency estate (*Massegläubiger*) first (with priority to such costs). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Thereafter, all other claims (insolvency claims—*Insolvenzforderungen*), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate of the debtor (*Insolvenzmasse*) after the security interest, the costs of the proceedings, and the liabilities against the estate have been settled and paid. A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among others and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules. Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity swap with regards to its own debt if it does not consent to such debt-to-equity swap.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a movable asset that is subject to this right. The insolvency administrator, however, may then be required to compensate the creditor for the loss in value of such movable asset.

If a company faces imminent illiquidity and/or is over-indebted it may also file for a protection scheme (*Schutzschirmverfahren*). In such a case and upon request of the debtor, the court will prohibit enforcement measures (other than with respect to immovable assets) and may implement other preliminary measures to protect the debtor from creditor enforcement actions for a period of up to three months. During such period, the debtor shall, together with its creditors and a preliminary trustee (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal self-administration proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened. Under certain circumstances, restrictive covenants and undertakings in finance documents may result in the relevant creditor being considered to hold a "shareholder-like position" (*gesellschafterähnliche Stellung*) in the relevant debtor, guarantor, or grantor of security. In that event, in an insolvency proceeding over the assets of such debtor, guarantor, or grantor of security, the claims against such debtor, guarantor, or grantor of security would be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*). Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of the debtor unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the majority of insolvency cases governed by German law.

Under the German Insolvency Code, an insolvency administrator (or in the event self-administration has been granted, the trustee (*Sachwalter*)), could possibly avoid acts (*Rechtshandlungen*) and transactions (*Rechtsgeschäfte*) that are deemed detrimental to insolvency creditors and were effected prior to or after the commencement to insolvency proceedings. Such transactions can include payments under any guarantee or security or the granting of any guarantee or security interest. In the event that such a transaction is successfully avoided, the beneficiaries of such guarantee (such as the holders of Notes) or such security interest would be under an obligation to repay the amount already received under the relevant security or guarantee, or to waive the guarantee or security interest. In particular, a transaction (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be avoided according to the German Insolvency Code in the following cases:

- any act (*Rechtshandlung*) or transaction (*Rechtsgeschäft*) granting a creditor, or enabling an insolvency creditor to obtain security (*Sicherung*) or satisfaction for a debt (*Befriedigung*) can be avoided if such act was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was illiquid (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge of such illiquidity or of the filing of such petition (or knowledge of circumstances which imperatively suggest such cash flow insolvency or filing);

- any act (*Rechtshandlung*) or transaction (*Rechtsgeschäft*) granting a creditor, or enabling an insolvency creditor to obtain security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction can be avoided if such act was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if such act was effected in the second and third month prior to the filing, it can be avoided if at the time of such act (i) the debtor was cash illiquid, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor (or knowledge of circumstances which imperatively suggesting such detrimental effects);

- any transaction (*Rechtsgeschäft*) effected by the debtor which is directly detrimental to the creditors of the debtor, or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable if it was entered into, can be avoided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the transaction the debtor was illiquid and the other party to the transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the transaction had knowledge of either the debtor's illiquidity or such filing at the time of the transaction;

- any act by the debtor without adequate consideration (e.g. whereby a debtor grants security for a third party debt) might be regarded as having been granted gratuitously (*unentgeltlich*); a gratuitous transaction can be avoided if it was effected in the four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;

- any act performed by the debtor, including the granting of guarantees and security interest, during a period of ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after such filing, if the debtor acted with the intention to prejudice its creditors can be avoided if the other party had knowledge of such intention at the time of such act;

- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded within two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25 percent of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be avoided (i) in the event it provided security, if the act was effected in the last ten years prior to the filing of a petition for opening of insolvency proceedings or thereafter or (ii) in the event it resulted in satisfaction, if the act was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter; or

- a transaction whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be avoided if the transaction was effected in the last year prior to the filing of a petition for opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (e.g., an entity subject to the German insolvency laws) was subject to illiquidity, that a petition for the opening of insolvency proceedings has been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party", there is a general statutory presumption that such party had knowledge.

Apart from the examples of an insolvency administrator or a trustee avoiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also avoid any security right or payment performed under the relevant security right according to the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The conditions vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts or has obtained the relevant enforcement order, respectively.

If any guarantee or security is avoided or held unenforceable for any other reason, the claimant would cease to have any claim in respect of the guarantee and would have a claim solely under the notes and the remaining guarantees, if any. Any amounts obtained from transactions that have been avoided would have to be repaid.

Limitations on Validity and Enforceability of the Guarantees and the Security Interests

The granting of guarantees and collateral by German subsidiary guarantors is subject to certain capital maintenance rules under German law. Therefore, in order to enable German subsidiary guarantors to grant guarantees and security interests securing liabilities of the Issuer without the risk of violating German capital maintenance provisions and to protect management from personal liability, it is standard market practice for credit agreements, notes, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a German limited liability company (*GmbH*), a German stock corporation (*AG*) or a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*). Pursuant to such limitation language, the enforcement of the subsidiary guarantee and security documents given by each of the German subsidiary guarantors will be limited reflecting, in case of any German subsidiary guarantors incorporated as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) or as a German limited partnership with a German limited liability company as general partner, the requirement under the capital maintenance rules imposed by Sections 30 and 31 of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) if and to the extent payments under any such subsidiary guarantee or, as the case may be, the enforcement of security documents would cause a German Subsidiary Guarantor's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (i.e., assets minus liabilities and liability reserves) and further adjusted by the limitation language to fall below, or to increase an existing shortfall of, the amount of its registered share capital or if the enforcement of security documents would deprive the German Subsidiary guarantor of the liquidity necessary to fulfill its financial liabilities to its creditors (*Begründung oder Vertiefung einer Unterbilanz*). These limitations would, to the extent applicable, restrict the right of payment and would limit the claim accordingly irrespective of the granting of the subsidiary guarantee. In addition, subsidiary guarantees in other jurisdictions may be subject to similar limitations.

German capital maintenance rules are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German subsidiary guarantors in the legal form of a German limited liability company (*GmbH*), a German stock corporation (*AG*) or a German limited partnership with a German limited liability company as general partner (*GmbH & Co. KG*), which can negatively affect the ability of the Issuer to make payment on the Notes or of the German subsidiary guarantors to make payments on the subsidiary guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called–destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a subsidiary guarantee granted by the German subsidiary guarantors. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of subsidiary guarantees by the German subsidiary guarantors.

Creditor's Liability

Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the subsidiary guarantee could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if for example the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

United States

Certain subsidiaries are organized under the laws of the United States, have their registered offices in the United States, and have property in the United States. In the event of insolvency, insolvency proceedings may, therefore, be initiated in the United States. United States law would then govern those proceedings. A voluntary bankruptcy case may be commenced by us, or an involuntary bankruptcy case could be commenced by certain unsecured creditors as provided in the United States Bankruptcy Code.

Fraudulent Transfer

Under United States federal bankruptcy laws and comparable provisions of state fraudulent transfer or conveyance laws, the Notes or any guarantee, and the granting of liens to secure the Notes and the guarantees, could be voided (that is, cancelled) as a fraudulent transfer or conveyance if a court determined that any Issuer, at the time it issued the Notes or granted the liens, or any guarantor, at the time it issued the guarantee or granted the liens (or, in some jurisdictions, when payment becomes due under the guarantee) (i) issued the Notes or incurred the guarantee or granted the lien with actual intent of hindering, delaying or defrauding creditors or (ii) any Issuer or guarantor, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the Notes or incurring the guarantee or granting the lien and, in the case of (ii) only, one of the following is also true at the time thereof:

- such Issuer or any guarantor, as applicable, was insolvent or rendered insolvent by reason of the issuance of the Notes or the incurrence of the guarantee or the granting of the lien;

- the issuance of the Notes or the incurrence of the guarantee or the granting of the lien left such Issuer or guarantor, as applicable, with an unreasonably small amount of capital to carry on our or its business; or

- such Issuer or guarantor intended to, or believed that such Issuer or guarantor would, incur debts beyond such Issuer's or guarantor's ability to pay such debts as they mature.

A U.S. court would likely find that an Issuer or a guarantor did not receive reasonably equivalent value or fair consideration for the Notes or such guarantee or such lien if an Issuer or such guarantor did not benefit directly or indirectly from the issuance of the Notes or the applicable guarantee or granting of a lien.

We cannot be certain as to the standards a court would use to determine whether or not an Issuer or guarantor was solvent at the relevant time or, regardless of the standard that a court uses, that payments to holders of the Notes constituted fraudulent transfers on other grounds. Generally, however, an entity would be considered insolvent by a U.S. court if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

- it could not pay its debts as they become due.

If the Notes or guarantees were avoided or limited under fraudulent transfer or other laws, any claim you may make against any Issuer or guarantor for amounts payable on the Notes would be unenforceable to the extent of such avoidance or limitation. Moreover, the court could order you to return any payments previously made by any Issuer or guarantor. If the liens were avoided, you would not have the benefits of being a secured creditor.

Although any guarantee entered into in connection with the issuance of the Notes will contain a provision intended to limit that guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, this provision may not be effective to protect such guarantee from being voided under fraudulent transfer law, or may reduce that guarantor's obligation to an amount that effectively makes its guarantee worthless.

Subsequent Liens or Guarantees

The Indenture will provide that certain future Restricted Subsidiaries will guarantee the Notes and secure their guarantees with liens on their assets. The Indenture will also require the Issuer and Guarantors to grant liens on certain assets that the Issuer and the existing Guarantors acquire after the Notes are issued. If the entity granting an additional lien or guarantee were insolvent at the time of the grant and if such grant was made within 90 days before that entity commenced a bankruptcy case (or one year before commencement of a bankruptcy case if the creditor that benefited from the lien or guarantee is an "insider" under the United States Bankruptcy Code), and the granting of the lien or additional guarantee enabled the holders of Notes to receive more than they would if the debtor were liquidated under chapter 7 of the United States Bankruptcy Code, then the additional lien or guarantee could be avoided (that is, cancelled) as a preferential transfer under U.S. bankruptcy law.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Germany

We have been advised by our German legal counsel that there is doubt as to the enforceability in Germany of civil liabilities based on the state securities laws of the United States, either in an original action or in action to enforce a judgment obtained in U.S. courts. The United States and Germany do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth in Sections 722 and 328 of the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, assuming all of the following:

- the judgment being final under U.S. law;
- the U.S. court having had jurisdiction over the original proceeding in accordance with German statutory rules on jurisdictional competence;
- a defendant, who has not entered an appearance in the proceedings and who takes recourse to this fact, has duly been served the document by which the proceedings were initiated, and in such time to allow him to defend himself;
- the judgment of the U.S. court not being incompatible with any existing judgment of a German court or with any prior final judgment by a foreign court which is to be recognized in Germany;
- the proceedings on which such judgment by the U.S. court is based not being incompatible with proceedings that have become pending earlier in Germany;
- the enforcement of the judgment by the U.S. court being compatible with German public policy (*ordre public*), including the fundamental principles of German law, and in particular the civil liberties (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- generally, the guarantee of reciprocity of enforcement.

Subject to the foregoing, purchasers of securities may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany, after having received an exequatur decision from a competent German court in accordance with the above principles. We cannot, however, assure you that attempts to enforce judgments in Germany will be successful.

German courts usually deny the recognition and enforcement of punitive damages, since damages, which do not serve a compensatory purpose are regarded to be in conflict with German public policy. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely by U.S. federal securities laws. German civil proceedings differ substantially from U.S. civil procedure in a number of respects.

In as far as the production of evidence is concerned, U.S. laws and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceedings. No equivalent pre-trial discovery process exists under German law.

EU SAVINGS TAX DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at 35 percent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. The Luxembourg Ministry of Finance announced on April 10, 2013 that the transitional withholding system in Luxembourg would be replaced by automatic exchange of information from January 1, 2015.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment to an individual were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to such directive, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will use reasonable endeavors to maintain a paying agent with a specified office in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000.

Germany has implemented the Savings Directive into national legislation by means of an Interest Information Regulation (*Zinsinformationsverordnung, ZIV*) in 2004. These provisions apply since July 1, 2005.

CERTAIN TAX CONSEQUENCES

The following is a general discussion of certain tax consequences under the tax laws of the Federal Republic of Germany and the United States of the acquisition, ownership and disposal of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of the Federal Republic of Germany and the United States currently in force and as applied on the date of this Offering Circular, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY, THE UNITED STATES AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

Certain German Tax Considerations

Tax Residents

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

Taxation if the Notes are held as private assets (Privatvermögen)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

Income

The Notes qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of Section 20 Para 1 No 7 German Income Tax Act ("**ITA**"—*Einkommensteuergesetz*).

Accordingly, payments of interest on the Notes qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated December 22, 2009, as amended on November 16, 2010 and October 9, 2012, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible.

German withholding tax (Kapitalertragsteuer)

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings. If the Notes are not held in a custodial account, German withholding tax will nevertheless be levied if the Notes are issued as definitive securities and the savings earnings are paid by a German Disbursing Agent or the Issuer against presentation of the Notes or interest coupons (so-called over-the-counter transaction—*Tafelgeschäft*).

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes (e.g. if the Notes are transferred from a non-EU custodial account) and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law or in the case of over-the-counter transactions, withholding tax is applied to 30% of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax.

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining the application have to include their savings income in their tax return and will then be assessed to church tax. For German credit institutions an electronic information system as regards church withholding tax will presumably apply in respect of interest received after 31 December 2013, with the effect that church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*).

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuer is, as a rule, not obliged to levy German withholding tax in respect of payments on the Notes. If, however, the Notes are issued as definitive securities and the savings earnings are paid by the Issuer against presentation of the Notes and/or coupons, the Issuer will be obliged to levy German withholding tax.

Tax assessment

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and replace the investor’s income taxation. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has not applied in writing for this tax to be withheld as a surcharge to the withholding tax or, after 31 December 2013, has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the tax return for church tax purposes.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375%—including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed husband and wife the application can only be filed for savings income of both spouses.

When computing the savings income, the saver’s lump sum amount (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife) will be deducted. The deduction of the actual income related expenses, if any, is excluded.

Taxation if the Notes are held as business assets (Betriebsvermögen)

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductible.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a company satisfying the requirements of section 43 para 2 sentence 3 no 1 ITA or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

Non-residents

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income (e.g., over-the-counter transactions). If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

Inheritance and Gift Tax

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are living in a foreign country and German expatriates.

Other Taxes

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

It is intended to introduce a financial transaction tax, but not before 2014. Once such tax is introduced, it will most likely apply also to transfers of Notes.

Certain U.S. Federal Income Tax Considerations to U.S. Holders

The discussion of tax matters in this Offering Memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal, state or local tax penalties, and was written to support the promotion or marketing of the Notes. Each taxpayer should seek advice based on such person's particular circumstances from an independent tax adviser.

The following summary discusses certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. This discussion applies only to:

- Notes purchased in this offering at their issue price (the first price at which a substantial amount of Notes is sold to investors for cash, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers);
- Notes held as capital assets; and
- U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances or to U.S. Holders subject to special rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, investors liable for the alternative minimum tax, U.S. expatriates, individual retirement accounts and other tax-deferred accounts, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt organizations, dealers in securities or currencies, securities traders that elect mark-to-market tax accounting, investors that will hold the Notes as part of constructive sales, straddles, hedging, integrated or conversion transactions for U.S. federal income tax purposes or investors whose "functional currency" is not the U.S. dollar.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations all as of the date of this Offering Memorandum and any of which may at any time be repealed, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. Persons considering the purchase of the Notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under other U.S. federal tax laws (such as the U.S. federal estate and gift taxes or the Medicare contribution tax) or the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation created or organized in or under the laws of the United States or of any state thereof or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner in such a partnership will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships considering an investment in the Notes should consult their own tax advisers regarding the U.S. federal tax consequences of an investment in the Notes.

This discussion assumes that certain features of the Notes do not cause them to be subject to the U.S. federal income tax rules that apply to contingent payment debt instruments. If the Notes were subject to the contingent payment debt instrument rules, this would affect the character, timing and amount (in a given tax period) of income earned by a U.S. Holder, possibly negatively. However, no ruling will be sought from the U.S. Internal Revenue Service with respect to the discussion below.

Payments of Stated Interest

Subject to the foreign currency rules discussed below, stated interest (without deduction for any taxes withheld therefrom and including any additional amounts) paid on a Note will be taxable to a U.S. Holder as non-U.S. source ordinary interest income at the time it accrues or is received in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest with respect to the Notes will be required to include in income (as ordinary income) the U.S. dollar value of such payment (determined by translating the Euros received at the spot rate on the date the payment is received) regardless of whether such payment is in fact converted from Euro to U.S. dollars at that time. A cash basis U.S. Holder generally will not recognize any foreign currency gain or loss on receipt of an interest payment in Euro.

An accrual method U.S. Holder will include in income (as ordinary income) for each accrual period the U.S. dollar value of the Euro interest that has accrued during such accrual period, determined by translating the payment into U.S. dollars at the average exchange rate for the accrual period (or, with respect to an accrual period that spans two taxable years, using the average exchange rate for the partial period within the relevant taxable year). Alternatively, the U.S. Holder can elect to translate stated interest into U.S. dollars at the spot exchange rate on the last day of the stated interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the accrual period in such taxable year) or on the date the stated interest payment is received if such date is within five business days of the end of the accrual period. A U.S. Holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

In addition, upon receipt of a stated interest payment on a Note (including, upon the sale or other taxable disposition of a Note, amounts attributable to accrued but unpaid interest), an accrual method U.S. Holder will recognize U.S. source exchange rate gain or loss, taxable as ordinary income or loss, in an amount equal to the difference if any between the U.S. dollar value of the amount received (translated from Euros into U.S. dollars at the spot rate on the date of receipt) and the U.S. dollar value of the amount previously accrued with respect to such payment, regardless of whether the payment is in fact converted into U.S. dollars.

If there is any withholding of non-U.S. taxes, a U.S. Holder may be entitled to deduct or credit any tax withheld, subject to certain limitations. You are urged to consult your own tax adviser regarding the availability of the foreign tax credit under your particular circumstances.

Original Issue Discount

If the stated principal amount of the Notes exceeds their issue price by an amount that equals or exceeds a de minimis threshold, the Notes would be treated as issued with original issue discount for U.S. federal income tax purposes in an amount equal to such excess. Original issue discount will be considered to be de minimis if it is less than .25% of the stated principal amount multiplied by the number of complete years from the issue date of the Note to the maturity date of the Note. In the event that the Notes are considered to be issued with original issue discount, U.S. Holders will be required to include such original issue discount in their gross income (as ordinary income) as it accrues (on a constant yield to maturity basis), in advance of their receipt of cash attributable to such original issue discount and regardless of such holder's accounting method for U.S. federal income tax purposes. Both cash method and accrual method U.S. Holders account for original issue discount on a note denominated in Euro in generally the same manner as described above for accrual method U.S. Holders with respect to stated interest payments.

Sale, Exchange, Retirement, Redemption, or Other Taxable Disposition of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement, redemption or other taxable disposition of a Note in an amount equal to the difference, if any, between the U.S. dollar value of the amount realized upon such disposition (other than amounts attributable to accrued and unpaid stated interest, which will be treated like a payment of interest and be accounted for in the manner described above under "—Payments of Stated Interest") and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note will generally be its U.S. dollar cost for the Note, increased by any original issue discount previously included in income.

U.S. Holders should consult their own tax advisers about the method for calculating the amount realized and adjusted tax basis when such amounts are paid or received in a foreign currency. In particular, a U.S. Holder may be required to account for such amounts based on the U.S. dollar value on the trade date or settlement date of the transaction and may have an option to choose which date to use.

A U.S. Holder will recognize U.S. source exchange rate gain or loss, taxable as ordinary income or loss, on the disposition of a Note equal to the difference, if any, between the U.S. dollar value of the issue price at the spot rate (i) on the date of disposition and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange gain or loss (along with any exchange gain or loss with respect to interest paid or deemed paid at that time) will be realized only to the extent of total gain or loss realized on the disposition of the Note.

Any remaining gain or loss realized on the sale, exchange, retirement, redemption or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if at the time of disposition the U.S. Holder has held the Note for more than one year. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of interest and accruals of OID on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on the foregoing amounts if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Additional Disclosure Requirements

U.S. Holders should consult their own tax advisers about any additional reporting obligations that may apply as a result of the acquisition, holding or disposition of the Notes. For example, there are special reporting rules that may apply when a U.S. Holder has an account with a financial institution outside the United States or recognizes a significant foreign currency loss in a particular tax year. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

General

On or about the Issue Date, the Global Notes will be deposited with, and registered in the name of the nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). Each series of Notes sold within the U.S. to qualified institutional buyers in reliance on Rule 144A will initially be represented by one global note in registered form without interest coupons attached (the "**144A Global Notes**"). Each series of Notes sold outside the U.S. in reliance on Regulation S will initially be represented by one global note in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**").

After the Issue Date, book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Ownership of interests in the Global Notes ("**book-entry interests**") will be limited to persons that have accounts with Euroclear or Clearstream or persons that may hold interests through those participants. In addition, while the Notes are in global form, holders of book-entry interests will not be considered the owners or "holder" of Notes for any purpose.

So long as the Notes are held in global form, the nominee of the common depositary for Euroclear and Clearstream will be considered the sole holder of Global Notes for all purposes under the Indenture governing the Notes. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of the participants through which they own book-entry interests, to transfer the interests or in order to exercise any rights of holders under the Indenture governing the Notes.

Neither we, the Trustee, the paying agent, the nominee of the common depositary for Euroclear and Clearstream nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests.

Issuance of Definitive Registered Notes

The book-entry interests will not be held in definitive form. Instead, Euroclear or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by that participant. The laws of some jurisdictions, including some states of the U.S., may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge book-entry interests. In addition, while the Notes are in global form, "holders" of book-entry interests will not be considered the owners or "holders" of Notes for any purpose.

Under the terms of the Indenture governing the Notes, to the extent permitted by Euroclear or Clearstream, owners of book-entry interests will receive definitive Notes in registered form ("**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act and we do not appoint a successor within 90 days; or

- if the owner of a book-entry interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture and enforcement action is being taken in respect thereof under such Indenture.

Euroclear and Clearstream have advised us that upon request by an owner of a book-entry interest described in the immediately preceding clause, their current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of book-entry interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of the book-entry interests). Those Definitive Registered Notes will bear the restrictive legend described under "*Transfer Restrictions*" unless that legend is not required at the time by the Indenture governing the Notes or applicable law.

Redemption of Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear or Clearstream (or their respective nominees), as applicable, will redeem an equal amount of the book-entry interests in that Global Note from the amount received by it in respect of the redemption of the Global Note. The redemption price payable in connection with the redemption of the book-entry interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of the Global Note (or any portion thereof). We understand that, under existing practices of

Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on any other basis that they deem fair and appropriate (including the pool factor); provided, however, that no book-entry interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes will be made by us in pounds sterling to the Principal Paying Agent. The Principal Paying Agent will, in turn, make payments to the common depositary for Euroclear and Clearstream, which will distribute those payments to participants in accordance with its procedures. Under the terms of the Indenture governing the Notes, we and the Trustee will treat the registered holder of the Global Notes as the owner of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee nor any of our or its agents has or will have any responsibility or liability for:

(a) any aspect of the records of (or maintaining, supervising or reviewing the records of) Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest;

(b) any other matter relating to the actions and practices of Euroclear, Clearstream or any participants or indirect participants; or

(c) the common depositary, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of those participants, as is the case with securities held for the accounts of customers registered in "street name."

To the extent permitted by law, we, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We will not impose any fees or other charges in respect of the Notes; however, owners of the book-entry interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Notes are credited and only in respect of the portion of the aggregate principal amount of Notes for which the participant or participants has or have given direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the relevant Global Notes for definitive registered Notes in certificated form, and to distribute those definitive registered Notes to its participants.

Transfers

The Global Notes will bear a legend as described under "*Transfer Restrictions*." Book-entry interests in the Global Notes will be subject to restrictions on transfer described under "Transfer Restrictions."

Book-entry interests in the Rule 144A Global Note ("**restricted book-entry interests**") may be transferred to a person who takes delivery in the form of book-entry interests in the Regulation S Global Note ("**unrestricted book-entry interests**") only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that the transfer is made in accordance with Regulation S and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

Prior to 40 days after the date of initial issuance of the Notes, any sale or transfer of interests to U.S. persons will not be permitted unless the resale or transfer is made pursuant to Rule 144A.

Unrestricted book-entry interests may be transferred to a person who takes delivery in the form of restricted book-entry interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture governing the Notes) to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the U.S. or any other jurisdiction.

Any book-entry interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a book-entry interest in the other Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global

Note and become a book-entry interest in the other Global Note, and accordingly, will thereafter be subject to all transfers, if any, and other procedures applicable to book-entry interest in that other Global Note for as long as that person retains the book-entry interests.

Definitive Registered Notes, if any, may be transferred and exchanged for book-entry interests in a Global Note only pursuant to the terms of the Indenture governing the Notes and, if required, only after the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture governing the Notes) to the effect that the transfer will comply with the appropriate transfers applicable to those Notes.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

Initial settlement for the Notes will be made in pounds sterling. Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-entry interests will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Circular, which will be ten business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 10"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Circular or the following business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Secondary Market Trading

The book-entry interests will trade through participants of Euroclear and Clearstream, and will settle in same-day funds. Since the sale determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchasers' and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trustee's Powers

In considering the interests of the holders of Notes, while title to the Notes is registered in the name of a nominee of a clearing system, the Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its account holders with entitlements to Notes and may consider such interests as if such accountholders were the holders of the Notes.

Enforcement

For the purposes of enforcement of the provisions of the Indenture against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture to the extent of the principal amounts of their interests in the Notes set out in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

Information Concerning Euroclear and Clearstream

We understand the following with respect to Euroclear and Clearstream:

(a) Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets; and

(b) Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear and Clearstream participant, either directly or indirectly.

TRANSFER RESTRICTIONS

The Issuer has not registered the Notes under the Securities Act and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are only to be offered and sold to:

- QIBs in compliance with Rule 144A under the Securities Act; and
- in offers and sales that occur outside the United States to foreign purchasers, that is, purchasers who are not U.S. persons.

The term "**foreign purchasers**" includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust, in offshore transactions meeting the requirements of Rule 903 of Regulation S. We use the terms "**offshore transaction**," "**U.S. person**" and "**United States**" with the meanings given to them in Regulation S.

If you purchase Notes, you will be deemed to have represented and agreed as follows:

(a) You understand and acknowledge that the Notes have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(b) You are not our "affiliate" (as defined in Rule 144), you are not acting on our behalf and you are either:

(i) a QIB and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB; or

(ii) not a "**U.S. person**" as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(c) You acknowledge that neither the Issuer, the Initial Purchaser nor any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this Offering Circular, which offering circular has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Circular. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(d) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of these Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of these Notes and the last date on which the Issuer or any of its affiliates were the owner of such Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date") only:

(i) to us;

(ii) pursuant to a registration statement which has been declared effective under the Securities Act;

(iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A;

(iv) pursuant to offers and sales to non-U.S. persons occurring outside the United States within the meaning of Regulation S; or

(v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller or account's control, and in compliance with any applicable state securities laws.

The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

You acknowledge that the Issuer, the Trustee and the Registrar reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clause (iv) above prior to the end of the 40-day distribution compliance period within the meaning of Regulation S or pursuant to clause (v) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and other information satisfactory to us, the Trustee and the Registrar.

Each purchaser acknowledges that each note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE THAT IS, [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WERE THE OWNERS OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OR PURSUANT TO CLAUSE (E) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THAT AN OPINION OF COUNSEL, CERTIFICATIONS AND OTHER INFORMATION SATISFACTORY TO THE ISSUER, THE TRUSTEE AND THE REGISTRAR IS COMPLETED AND DELIVERED BY THE TRANSFEROR. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE U.S. SECURITIES ACT".

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(4) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "distribution compliance period" (as defined below), you shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act. The "distribution compliance period" means the 40-day period following the Issue Date for the Notes.

(5) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of Distribution."

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement between the Issuer and the Initial Purchasers to be dated the date of the final Offering Circular (the "**Purchase Agreement"**), we have agreed to sell to the Initial Purchasers, on a several and not joint basis, the following respective principal amount of Notes:

Initial Purchasers	**Principal Amount of Notes**
Deutsche Bank AG, London Branch	153,350,000
RBC Europe Limited	76,675,000
UBS Limited	76,675,000
Total	€306,700,000

The Initial Purchasers propose to offer the Notes to purchasers at the price indicated on the cover page of this Offering Circular. After the initial Offering of the Notes, the Initial Purchasers may from time to time vary the offering price and other selling terms without notice. The Offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments which the Initial Purchasers may be required to make in respect of any such liabilities. The Issuer will pay the Initial Purchasers a commission and pay certain expenses of the Offering.

No action has been or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the Notes in any jurisdiction where action for the purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Circular does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Circular comes are advised to inform themselves about and to observe any restrictions relating to the Offering of the Notes, the distribution of this Offering Circular and resale of the Notes. See "*Transfer Restrictions*."

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act. Each Initial Purchaser has agreed that it will only offer or sell the Notes (A) in the U.S. to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act, and (B) outside the U.S. to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the U.S. Securities Act.

In connection with sales outside the U.S., the Initial Purchasers have agreed that they will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued. The Initial Purchasers will send to each dealer to whom it sells such Notes during the 40-day period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the U.S. or to, or for the account or benefit of, U.S. persons.

In addition, with respect to Notes initially sold pursuant to Regulation S, until 40 days after the later of the commencement of the Offering or the date the Notes are originally issued, an offer or sale of such Notes within the U.S. by a dealer that is not participating in the Offering may violate the registration requirements of the U.S. Securities Act.

Each Initial Purchaser has represented and agreed that it has:

(a) only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes are a new issue of securities with no established trading market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. However, there can be no assurance that the prices at which the Notes will sell in the market after the Offering will not be lower than the initial offering price or that an active market for the Notes will develop and continue after the Offering.

We have been advised by the Initial Purchasers that the Initial Purchasers intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time at the sole discretion of the Initial Purchasers without notice. In addition, market-making activity will be subject to the limits imposed by applicable law, and may be limited. Accordingly, there can be no assurance as to the liquidity of or the trading market for the Notes. See *"Risk Factors—Risks related to the Notes—No prior market exists for the Notes. An active trading market may not develop for the Notes and you may not be able to sell your Notes*."

In connection with the Offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the Offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the Offering is in progress.

The Initial Purchasers also may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the Initial Purchasers a portion of the underwriting discount received by it because the Initial Purchaser or its affiliates have repurchased Notes sold by or for the account of such Initial Purchaser in stabilizing or short covering transactions.

These activities by the Initial Purchasers, as well as other purchases by the Initial Purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they must end no later than the earlier of 30 days after the date of the issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

Persons who purchase Notes from the Initial Purchasers may be required to pay stamp duty, taxes, and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer or any of its subsidiaries, for which they received or will receive customary fees and expenses and affiliates of the Initial Purchasers will also be arrangers and lenders under our new Senior Secured Credit Facilities. See *"Description of Certain Financing Arrangements*" for more information. In addition, an affiliate of Deutsche Bank AG, London Branch provided advisory services to us in connection with the Acquisition and will receive customary compensation therewith.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or any of the Guarantors, including the Notes.

In connection with the Acquisition, the Issuer has secured a commitment of up to €306.7 million through a bridge loan facility provided by the commitment parties. The bridge loan facility will be reduced by the amount of gross proceeds from any sale of Notes in the Offering. Consequently, the commitments under the bridge loan facility are expected to be fully reduced and the bridge loan facility is not expected to be utilized.

LEGAL MATTERS

Certain legal matters in connection with the Notes will be passed upon for the Issuer by Clifford Chance LLP (as to matters of U.S. federal and New York state law) and by Clifford Chance Partnerschaftsgesellschaft von Rechtsanwälten, Wirtschaftsprüfern, Steuerberatern und Solicitors in Frankfurt am Main (as to matters of German law). Certain legal matters in connection with the Notes will be passed upon for the Initial Purchasers by Cahill Gordon & Reindel LLP (as to matters of U.S. federal and New York state law) and by White & Case LLP (as to matters of German law).

INDEPENDENT ACCOUNTANTS

The Combined Financial Statements as of December 31, 2010, 2011 and 2012, and for each of the years in the three-year period ended December 31, 2012, included in this Offering Circular have been audited by Deloitte & Touche GmbH, Stuttgart, independent accountants, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. This Offering Circular constitutes a prospectus for the purpose of the Prospectus Law. Notice of any optional redemption or change of control will be published on the official website of the Luxembourg Stock Exchange (www.bourse.lu) if the Notes are admitted for trading on that exchange.

If, and for so long as, the Notes are listed on the Luxembourg Stock Exchange, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

- the organizational documents of the Issuer and each of the guarantors;
- the Intercreditor Agreement;
- the Issuer's most recent audited annual financial statements and any interim unaudited quarterly financial statements; and
- the Indenture relating to the Notes (which includes the guarantees and the form of the Notes).

Application may be made to the Luxembourg Stock Exchange to have the Notes removed from listing on the Luxembourg Stock Exchange, including if necessary to avoid any new withholding taxes in connection with the listing.

If listed on the Luxembourg Stock Exchange, so long as the Notes remain listed, the Notes will be freely transferable and negotiable in accordance with the rules of the Luxembourg Stock Exchange.

We estimate the expenses relating to admission of the Notes to the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange to be approximately €5,100.

Significant Change

Except as disclosed in this offering circular:

- there has been no material adverse change in the Issuer's financial condition since its date of incorporation;
- there has been no material adverse change in CeramTec's financial condition since December 31, 2012; and
- neither the Issuer nor CeramTec has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts, which are material in the context of the issue of the Notes, and so far as either the Issuer or CeramTec is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

Legal Information—Issuer

The Issuer, Faenza GmbH, was incorporated as a limited liability company under the laws of Germany on May 29, 2013 with registered number HRB 96686. The Issuer has an issued and paid up share capital of €25,000 divided into 25,000 shares each having a nominal value of €1. The Issuer's registered office is at Mainzer Landstraße 46, 60325 Frankfurt .

The Issuer was formed for the purpose of facilitating the Transactions and issuing the Notes offered hereby and has not engaged in any activities other than those related to its incorporation and the Transactions.

On July 22, 2013, the Issuer obtained all necessary consents, approvals and authorizations in connection with the issue of the Notes.

Legal Information—Guarantors

Upon the consummation of the Transactions, the Guarantors will be wholly owned subsidiaries (whether directly or indirectly held) of German Bidco.

Faenza Acquisition GmbH is a limited liability company organized under the laws of Germany on May 29, 2013, with registered number HRB 96693. Faenza Acquisition GmbH has an issued and paid up share capital of €25,000 divided into 25,000 shares each having a nominal value of €1. Faenza Acquisition GmbH's registered office is at Mainzer Landstrasse 46, 60325 Frankfurt am Main, Germany. Faenza Acquisition GmbH was formed for the purpose of facilitating the Transactions and has not engaged in any activities other than those related to its incorporation and the Transactions. The Managing Directors of Faenza Acquisition GmbH are the same as the Managing Directors of the Issuer.

CeramTec GmbH is a limited liability company organized under the laws of Germany on July 15, 2003, with registered number HRB 734826. CeramTec GmbH's registered office is at CeramTec-Platz 1-9, 73207 Plochingen, Germany. CeramTec GmbH's business purpose is to manufacture ceramic components for medical and industrial purposes.

CeramTec-ETEC GmbH is a limited liability company organized under the laws of Germany on June 8, 1982, with registered number HRB 1734. CeramTec-ETEC GmbH's registered office is at An der Burg Sülz 17, 53797 Lohmar, Germany. CeramTec-ETEC GmbH's business purpose is to manufacture ceramic components for medical and industrial purposes.

Cerasiv GmbH Innovatives Keramik Engineering is a limited liability company organized under the laws of Germany on June 5, 1991, with registered number HRB 212633. Cerasiv GmbH Innovatives Keramik Engineering's registered office is at Fabrikstrasse 23-29, 73207 Plochingen, Germany. Cerasiv GmbH Innovatives Keramik Engineering's business purpose is to manufacture ceramic components for medical and industrial purposes.

Emil Müller GmbH is a limited liability company organized under the laws of Germany on September 28, 1977, with registered number HRB 1454. Emil Müller GmbH's registered office is at Dürrnbucher Str. 10, 91452 Wilhermsdorf, Germany. Emil Müller GmbH's business purpose is to manufacture ceramic components for medical and industrial purposes.

CeramTec Acquisition Corporation is a stock corporation organized under the laws of the state of Delaware on August 7, 2013, with registered number 5367831. CeramTec Acquisition Corporation has an issued and paid up share capital of $100 divided into 100 shares each having a nominal value of $1. CeramTec Acquisition Corporation's registered office is at 2711 Centerville Road, Suite 400, Wilmington, DE 19808. CeramTec Acquisition Corporation was formed for the purpose of facilitating the Transactions and has not engaged in any activities other than those related to its incorporation and the Transactions. As of August 7, 2013, the initial director of CeramTec Acquisition Corporation was Jonas Nilsson, an employee of the Sponsor.

CeramTec North America Corporation is a stock corporation organized under the laws of the state of Delaware on October 10, 1990, with registered number 2243538. CeramTec North America Corporation's registered office is at 1209 Orange Street, Wilmington, DE 19801, USA and its principal place of business is at One Technology Place, Highway 14, Laurens, SC 29360, USA. CeramTec North America Corporation's business purpose is to manufacture ceramic components for medical and industrial purposes.

Durawear Corporation is a stock corporation organized under the laws of the state of Delaware on May 27, 1999, with registered number 3048499. CeramTec North America Corporation's registered office is at 1209 Orange Street, Wilmington, DE 19801, USA and its principal place of business is at One Technology Place, Highway 14, Laurens, SC 29360, USA. Durawear Corporation's business purpose is to manufacture ceramic components for medical and industrial purposes.

Clearing Information

The Notes have been accepted for clearance through Euroclear and Clearstream. The common code for the Notes sold in reliance on Regulation S is 095581773 and the common code for the Notes sold in reliance on Rule 144A is 095582095. The international securities identification number for the Notes sold in reliance on Regulation S is XS0955817738 and the international securities identification number for the Notes sold pursuant to Rules 144A is XS0955820955.

INDEX TO COMBINED FINANCIAL STATEMENTS

CeramTec GmbH, Plochingen/Germany

Combined Balance Sheet as at 31 December

Assets	Notes	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	1 Jan. 2010
		EUR'000	EUR'000	EUR'000	EUR'000
Goodwill	4.1	193,767	193,767	193,767	193,767
Other intangible assets	4.2	69,821	81,152	92,167	103,633
Property, plant and equipment	4.3	230,426	229,050	225,802	215,879
Other assets	4.4	387	321	393	461
Deferred taxes	3.5	11,512	8,430	7,289	6,661
Non-current assets		**505,913**	**512,720**	**519,418**	**520,401**
Inventories	4.5	64,510	62,784	58,219	45,690
Trade accounts receivable	4.6	48,807	46,962	42,815	38,270
Financial receivables from affiliates	4.7	82,065	19,404	0	15,232
Trade accounts receivable from affiliates		912	945	896	863
Income tax advance payments to foreign authorities		0	532	1,390	940
Other accounts receivable and assets	4.8	2,625	4,611	2,965	4,578
Cash and cash equivalents	4.9	9,503	5,226	3,886	2,339
Current assets		**208,422**	**140,464**	**110,171**	**107,912**
Total assets		**714,335**	**653,184**	**629,589**	**628,313**

Equity and Liabilities	Notes	31 Dec. 2012	31 Dec. 2011	31 Dec. 2010	1 Jan. 2010
		EUR'000	EUR'000	EUR'000	EUR'000
Nominal capital		30,022	30,022	30,022	30,022
Paid in capital		147,041	100,949	67,952	67,604
Retained earnings		111,907	99,485	86,999	75,304
Accumulated other comprehensive (loss) income		(6,228)	1,009	3,124	0
Total equity	**4.11**	**282,742**	**231,465**	**188,097**	**172,930**
Provisions	4.12	63,685	51,668	47,138	46,760
Financial liabilities to affiliates	4.14	258,867	258,070	258,231	313,584
Financial liabilities to third parties	4.15	775	1,061	1,607	2,172
Other liabilities	4.16	41	1,005	947	1,374
Deferred taxes	3.5	55,571	53,143	49,850	47,437
Non-current liabilities		**378,939**	**364,947**	**357,773**	**411,327**
Provisions	4.17	18,590	18,854	23,260	13,656
Provisions for taxes	4.17	1,447	0	18	35
Financial liabilities to affiliates	4.18	0	0	18,784	209
Financial liabilities to third parties	4.19	9,355	13,527	11,123	12,720
Trade accounts payable		18,167	19,236	25,027	13,328
Liabilities to affiliates		380	425	530	555
Other liabilities	4.20	4,715	4,730	4,977	3,553
Current liabilities		**52,654**	**56,772**	**83,719**	**44,056**
Total liabilities		**431,593**	**421,719**	**441,492**	**455,383**
Total equity and liabilities		**714,335**	**653,184**	**629,589**	**628,313**

CeramTec GmbH, Plochingen/Germany

Combined Statement of Comprehensive Income
from 1 January to 31 December

	Notes	2012	2011	2010
		EUR'000	EUR'000	EUR'000
Net sales	3.1	425,211	419,925	389,013
Cost of products sold	3.2	241,496	242,445	229,550
Gross profit on sales		183,715	177,480	159,463
Selling costs		54,682	52,130	50,247
General administration costs		12,895	13,578	15,092
Other income		1,164	364	1,534
Other expenses	3.3	25,769	28,955	23,492
Profit from operations		**91,533**	**83,180**	**72,166**
Financial income		541	319	64
Financial expenses		14,677	18,398	24,410
Financial result	3.4	(14,136)	(18,079)	(24,346)
Earnings before taxes		77,397	65,101	47,820
Taxes on income	3.5	(22,445)	(18,398)	(11,035)
Net income		**54,952**	**46,703**	**36,785**
Actuarial losses		(10,681)	(3,690)	(91)
Deferred taxes thereof		3,059	1,057	32
Foreign currency translation		385	518	3,183
Other comprehensive income	4.11	(7,237)	(2,115)	3,124
Total comprehensive income		**47,715**	**44,588**	**39,909**

CeramTec GmbH, Plochingen/Germany

Combined Statement of Cash Flows from 1 January to 31 December

	2012	2011	2010
	EUR'000	EUR'000	EUR'000
Net income	54,952	46,703	36,785
Taxes on income	22,445	18,398	11,035
Profit before taxes	77,397	65,101	47,820
Income taxes paid (-)/income taxes received	(844)	317	(295)
Depreciation and amortisation on non-current assets	39,680	38,587	37,416
Losses from disposal of non-current assets	136	334	378
Increase/decrease (-) in provisions	1,878	(5,380)	10,739
Increase in inventories	(1,726)	(4,565)	(12,529)
Increase in trade accounts receivable	(1,845)	(4,147)	(4,545)
Increase (-)/decrease in other accounts receivable	(33)	23	35
Increase (-)/decrease in sundry net current assets	(1,073)	(788)	984
Increase /decrease (-) in trade accounts payable	(1,069)	(5,791)	11,699
Increase in other accounts payable	2,035	763	1,018
Expense recognised in respect of share-based payments	745	666	945
Cash flow from operating activities	**115,281**	**85,120**	**93,665**
Cash inflow from disposal of property, plant and equipment	1,001	949	990
Cash outflow for capital investments in property, plant and equipment	(29,300)	(30,303)	(32,678)
Cash outflow for capital investments in other intangible assets	(1,164)	(1,647)	(634)
Cash flow from investing activities	**(29,463)**	**(31,001)**	**(32,322)**
Proceeds from/Repayment (-) of loans to affiliated companies	797	(161)	(55,353)
Cash inflow/outflow (-) from current accounts with affiliated companies	(62,661)	(38,188)	33,807
Proceeds from/Repayment (-) of borrowings	(4,458)	1,858	(2,162)
Cash outflow from profit transfer / dividends to the shareholder	(59,739)	(48,373)	(34,710)
Cash inflow from capital contribution from shareholder	48,186	34,563	442
Cash outflow from the repurchase of instruments within the scope of the share-based payment program	(745)	(666)	(945)
Cash outflow from the repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution	(2,908)	(2,178)	(130)
Cash flow from financing activities	**(81,528)**	**(53,145)**	**(59,051)**
Change in cash and cash equivalents	**4,290**	**974**	**2,292**
Effects of exchange rate changes on cash and cash equivalents	(13)	366	(745)
Cash and cash equivalents at the beginning of the period	5,226	3,886	2,339
Cash and cash equivalents at the end of the period	**9,503**	**5,226**	**3,886**
Freely available liquid funds on balance sheet date	9,503	5,226	3,886
Cash and cash equivalents disclosed in the balance sheet	**9,503**	**5,226**	**3,886**
Cash Flow from operating activities includes interest paid of:	*11,402*	*15,265*	*21,158*
Cash Flow from operating activities includes interest received of:	*541*	*319*	*64*

CeramTec GmbH, Plochingen/Germany

Combined Statement of Changes in Equity

	Nominal capital	Paid in capital	Retained earnings	Total	Accumulated other comprehensive (loss) income	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 1 Jan. 2010 IFRS	**30,022**	**67,604**	**75,304**	**172,930**	**0**	**172,930**
Net income			36,786	36,786		**36,786**
Profit transfer to shareholder			(24,944)	(24,944)		**(24,944)**
Dividend payment to shareholder			(147)	(147)		**(147)**
Capital contribution through shareholder		442		442		**442**
Issue of share-based payments		945		945		**945**
Repurchase of instruments within the scope of the share-based payment program		(945)		(945)		**(945)**
Repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution		(130)		(130)		**(130)**
Income taxes paid for share-based payments		36		36		**36**
Foreign currency translation				0	3,183	**3,183**
Actuarial losses				0	(91)	**(91)**
Deferred taxes of actuarial losses				0	32	**32**
Total	0	348	11,695	12,043	3,124	**15,167**
Balance as at 31 Dec. 2010	**30,022**	**67,952**	**86,999**	**184,973**	**3,124**	**188,097**
Net income			46,703	46,703		**46,703**
Profit transfer to shareholder			(34,030)	(34,030)		**(34,030)**
Dividend payment to shareholder			(187)	(187)		**(187)**
Capital contribution through shareholder		34,563		34,563		**34,563**
Issue of share-based payments		666		666		**666**
Repurchase of instruments within the scope of the share-based payment program		(666)		(666)		**(666)**
Repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution		(2,178)		(2,178)		**(2,178)**
Income taxes paid for share-based payments		612		612		**612**
Foreign currency translation				0	518	**518**
Actuarial losses				0	(3,690)	**(3,690)**
Deferred taxes of actuarial losses				0	1,057	**1,057**
Total	0	32,997	12,486	45,483	(2,115)	**43,368**
Balance as at 31 Dec. 2011	**30,022**	**100,949**	**99,485**	**230,456**	**1,009**	**231,465**
Net income			54,952	54,952		**54,952**
Profit transfer to shareholder			(41,124)	(41,124)		**(41,124)**
Dividend payment to shareholder			(1,406)	(1,406)		**(1,406)**
Capital contribution through shareholder		48,186		48,186		**48,186**
Issue of share-based payments		745		745		**745**
Repurchase of instruments within the scope of the share-based payment program		(745)		(745)		**(745)**
Repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution		(2,908)		(2,908)		**(2,908)**
Income taxes paid for share-based payments		814		814		**814**
Foreign currency translation				0	385	**385**
Actuarial losses				0	(10,681)	**(10,681)**
Deferred taxes of actuarial losses				0	3,059	**3,059**
Total	0	46,092	12,422	58,514	(7,237)	**51,277**
Balance as at 31 Dec. 2012	**30,022**	**147,041**	**111,907**	**288,970**	**(6,228)**	**282,742**

CeramTec GmbH

Notes to the Combined Financial Statements

1. Basis of Reporting

Entities included in the combined financial statements

The combined financial statements of CeramTec GmbH, Plochingen/Germany (hereafter referred to as "CeramTec") include all entities comprising the Advanced Ceramics business segment of Rockwood Holdings Inc., the ultimate parent company of CeramTec (the combined group is hereafter referred to as "CeramTec-Group"). In particular, the following companies have been included within these combined financial statements:

(a) CeramTec GmbH

(b) Direct and indirect subsidiaries of CeramTec GmbH:

Cerasiv GmbH Innovatives Keramik- Engineering, Plochingen, Germany
CeramTec-ETEC GmbH, Lohmar, Germany
Emil Müller GmbH, Wilhermsdorf, Germany
CeramTec Italia s.r.l., Milan, Italy
CeramTec UK Ltd., Colyton, Great Britain
CeramTec Czech Republic s.r.o., Sumperk, Czech Republic
CeramTec Ibérica—Innovative Ceramic Engineering S.L., Vilassar de Mar, Spain
CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd., Seremban, Malaysia
CeramTec Korea Ltd., Suwon-Si, South Korea
CeramTec Suzhou Ltd., Suzhou, China
PST Press Sintertécnica Brasil Ltda., Nova Odessa, Brazil

These entities are consolidated in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements" (IAS 27).

(c) Other wholly owned domestic and foreign subsidiary companies of Rockwood Holdings Inc. ("Rockwood") which form part of the Advanced Ceramics segment of Rockwood, namely:

Press and Sinter Technics de Mexico S.A. de C.V., Puebla, Mexico
Press + Sintertechnik Sp. z o o., Gorzyce, Poland
CeramTec North America Corporation, Laurens, U.S.
DuraWear Corporation, Birmingham, U.S.

All other group companies of the consolidated Rockwood Group, not mentioned here, are considered to be affiliated companies with CeramTec-Group.

The companies of CeramTec-Group are held directly or indirectly by the following shareholders:

Rockwood Specialties Group GmbH, Frankfurt am Main, Germany (RSGG):

Company	Location	Share in %
CeramTec GmbH	Plochingen/Germany	100
Cerasiv GmbH Innovatives Keramik-Engineering	Plochingen/Germany	100
CeramTec-ETEC GmbH	Lohmar/Germany	100
Emil Müller GmbH	Wilhermsdorf/Germany	100
CeramTec Italia s.r.l.	Milan/Italy	100
CeramTec UK Ltd.	Colyton/Great Britain	100
CeramTec Czech Republic s.r.o.	Sumperk/Czech Republic	100
CeramTec Ibérica—Innovative Ceramic Engineering S.L.	Vilassar de Mar/Spain	100
CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd.	Seremban/Malaysia	100
CeramTec Korea Ltd.	Suwon-Si/South Korea	100
CeramTec Suzhou Ltd.	Suzhou/China	100
PST Press Sintertécnica Brasil Ltda.	Nova Odessa/Brazil	100
Press and Sinter Technics de Mexico S.A. de C.V.	Puebla/Mexico	0.002

Knight Lux 2 S.à.r.l., Luxembourg (KL2):

Company	Location	Share in %
Press + Sintertechnik Sp. z o o.,	Gorzyce/Poland	100
Press and Sinter Technics de Mexico S.A. de C.V.	Puebla/Mexico	99.998

Rockwood Specialties Group Inc., Princeton New Jersey/U.S. (RSGI):

Company	Location	Share in %
CeramTec North America Corporation	Laurens/U.S.	100
DuraWear Corporation	Birmingham/U.S.	100

The focus of CeramTec-Group's activities is on the development of solutions for demanding applications of different, in parts highly specialised, ceramic materials with unique mechanical, electric, thermal and biological-chemical properties and property combinations. CeramTec-Group supplies products for almost every life, work and technology field, including, for example, ceramic components for the use in hip and knee joint prosthesis, substrates from aluminium oxide and aluminium nitride for almost all industrial areas from the automobile industry to the telecommunication, SPK tools for the high-speed machining in the automotive industry, the steel-producing industry and the general machine construction, actors, foils, metallised ceramic, piezo technique and silicate technique for a number of industrial areas from the vehicle construction over the electronic industry to plant construction, seals and control wheels for mountings, slide rings for all types of pumps and a large range of components for the automotive technology as well as solutions for wear and corrosion protection for industrial plants as well as components for the ballistic protection of persons and vehicles.

The group of combined entities of CeramTec-Group as at 31 December 2012 comprises the Company itself as well as three domestic and 12 foreign group companies. The group of combined entities as at the date of initial application of the IFRS on 1 January 2010 comprised the Company itself as well as three domestic and 14 foreign group companies. In the financial year 2012 and 2011, the assets of two foreign companies were transferred to two other foreign group companies within the group of consolidation and the concerned companies were liquidated subsequently.

Combined financial statements

The combined financial statements of CeramTec-Group were prepared for the first time in compliance with § 315a (1) German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS and IAS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ("German Commercial Code"). The opening balance sheet date is 1 January 2010.

The entities included in these combined financial statements are included as from the date on which control is transferred to CeramTec or to Rockwood Holdings Inc. where they are otherwise incorporated within the Advanced Ceramics segment of Rockwood Holdings Inc. They are deconsolidated as of the date in which CeramTec loses control or Rockwood Holdings Inc. loses control where they had previously been included in the Advanced Ceramics segment of Rockwood Holdings Inc.

IFRS does not provide for the preparation of combined financial information, and accordingly in preparing the combined financial statements, for the companies included in the combined financial statements that are not subsidiaries of CeramTec GmbH, no capital consolidation has been performed. The corresponding items of shareholders' equity are added up in the combined shareholders' equity. With this exception, the combined financial statements apply the consolidation principles of IFRS to include all entities within the combined financial statements. All material accounts receivable and payable, sales, expenses and income as well as profits/losses from intercompany transactions within the group of combined entities are eliminated. Transactions with affiliated entities within the Rockwood Holdings Inc. group but outside of the CeramTec-Group have been presented in the appropriate caption of the combined financial statements to which such transactions and balances relates and are disclosed as related party transactions in Note 10.

Taxes on income in the combined income statement have been computed based on the relevant local law and applicable tax rates but do not reflect the impact on taxes of participation by CeramTec GmbH and its German subsidiaries in the larger tax group of which they form part, further details of which are included in note 3.5. Adjustments to taxes on income have been made, where required, on consolidation.

The combined financial statements include management charges from Rockwood group companies in relation to certain corporate services incurred but not charged directly to the CeramTec-Group.

Application of IFRS 1 "First-Time Adoption of International Financial reporting Standards"

When preparing the opening balance sheet, CeramTec-Group has applied IFRS 1 "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") and prepared the opening balance sheet in accordance with this standard. The Group has not previously prepared or reported combined financial statements in accordance with any other generally accepted accounting principles ("GAAP"). Consequently, it is not possible to provide IFRS 1 reconciliations between consolidated financial statements prepared under any previous GAAP and these combined financial statements.

In line with IFRS 1, CeramTec-Group has taken advantage of the following exceptions and exemptions when preparing the opening balance sheet:

For business combinations that took place before the date of transition to IFRS, IFRS 3 (revised 2008) was not retrospectively applied. This relates to the acquisitions of Emil Müller GmbH in April 2007 as well as of CeramTec-ETEC GmbH in October 2008.

The assets (including goodwill) and liabilities acquired within the scope of these business combinations were taken over into the opening IFRS balance sheet with the carrying amounts recognised under generally accepted accounting principles in the United States of America (US-GAAP). Hence, no adjustments to the assets and liabilities accounted for under US-GAAP were necessary.

Accumulated exchange gains and losses resulting from the translation of the financial statements of foreign group companies until the date of first-time adoption of the IFRS are not reported separately within equity. Translation differences that arise after the date of transition are separately disclosed within equity and are recognised through profit or loss if the respective activities are sold.

The financial year corresponds to the calendar year. The combined financial statements were prepared in euro (EUR). The amounts within the combined financial statements are presented in thousand euros. All amounts are subject to rounding. Hence, in certain cases, the outcome of the addition of individual values may differ from the sums presented. Different items of the combined balance sheets and the combined statements of comprehensive income were summarised for presentation purposes and further analysed within the combined notes. The assets and liabilities are classified by using the current and non-current distinction. The cost-of-sales format was applied for the income statement. With regard to the cash flow from operating activities, the cash flow statements are prepared using the indirect method and with regard to the cash flow from investing and financing activities using the direct method. In addition to the financial year the combined financial statements present balance sheets for three comparison dates (31 December 2011 (referred to as 2011), 31 December 2010 (referred to as Dec. 2010), 1 January 2010 (referred to as Jan. 2010)) and the statement of consolidated comprehensive income includes two comparison periods (31 December 2011 (referred to as 2011) and 31 December 2010 (referred to as 2010)).

Preparation and approval of the combined financial statements

The combined financial statements of CeramTec-Group were prepared under the going-concern assumption.

Rockwood is the parent company that prepares the consolidated financial statements for the largest group of consolidated entities. These consolidated financial statements (prepared and audited under US-GAAP) are published on the websites of Rockwood Holdings Inc. (www.rocksp.com) and of the U.S. Securities Exchange Commission (www.sec.gov).

The Management of CeramTec GmbH has approved the combined financial statements of CeramTec-Group on 16 April 2013.

Published but not yet applicable accounting standards

For the purpose of these IFRS combined financial statements, the following accounting standards and interpretations as well as amendments to already existing standards had already been published but had not to be mandatorily applied yet:

- IAS 19 Employee Benefits (revised in 2011)[1)]
- IAS 27 Separate Financial Statements (revised in 2011)[4)]
- IAS 28 Investments in Associates and Joint Ventures (revised in 2011)[4)]
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (revised in 2011)[2)]

- Amendments to IFRS 1: Disclosures—Government Loans[1)]
- Amendments to IFRS 7: Disclosures—Netting of Financial Assets and Financial Liabilities[1)]
- IFRS 9 Financial Instruments (2010)[3)]
- IFRS 10 Consolidated Financial Statements[4)]
- IFRS 11 Joint Arrangements[4)]
- IFRS 12 Disclosure of Interests in Other Entities[4)]
- IFRS 13 Fair Value Measurement[1)]
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine[1)]
- Amendments to IFRS: Annual Improvements to IFRS 2009—2011, excluding changes to IAS 1[1)]
- Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date of IFRS 9 and Transition Disclosure[3)]
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance[1)]

1) applicable for financial years beginning on or after 1 January 2013.

2) applicable for financial years beginning on or after 1 January 2014.

3) applicable for financial years beginning on or after 1 January 2015.

4) applicable for financial years beginning on or after 1 January 2013. In the EU the first-time application will most likely only be applicable for financial years beginning on or after 1 January 2014.

CeramTec-Group does not anticipate that—except for the amendments to IAS 19 and/or additional or changed disclosure requirements—the application of these new or amended standards will have a material impact on the combined financial statements.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant changes relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liabilities recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a ‘net-interest’ amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The elimination of the so-called “corridor approach” will not impact CeramTec-Group because the total amount of actuarial gains and losses is already recognized immediately in equity through other comprehensive income under the previous version of the standard. Changes in the recognition of past service cost do not have a significant impact in the combined financial statements because material past service cost relates to vested benefits as a result of the current structure of pension entitlements. Furthermore, amount and presentation of net interest expenses from defined benefit plans will not change significantly, because plan assets are of minor importance in the CeramTec-Group.

2. Accounting, Valuation and Consolidation Principles

Except for the measurement of certain financial instruments at fair value, the combined financial statements were prepared on the basis of historic acquisition or production cost. Historic acquisition or production costs are normally based on the fair value of the consideration given in exchange for the asset.

The accounting, valuation and consolidation methods presented in the following have been consistently applied in all presented reporting periods.

Currency Translation

Foreign currency monetary items within the sets of financial statements of the group companies are translated at the exchange rate in effect on reporting date. Exchange rate gains and losses arising from these items are recognised through profit or loss under other operating income and/or other operating expenses.

The sets of financial statements of the foreign group companies included in the combined financial statements are translated applying the concept of functional currency. The balance sheets are translated at the exchange rates in effect on each reporting date. Equity items are translated at the respective historical rates. The income statement items are translated at annual average rates. The annual average rates are calculated on the basis of the average of the single monthly average rates of the past twelve months. Differences on currency translation of the assets and liabilities when compared with the prior year as well as currency translation differences between income statement and balance sheet are recognised directly in the other comprehensive income and are disclosed in equity within the accumulated other comprehensive income.

The exchange rates of material currencies (into Euro) used for the currency translation are presented within a separate attachment called "Exchange Rates" (attachment to the notes to the combined financial statements).

Business combinations

Business combinations in accordance with IFRS are presented applying the acquisition method. The consideration is measured at fair value of the transferred assets, of the liabilities incurred by the acquirer as well as of the interests issued by the acquirer as at the date of transaction. The identifiable assets, liabilities and contingent liabilities of the subsidiaries are recognised at fair values, independent of existing shares of non-controlling interests (minority interest). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts to the identifiable assets acquired and the liabilities assumed. Since in the financial year 2012 as well as in the prior years no investments of less than 100 % were acquired, the option under IFRS 3 to also recognise goodwill relating to non-controlling interest was not applicable to the Company. The transaction costs incurred at the acquisition are recognised as an expense.

Goodwill

Goodwill is measured at acquisition cost, when initially recognising goodwill on business combinations. Goodwill arises from the excess of costs of the acquisition of the company over the share of the purchaser in fair value, i.e. in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. The recoverability of goodwill is checked at least once a year (in the 4^{th} quarter) as well as in case of indications of a possible impairment in value.

When performing the impairment test, goodwill acquired is assigned to the cash generating units that benefit most from the business combination at the date of acquisition. A cash generating unit defines the lowest level within a company, at which the goodwill is monitored for the purpose of the allocation of resources, and is not larger than one segment.

CeramTec has defined CeramTec GmbH and its domestic and foreign group companies, Emil Müller GmbH and its foreign group companies and CeramTec-ETEC GmbH as cash generating units.

The composition of the cash generating units (CGU) is as follows:

CGU CeramTec GmbH:

- CeramTec GmbH, Plochingen/Germany
- Cerasiv GmbH Innovatives Keramik- Engineering, Plochingen, Germany
- CeramTec Italia s.r.l., Milan, Italy
- CeramTec UK Ltd., Colyton/Great Britain
- CeramTec Czech Republic s.r.o., Sumperk, Czech Republic
- CeramTec Ibérica—Innovative Ceramic Engineering S.L., Vilassar de Mar, Spain
- CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd., Seremban, Malaysia
- CeramTec Korea Ltd., Suwon-Si, South Korea

- CeramTec Suzhou Ltd., Suzhou, China
- CeramTec North America Corporation, Laurens, U.S.
- DuraWear Corporation, Birmingham, U.S.

CGU Emil Müller GmbH:

- Emil Müller GmbH, Wilhermsdorf, Germany
- Press + Sintertechnik Sp. z o o., Gorzyce, Poland
- PST Press Sintertécnica Brasil Ltda., Nova Odessa, Brazil
- Press and Sinter Technics de Mexico S.A. de C.V., Puebla, Mexico

CGU CeramTec-ETEC GmbH:

- CeramTec-ETEC GmbH, Lohmar, Germany

The impairment test for goodwill is performed at the same time each year in accordance with the requirements of IAS 36 “Impairment of Assets”. Recoverable amount has been determined based on value in use as calculated on a discounted cash flow method. The impairment tests performed as at the reporting dates 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012, were based on the budgeted data.

The corporate planning used for the impairment test as of December 31, 2012 is based on the approved budget for the year 2013 as well as on a medium-term forecast running until the year 2017. The assumed growth rate in the projection period amounts to 8.2 % in the average. For perpetuity, the Company assumed a growth rate of 1.5 %. The cash flows after taxes were discounted with an interest rate of 9.9 % (2011: 10.0 %; December 2010: 11.1 %; January 2010: 9.8 %). The interest rate is based on equity cost of 9.0 % (2011: 9.0 %; December 2010: 9.6 %; January 2010: 7.7 %), borrowing costs of 0.9 % (2011: 1.0 %; December 2010: 1.5 %; January 2010: 2.2 %) and a tax rate for all periods of 28.5 %. The interest rate takes into account a market-risk adjustment factor (beta-factor) as well as the expected tax rates.

If the realisable amount of a cash generating unit is lower than the carrying amount of the unit, the carrying amount of the goodwill assignable to the unit is first reduced and, if necessary, the other relevant assets are also reduced proportionately. An impairment loss recognised for the goodwill cannot be reversed in future periods.

Other intangible assets

The other intangible assets with limited useful lives, including licenses, patents, concession rights, trademark rights and customer lists are capitalised at acquisition cost and are amortised on a straight-line basis over their estimated useful lives. The useful lives of intangible assets amount to 10 to 20 years for acquired know-how, 25 years for trademark rights, 7 to 15 years for customer lists and 3 years for software. The carrying amount is reviewed for impairment if there is any indication that those assets are impaired.

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciations and impairment losses. Historical costs of property plant and equipment acquired include the expenses that are directly attributed to the acquisition.

The straight-line depreciation method is applied. Additions during the year are depreciated *pro rata temporis*. When recognising the acquisition or construction costs, these are directly reduced by government subsidies. The useful lives of the property, plant and equipment amount to 10 to 40 years for buildings and building parts, 3 to 25 years for technical equipment and machinery and other equipment and 3 to 12 years for operating and office equipment. Low-value items are summarised in a compound item and are depreciated over a period of 5 years.

The recognised value is reviewed for impairment if there is any indication that those assets might have suffered an impairment loss. The recoverability is assessed by comparing the asset’s carrying amount with its recoverable amount on the level of the cash generating unit. The recoverable amount of a cash generating unit is defined as the higher of fair value less costs to sell and the value in use of a cash generating unit. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. For assessing the impairment, the assets are grouped on the lowest level, for which independent cash flows are identifiable.

The historical cost of self-constructed assets comprises direct material and labour costs as well as the directly attributable indirect material and labour costs. If the construction runs over a longer period and an asset was identified, the historical costs also include the borrowing cost incurred during the construction period in accordance with IAS 23 (qualifying assets).

Current maintenance and repair costs are immediately recognised as expense. Costs for measures that serve the purpose of extending the useful lives of an asset or improving the future economic benefits of the asset are principally capitalised.

Government grants

Government grants paid as compensation for already incurred expenses are recognised in the combined statement of comprehensive income in the period, in which the cash inflow occurred. The acquisition or construction costs of the property, plant and equipment are reduced by the respective government grants directly at initial recognition.

Leasing

A *finance lease* is a lease that transfers to the lessee all risks and rewards incidental to the ownership of an asset by means of the leasing agreement. Property leased under a finance lease is disclosed under property, plant and equipment and measured at the lower of fair value or the present value of the minimum lease payments. The corresponding liability is presented as commitment from finance leases within financial liabilities to the third parties. In the following periods, the leased is depreciated over the contract term or, if shorter, the useful life. The payment to the lessor comprises an interest component and a repayment amount, whereby the interest component is recognised through profit or loss as constant interest on the residual lease liability over the term of the lease.

All other leases are classified as *operating leases*. Rental payments within the scope of this operating lease are expensed on a straight-line basis.

Other financial assets

The other financial assets comprise exclusively financial receivables (except for trade accounts receivable). Within the financial statements, the financial assets are classified as loans and receivables.

The category “loans and receivables” comprises loans and other receivables with fixed or determinable payments that are not listed on an active market. Loans and receivables are measured at amortised cost less impairments applying the effective interest method. Except for current receivables, where the interest effect is not material, interest income is recognised in line with the effective interest method.

Financial assets, except for those measured at fair value through profit or loss, are reviewed for indicators of impairment on the reporting date. Financial assets are impaired if, based on one or several events, occurring after the initial recognition of the asset, there is objective evidence of impairment

Deferred taxes

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. The Company generally recognises deferred tax assets and deferred tax liabilities for all temporary differences between the tax bases and the carrying amounts in the combined financial statements. Furthermore, the Company recognises deferred tax assets on tax losses carried forward and temporary differences to the extent, to which a sufficient taxable profit is probable in the future. The effect of amended tax rates on deferred tax assets and deferred tax liabilities is reflected in the income tax expense of the period, in which the law was enacted. The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Inventories

Inventories are valued at the lower of cost or net realisable value, i.e. value that can be realised in normal business less the estimated cost of completion and selling expenses. As a general rule, the average value method or the standard cost method is used when determining the cost of inventories.

The costs of purchase of inventories comprise the purchase price as well as all incidental costs directly attributable to the acquisition. The costs of conversion of inventories include next to the direct cost of material and manufacturing costs also appropriate portions of indirect costs of material and manufacturing costs, including the production-related depreciation as well as production-related administration costs. The costs of conversion of inventories do not include any borrowing interest incurred in course of the production, since the inventories within CeramTec-Group are not qualifying assets within the meaning of IAS 23. The net realisable value corresponds to the estimated sale proceeds less cost to complete and selling expenses. Reversals of write downs are recognised if the reasons for the original impairment lapse. In this case, the reversal of write downs recognised would up to the amount of the original costs of conversion of inventories.

Receivables and other assets

Receivables and other assets (i.e. other assets, trade accounts receivable, receivables from affiliates as well as other accounts receivable and assets) are measured at amortised cost less cash discounts and allowances. A specific allowance is made if objective signs are on hand for an impairment of a receivable. Receivables are derecognised if it is finally assessed that these are not collectible. Trade accounts receivable do principally not include an interest portion, since these receivables are of current nature. Receivables from income tax advance payments are recognised at the amount anticipated to be refunded by the tax authorities.

Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits as well as assets that can be converted into cash at any time and are only subject to insignificant risk of fluctuations in value. The presentation of cash and cash equivalents within the combined statements of cash flows is based thereof.

Provisions for pensions

In relation to defined benefit plans of the CeramTec Group, all accumulated actuarial gains and losses and prior service costs which were recorded in accumulated comprehensive (loss) income under US-GAAP, were recognised within retained earnings at the date of transition to IFRS (net of deferred taxes). The disclosure change does not affect the amount of equity.

Defined benefits plans are measured in line with the projected unit credit method as required by IAS 19 “Employee Benefits”. When determining the defined benefit obligation, the Company takes into account salary and pension adjustments expected in the future. The service costs for eligible participants results from the scheduled development of the projected benefit obligation. Differences between pension commitments expected and actually determined at year-end closing as well as deviations at year-end between the expected and the actual fair value of the plan assets (actuarial gains and losses) are netted in a separate line within equity (other comprehensive income). The pension commitments in Germany are determined under using the modified 1998 Standard Tables of Prof. Dr. Klaus Heubeck. The pension commitments outside of Germany are determined in compliance with country-specific bases of calculation and parameters. The commitments at year-end are offset against the plan assets at fair value (funded status). The pension provisions take into account the actuarial gains and losses directly recognised in equity as well as prior service costs.

The interest portion included in the pension expenses is disclosed under the interest expenses, while the expected income from plan assets is presented as interest income. The current service costs are disclosed under the respective function costs.

Defined contribution plans are considered in the respective period.

Other provisions

Other provisions are recognized and measured in accordance with IAS 37 “Provisions, contingent liabilities and assets”. A provision is recognized if a legal or factual obligation arises for the Group from a past event and if it is probable that the settlement will result in an outflow of an economic benefit.

The provisions are recognised at settlement amounts and also take into account future cost increases and future events to be expected. If it can be assumed that parts of or the entire economic benefit necessary for settling the provision is refunded by an external third party, this claim is capitalised as an asset if the refund is virtually certain and if the amount can be reliably estimated. Non-current provisions are discounted applying an interest rate of 4 to 5 %, if the effect is material

Costs for the commitment of eliminating environmental damage are accrued if probable and if the costs can be reliably estimated. Based on new information and in course of the decontamination, the provisions are adjusted to reflect the actual obligation. The amount of the provisions is affected by factors such as the degree of contamination, the required decontamination measures and further requirements from authorities, companies or private persons.

Accounts payable

Non-current liabilities and financial liabilities are initially recognised at fair value less incurred transaction cost; subsequent measurement is at amortised cost applying the effective interest method. Current liabilities are recognised at the amounts to be repaid or at settlement amounts.

Liabilities from finance leases are measured at the present value of the minimum lease payments.

Other liabilities include other non-current benefits as well as all current benefits, amongst others, wages, salaries, social security contributions as well as paid vacation, but also liabilities from received goods or already rendered services for which no bills have yet been obtained.

Revenue recognition

Sales comprise the proceeds from the sale of goods and services (ex VAT) and are recognised at fair value of the return less discounts. Sales revenues and other revenues are realised as follows:

(a) Revenues from sale of goods

Revenues from the sale of goods are recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- CeramTec-Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- CeramTec-Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to CeramTec-Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Interest income, user fees, dividend income

Interest income is recognised pro rata temporis applying the effective interest method. Revenues resulting from user fees are accrued based on the substance of the relevant agreements and are recognised pro rata temporis. Income from dividends is recognised on the date on which the right to receipt of the payment comes into force.

Share-based payments

Selected executives of companies of CeramTec-Group (Advanced Ceramics) participate in the share-based payments programs on the level of Rockwood Specialties Inc., U.S. These programs are accounted for as equity-settled share-based payment in the combined financial statements of CeramTec-Group in accordance with IFRS 2. The fair value of the granted stock options and restricted stock units is determined as at the date of the granting and is distributed on a straight-line basis over the vesting period. Related expenses are recognised under the personnel expenses and lead to an increase in the capital reserves of the same amount. If the expenses for share-based payments programs, which arose on the level of Rockwood Holdings Inc., U.S., are passed on to the companies of CeramTec-Group (Advanced Ceramics), these are charged directly to equity (paid-in capital) as at the date of the cost transfer. If in the year of exercise the stock options or restricted stock units passed on by Rockwood Holdings Inc. exceed the cumulative remuneration expense recognised through profit or loss in the prior years, this amount is accounted for as dividend to Rockwood Holdings Inc. and is charged directly to equity against paid in capital (reduction of paid in capital). The income taxes that are computed for the dividend payments from exercises, presented within the capital reserves, are also directly recognised in equity.

Research and development costs

Research costs are recognised as an expense in the period in which they are incurred. Development costs must be capitalised if certain conditions are verifiable and cumulatively met. Amongst others it must be possible to use or sell the self-developed asset and furthermore, an economic benefit must arise for the company from this use or sale. The amount capitalized for a self-developed intangible asset corresponds to the total of the incurred expenses as of the day on which the intangible asset meets the necessary requirements for the first time. If a self-developed intangible asset cannot be capitalised or if no intangible asset exists, the development costs are recognised through profit or loss in the period in which they are incurred.

Like in the prior years, these conditions were not met as at 31 December 2012, so no development costs were capitalised in the reporting year.

Other product-related expenses

Expenses for advertising and sales promotion as well as sales-related expenses are recognised through profit or loss as incurred. Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the managements' best estimate of the expenditure required to settle the Group's obligation.

Estimates and Assumptions

The preparation of the combined financial statements requires that estimates are made and assumptions are taken to a certain degree, affecting the amount of recognised assets, liabilities, provisions, deferred tax assets and deferred tax liabilities and the disclosure of contingencies and contingent liabilities on reporting date and the disclosure of income and expenses during the reporting period. All estimates and assumptions are based on management's best estimate and facts, circumstances and information available to management. However, it is possible that the actual amounts to be considered deviate from these estimates or assumptions. The estimates and assumptions are reviewed on an ongoing basis. Updates to estimates and assumptions are recognised in the period, in which the respective estimate or assumption was reviewed, and, if applicable, also in later periods if the review concerns current and later periods.

For determining whether goodwill is impaired, it is necessary to determine the value in use of the cash generating unit to which the goodwill was assigned. The value in use requires the estimate of future cash flows from the cash generating unit as well as of an adequate discount rate for the computation of the present value (Note 2 and Note 4.1).

Factors that may cause a negative deviation from the expected values could be a deterioration of the worldwide economy and of the respective sales markets, the development of the exchange rates and interest rates as well as amendments of environment law and/or other legal provisions. Production errors, losses of material customers as well as increasing financing costs could also affect the future success of the Group.

Useful lives of non-current assets

Property, plant and equipment and intangible assets acquired for a consideration with definite useful lives are recognised at cost and are depreciated and amortised, respectively on a straight-line basis over the useful lives. When determining the useful life, the Company takes into account factors such as wear, ageing, technical standards, contract term, changes in the demand and availability of raw materials. Changes in these factors may result in an adjustment of an asset's useful life. The underlying useful lives are subject to an annual review. In this case, the residual carrying amount would be depreciated over the remaining new useful life, which would lead to changed annual depreciation amounts (Note 4.3).

Realisation of deferred tax assets

Deferred taxes are computed on the basis of the tax rates that will – based on the current legislation – presumably apply as at the date, on which the temporary differences are expected to reverse as well as on an estimate of the future taxable income. Possible changes of the tax rates or income deviating from the expected ones may lead to the fact that a realisation of deferred tax assets is not probable. The carrying amount of the deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered (Note 3.5).

Provisions and contingent liabilities

Changes in the probability of occurrence may result in the recording of provisions for items that have so far been classified as contingent liabilities or to changing provision amounts, respectively (Note 4.12 and note 8).

Provisions for pensions

The actuarial valuation of pension commitments is based on assumptions about discount rates, returns on the plan assets expected in the long term, expected future salary and pension increases as well as mortality tables. The assumptions may differ from the actual data. When determining the defined benefit obligation, the Company takes into account salary and pension adjustments expected in future. Deviations from these assumptions or expectations may materially affect the amount of the provisions for pensions.

A decline in the used discount rates by one percentage point would for example lead to an increase in the present value of the pension commitments of approx. EUR 9,735 thousand (2011: EUR 7,358 thousand; 2010: EUR 6,906 thousand).

In return, an increase in the used discount rate by one percentage point would lead to a decline in the present value of the pension commitments of approx. EUR 9,202 thousand (2011: 6,986 thousand; 2010: EUR 6,552 thousand) (Note 4.13).

Provisions for environment protection

Costs for the commitment of eliminating environmental damage are accrued if a use is probable and if the costs can be reliably estimated. The amount of each provision is affected by factors such as the degree of contamination, the required decontamination measures and further requests from authorities, companies or private persons. Changes of these factors or of the legal situation or new knowledge from further inspections and gained in the course of the taken decontamination measures may require the adjustment of the provision (Note 4.12 and Note 8).

Provisions for litigation risks

The outcome of litigations cannot be forecasted with certainty. Adequate provisions were set up within the combined financial statements for probable penalties and damages as well as other payment claims if these can be probable estimated. The actual outcome of the litigations may considerably differ from these estimates (Note 8).

Estimates in applying recognition and measurement principles

Estimates must be made when applying recognition and measurement principles. This in particular applies for the following facts:

- For certain contracts it must be decided, whether these must be treated as derivatives.
- Financial assets must be classified in the categories “held-to-maturity investments”, “loans and receivables”, “available-for-sale financial assets” and “financial assets measured at fair value through profit or loss”.

3. Notes to the Combined Statement of Comprehensive Income

3.1 Net sales

The net sales amounted to EUR 425,211 thousand (2011: EUR 419,925 thousand; 2010: EUR 389,013 thousand). The sales mostly result from the sale of goods and merchandise.

Regions	1 January to 31 December 2012	1 January to 31 December 2011	1 January to 31 December 2010
	EUR’000	EUR’000	EUR’000
Germany	130,621	135,255	119,557
Europe	187,481	179,021	166,317
North America	45,190	42,420	45,963
Asia	46,530	46,795	45,934
Other regions	15,389	16,434	11,242
Total	**425,211**	**419,925**	**389,013**
Product groups			
Medical Products	146,093	130,256	117,608
Multifunctional Ceramics	41,811	42,430	42,582
Electronic Applications	36,941	43,394	42,369
Cutting Tools	33,194	36,389	31,813
Mechanical Systems	25,672	27,095	29,472
Mechanical Applications	22,070	22,116	18,080
Other applications	119,430	118,245	107,089
Total	**425,211**	**419,925**	**389,013**
Currencies			
Euro	346,050	345,365	313,783
US-Dollar	56,553	55,574	56,706
Chinese Renminbi	9,516	7,257	5,321
Polish Zloty	4,067	4,490	3,963
Malay Ringgit	3,709	2,339	4,027
British Pound	2,172	2,139	2,460
Other currencies	3,144	2,761	2,753
Total	**425,211**	**419,925**	**389,013**

3.2 Presentation of selected expenses

Cost of products sold

The cost of products sold can be analysed as follows:

	1 January to 31 December 2012	1 January to 31 December 2011	1 January to 31 December 2010
	EUR'000	**EUR'000**	**EUR'000**
Cost of materials and packing	81,952	82,938	79,839
Energies	15,293	15,232	14,022
Other variable costs	6,585	5,969	6,008
Personnel expenses	93,675	91,084	86,986
Amortisation and depreciation expenses	25,218	23,882	22,593
Maintenance expenses of factory building and equipment	8,145	10,311	12,797
Other costs	10,628	13,029	7,305
Cost of products sold	**241,496**	**242,445**	**229,550**

The other variable costs include freight costs of EUR 3,087 thousand (2011: EUR 2,996 thousand; 2010: EUR 2,947 thousand). The other costs mainly include changes in inventories as well as rental and lease expenses.

Personnel expenses

The personnel expenses amount to EUR 140,795 thousand (2011: EUR 136,956 thousand; 2010: EUR 132,010 thousand) and comprise wages and salaries of EUR 114,161 thousand (2011: EUR 111,426 thousand; 2010: EUR 108,347 thousand) and social security costs including pension costs of EUR 26,634 thousand (2011: EUR 25,530 thousand; 2010: EUR 23,663 thousand). The personnel expenses are disclosed in the line items cost of products sold, selling costs and general administration costs.

Share-based payments

Share-based payments programs are a material part of the long-term incentive program at Rockwood. Within the scope of these programs, rights such as stock options, restricted stock units and, since the financial year 2010, market stock units or a combination of such rights can be granted to selected executives and key employees. These programs aim to retain the executives and key employees to the Company and to link the remuneration for this group of persons to the long-term success of the Company. Prerequisite for the exercise of granted rights is an existing employment relationship at the relevant date, defined in detail in the respective program.

In the years 2007 to 2010, Rockwood has granted stock options in line with a time-based model with a term of three years until the options are completely exercisable (1/3 of the options are exercisable after expiration of each year). These options expire at the latest after a period of seven years.

The programs for the years 2007 to 2013 include performance-based restricted stock units (hereafter referred to as restricted stock units). According to this performance-based model, shares are granted to the participating employees after expiration of three years if the corporate-specific targets, defined in the respective program, could be achieved. The targets defined in the 2007 program were not, those defined in the programs for 2008 and 2009 partially and those of the years 2010 and 2011 fully achieved.

Within the scope of the programs for 2009 and 2010 also time-based restricted stock units were granted, where the participating employees are granted shares after expiration of a period of three years.

Next to the performance-based restricted stock units, the remuneration programs for the years 2011 to 2013 also provide for market stock units (hereafter referred to as restricted stock units), which link the remuneration—also performance-based—even stronger with an improvement of the shareholder value.

The parameters of the single programs, where stock options were granted in line with a time-based model, can be analysed as follows:

Program	granted on	Day of expiration	Exercise price	Fair value as at the date of granting	Total number
				in USD	**in units**
2007	24 May 2007	24 May 2014	32.05	10.41	41,858
2008	14 Dec. 2007	14 Dec. 2014	32.39	10.08	45,567
2009	12 Dec. 2008	12 Dec. 2015	9.18	4.16	60,880
2010	11 Dec. 2009	11 Dec. 2016	23.79	13.06	19,540
					167,845

The number of stock options in relation to the executives and key employees of CeramTec-Group developed as follows in the financial year:

Program	31 December 2011	Exercised	31 December 2012	of which exercisable
	in units	in units	in units	in units
2007	37,245		37,245	37,245
2008	39,059		39,059	39,059
2009	36,388	(10,955)	25,433	25,433
2010	13,026		13,026	13,026
	125,718	**(10,955)**	**114,763**	**114,763**

In the financial year 2011, the development of the stock options can be analysed as follows:

Program	31 December 2010	Exercised	31 December 2011	of which exercisable
	in units	in units	in units	in units
2007	37,898	(653)	37,245	37,245
2008	45,567	(6,508)	39,059	39,059
2009	41,315	(4,927)	36,388	36,388
2010	19,540	(6,514)	13,026	6,514
	144,320	**(18,602)**	**125,718**	**119,206**

In the financial year 2010, the development of the stock options can be analysed as follows:

Program	1 January 2010	Cancelled/ Forfeited	Exercised	31 December 2010	of which exercisable
	in units	in units	in units	in units	in units
2007	41,858		(3,960)	37,898	37,898
2008	45,567			45,567	45,567
2009	60,880	(3,480)	(16,085)	41,315	37,107
2010	19,540			19,540	6,514
	167,845	**(3,480)**	**(20,045)**	**144,320**	**127,086**

Concerning the options exercised in the financial year 2012, the weighted average share price when exercising the options amounted to USD 49.77 (2011: USD 50.77; 2010: USD 25.96).

For the exercisable stock options still outstanding at the end of the reporting period, the range of the exercise price when exercising the options is between USD 9.18 and USD 32.39 at an average weighted term of 31 months.

The parameters for the single programs, for which the restricted stock units were granted, can be analysed as follows:

Program	Granted on	Date of latest possible vesting	Fair value as at the date of granting	Total number
			in USD	in units
2007	24 May 2007	31 March 2010	32.05	18,275
2008	14 Dec. 2007	31 March 2011	30.69	15,401
2009	12 Dec. 2008	31 Dec. 2011	8.37	69,675
2010	11 Dec. 2009	31 Dec. 2012	22.86	31,184
2011	10 Dec. 2010	1 Jan. 2014	50.73	23,643
2012	2 Dec. 2011	1 Jan. 2015	41.12	22,437
2013	12 Dec. 2012	1 Jan. 2016	53.47	24,934
				205,549

The shares that were granted within the scope of the restricted stock units are granted to the employee free of charge if the corporate-specific targets defined in the respective program were achieved.

The number of restricted stock units—in relation to the executives and key employees within RSGG Group—developed as follows in the financial year:

Program	31 December 2011	Addition	Vested	Cancelled/ forfeited	31 December 2012	of which will vest in the following 12 months
	in units	in units	in units	in units	in units	in units
2010	49,316		(47,711)	(1,605)	0	0
2011	23,643				23,643	23,643
2012	22,437			(1,181)	21,256	0
2013		24,934			24,934	0
	95,396	**24,934**	**(47,711)**	**(2,786)**	**69,833**	**23,643**

In the financial year 2011, the development of the restricted stock units can be analysed as follows:

Program	31 December 2010	Addition	Vested	Cancelled/ forfeited	31 December 2011	of which will vest in the following 12 months
	in units	in units	in units	in units	in units	in units
2008	15,401		(13,461)	(1,940)	0	0
2009	22,722		(22,722)		0	0
2010	31,184	18,132			49,316	49,316
2011	23,643				23,643	0
2012		22,437			22,437	0
	92,950	**40,569**	**(36,183)**	**(1,940)**	**95,396**	**49,316**

In the financial year 2010, the development of the restricted stock units can be analysed as follows:

Program	1 January 2010	Addition	Cancelled/ forfeited	31 December 2010	of which will vest in the following 12 months
	in units	in units	in units	in units	in units
2007	18,275		(18,275)	0	0
2008	15,401			15,401	15,401
2009	69,675		(46,953)	22,722	22,722
2010	31,184			31,184	0
2011		23,643		23,643	0
	134,535	**23,643**	**(65,228)**	**92,950**	**38,123**

The fair values of the stock options are determined according to the Black Scholes model and, in accordance with a Monte-Carlo simulation model. In doing so, the following valuation assumptions were used:

Program	2013	2012	2011	2010	2009	2008	2007
Expected term until exercise/vesting (in years)	3.0	3.0	3.0	4.5	4.5	4.5	4.3
Share price on grant date (in USD)	49.46	39.37	41.34	23.79	9.18	32.39	32.05
Risk-less interest rate (in %)	0.4	0.4	1.1	2.0	1.4	3.6	4.8
Volatility of the Rockwood share (in %)	43.12	67.28	81.08	67.86	54.46	30.00	30.00

The volatility of the Rockwood share used for the computation is based on the historical development of the share price since the IPO of the Company in 2005.

The fair values of the restricted stock units are determined in accordance with a Monte-Carlo simulation model.

The total expense of the reporting period for the scheduled addition over the vesting period including all adjustments for the stock options and restricted stock units amounted to EUR 745 thousand (2011: EUR 666 thousand; 2010: EUR 945 thousand). These expenses are disclosed under the item “General administration costs”.

Amortisation, depreciation and impairment losses

In the financial year, amortisations of intangible assets of EUR 13,311 thousand (2011: EUR 12,543 thousand; 2010: EUR 12,847 thousand) and depreciations on property, plant and equipment of EUR 26,369 thousand (2011: EUR 26,044 thousand; 2010: EUR 24,569 thousand) were made. Amortisation and depreciation expenses of EUR 25,218 thousand (2011: EUR 23,882 thousand; prior year: EUR 22,593 thousand) are disclosed under the cost of product sold and of EUR 14,462 thousand (2011: EUR 14,705 thousand; 2010: EUR 14,822 thousand) under selling costs, general administration costs as well as other expenses.

No impairment losses on financial assets were recorded in the reporting year and the prior years.

Government grants

Cost refunds made by government of EUR 507 thousand (2011: EUR 273 thousand; 2010: EUR 784 thousand) were allocated as income to the function costs in the reporting year.

Exchange gains and losses

Exchange gains of EUR 115 thousand (2011: exchange losses of EUR 1,183 thousand, 2010: exchange gains of EUR 531 thousand) are disclosed in the line items other income and other expenses.

3.3 Other expenses

The expenses mainly include (not order-related) research and development costs of EUR 15,734 thousand (2011: EUR 14,664 thousand; 2010: EUR 12,817 thousand), depreciations on administrative assets, selling costs and general administration costs of EUR 2,591 thousand (2011: EUR 2,460 thousand; 2010: EUR 2,345 thousand) as well as expenses for management services of Rockwood companies of EUR 3,543 thousand (2011: EUR 7,040 thousand; 2010: EUR 6,498 thousand).

3.4 Financial result

The interest expense, net is affected by expenses for the corporate financing. It can be analysed as follows:

	1 January to 31 December 2012	1 January to 31 December 2011	1 January to 31 December 2010
	EUR'000	EUR'000	EUR'000
Financial income			
Interest from shareholder loans	217	142	54
Bank balances	213	85	7
Other interest income	111	92	3
Total financial income	**541**	**319**	**64**
Financial expenses			
Interest on shareholder loans	11,335	15,184	21,027
Accumulation of interest on provisions and accrued liabilities	2,087	2,133	2,303
Other financing costs	1,188	1,000	949
Other interest expenses	67	81	131
Total financial expenses	**14,677**	**18,398**	**24,410**
Financial result	**(14,136)**	**(18,079)**	**(24,346)**

Like in the prior years, the financial income and expenses are assigned to the category "loans and receivables" in accordance with the categories of financial instruments under IAS 39. This does not apply for the interest portion of the pension expenses and interest from lease transactions. Interest from lease transactions is included in other interest expenses.

3.5 Taxes on income

CeramTec GmbH and its German subsidiaries are part of a consolidated tax group for income tax and VAT purposes with RSGG being the controlling company. Hence, all domestic corporate income taxes, trade taxes and VAT only occur at the level of the controlling company and not at the level of CeramTec GmbH. Deviating thereof, the tax expense in the statement of consolidated comprehensive income is presented under the assumption that CeramTec GmbH and its German subsidiaries are an independent tax subject rather than a member of a consolidated tax group, closed with RSGG for income tax purposes. Furthermore, CeramTec GmbH directly participates in foreign corporations, whose tax expense was computed on the basis of the taxable income, determined under local law, and the respective applicable tax rate. Furthermore, the companies included in the combined financial statements, in which CeramTec GmbH is not participating directly, are included with the tax expense determined on the basis of the taxable income under local law and the thereof applicable tax rate.

In the aggregate, a weighted expected tax rate for CeramTec-Group of 28.0 % (2011: 28.1 %; 2010: 27.5 %) arises.

The earnings before taxes of EUR 77,397 thousand (2011: EUR 65,101 thousand; 2010: EUR 47,820 thousand) relates to Germany and other countries as follows:

	1 January to 31 December 2012	1 January to 31 December 2011	1 January to 31 December 2010
	EUR'000	EUR'000	EUR'000
Germany	69,552	59,967	44,373
Abroad	7,845	5,134	3,447
	77,397	**65,101**	**47,820**

The total tax expense of EUR 22,445 thousand (2011: EUR 18,398 thousand; 2010: EUR 11,035 thousand) comprises the current and deferred tax expense and can be analysed as follows:

	1 January to 31 December 2012	1 January to 31 December 2011	1 January to 31 December 2010
	EUR'000	EUR'000	EUR'000
Expense for current income taxes	20,003	15,288	9,557
Expense for deferred taxes	2,442	3,110	1,478
Taxes on income	**22,445**	**18,398**	**11,035**

Effective tax rate

The following table shows the transition of the nominal to the effective tax rate (i.e. tax expense in relation to the earnings before taxes). The effective tax rate includes the current and also the deferred tax expense and takes into account all impacts, e.g. through non-deductible operating expenses or a change in the tax basis.

	1 January to 31 December 2012		1 January to 31 December 2011		1 January to 31 December 2010	
	EUR'000	%	EUR'000	%	EUR'000	%
Earnings before income taxes	**77,397**		**65,101**		**47,821**	
Expected tax expense	21,671	28.0	18,293	28.1	13,151	27.5
Permanent differences	207	0.3	159	0.2	(17)	0.0
Changes in the tax rate	578	0.7	90	0.1	318	0.7
Corrections in the prior years	(95)	(0.1)	(78)	(0.1)	(2,490)	(5.2)
Other adjustments	84	0.1	(66)	(0.1)	73	0.1
Tax expense and effective tax rate	**22,445**	**29.0**	**18,398**	**28.2**	**11,035**	**23.1**

Deferred taxes

The deferred income taxes were computed for each German company with its respective combined expected tax rate and for all foreign companies with the respective local tax rate. In the aggregate, the Combined balance sheets disclose a net tax liability of EUR 44,059 thousand (2011: EUR 44,713 thousand; 2010: EUR 42,561 thousand, Jan. 2010: EUR 40,777 thousand).

The deferred taxes within CeramTec-Group result from the following items:

	31 December 2012		31 December 2011		31 December 2010		01 January 2010	
	Tax assets	Tax liabilities	Tax assets	Tax liabilities	Tax assets	Tax liabilities	Tax assets	Tax liabilities
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Tax losses carried forward	499		631		478		583	
Property, plant and equipment	87	19,711	116	19,788	127	18,742	125	16,309
Goodwill and other intangible assets	22	35,355	20	32,764	17	30,528	13	29,411
Inventories, receivables and other assets	161	23	152	23	153	23	51	19
Non-current provisions	9,490	20	6,325	20	5,197		4,806	
Current provisions and other liabilities	1,177	462	1,022	548	1,265	557	986	1,621
Other	76		164		52		96	77
Total deferred taxes	**11,512**	**55,571**	**8,430**	**53,143**	**7,289**	**49,850**	**6,660**	**47,437**

Tax losses carried forward

The existing tax losses carried forward can be analysed as follows:

	31 December 2012	31 December 2011	31 December 2010	01 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Foreign tax losses carried forward	3,347	3,763	3,597	4,014
for which no deferred tax asset is recognized	*(720)*	*(496)*	*(958)*	*(908)*
Total tax losses carried forward	3,347	3,763	3,597	4,014
for which no deferred tax asset is recognized	*(720)*	*(496)*	*(958)*	*(908)*

Tax losses carried forward of EUR 2,627 thousand (2011: EUR 3,267 thousand; Dec. 2010: EUR 2,639 thousand; Jan. 2010: EUR 3,106 thousand) were taken into account for the computation of the deferred taxes.

The foreign tax losses carried forward primarily resulted from the results of group companies in Poland (EUR 973 thousand; 2011: EUR 2,205 thousand; Dec. 2010: EUR 2,061 thousand, Jan. 2010: EUR 1,547 thousand), the Czech Republic (EUR 1,441 thousand; 2011: EUR 759 thousand; Dec. 2010: EUR 362 thousand; Jan. 2010: EUR 825 thousand) and in Spain (EUR 213 thousand; 2011: EUR 302 thousand; Dec. 2010: EUR 229 thousand, Jan. 2010: EUR 379 thousand). All tax losses carried forward are only usable within a limited time.

4. Notes to the Combined Balance Sheet

4.1 Goodwill

Goodwill recognised in these financial statements relate to the acquisition of CeramTec GmbH (EUR 164,240 thousand) as well as from the acquisition of Emil Müller GmbH (EUR 9,561 thousand) and CeramTec-ETEC GmbH (EUR 19,966 thousand). All businesses within the CeramTec GmbH Group took place before the year 2010. There was no change in goodwill within the reporting periods.

The recoverable amount, which is relevant for measuring impairment, is in all financial years at least 30 % above the carrying amount of the respective net assets. A 200 basis point higher discount rate would not have led to an impairment need for the goodwill. Also no impairment need would have been recognised as at the respective impairment tests if lower cash flows were assumed to decline by 20 % for the period after the five-year planning period.

4.2 Other intangible assets

The reconciliation of the opening and closing balances of other intangible assets are as follows:

	Acquired know-how	Trademark rights	Customer relationships	Advantageous contracts	Software	Other intangible assets	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 Jan. 2010							
Acquisition or construction cost	78,815	21,943	49,302	2,599	5,383	943	**158,985**
Accumulated amortisation and impairment losses	33,347	4,920	11,822	272	4,354	637	**55,352**
Net carrying amounts	**45,468**	**17,023**	**37,480**	**2,327**	**1,029**	**306**	**103,633**
Movements in 2010							
Additions	0	0	0	0	634	0	**634**
Disposals	0	0	0	0	1	0	**1**
Amortisation	6,554	1,250	4,020	233	640	150	**12,847**
Currency Translation	273	117	336	0	10	11	**747**
Net carrying amounts as at 31 December 2010	**39,187**	**15,890**	**33,796**	**2,094**	**1,033**	**167**	**92,167**

	Acquired know-how	Trademark rights	Customer relationships	Advantageous contracts	Software	Other intangible assets	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2010							
Acquisition or construction cost	79,289	22,093	49,766	2,599	5,980	984	**160,711**
Accumulated amortisation and impairment losses	40,102	6,203	15,970	505	4,947	817	**68,544**
Net carrying amounts	**39,187**	**15,890**	**33,796**	**2,094**	**1,033**	**167**	**92,167**
Movements in 2011							
Additions	744	0	0	0	903	0	**1,647**
Disposals	0	0	0	0	0	0	**0**
Amortisation	6,404	1,249	3,985	195	588	121	**12,542**
Currency Translation	48	20	(216)	0	27	1	**(120)**
Net carrying amounts as at 31 Dec. 2011	**33,575**	**14,661**	**29,595**	**1,899**	**1,375**	**47**	**81,152**
31 Dec. 2011							
Acquisition or construction cost	80,153	22,126	49,419	2,599	6,886	1,019	**162,202**
Accumulated amortisation and impairment losses	46,578	7,465	19,824	700	5,511	972	**81,050**
Net carrying amounts	**33,575**	**14,661**	**29,595**	**1,899**	**1,375**	**47**	**81,152**
Movements in 2012							
Additions	0	0	0	0	1,108	56	**1,164**
Disposals	533	0	0	0	0	0	**533**
Amortisation	6,375	905	3,971	949	1,072	40	**13,312**
Reclassifications	0	0	0	0	1,142	0	**1,142**
Currency Translation	23	2	166	0	18	0	**209**
Net carrying amounts as at 31 Dec. 2012	**26,690**	**13,758**	**25,790**	**950**	**2,570**	**63**	**69,821**
31 Dec. 2012							
Acquisition or construction cost	79,634	22,126	49,724	2,599	9,142	1,072	**164,297**
Accumulated amortisation and impairment losses	52,944	8,368	23,934	1,649	6,572	1,009	**94,476**
Net carrying amounts	**26,690**	**13,758**	**25,790**	**950**	**2,570**	**63**	**69,821**

The capital expenditures in other intangible assets amounted to EUR 1,164 thousand (2011: EUR 1,647 thousand; 2010: EUR 634 thousand), of which about 84 % (2011: about 51 %; 2010: about 97 %) were made in Germany (in 2011 about 44 % in China). The reclassification to software, disclosed in 2012 in the amount of EUR 1,142 thousand, was made from the assets under construction disclosed under the property, plant and equipment.

4.3 Property, plant and equipment

The reconciliation of the opening and closing balances of property, plant and equipment are as follows:

	Land, land rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
1 Jan. 2010					
Acquisition or construction cost	98,020	183,325	13,372	14,314	309,031
Accumulated depreciation and impairment-losses	(17,600)	(67,415)	(8,137)	(0)	(93,152)
Net carrying amounts	**80,420**	**115,910**	**5,235**	**14,314**	**215,879**
Movements in 2010					
Additions	1,548	14,254	3,074	13,802	32,678
Disposals	51	1,169	148	0	1,368
Depreciation	3,869	18,206	2,495	0	24,570
Reclassifications	1,778	14,482	265	(16,525)	0
Currency Translation	1,012	1,449	230	490	3,181
Net carrying amounts as at 31 December 2010	**80,838**	**126,720**	**6,163**	**12,081**	**225,802**
31 Dec. 2010					
Acquisition or construction cost	102,534	210,689	16,093	12,081	341,397
Accumulated depreciation and impairment losses	21,696	83,969	9,930	0	115,595
Net carrying amounts	**80,838**	**126,720**	**6,163**	**12,081**	**225,802**
Movements in 2011					
Additions	708	11,618	2,214	15,764	**30,303**
Disposals	653	628	3	0	**1,284**
Depreciation	4,063	19,141	2,839	0	**26,043**
Reclassifications	4,847	9,576	683	(15,106)	**0**
Currency Translation	(46)	246	(13)	85	**272**
Net carrying amounts as at 31 Dec. 2011	**81,630**	**128,391**	**6,205**	**12,824**	**229,050**
31 Dec. 2011					
Acquisition or construction cost	107,183	230,013	18,779	12,824	**368,799**
Accumulated depreciation and impairment-losses	25,553	101,622	12,574	0	**139,749**
Net carrying amounts	**81,630**	**128,391**	**6,205**	**12,824**	**229,050**
Movements in 2012					
Additions	1,060	9,567	2,375	16,298	**29,300**
Disposals	200	372	16	15	**603**
Depreciation	4,174	19,510	2,685	0	**26,369**
Reclassifications	1,894	11,648	556	(15,240)	**(1,142)**
Currency Translation	96	3	9	81	**189**
Net carrying amounts as at 31 Dec. 2012	**80,306**	**129,727**	**6,444**	**13,949**	**230,426**
31 Dec. 2012					
Acquisition or construction cost	110,055	248,819	17,894	13,949	**390,717**
Accumulated depreciation and impairment losses	29,749	119,092	11,450	0	**160,291**
Net carrying amounts	**80,306**	**129,727**	**6,444**	**13,949**	**230,426**

The cash-settled capital expenditure for property, plant and equipment amounted to EUR 29,300 thousand (2011: EUR 30,303 thousand; 2010: EUR 32,678 thousand), of which about 65 % (2011: about 72 %; 2010: about 81 %) were made in Germany and about 13 % (in 2011 about 12 %) in EU countries. The amount of EUR 1,142 thousand, disclosed in 2012 under the reclassifications, was reclassified to the intangible assets (software). The borrowing interest capitalised in the property, plant and equipment amounts to EUR 111 thousand in the reporting year (2011: EUR 92 thousand; 2010: EUR 0 thousand). Government subsidies of EUR -43 thousand were netted with the acquisition and construction cost of property, plant and equipment in the reporting year (2011: EUR 426 thousand; Dec. 2010: EUR 531 thousand; Jan. 2010: EUR 75 thousand).

Property, plant and equipment include rented properties and buildings classified as finance lease with a net carrying amount of EUR 0 thousand (2011: EUR 145 thousand; Dec. 2010: EUR 533 thousand; Jan. 2010: EUR 1,170 thousand) and operating and office equipment with a net carrying amount of EUR 562 thousand (2011: EUR 723 thousand; Dec. 2010: EUR 717 thousand; Jan. 2010: EUR 961 thousand).

	31 December 2012	31 December 2011	31 December 2010	01 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Acquisition cost—capitalised Leasing objects from finance lease	1,888	5,952	5,496	5,121
Accumulated depreciation	1,326	5,084	4,246	2,990
Net carrying amount	**562**	**868**	**1,250**	**2,131**

The corresponding lease liabilities are explained under the financial liabilities to third parties (note 4.19).

4.4 Other (non-current) assets

The other non-current assets mainly include receivables from insurance companies due to environmental damages of EUR 164 thousand (2011: EUR 124 thousand; Dec. 2010: EUR 195 thousand; Jan. 2010: EUR 260 thousand) as well as rentals paid in advance and deposits of EUR 145 thousand (2011: EUR 141 thousand; Dec. 2010: EUR 148 thousand; Jan. 2010: EUR 155 thousand).

4.5 Inventories

The inventories can be analysed as follows:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Raw materials	23,623	24,856	20,017	15,075
Work in progress	21,121	18,414	18,396	14,164
Finished goods	16,488	16,892	17,186	14,248
Merchandise	2,351	1,524	1,496	1,143
Other	927	1,098	1,124	1,060
	64,510	**62,784**	**58,219**	**45,690**

These amounts include write-downs of EUR 8,564 thousand (2011: EUR 6,599 thousand; Dec. 2010: EUR 7,185 thousand; Jan. 2010: EUR 8,532 thousand). The write-downs are reported under the cost of product sold.

4.6 Trade accounts receivable

The credit risk is limited due to the broad diversification of the customer basis by industries and regions. The default risk is mostly addressed by credit insurances.

The balance sheet amount recognised for the trade accounts receivable of EUR 48,807 thousand (2011: EUR 46,962 thousand; Dec. 2010: EUR 42,815 thousand; Jan. 2010: EUR 38,270 thousand) is a net amount and arises after taking into account allowances of EUR 658 thousand (2011: EUR 698 thousand; Dec. 2010: EUR 815 thousand; Jan. 2010: EUR 1,044 thousand). The movement in the allowance is mainly due to the final derecognition of the receivables, on which allowances were made (category: loans and receivables).

The carrying amount and maturity structure of the trade accounts receivable can be analysed as follows:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Carrying amount before impairment loss	**49,465**	**47,660**	**43,630**	**39,314**
Impairment	658	698	815	1,044
Carrying amount	**48,807**	**46,962**	**42,815**	**38,270**
of which not yet due on reporting date	40,761	41,705	38,723	34,540
of which overdue on reporting date	8,046	5,257	4,092	3,730
overdue up to 30 days	6,017	4,415	3,387	3,405
overdue up to 60 days	1,798	667	642	325
overdue up to 90 days	231	175	63	0

The age structure of the impaired accounts receivable can be analysed as follows:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
overdue up to 60 days	0	0	0	13
overdue up to 90 days	51	217	171	183
overdue more than 90 days	607	481	644	848
Total	658	698	815	1,044

4.7 (Current) financial receivables from affiliates

In 2012 and the prior periods presented, the financial receivables from affiliates included receivables from RSGG from an internal clearing account existing in Germany.

4.8 Other (current) accounts receivable and assets

The other current receivables and assets include prepayments, VAT receivables, mineral oil tax receivables, energy tax receivables and subsidies.

4.9 Cash and cash equivalents

The item includes bank balances of EUR 9,477 thousand (2011: EUR 5,195 thousand; Dec. 2010: EUR 3,854 thousand; Jan. 2010: EUR 2,315 thousand) and cash-in-hand of EUR 26 thousand (2011: EUR 31 thousand; Dec. 2010: EUR 32 thousand; Jan. 2010: EUR 24 thousand).

4.10 Supplementing explanations for certain financial assets

The following current assets are measured at amortised cost:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Trade accounts receivable	48,807	46,962	42,815	38,270
Financial receivables from affiliates	82,065	19,404	0	15,232
Trade accounts receivable from affiliates	912	945	896	863
Income tax advance payments to foreign authorities	0	532	1,390	940
Other accounts receivable and assets	2,625	4,611	2,965	4,578
Cash and cash equivalents	9,503	5,226	3,886	2,339

The carrying amounts of the financial assets measured at amortised cost approximate their fair values.

Except for trade accounts receivable, no allowances on short-term financial assets have been recorded neither in the reporting period nor in the prior years.

4.11 Equity

The movements in equity are explained in the combined statement of changes in equity.

Nominal capital

CeramTec-Group has a combined nominal capital of EUR 30,022 thousand. It relates to the single group companies as follows:

	EUR'000
CeramTec GmbH	30,000
CeramTec North America Corporation	7
Press + Sintertechnik Sp. z o o.	12
Press and Sinter Technics de Mexico S.A. de C.V.	3
Total	**30,022**

The CeramTec North America Corporation includes the equity of DuraWear Corporation.

Paid in capital

In connection with the acquisition of the segment Advanced Ceramics of the chemical business of mg technologies ag, the shareholder allocated an amount of EUR 53,409 thousand as at 31 July 2004 to the paid in capital. In February 2010, KL2 has partially converted a shareholder loan and thus contributed an amount of EUR 442 thousand to the paid in capital. In November 2009, an amount of EUR 14,195 thousand, in December 2011 an amount of EUR 34,563 thousand, and in October 2012 an amount of EUR 48,186 thousand were transferred to the paid in capital by RSGG.

In connection with the share-based payments program of Rockwood-Group, a total amount of EUR -2,094 thousand (2011: EUR -1,566 thousand; Dec. 2010: EUR -94 thousand; Jan. 2010: EUR 108 thousand) was netted with the paid in capital.

In 2012 and the prior periods presented, the paid in capital was not appropriated.

Accumulated other comprehensive (loss) income

The movements in equity not recognised through profit or loss of EUR -6,228 thousand (2011: EUR 1,009 thousand; Dec. 2010: EUR 3,124 thousand; Jan. 2010: EUR 0 thousand) result from the translation of foreign financial statements into the Group currency related as well as from the recognition of actuarial gains and losses from the valuation of the pension provision and the deferred taxes.

	31 December 2012	31 December 2011	31 December 2010
	EUR'000	EUR'000	EUR'000
Actuarial gains/losses	(14,462)	(3,781)	(91)
Deferred taxes thereof	4,148	1,089	32
Foreign currency translation	4,086	3,701	3,183
Total	**(6,228)**	**1,009**	**3,124**

The foreign currency reserve translation developed as follows:

	EUR'000
Balance as of 1 January 2010	**0**
Movement in 2010	3,183
Balance as of 31 December 2010	**3,183**
Movement in 2011	518
Balance as of 31 December 2011	**3,701**
Movement in 2012	385
Balance as of 31 December 2012	**4,086**

Dividend policy

Based on the profit transfer agreement between CeramTec GmbH and RSGG, a dividend of EUR 58,333 thousand (2011: EUR 48,186 thousand; Dec. 2010: EUR 34,563 thousand) was transferred in the reporting year. In 2012, Press + Sintertechnik Sp. z o o. paid an extra dividend of EUR 1,212 thousand (Dec. 2010: EUR 147 thousand) to KL2. In 2012, Press and Sinter Technics de Mexico S.A. de C.V. paid an extra dividend of EUR 194 thousand (2011: EUR 187 thousand) to KL2. CeramTec North America Inc. has not paid any dividends to its shareholders in the reporting year and the prior years. Except for the amount transferred under the profit transfer agreement with RSGG, no dividend payment to the shareholders is planned for the financial year 2013.

4.12 Provisions

The development of the non-current provisions can be analysed as follows:

	Balance as at 31 Dec. 2011	Additions	Use	Accumulation of interest	Balance as at 31 Dec. 2012
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for environmental risks	230	371	0	0	601
Provisions for commitments to employees	50,632	12,235	3,131	2,037	61,773
Other non-current provisions	806	629	138	14	1,311
	51,668	13,235	3,269	2,051	63,685

In 2011, the development of the non-current provisions could be analysed as follows:

	Balance as at 31 Dec. 2010	Additions	Use	Accumulation of interest	Balance as at 31 Dec. 2011
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for environmental risks	245	36	51	0	230
Provisions for commitments to employees	46,155	4,823	2,399	2,053	50,632
Other non-current provisions	738	141	85	12	806
	47,138	5,000	2,535	2,065	51,668

In 2010, the development of the non-current provisions could be analysed as follows:

	Balance as at 1 Jan. 2010	Additions	Use	Accumulation of interest	Balance as at 31 Dec. 2010
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for environmental risks	546	421	731	9	245
Provisions for commitments to employees	45,511	1,513	3,053	2,184	46,155
Other non-current provisions	703	345	323	13	738
	46,760	2,279	4,107	2,206	47,138

The provisions for environmental risks relate to the elimination of brownfields, decontamination and water protection measures (refer also to note 8 below). The determination of the amount of the provision is based on estimates and, to the extent possible, on external expert opinions (refer also to note 2 above). A term of 14 years is assumed for the provisions from environmental risks.

The provisions for commitments to employees include mainly provision for pension obligations and provision for jubilee.

The other non-current provisions notably include mainly the provisions for litigation costs, compensation for damages in business unit Medical Products and contributions to the German mutual pension assurance association with a term of up to five years.

4.13 Provisions for pension commitments

CeramTec-Group provides its employees with various defined benefit and defined contribution pension plans, in relation to pension, invalidity 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 regarding the financing and the plan assets of pension plans.

The following table shows on a consolidated basis the pension commitments, the plan assets and the funded status of the defined benefit plans. Furthermore, the provisions disclosed within the consolidated balance sheet and the weighted actuarial assumptions as well as the expected future benefits are disclosed. Valuation date for all plans was 31 December.

Financial year/Calendar year	**2012**		
Movements in contractual obligation	**Domestic plans**	**Foreign plans**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
Contractual obligations at the beginning of the financial year	**44,636**	**8,980**	**53,616**
Service costs	652	0	652
Interest expenses	1,960	407	2,367
Actuarial (gains)/losses	10,157	401	10,558
Currency Translation	0	209	209
Benefit payment	(2,203)	(617)	(2,820)
Other variances	0	22	22
Contractual obligation at the end of the year	**55,202**	**9,402**	**64,604**
Movements in plan assets			
Market value of the plan assets at the beginning of the financial year	**0**	**4,517**	**4,517**
Expected income from plan assets	0	330	330
Employers' contributions	0	118	118
Actuarial (gains)/losses	0	(123)	(123)
Currency Translation	0	144	144
Benefit payments	0	(617)	(617)
Market value of the plan assets at the end of the year	**0**	**4,369**	**4,369**
Net liability/provisions for pension benefits	**(55,202)**	**(5,033)**	**(60,235)**
Material actuarial assumptions at the end of the period			
Computation interest rate (in %)	3.10	3.10 to 4.40	
Expected income from plan assets (in %)	not applicable	6.00 to 7.80	
Wage and salary trend (in %)	3.00	not applicable	
Pension trend (in %)	1.75	0.00 to 3.00	
Components of the net expenses			
Service costs	652	0	652
Interest expenses	1,960	407	2,367
Expected income from plan assets	0	(330)	(330)
Total net expense	**2,612**	**77**	**2,689**

Financial year/Calendar year	2011		
Movements in contractual obligation	**Domestic plans**	**Foreign plans**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
Contractual obligations at the beginning of the financial year	**42,048**	**7,691**	**49,739**
Service costs	562	0	562
Interest expenses	2,010	385	2,395
Actuarial (gains)/losses	2,062	896	2,958
Currency Translation	0	255	255
Benefit payment	(2,046)	(246)	(2,292)
Other variances	0	(1)	(1)
Contractual obligation at the end of the year	**44,636**	**8,980**	**53,616**
Movements in plan assets			
Market value of the plan assets at the beginning of the financial year	**0**	**4,947**	**4,947**
Expected income from plan assets	0	341	341
Employers' contributions	0	18	18
Actuarial (gains)/losses	0	(732)	(732)
Currency Translation	0	189	189
Benefit payments	0	(246)	(246)
Market value of the plan assets at the end of the year	**0**	**4,517**	**4,517**
Net liability/provisions for pension benefits	**(44,636)**	**(4,463)**	**(49,099)**
Material actuarial assumptions at the end of the period			
Computation interest rate (in %)	4.50	3.70 to 4.70	
Expected income from plan assets (in %)	not applicable	6.50 to 7.40	
Wage and salary trend (in %)	3.00	not applicable	
Pension trend (in %)	1.75	0.00 to 3.00	
Components of the net expenses			
Service costs	562	0	562
Interest expenses	2,010	385	2,395
Expected income from plan assets	0	(341)	(341)
Total net expense	**2,572**	**44**	**2,616**

Financial year/Calendar year	2010		
Movements in contractual obligation	**Domestic plans**	**Foreign plans**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
Contractual obligations at the beginning of the financial year	**41,759**	**7,293**	**49,052**
Service costs	507	0	507
Interest expenses	2,154	411	2,565
Actuarial (gains)/losses	(21)	189	168
Currency Translation	0	250	250
Benefit payment	(2,351)	(464)	(2,815)
Other variances	0	12	12
Contractual obligation at the end of the year	**42,048**	**7,691**	**49,739**
Movements in plan assets			
Market value of the plan assets at the beginning of the financial year	**0**	**4,781**	**4,781**
Expected income from plan assets	0	381	381
Actuarial (gains)/losses	0	77	77
Currency Translation	0	172	172
Benefit payments	0	(464)	(464)
Market value of the plan assets at the end of the year	**0**	**4,947**	**4,947**
Net liability/provisions for pension benefits	**(42,048)**	**(2,744)**	**(44,792)**
Material actuarial assumptions at the end of the period			
Computation interest rate (in %)	4.90	4.70 to 5.40	
Expected income from plan assets (in %)	not applicable	7.00 to 7.20	
Wage and salary trend (in %)	3.00	not applicable	
Pension trend (in %)	1.75	0.00 to 3.10	
Components of the net expenses			
Service costs	507	0	507
Interest expenses	2,154	411	2,565
Expected income from plan assets	0	(381)	(381)
Total net expense	**2,661**	**30**	**2,691**

Material actuarial assumptions as of 1 January 2010

	Domestic plans	**Foreign plans**
Computation interest rate (in %)	5.30	5.70 to 5.90
Expected income from plan assets (in %)	not applicable	7.25 to 7.90
Wage and salary trend (in %)	3.00	not applicable
Pension trend (in %)	1.75	0.00 to 3.50

The expected future benefit payments taking into account the expected future service periods are as follows at the end of the financial year 2012:

	Benefit payments of the Company	**Benefit payments from the plan assets**	**Total**
	EUR'000	**EUR'000**	**EUR'000**
2013	2,249	238	2,487
2014	2,325	282	2,607
2015	3,011	302	3,313
2016	2,477	297	2,774
2017	2,497	278	2,775
2018-2022	12,882	1,513	14,395

The expected future benefit payments taking into account the expected future service periods are as follows at the end of the financial year 2011:

	Benefit payments of the Company	Benefit payments from the plan assets	Total
	EUR'000	EUR'000	EUR'000
2012	2,150	245	2,395
2013	2,220	228	2,448
2014	2,298	273	2,571
2015	2,882	296	3,178
2016	2,435	289	2,724
2017-2021	12,494	1,455	13,949

The expected future benefit payments taking into account the expected future service periods are as follows at the end of the financial year 2010:

	Benefit payments of the Company	Benefit payments from the plan assets	Total
	EUR'000	EUR'000	EUR'000
2011	2,049	245	2,294
2012	2,135	223	2,358
2013	2,203	208	2,411
2014	2,266	252	2,518
2015	2,413	272	2,685
2016-2020	12,437	1,330	13,767

The plan assets of the foreign plans relate to the following assets (indicated in %):

	2012	2011	2010
	%	%	%
Securities/shares	71.9	72.1	66.1
Fixed-income securities	20.1	27.0	33.0
Real estate	8.0	0.9	0.9
	100.0	**100.0**	**100.0**

No plan assets exist for the domestic plans.

The real estate properties included in the plan assets do not relate to real estate owned or used by CeramTec or its subsidiaries. The return of the plan assets to be expected in total is based on historic average return rates as well as on current capital market rates.

Experience adjustments that result from deviations between the actuarial assumptions and the actual trends had the following impacts:

	December 2012	December 2011	December 2010
	EUR'000	EUR'000	EUR'000
Projected benefit obligation	**64,604**	**53,616**	**49,739**
Impact of experience adjustments in the financial year	479	(60)	(2,071)
Fund assets at fair value	**4,369**	**4,517**	**4,947**
Impact of experience adjustments in the financial year	84	661	(75)
Funded status	**60,235**	**49,099**	**44,792**

The following overview shows the analysis of the present value of the benefit obligation to plans that are funded and unfunded.

	December 2012	December 2011	December 2010
	EUR'000	EUR'000	EUR'000
Present value of the funded benefit obligation	9,402	8,980	7,691
Fund assets at fair values	4,369	4,517	4,947
Net balance sheet value of the funded obligations	5,033	4,463	2,744
Present value of the funded benefit obligation	55,202	44,636	42,048
Net balance sheet value of the unfunded obligations	55,202	44,636	42,048
Net balance sheet value	60,235	49,099	44,792

CeramTec GmbH and Emil Müller GmbH are members of different German pension funds. These pension funds are classified as multi-employer plans and accounted for as defined contribution plan in the combined financial statements. The expenses paid to the pension funds in 2012 amounted to EUR 1,759 thousand (2011: EUR 2,251 thousand; 2010: EUR 2,584 thousand). The costs are disclosed under the function costs.

4.14 Non-current financial liabilities to affiliates

The non-current financial liabilities result from the acquisition financing in connection with the acquisition of the high-performance ceramics segment of the chemical business of mg technologies ag. The loan agreements with the shareholders are due for repayment on 30 June or 31 July of a given year, if one of both contractual parties cancels the loan agreements with at least a year's advance notice. The creditors have not exercised their cancellation option on 30 June 2012 and 31 July 2012. If the contract was not cancelled in due time, the term of the respective contract is automatically prolonged by twelve months. Since the short-term repayment of these loans was waived, they were recognised as non-current items.

The non-current financial liabilities to affiliates are as follows:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Rockwood Vermögensverwaltung S.à.r.l. & Co. KG	250.000	90.000	0	0
Rockwood Vermögensverwaltung GmbH	0	160.000	250.000	0
Rockwood Specialties Group GmbH	0	0	0	305.200
Rockwood Specialties Group Inc.	9.702	9.778	9.641	10.367
Knight Lux 2 S.à r.l.	303	502	672	1.021
Transaction costs	(1.138)	(2.210)	(2.082)	(3.004)
	258.867	**258.070**	**258.231**	**313.584**

The movements in the financial year 2012 mainly result from a sale of the loan remaining at Rockwood Vermögensverwaltung GmbH, Frankfurt am Main/Germany, of EUR 160,000 thousand, which was granted to Rockwood Vermögensverwaltung S.à.r.l. & Co. KG. Press and Sinter Technics de Mexico, S.A. de C.V, Puebla/Mexico repaid EUR 199 thousand on the loan existing with KL2.

The movements in the financial year 2011 is mainly caused by a sale of a portion of EUR 90,000 thousand of a total of EUR 250,000 thousand from Rockwood Vermögensverwaltung GmbH to Rockwood Vermögensverwaltung S.à.r.l. & Co. KG. Furthermore, Press and Sinter Technics de Mexico, S.A. de C.V partially repaid the loan existing with KL2 in the amount of EUR 170 thousand.

The change in 2010 was due to a partial repayment of EUR 55,200 thousand of the loan from CeramTec GmbH to RSGG. In the course of the financial year, RSGG contributed the loan existing with CeramTec GmbH in the amount of EUR 250,000 thousand to Rockwood Vermögensverwaltung GmbH. Furthermore, an amount of EUR 1,000 thousand was made as partial repayment from Press + Sintertechnik Sp. z o o. to RSGI and a contribution of EUR 442 thousand was made to the capital reserves of Sinter Technics de Mexico, S.A. de C.V., resulting from the partial conversion of a loan granted by KL2.

4.15 Non-current financial liabilities to third parties

The financial liabilities to third parties of EUR 775 thousand in total (2011: EUR 1,061 thousand; Dec. 2010: EUR 1,607 thousand; Jan. 2010: EUR 2,172 thousand) relate to commitments from finance leases (EUR 264 thousand; 2011: EUR 371 thousand; Dec. 2010: EUR 640 thousand; Jan. 2010: EUR 1,012 thousand) as well as to bank loans (EUR 511 thousand; 2011: EUR 690 thousand; Dec. 2010: EUR 967 thousand; Jan. 2010: EUR 1,160 thousand).

In the reporting year, the financial commitments from finance leases relate to future periods as follows:

	Present value of minimum lease payments December 2012	Interest effect December 2012	Minimum lease payments December 2012
	EUR'000	EUR'000	EUR'000
< 1 year	313	17	330
1 to 2 years	179	10	189
2 to 3 years	63	3	66
3 to 4 years	14	1	15
4 to 5 years	8	0	8
	577	**32**	**609**

In 2011, the financial commitments from finance leases relate to future periods as follows:

	Present value of minimum lease payments December 2011	Interest effect December 2011	Minimum lease payments December 2011
	EUR'000	EUR'000	EUR'000
< 1 year	632	35	667
1 to 2 years	235	13	248
2 to 3 years	98	5	103
3 to 4 years	20	1	21
4 to 5 years	9	0	9
> 5 years	8	0	8
	1,002	**55**	**1,057**

In 2010, the financial commitments from finance leases relate to upcoming periods as follows:

	Present value of minimum lease payments December 2010	Interest effect December 2010	Minimum lease payments December 2010
	EUR'000	EUR'000	EUR'000
< 1 year	689	38	727
1 to 2 years	494	27	521
2 to 3 years	93	5	98
3 to 4 years	28	2	30
4 to 5 years	8	0	8
> 5 years	16	1	17
	1,328	**73**	**1,401**

Lease payments of EUR 313 thousand that are due in 2013 are disclosed under the current financial liabilities. In 2011, lease payments of EUR 632 thousand that are due in 2012 are disclosed under the current financial liabilities. In 2010, lease payments of EUR 689 thousand that are due in 2011 are disclosed under the current financial liabilities.

Property, plant and equipment include rented properties and buildings classified as finance leases with a net carrying amount of EUR 0 thousand (2011: EUR 145 thousand; Dec. 2010: EUR 533 thousand; Jan. 2010: EUR 1,170 thousand) and operating and office equipment with a net carrying amount of EUR 562 thousand (2011: EUR 723 thousand; Dec. 2010: EUR 717 thousand; Jan. 2010: EUR 961 thousand).

The internal interest rate underlying the computation of the present value of the minimum lease payments amounts to 5.5 % for all years.

The fair values of the lease obligations can be subject to interest-related risks since the leases are based on constant interest rates. All leases include contractually agreed fixed rates.

4.16 Other (non-current) liabilities

Like in the prior years, the other non-current liabilities exclusively include liabilities from the purchase of non-current assets.

4.17 Current provisions and provisions for taxes

The development of the provisions for current liabilities in the financial year can be analysed as follows:

	Balance as at 31 Dec. 2011	Additions	Use	Balance as at 31 Dec. 2012
	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for taxes	0	1,447	0	1,447
Provisions for commitments to employees	8,375	8,822	9,045	8,152
Other provisions	10,479	10,106	10,147	10,438
	18,854	20,375	19,192	20,037

The development of the provisions for current liabilities in 2011 can be analysed as follows:

	Balance as at 31 Dec. 2010	Additions	Use	Balance as at 31 Dec. 2011
	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for taxes	18	0	18	0
Provisions for commitments to employees	11,755	11,922	15,302	8,375
Other provisions	11,505	9,524	10,550	10,479
	23,278	21,446	25,870	18,854

The development of the provisions for current liabilities in 2010 can be analysed as follows:

	Balance as at 1 Jan. 2010	Additions	Use	Balance as at 31 Dec. 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Provisions for taxes	35	0	17	18
Provisions for commitments to employees	4,314	15,399	7,958	11,755
Other provisions	9,342	11,507	9,344	11,505
	13,691	26,906	17,319	23,278

In the reporting year, the provisions for taxes relate to income taxes (EUR 594 thousand) and property acquisition taxes (EUR 853 thousand). In the prior years, the Group only disclosed provisions for property acquisition taxes as at the respective reporting dates.

The provisions for employee benefits relate to provisions for the share based payments of the employees, for inventor remuneration as well as for special company leaves and severance pays.

The other provisions for current liabilities in particular comprise provisions for outstanding invoices, warranty commitments, litigation risks, legal and consultancy fees as well as provisions for other uncertain liabilities and the current portion of the provision for environmental risks.

In all reporting years, only insignificant amounts of provisions were released with an impact on net income.

4.18 Current financial liabilities to affiliates

In December 2010, the current financial liabilities to affiliates included liabilities on an internal clearing account kept in Germany with RSGG of EUR 18,784 thousand and on 1 January 2010 liabilities on an internal clearing account kept in the U.S. with RSGI of EUR 209 thousand.

4.19 Current financial liabilities to third parties

The current financial liabilities to third parties mainly include liabilities to banks of EUR 9,042 thousand (2011: EUR 12,894 thousand, Dec. 2010: EUR 10,432 thousand; Jan. 2010: EUR 11,618 thousand) and the current portion of the financing lease commitments of EUR 313 thousand (2011: EUR 632 thousand; Dec. 2010: EUR 689 thousand; Jan. 2010: EUR 1,102 thousand) as presented in note 4.15.

4.20 Other (current) liabilities

The other current liabilities of EUR 4,715 thousand (2011: EUR 4,730 thousand; Dec. 2010: EUR 4,977 thousand; Jan. 2010: EUR 3,553 thousand) mainly comprise liabilities to employees, not yet paid wage tax and social security contributions.

4.21 Supplementing explanations on certain financial liabilities

The following non-current liabilities are measured at amortised cost within the combined balance sheets:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Financial liabilities to affiliates	258,867	258,070	258,231	313,584
Financial liabilities to third parties	775	1,061	1,607	2,172
Other accounts payable	41	1,005	947	1,374

The following current liabilities are measured at amortised cost within the combined balance sheets:

	31 December 2012	31 December 2011	31 December 2010	1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Financial liabilities to affiliates	0	0	18,784	209
Financial liabilities to third parties	9,355	13,527	11,123	12,720
Trade accounts payable	18,167	19,236	25,027	13,328
Liabilities to affiliates	380	425	530	555
Other accounts payable	4,715	4,730	4,977	3,553

The carrying amounts of the financial liabilities measured at amortised cost within the balance sheet substantially correspond to the fair values.

4.22 Other financial commitments

The other financial commitments can be analysed as follows:

	31 December 2012	31 December 2011	31 December 2010
	EUR'000	EUR'000	EUR'000
Rental and lease obligations	2,847	3,606	3,885
Purchase agreements and maintenance contracts	14,699	10,761	22,331
Purchase commitments	44,593	31,498	25,945
	62,139	**45,865**	**52,161**

The commitments from rental and lease agreements primarily relate to properties and buildings and technical equipment and machinery. The respective payment commitments are as follows:

	31 December 2012	31 December 2011	31 December 2010
	EUR'000	EUR'000	EUR'000
< 1 year	1,666	2,231	1,966
1 to 2 years	709	874	1,013
2 to 3 years	280	288	550
3 to 4 years	107	92	248
4 to 5 years	32	47	35
> 5 years	53	74	73
	2,847	**3,606**	**3,885**

In the financial year, the expenses from rental and lease agreements amount to EUR 3,417 thousand (2011: EUR 3,638 thousand; 2010: EUR 3,722 thousand). The technical equipment and machinery leased by means of leases are returned to the lessor when the contracts expire. The term of the material leases is three to four years.

Purchase commitments of EUR 10,918 thousand (2011: EUR 8,766 thousand; 2010: EUR 7,461 thousand) relate to property, plant and equipment and the remaining amount to inventories.

5. Financial Instruments

In accordance with IAS 39, the financial instruments are analysed by balance sheet items as well as by valuation categories as follows.

	Carrying amount 31 December 2012	Carrying amount 31 December 2011	Carrying amount 31 December 2010	Carrying amount 1 January 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Assets				
Trade accounts receivable	48,807	46,962	42,815	38,270
Receivables from affiliates	82,977	20,349	896	16,095
Other assets	3,012	4,932	3,358	5,039
Cash and cash equivalents	9,503	5,226	3,886	2,339
According to the valuation categories of IAS 39				
Loans and receivables	144,299	77,469	50,955	61,743
Liabilities				
Trade accounts payable	18,167	19,236	25,027	13,328
Liabilities to affiliates	380	425	530	555
Other liabilities	4,756	5,735	5,924	4,927
Financial liabilities	268,420	271,656	288,417	326,571
According to the valuation categories of IAS 39				
Financial liabilities at amortised cost	291,723	297,052	319,898	345,381

The carrying amounts of the aforementioned figures are equal to fair value.

The amounts disclosed in the item financial liabilities do not include finance lease obligations, which are explained in note 4.15.

The net result per valuation category of IAS 39 is as follows (expense: negative):

	1 January to 31 December 2012	1 January to 31 December 2011	1 January to 31 December 2010
	EUR'000	EUR'000	EUR'000
Loans and receivables	(465)	(456)	(112)
Financial liabilities	580	(727)	643

The net results exclusively relate to foreign exchange gains and losses relating to receivables and liabilities denominated in foreign currency.

6. Management of financial risks

CeramTec-Group is part of the American Rockwood Group, whose ultimate parent operates the financing function for the entire Group. Hence, CeramTec-Group primarily finances itself with funds of Rockwood Group and thus with funds of the American ultimate parent. The treasury department of Rockwood Group renders services for the companies of CeramTec-Group and coordinates the access to the national and international financial markets. Furthermore, this division monitors and controls the financial risks linked with the activities of the companies of CeramTec-Group through an internal risk reporting. The risks are analysed by degree and scope of the risk. The known risks comprise market risks (including currency risks and interest-induced fair value risks), default risks and liquidity risks.

Interest sensitivity analysis

The sensitivity analysis was prepared for variable-interest-bearing liabilities under the assumption that the amount of the outstanding liabilities on the reporting date was outstanding for the entire year. CeramTec-Group assumes an interest rate that is by 100 basis points higher/lower. If all other variables would be constant, the consolidated profit for the financial year 2012 would thus decrease/increase by EUR 89 thousand—being in particular due to the fact that funds were raised at variable interest rates. The computation of the volumes is based on a net volume of the variable-interest-bearing financial liabilities of EUR 8,863 thousand.

Management of currency risks

Some companies of CeramTec-Group recognises certain and liabilities denominated in foreign currencies that are subject to currency risks. These risks are not separately hedged.

Currency sensitivity analysis

CeramTec-Group is mainly exposed to currency risks from the USD. As at 31 December 2012, the computation of the risk is based on a volume of USD 2,430 thousand (2011: USD 3,110 thousand; 2010: USD 3,759 thousand). The sensitivity analysis is furthermore based on the assumption of a variance in the EUR-USD exchange rate of 10 % in all reported periods.

	31 December 2012		31 December 2011		31 December 2010	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Effect of variance on the annual result	(165.0)	201.0	(219.0)	267.0	(249.0)	302.0

Liquidity risks

For reducing the liquidity risks, the liquidity management within CeramTec-Group includes the availability of liquid funds and sufficient credit lines.

The following table shows the undiscounted, agreed interest payments and repayments of the financial liabilities for the following years.

31 December 2012	**Carrying amount**	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Trade accounts payable	18,167	18,167	0	0	0	0	0
Liabilities to banks	9,553	9,042	43	18	19	19	412
Interest payments on liabilities to banks	0	26	20	19	19	18	143
Liabilities to affiliates	380	380	0	0	0	0	0
Liabilities from finance leases	577	313	179	63	14	8	0
Interest payments from finance lease	0	17	10	3	1	0	0
Other accounts payable	4,715	4,715	0	0	0	0	0

31 December 2011	**Carrying amount**	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Trade accounts payable	19,236	19,236	0	0	0	0	0
Liabilities to banks	13,586	12,893	179	43	18	19	432
Interest payments on liabilities to banks	0	40	26	20	19	19	161
Liabilities to affiliates	425	425	0	0	0	0	0
Liabilities from finance leases	1,002	632	235	98	20	9	8
Interest payments from finance lease	0	35	13	5	1	0	0
Other accounts payable	4,730	4,730	0	0	0	0	0

31 December 2010	**Carrying amount**	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**> 5 years**
	EUR'000	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**	**EUR'000**
Trade accounts payable	25,027	25,027	0	0	0	0	0
Liabilities to banks	11,402	10,432	277	179	43	18	450
Interest payments on liabilities to banks	0	51	40	26	20	19	180
Liabilities to affiliates	530	530	0	0	0	0	0
Liabilities from finance leases	1,328	689	494	93	28	8	16
Interest payments from finance lease	0	38	27	5	2	0	1
Other accounts payable	4,977	4,977	0	0	0	0	0

As at the balance sheet date 31 December 2012, the Company has external committed credit lines of EUR 1,578 thousand (2011: EUR 1,630 thousand; 2010: EUR 1,130 thousand). As at 31 December 2012, credit lines were drawn in the amount of EUR 186 thousand (2011: EUR 132 thousand; 2010: EUR 106 thousand). Furthermore, the liquidity of CeramTec-Group is provided through inclusion in the Group financing of Rockwood Group. The Group financing is explained in detail in the explanations to the combined balance sheet (Note 4.15).

The breakdown of the payment obligations from the operative leases to future financial years is presented under the other financial commitments (Note 4.22).

Default risks

Trade accounts receivable are disclosed towards a high number of customers operating in different industries and regions. The default risks with regard to the customer receivables are monitored locally, are valued and are also limited through the use of trade credit insurances. The default risk of CeramTec-Group is rather low and amounts to a value of less than EUR 50 thousand per year, based on historical default rates.

The maximum default risks with regard to customer receivables taking into consideration trade credit insurances amounts to approximately 61 % (2011: 61 %.; 2010: 71 %).

The credit risks are controlled through limits defined for each contract party that were regularly checked through internal credit controls and approved. Credit ratings with regard to the finance status of the customers are prepared on an ongoing basis. As a general rule, no collaterals are required from the customers.

The default risk from liquid funds is seen as low since the Group only cooperates with well-respected financial institutes.

Capital Management

The aim of the capital management is linked to the finance strategy of Rockwood Group. This includes the provision of liquidity and the granting of access to the capital market at any time. Measures for achieving these targets are, amongst others, focusing on the cash flow, the optimisation of the capital structure, acquisition and disinvestments as well as on the reduction of liabilities. The balance-sheet equity amounts to EUR 282,742 thousand (2011: EUR 231,465 thousand; Dec. 2010: EUR 188,097 thousand; Jan. 2010: EUR 172,930 thousand), the equity ratio amounts to 39.6 % (2011: 35.4 %; Dec. 2010: 29.9 %; Jan. 2010: 27.5 %).

7. Employees

In the financial year, CeramTec-Group had 3,139 employees (2011: 3,216; Dec. 2010: 3,073; Jan. 2010: 2,889) on an annual average.

8. Contingent liabilities

Litigation risks

Companies of CeramTec-Group are parties to a number of litigations. These processes are linked with the normal business activities and mainly relate to litigations referring to issues under commercial law, product liability law and environmental law. In this context, CeramTec-Group recognizes provisions if such an obligation is probable and if the amount can be reliably estimated. CeramTec-Group is disclosing such obligations if there is a reasonable possibility that a material expense arose.

No litigations are currently outstanding that could have a material impact on the Group’s net asset position, financial position and results of operations.

Warranties and Exemption Obligations

Companies of CeramTec-Group are obliged through a number of contracts to exempt third parties from certain legal, tax or environmental obligations up to certain amounts and/or under certain conditions. This in particular relates to commitment in connection with the sale of properties. According to the information on hand, such obligations will not materially affect the Group’s net asset position, financial position and results of operations.

Our indirect parent, Rockwood Specialties Group, Inc., (“Rockwood”) is the borrower under the senior secured credit facility, dated February 10, 2011, as amended on February 22, 2012. Certain of our affiliated U.S. legal entities (the “CeramTec U.S. Entities”) along with certain other U.S. subsidiaries of Rockwood, guaranteed the obligations under such agreement and granted a first-priority security interest in substantially all their tangible and intangible assets, the book values of which are EUR 23,216 thousands for the CeramTec U.S. Entities as of December 31, 2012. In addition, the shares representing all of the capital stock of such entities were pledged as collateral for such indebtedness.

In addition, in October 2012, Rockwood issued $1.25 billion of 4.625 % senior notes due in 2020 (the “Notes”) and CeramTec U.S. Entities guaranteed the obligations of Rockwood under the Notes.

The senior secured credit facility and the indenture governing the Notes contain restrictive covenants which limit the ability of Rockwood and the Company, subject to certain exceptions, to incur indebtedness, pay dividends or make other distributions, make investments and other restricted payments, create liens, sell assets, enter into certain transactions with affiliates and consolidate, merge, sell or otherwise dispose of all or substantially all of its assets or to enter into sale leaseback transactions. Non-compliance with these covenants or other covenants could result in a default under such agreements and the lenders could elect to declare all amounts borrowed immediately due and payable. Rockwood was in compliance with the above covenants as of December 31, 2012.

In connection with the bank loans presented in note 4.15, CeramTec-ETEC GmbH has provided the usual collaterals.

Decontamination Commitments

As at 31 December 2012, CeramTec-Group has recognized provisions for environmental damages for the current production facilities in Germany (Plochingen and Marktredwitz) and for a former production facility in the U.S. (Middletown/ U.S.). These provisions were recognized, since at these sites measures are taken for decontamination, assurance or monitoring of the ground water at present.

We anticipate that there are no further cases that would materially affect the Group's net assets, financial position and results of operations. Should further cases arise, we will adjust the amount of the provisions taking into account the new information.

9. Information on the Supervisory Board and the Management

In the reporting period, the following persons were or are at present members of the **Supervisory Board**, which comprises in accordance with § 5 (1) of the Articles of Association in connection with the provisions of the Co-Determination Act 1976, six representatives of the shareholders and six employee representatives:

Seifi Ghasemi
Chairman
Chairman of the Board and
Chief Executive Officer
Rockwood Holdings, Inc.,
Princeton, New Jersey / U.S.

Roland Nosko*
Deputy Chairman (since 18 May 2010)
Regional leader of the district Nuremberg of the IG Bergbau, Chemie und Energie (Industrial Union of the Mining, Chemical and Energy Industries)

Manfred Loos*
Deputy Chairman (until 31 January 2010)
Chairman of the Works Council of CeramTec GmbH, Lauf/Germany

Jürgen Klemenz*
Chairman of the Group Works Council of Rockwood Specialties Group GmbH
Chairman of the Works Council of CeramTec GmbH, Plochingen/Germany

Jürgen Haas* (since 20 April 2010)
Chairman of the General Works Council of CeramTec GmbH, Plochingen/ Germany
Chairman of the Works Council of CeramTec GmbH, Lauf/Germany

Rudolf Röll* (since 19 April 2012)
Head of the SC Materialwirtschaft of CeramTec GmbH, Marktredwitz/ Germany

Peter Schröter* (until 18 April 2012)
Head of the SC Chemietechnik of CeramTec GmbH, Marktredwitz/ Germany

Klaus Wespatat*
Chairman of the Works Council of CeramTec GmbH, Marktredwitz/ Germany

Bernd Westphal*
Director's area of responsibility 2 *of IG Bergbau, Chemie und Energie (Industrial Union of the Mining, Chemical and Energy Industries)*

Dr Marcus Brune
CFO of Rockwood Lithium GmbH, Frankfurt am Main/Germany

Dr Andreas Grünewald
Member of the Management of Sachtleben GmbH, Duisburg/ Germany

Thomas J. Riordan
Senior Vice President, Law & Administration
Rockwood Holdings, Inc.,
Princeton, New Jersey / U.S.

Udo Pinger
Member of the Management of Rockwood Specialties Group GmbH, Frankfurt am Main/ Germany

Robert J. Zatta
Senior Vice President and
Chief Financial Officer
Rockwood Holdings, Inc.,
Princeton, New Jersey / U.S.

* Employee representatives

In the financial year 2012, the remuneration of the Supervisory Board amounted to EUR 38 thousand (2011: EUR 37 thousand; 2010: EUR 37 thousand).

In the reporting year, the following persons were part of the **Management** of CeramTec GmbH or are still at present:

Dr Ulf-D. Zimmermann
Chief Executive Officer
Labour Director

Rolf-Michael Müller
Chief Financial Officer

Sigurd Adler
(since 12 April 2011)
Chief Technology Officer

Prof. Dr Jürgen Huber
(until 30 April 2011)
Chief Technology Officer

In the reporting year, the members of Management received remunerations of EUR 1,701 thousand (2011: EUR 2,568 thousand; 2010: EUR 4,170 thousand). Of these remunerations, an amount of EUR 1,262 thousand (2011: EUR 2,064 thousand; 2010: EUR 3,424 thousand) relate to benefits due in short term and an amount of EUR 439 thousand (2011: EUR 504 thousand; 2010: EUR 746 thousand) to share-based remuneration. The pension provision set up for active members of Management amounts to EUR 4,454 thousand (2011: EUR 3,082 thousand; 2010: EUR 3,954 thousand) and for former members of management to EUR 2,091 thousand (2011: EUR 1,898 thousand; 2010: EUR 606 thousand). The members of Management have not received any remunerations from other companies of CeramTec-Group.

10. Related Party Disclosures

CeramTec-Group is part of Rockwood-Group and mainly finances itself by the funds of Rockwood-Group and thus finally of the funds of the ultimate American parent. The group financing in particular includes loans from sister companies within Rockwood Group. The loans were granted by Rockwood Vermögensverwaltung S.à.r.l. & Co. KG and in the prior years also by Rockwood Vermögensverwaltung GmbH. The long-term financing of CeramTec-Group is explained in detail in note 4.14.

In 2012, the following transactions took place with related companies:

	Receivables 31 December 2012	Payables 31 December 2012	Sales revenues 1 January to 31 December 2012	Purchases 1 January to 31 December 2012
	EUR'000	EUR'000	EUR'000	EUR'000
Chemetall Asia PTE Ltd.		93		
Chemetall Hispania SA		3		
Chemetall S.A.S.	4			
Chemetall Srl		2		24
Dynamit Nobel GmbH		65		
Knight Lux 2 S.à.r.l.		303		20
Rockwood Specialties Group GmbH	82,063		217	345
Rockwood Specialties Group Inc.	910	5,450		431
Rockwood Specialties Inc.		4,469		6,851
Rockwood Vermögensverwaltung GmbH				3,618
Rockwood Vermögensverwaltung S.à.r.l. & Co. KG		250,000		7,268
Sachtleben Chemie GmbH			1	

In 2011, the following transactions took place with related companies:

	Receivables 31 December 2011	Payables 31 December 2011	Sales revenues 1 January to 31 December 2011	Purchases 1 January to 31 December 2011
	EUR'000	EUR'000	EUR'000	EUR'000
Chemetall Asia PTE Ltd.		86		
Chemetall Hispania SA		2		
Chemetall S.A.S.	10			
Chemetall Srl		4		22
Dynamit Nobel GmbH		43		
hebro chemie GmbH				2
Knight Lux 2 S.à.r.l.		502		37
Rockwood Specialties Group GmbH	19,404		142	328
Rockwood Specialties Group Inc.	925	9,778	143	1,267
Rockwood Specialties Inc.	10	290	7	8,852
Rockwood Vermögensverwaltung GmbH		160,000		10,857
Rockwood Vermögensverwaltung S.à.r.l. & Co. KG		90,000		3,726
Sachtleben Chemie GmbH			2	277

In 2010, the following transactions took place with related companies:

	Receivables 31 December 2010	Payables 31 December 2010	Sales revenues 1 January to 31 December 2010	Purchases 1 January to 31 December 2010
	EUR'000	EUR'000	EUR'000	EUR'000
Chemetall Asia PTE Ltd.		87		
Chemetall Hispania SA		4		
Chemetall S.A.S.		2		
Chemetall S.r.l.		4		21
Dynamit Nobel GmbH		53		
Knight Lux 2 S.à.r.l.		672		51
Rockwood Specialties Group GmbH		18,784	342	18,917
Rockwood Specialties Group Inc.	896	9,656		772
Rockwood Specialties Inc.		365		7,246
Rockwood Vermögensverwaltung GmbH		250,000		1,615
Sachtleben Chemie GmbH			9	

The disclosed transactions with related companies exclusively refer to affiliates within Rockwood Group. The transactions were performed at market-usual conditions.

Except for the amounts listed in note 9, no other benefits were paid to members of the Supervisory Board and the Management of CeramTec GmbH. The members of the Supervisory Board have participated in training and information events without remuneration, which were organised within the scope of the fulfilment of CeramTec GmbH's duties under the works constitution.

11. Supplementing disclosures on the cash flow statement

As already mentioned in Note 6, CeramTec-Group is included in the financing of Rockwood Group, which is finally provided by the ultimate American company. The financing of CeramTec-Group is explained in Note 4.15.

In the previous financial year, the cash flow from operating activities amounted to EUR 115,281 thousand (2011: EUR 85,120 thousand; 2010: EUR 93,665 thousand). The cash outflow for investments amounted to EUR 29,463 thousand (2011: EUR 31,001 thousand; 2010: EUR 32,322 thousand) and primarily relate to capital expenditure on property, plant and equipment. The cash outflow from financing activities amounted to EUR 81,528 thousand (2011: EUR 53,145 thousand; 2010: EUR 59,051 thousand) and mainly relate to the repayment of financial liabilities to affiliates. The remaining excess increased the cash and cash equivalents to EUR 9,503 thousand (2011: EUR 5,226 thousand; 2010: EUR 3,886 thousand). Non-cash transactions of EUR 7,622 thousand (2011: EUR 2,633 thousand; 2010: EUR 59 thousand) are excluded from the combined statement of cash flows. The non-cash transactions are actuarial losses and the related deferred taxes recognized in the comprehensive income.

Plochingen/Germany, 16 April 2013

CeramTec GmbH

The General Management

Dr. Zimmermann Müller Adler

Exchange rates

		Units	31 December 2012		31 December 2011		31 December 2010	
			Exchange rate on reporting date	Income statement Average rate	Exchange rate on reporting date	Income statement Average rate	Exchange rate on reporting date	Income statement Average rate
USD	U.S.	1 EUR	1.31930	1.28640	1.29610	1.39230	1.33840	1.32720
BRL	Brazil	1 EUR	2.70670	2.51256	2.41960	2.32890	2.22350	2.33550
RMB/CNY	China	1 EUR	8.22000	8.11393	8.15890	9.00100	8.84280	8.98310
GBP	Great Britain	1 EUR	0.81160	0.81140	0.83390	0.86780	0.85730	0.85830
KRW	Korea	1 EUR	1,404.26290	1,448.67400	1,493.69040	1,541.62500	1,507.03840	1,533.23860
MYR	Malaysia	1 EUR	4.03440	3.97168	4.10600	4.25640	4.10020	116.44990
MXN	Mexico	1 EUR	16.95740	16.91340	18.06210	17.29410	16.51590	16.76520
PLN	Poland	1 EUR	4.08140	4.18250	4.46560	4.11960	3.96470	3.99440
CZK	Czech Republic	1 EUR	25.08310	25.13700	25.58850	24.59110	25.01950	25.29620

CeramTec GmbH

List of Companies included in the Combined Group Accounts as at 31 December 2012

	Company	Location	Share in %	Share via No.	Currency	Last available Equity in local currency (thousand)	Last available Result in local currency (thousand)	*	Notes: Current values as at 31 Dec. 2012
001	CeramTec GmbH	Plochingen/Germany	—	—	EUR	158,508	58,333	*	
002	Cerasiv GmbH Innovatives Keramik-Engineering	Plochingen/Germany	100.00	001	EUR	10,787	235	*	
003	CeramTec Italia s.r.l.	Milan/Italy	100.00	001	EUR	223	0	*	in liquidation
004	CeramTec UK Ltd.	Colyton/Great Britain	100.00	001	GBP	(1,426)	(534)	*	
005	CeramTec Innovative Ceramic Engineering, (M) Sdn. Bhd.	Seremban/Malaysia	100.00	001	MYR	34,720	3,374	*	
006	CeramTec Czech Republic s.r.o.	Sumperk/Czech Republic	100.00	001	CZK	248,168	(11,083)	*	
007	CeramTec Ibérica—Innovative Ceramic Engineering S.L.	Vilassar de Mar/Spain	100.00	001	EUR	(283)	(19)	*	
008	CeramTec Korea Ltd.	Suwon-Si/South Korea	100.00	001	KRW	1,280,205	470,061	*	
009	CeramTec Suzhou Ltd.	Suzhou/China	100.00	001	RMB	74,052	16,401	*	
010	Emil Müller GmbH	Wilhermsdorf/Germany	100.00	001	EUR	3,102	3,793	*	
011	PST Press Sintertécnica Brasil Ltda.	Nova Odessa/Brazil	95.00	001	BRL	241	(114)	*	
			5.00	002					
012	CeramTec-ETEC GmbH	Lohmar/Germany	100.00	001	EUR	796	4,600	*	
013	Press and Sinter Technics de Mexico S.A. de C.V.	Puebla/Mexico			MXN	28,673	10,287	*	
014	CeramTec North America Corporation	Laurens/U.S.			USD	9,795	617	*	
015	Press + Sintertechnik Sp. z o o.	Gorzyce/Poland			PLN	3,758	7,928	*	
016	DuraWear Corporation	Birmingham/U.S.			USD	1,701	108	*	
017	ETEC Technical Ceramics Corporation	Birmingham/U.S.			USD				in 2011 merged with Durawear Corporation
018	Knight Polska 1 Sp. z.o.o.	Gorzyce/Poland			PLN				in 2012 merged with Press + Sintertechnik Sp. z o o.

The following independent attestation report (Bescheinigung) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the combined financial statements of CeramTec Group as of and for the fiscal year ended December 31, 2012 and the combined group management report. The combined group management report is not included in this Offering Memorandum.

Independent Attestation Report

To the management of CeramTec GmbH, Plochingen:

We have audited the combined financial statements prepared by CeramTec GmbH for CeramTec-Group (Advanced Ceramics)—comprising the combined balance sheet, combined statement of comprehensive income, combined cash flow statement, combined statement of changes in equity and the notes to the combined financial statements—and the combined group management report for the business year from 1 January 2012 to 31 December 2012 with comparative combined financial statements for the periods ending 31 December 2011, 31 December 2010 and the opening balance as at 1 January 2010. The preparation of the combined financial statements and the combined group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ("German Commercial Code") under consideration of the group of entities included in the combined financial statements mentioned in Section 1 of the notes to the combined financial statements, is the responsibility of the Management of CeramTec GmbH. Our responsibility is to express an opinion on the combined financial statements and the combined group management report based on our audit.

We conducted our audit of the combined financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the combined financial statements in accordance with applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the combined financial statements as well as the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management as well as evaluating the overall presentation of the combined financial statements and the combined group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the results of our audit, the combined financial statements of CeramTec-Group (Advanced Ceramics) comply with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ("German Commercial Code") under consideration of the group of entities included in the combined financial statements mentioned in Section 1 of the notes to the combined financial statements, and give a true and fair view of the Group's net assets, financial position and results of operations in accordance with these regulations. The combined group management report is consistent with the combined financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Germany, 16 April 2013

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Gillar Wirtschaftsprüferin (German Public Auditor)	Signed: Röscheisen Wirtschaftsprüfer (German Public Auditor)

CeramTec GmbH, Plochingen/Germany

Combined Interim Balance Sheet

Assets	31 Mar. 2013	31 Dec. 2012
	EUR'000	EUR'000
Goodwill	193,767	193,767
Other intangible assets	66,713	69,821
Property, plant and equipment	230,030	230,426
Other assets	369	387
Deferred taxes	12,167	11,512
Non-current assets	**503,046**	**505,913**
Inventories	70,233	64,510
Trade accounts receivable	55,575	48,807
Financial receivables from affiliates	78,241	82,065
Trade accounts receivable from affiliates	955	912
Other accounts receivable and assets	3,396	2,625
Cash and cash equivalents	10,333	9,503
Current assets	**218,733**	**208,422**
Total assets	**721,779**	**714,335**

Equity and Liabilities	31 Mar. 2013	31 Dec. 2012
	EUR'000	EUR'000
Nominal capital	30,022	30,022
Paid in capital	146,681	147,041
Retained earnings	113,637	111,907
Accumulated other comprehensive loss	(5,607)	(6,228)
Total equity	**284,733**	**282,742**
Provisions	63,416	63,685
Financial liabilities to affiliates	259,154	258,867
Financial liabilities to third parties	741	775
Other liabilities	38	41
Deferred taxes	57,469	55,571
Non-current liabilities	**380,818**	**378,939**
Provisions	16,082	18,590
Provisions for taxes	1,208	1,447
Financial liabilities to third parties	11,774	9,355
Trade accounts payable	16,592	18,167
Liabilities to affiliates	883	380
Other liabilities	9,689	4,715
Current liabilities	**56,228**	**52,654**
Total liabilities	**437,046**	**431,593**
Total equity and liabilities	**721,779**	**714,335**

CeramTec GmbH, Plochingen/Germany

Combined Interim Statement of Comprehensive Income from 1 January to 31 March

	Mar. 31, 2013	Mar. 31, 2012
	EUR'000	EUR'000
Net sales	107,137	110,241
Cost of products sold	59,589	62,073
Gross profit on sales	47,548	48,168
Selling costs	14,540	13,658
General administration costs	3,299	3,506
Other income	124	672
Other expenses	7,449	6,403
Profit from operations	**22,384**	**25,273**
Financial income	117	106
Financial expenses	3,243	4,657
Financial result	(3,126)	(4,551)
Earnings before taxes	19,258	20,722
Taxes on income	(6,156)	(5,839)
Net income	**13,102**	**14,883**
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	621	(16)
Other comprehensive income / loss	621	(16)
Total comprehensive income	**13,723**	**14,867**

CeramTec GmbH, Plochingen/Germany

Combined Interim Statement of Cash Flows from 1 January to 31 March

	2013	2012
	EUR'000	EUR'000
Net income	13,102	14,883
Taxes on income	6,156	5,839
Profit before taxes	19,258	20,722
Income taxes paid (-)	(310)	(279)
Depreciation and amortisation on non-current assets	9,910	9,767
Gains / Losses from disposal of non-current assets	(2)	58
Increase/decrease (-) in provisions	(3,255)	2,869
Increase in inventories	(5,723)	(1,365)
Increase in trade accounts receivable	(6,768)	(8,268)
Increase in other accounts receivable	(25)	(261)
Increase (-) / decrease in sundry net current assets	(150)	459
Decrease (-) in trade accounts payable	(1,575)	(3,808)
Increase in other accounts payable	5,474	2,810
Expense recognised in respect of share-based payments	212	174
Cash flow from operating activities	**17,046**	**22,878**
Cash inflow from disposal of property, plant and equipment	42	175
Cash outflow for capital investments in property, plant and equipment	(5,855)	(4,846)
Cash outflow for capital investments in other intangible assets	(156)	(204)
Cash flow from investing activities	**(5,969)**	**(4,875)**
Proceeds from loans to affiliated companies	287	627
Cash outflow from current accounts with affiliated companies	(12,393)	(15,240)
Proceeds from/Repayment (-) of borrowings	2,385	(827)
Cash outflow from profit transfer / dividends to the shareholder	0	0
Cash outflow from the repurchase of instruments within the scope of the share-based payment program	(212)	(174)
Cash outflow from the repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution	(500)	(591)
Cash flow from financing activities	**(10,433)**	**(16,205)**
Change in cash and cash equivalents	**644**	**1,798**
Effects of exchange rate changes on cash and cash equivalents	186	(41)
Cash and cash equivalents at the beginning of the period	9,503	5,226
Cash and cash equivalents at the end of the period	**10,333**	**6,983**
Freely available liquid funds on balance sheet date	10,333	6,983
Cash and cash equivalents disclosed in the balance sheet	**10,333**	**6,983**
Cash Flow from operating activities includes interest paid of:	*3,243*	*4,657*
Cash Flow from operating activities includes interest received of:	*117*	*106*

CeramTec GmbH, Plochingen/Germany

Combined Interim Statement of Changes in Equity

	Nominal capital	Paid in capital	Retained earnings	Total	Accumulated other comprehensive (loss) income	Total equity
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 31 Dec. 2011	**30,022**	**100,949**	**99,485**	**230,456**	**1,009**	**231,465**
Net income			14,883	14,883		14,883
Attributable profit to transfer to shareholder			(11,002)	(11,002)		(11,002)
Issue of share-based payments		174		174		174
Repurchase of instruments within the scope of the share-based payment program		(174)		(174)		(174)
Repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution		(591)		(591)		(591)
Income taxes paid for share-based payments		165		165		165
Foreign currency translation					(16)	(16)
Total	0	(426)	3,881	3,455	(16)	3,439
Balance as at 31 Mar. 2012	**30,022**	**100,523**	**103,366**	**233,911**	**993**	**234,904**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Balance as at 31 Dec. 2012	**30,022**	**147,041**	**111,907**	**288,970**	**(6,228)**	**282,742**
Net income			13,102	13,102		13,102
Attributable profit to transfer to shareholder			(11,372)	(11,372)		(11,372)
Issue of share-based payments		212		212		212
Repurchase of instruments within the scope of the share-based payment program		(212)		(212)		(212)
Repurchase of instruments within the scope of the share-based payment program, in excess of capital contribution		(500)		(500)		(500)
Income taxes paid for share-based payments		140		140		140
Foreign currency translation					621	621
Total	0	(360)	1,730	1,370	621	1,991
Balance as at 31 Mar. 2013	**30,022**	**146,681**	**113,637**	**290,340**	**(5,607)**	**284,733**

Condensed Notes to the Combined Interim Financial Statements

Basis of Reporting

The condensed combined interim financial statements of CeramTec GmbH, Plochingen/Germany (hereinafter referred to as "CeramTec") for the quarter ended 31 March 2013 include CeramTec, all of CeramTec's direct and indirect subsidiaries, as well as certain other subsidiaries of Rockwood Holdings, Inc., Princeton, New Jersey, U.S. which together currently form the segment Advanced Ceramics of Rockwood Holdings, Inc. and the CeramTec Group. All other companies of the consolidated Rockwood Group are considered to be affiliated with CeramTec Group. The focus of CeramTec Group activities is upon the development of solutions for demanding applications of different, in parts highly specialized ceramic materials with unique mechanical, electric, thermal and biological-chemical properties and property combinations.

The condensed combined interim financial statements for the quarter ended 31 March 2013 have been prepared in accordance with IAS 34, "Interim financial reporting". The condensed combined interim financial statements do not include all the information contained in the combined annual financial statements and should be read in conjunction with the combined annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS, as applied in the EU.

Although CeramTec Group's business does not have a material seasonal component, revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these condensed combined interim financial statements may not be indicative of the full year results.

There are no differences in recognition and measurement principles compared with those applied in the financial statements as of and for the financial year ended 31 December 2012, except as described below.

The following new IFRS rules applicable for the first time in the first quarter of 2013 are relevant for us:

- Amendments to IAS 1 (Presentation of financial statements)

- IAS 19 (revised) (Employee Benefits)

The amendments to IAS 19 (revised), Employee Benefits, result in the changes presented in the following sections. Elimination of the so-called "corridor approach" did not impact CeramTec Group because the total amount of actuarial gains and losses is already recognized immediately in equity through other comprehensive income under the previous version of the standard.

According to the revised standard, changes in benefit plans resulting in a change in benefit obligations relating to past service periods must be immediately recognized, and not amortized anymore over the service period until the benefits become vested. Changes in the recognition of past services cost do not have a significant impact because material past service cost relates to vested benefits as a result of the current structure of pension entitlements.

Net interest income from defined benefit plans is calculated by using the same interest rate for determining interest on plan assets and the present value of the benefit obligation. Two different interest rates are used under the previous version of IAS 19. Because plan assets are of minor importance, the amount and presentation of net interest expenses from defined benefit plans did not change significantly.

CeramTec Group does not believe that the adoption of any other standards/amendments will have a material impact on the condensed combined interim financial statements although certain new or revised disclosures may be necessary for the year ended 31 December 2013 as a result of such adoption.

All other accounting policies are consistent with those of the previous financial year except that in interim periods taxes on income are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The condensed combined interim financial statements were approved for issue on 12 June 2013. The condensed combined interim financial statements have been reviewed, not audited.

Estimates and Assumptions

The preparation of the condensed combined interim financial statements requires that estimates are made and assumptions are taken to a certain degree, affecting the amount of recognized assets, liabilities, provisions, deferred tax assets and deferred tax liabilities and the disclosure of contingencies and contingent liabilities on the reporting date and the disclosure of income and expenses during the reporting period. All estimates and assumptions are based on management's best estimate and facts, circumstances and information available to management. However, it is possible that the actual amounts to be considered deviate from these estimates or assumptions. The estimates and assumptions are reviewed on an ongoing basis. Updates to estimates and assumptions are recognized in the period in which the respective estimate or assumption was reviewed, and, if applicable, also in later periods if the review concerns current and later periods.

In preparing these condensed combined interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended 31 December 2012, with the exceptions of changes in estimates that are required in determining the provision for income taxes.

Notes to the Combined Interim Statement of Comprehensive Income

Net Sales

Net sales decreased in the first quarter from €110.2 million in 2012 by 2.8 % to €107.1 million compared to the same period in 2013. The regional split of the sales is 30.2 % for Germany, 46.4 % for Europe, 9.9 % for North America, 10.6 % for Asia and 2.9 % for other regions. The split is mainly unchanged compared to the same period in the prior year.

The following table provides an overview over our external net sales in the first quarter of 2012 compared to the first quarter of 2013 on a business unit level:

	Three Months Ended March 31,		
	2013	2012	Change
	(in € million)		(%)
Medical Products	40.3	35.9	12.3
Industrial Applications	66.8	74.3	(10.1)
Thereof Multifunctional Ceramics	9.4	11.1	(15.3)
Thereof Electronic Applications	8.6	9.4	(8.5)
Thereof Cutting Tools	8.4	9.5	(11.6)
Thereof Mechanical Systems	7.5	6.7	11.9
Thereof Mechanical Applications	5.6	5.7	(1.8)
Thereof ETEC	3.8	4.9	(22.4)
Thereof Other Applications	23.5	27.0	(13.0)
Sales	**107.1**	**110.2**	**(2.8)**

Cost of Products Sold and Gross Profit on sales

Cost of products sold decreased by 4.0 % from €62.1 million in the first quarter of 2012 to €59.6 million in the first quarter 2013. Due to a favorable mix the effect of the lower sales volume is overcompensated and the gross profit on sales increased by 1.3 % compared to the first quarter of the prior year.

	Three Months Ended March 31			
	2013		2012	
	(in € million)	(% of net sales)	(in € million)	(% of net sales)
Cost of materials and packing	20.5	19.1	22.5	20.4
Energies	4.3	4.0	4.1	3.7
Other variable costs	1.2	1.1	1.8	1.6
Personnel expenses	23.9	22.3	23.9	21.7
Amortisation and depreciation expenses	6.4	6.0	6.1	5.5
Maintenance expenses of factory building and equipment	2.4	2.2	2.4	2.2
Other costs	0.9	0.8	1.3	1.2
Cost of products sold	**59.6**	**55.6**	**62.1**	**56.3**

Selling Costs

Selling costs increased from €13.7 million in the first quarter of 2012 by 5.8 % to €14.5 million in the first quarter of 2013, which is in line with the strategy to increase the sales force globally and develop stronger customer relationships.

General administration costs

The general administration costs decreased from €3.5 million in the first quarter of 2012 to €3.3 million in the first quarter of 2013. In 2012 the line item includes expenses related to an accrual for the employee development program of €0.2 million.

Other income and Other expenses

Other income decreased from €0.7 million in the first quarter of 2012 to €0.1 million in the first quarter of 2013, because of operating currency gains of €0.6 million in 2012.

Other expenses increased by 15.6 % from €6.4 million in the first quarter of 2012 to €7.4 million in the first quarter of 2013 due to an increase in management fee of €0.7 million and a non-operating currency loss of €0.2 million.

Financial Income and Financial Expenses

Financial income remained stable at €0.1 million in both the first quarter of 2012 and the first quarter of 2013.

Financial expenses decreased from €4.7 million in the first quarter of 2012 to €3.2 million in the first quarter of 2013, because the average interest rates for intercompany loans changed from 5.5% in the first quarter of 2012 to 4.25% in the first quarter of 2013 (€0.8 million). In the first quarter of 2012 the item includes amortization of deferred financing costs of €0.5 million, of which €0.4 million represent an accelerated amortization due to the refinancing which occurred in 2012, as well as higher interests for pensions (€0.1 million).

Taxes on Income

Taxes on income increased from €5.8 million in the first quarter of 2012 to €6.2 million in the first quarter of 2013. In the first quarter 2013 the taxable income increased for income taxes (€0.9 million) and for trade tax (€1.3 million); also the tax rate for trade tax increased from 13.031% to 13.443%.

Net income

The net income declined from €14.9 million in the first quarter of 2012 to €13.1 million in the first quarter of 2013, which was primarily driven by the reduction in net sales due to a slow-down of the economy and higher selling costs.

During the quarters ended 31 March 2013 and 2012:

- No share based payment programs were issued.
- There were no material impairments of financial or long-lived assets.
- Other expenses varied mostly due to expenses for management services of (Rockwood) affiliates.
- Interest expenses varied mostly due to changed balances and terms of shareholder loans.

Income tax expense is recognized based on management's estimate of the expected annual income tax rate for the full financial year. The expected average annual tax rate for the three months ended 31 March 2013 is 28.4 % (the expected average tax rate used in preparing the condensed combined interim financial statements for the three months ended 31 March 2012 was 28.2%).

Notes to the Combined Interim Balance Sheet

The current assets increased by €10.3 million from 31 December 2012 mainly because of higher inventories and trade accounts receivables. The non-current assets and the liabilities remained stable.

Notes to the Combined Interim Statement of Cash Flows

Net cash generated from operating activities was €17.0 million, compared to €22.9 million in the same period last year.

The net cash used in investing activities totaled €6.0 million and was significantly higher than the net outflow of €4.9 million in the first quarter of the last fiscal year.

The cash outflow from financing activities amounted to €10.4 million and is significantly lower than the outflow of €16.2 million in the first quarter of the prior year.

Management of Financial Risk

CeramTec Group is part of the Rockwood Group, whose ultimate parent operates the financing function for the entire Group. Hence, CeramTec Group primarily finances itself with funds of Rockwood Group and thus with funds of the American ultimate parent. The treasury department of Rockwood Group renders services for the companies of CeramTec Group and coordinates the access to the national and international financial markets. Furthermore, CeramTec Group monitors and controls the financial risks linked with the activities of the companies of CeramTec Group through an internal risk reporting. The risks are analyzed by degree and scope of the risk. The known risks comprise market risks (including currency risk and interest-induced fair value risks), default risks and liquidity risks.

The condensed combined interim financial statements do not include the financial risk management information and disclosures required in the annual combined financial statements; they should be read in conjunction with the group's annual combined financial statements as at 31 December 2012. There have been no material changes in risk management policies or procedures since 31 December 2012.

Contingent liabilities

Management has not identified any material new contingent liabilities/risks nor changes in existing liabilities/risks during the first quarter of 2013. As in the year ended 31 December 2012, key contingent liability exposure is in the areas of litigation, warranties, and decontamination.

Subsequent Events

In April 2013 CeramTec has recognized an error in the price calculation with one customer since beginning of 2011 till March 2013 with an overcharge of approximately €1.1 million in total. As there is a legal obligation to credit the customer this liability was recorded in the condensed combined interim financial statements in Q1 2013.

Related Party Disclosures

The nature of related party charges and balances between the CeramTec Group and the Rockwood Group did not materially change during the quarter ended 31 March 2013. The major component of related party payments for CeramTec Group to Rockwood affiliates is management fees. These were €1.8 million for the first quarter of 2013 compared to €1.1 million in the first quarter of 2012.

Plochingen / Germany, 12 June 2013

CeramTec GmbH

General Management

Dr. Zimmermann Müller Adler

Faenza GmbH

Unaudited Balance Sheet as at 14 July 2013

	14 July 2013
	EUR
Assets	
Cash	25,000
Total assets	25,000
Equity and Liabilities	
Paid in capital	25,000
Total equity and liabilities	25,000

Faenza Acquisition GmbH

Unaudited Balance Sheet as at 29 May 2013

	29 May 2013
	EUR
Assets	
Cash	25,000
Total assets	25,000
Equity and Liabilities	
Paid in capital	25,000
Total equity and liabilities	25,000

CeramTec Acquisition Corporation

Unaudited Balance Sheet as at 7 August 2013

	7 August 2013
	USD
Assets	
Cash	100
Total assets	100
Equity and Liabilities	
Paid in capital	100
Total equity and liabilities	100

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