GLOBAL MARKET LEADER 2022 / TOP INNOVATOR 2021

Connecting Values

Annual Report 2021

MASTERFLEX GROUP

Four strategic pillars

As an internationally positioned Group of companies, the Masterflex Group specializes in solving connection tasks and successfully focuses on the development, production and consulting-oriented marketing of high-quality hoses and connection systems. We use our material and technological expertise to process sophisticated high-performance plastics into products that set international standards. The Masterflex Group's growth strategy is based on four interlocking and complementary strategic pillars: Internationalization, Innovation, Operational Excellence and Digital Transformation.

Internationalization

The Masterflex Group is one of the few globally active representatives of the industry and is represented with its own production facilities on all major industrialized continents. Europe is the core market, while Asia and America are becoming increasingly important. The objective is to offer the Group's entire product range internationally in order to create new growth potential. Another option is to accelerate growth through acquisitions and active consolidation of the international market.

Innovation

Through constant innovation, the Masterflex Group is tapping into new potential thanks to a focus on secular growth drivers such as globalization, demographics, digitalization and sustainability. An aging population, the desire for prosperity in emerging markets, increasing connectivity and high demands placed on sustainable products offer the Masterflex Group global growth opportunities for customers in the industrial, medical technology, food, pharmaceutical and biotechnology sectors, as well as mobility.

Operational Excellence

We are constantly working to optimize our core processes in all areas from administration to production to sales, to achieve a high level of scalability in our products and, above all, to further advance our digital expertise and technical capabilities. Striving for the greatest possible efficiency at all levels is one of the most important guidelines for the Masterflex Group.

Digital Transformation

For the Masterflex Group, digitalization is a guarantee for efficiency gains through continuous optimization of internal processes and also offers new growth opportunities through innovative, digital products. The focus here is on our digital disruptive brand AMPIUS, with which our customers are not only able to transport materials in the transformation to Industry 4.0, but also to record data and control entire facilities. We see new technological and business approaches here for the future.

Key Figures

Masterflex at a glance

in EUR thousand	2021	2020	Change
Consolidated revenue	79,068	71,881	10.0%
EBITDA	10,670	7,892	35.2%
EBIT (operating)	5,764	3,167	82.0%
EBIT	5,344	2,335	128.9%
EBT	4,590	1,425	222.1%
Consolidated net income (share of shareholders of Masterflex SE)	3,282	793	313.9%
Consolidated equity	44,977	41,285	8.9%
Consolidated balance sheet total	79,286	76,354	3.8%
Consolidated equity ratio	56.7%	54.1%	
Employees (number)	585	613	-4.6%
EBIT margin (operating)	7.3%	4.4%	
Net return on sales	4.2%	1.1%	
Consolidated earnings per share (EUR)	0.34	0.08	325.0%

Inhalt

Interview with the Management Board

Our growth potential is not nearly exhausted yet

Dr. Andreas Bastin
Chairman of the Management Board

Masterflex successfully completed its fiscal year 2021 and exceeded the growth targets set out in the outlook compared to the previous year. At EUR 79.1 million, revenue is still just below the pre-corona level of 2019, but in terms of earnings, the Group has already exceeded the pre-pandemic figure by posting operating EBIT of EUR 5.8 million thanks to the optimization program that is now nearly fully effective. Based on the successful business development, the Management Board proposes to increase the dividend per share from EUR 0.08 to EUR 0.12. Looking to the future, following the successful implementation of the B2DD program, the focus is now increasingly on the growth of the Group. Including acquisitions, revenue is expected to grow to EUR 200 million by 2030. Masterflex is also aiming to become climate-neutral by 2045. Dr. Andreas Bastin and Mark Becks talk about the highlights and challenges of the past fiscal year and the opportunities for Masterflex in the future.

2021 was an eventful year in every respect. What was the most memorable moment for you?

Andreas Bastin: In terms of the business, it was not necessarily a specific moment, but rather the overall development we took as a Group in 2021. We started fiscal year 2021 with good tailwind, and after the pandemic year 2020, the classic, more cyclical industries such as mechanical engineering and automotive in particular performed well again, or at least normally. Our order intake and order backlog give us a positive outlook for our further development.

Mark Becks: Above all, we were able to show that our strategy is working. Our B2DD program is fully reflected in our income statement. With an EBIT margin of 7.3% in fiscal year 2021, we are on track to achieve a double-digit EBIT margin from 2022 onwards, as forecast – that is the key.

How do you assess 2021 when you look in the rearview mirror, what went well and what did not?

Andreas Bastin: What was really positive was that the majority of our companies were at or above plan. And our plan was already quite ambitious. However, there are also one or two negative points that are essentially related to the corona pandemic. Firstly, our subsidiary Matzen & Timm GmbH, which mainly manufactures for the aviation industry, fell well short of expectations. This is mainly due to the fact that we are unable to find local employees to process the significantly increased order intake. This is a bitter pill to swallow, as we would have otherwise exceeded our sales in 2019 and achieved even better results. The stagnation in the area of medical technology compared to the strong previous period is also one of the areas with a less satisfactory development in fiscal year 2021 due to the pandemic. The special economic situation due to corona with stronger orders for ventilators, for example, has subsided, while at the same time corona-related postponements of operations temporarily slowed down part of the business in the area of medical technology. The good news, however, is that this has been picking up noticeably again for some time. There is no doubt that medical technology remains an important growth segment for Masterflex, which we have also made clear with our investment in the expansion of the clean room.

Mark Becks: Overall, we are in the comfortable position that nearly all of our companies are at or above our internal planning. In particular, the traditional industrial business in the automotive and mechanical engineering sectors is showing strong momentum; we are experiencing sustained high demand and our order books are well filled. This is important as we are starting the new year with tailwind. In addition, a key point that can also be seen from our balance sheet is that we have managed to further reduce our net debt despite still major pandemic-related challenges. This reduces our interest burden and thus improves our financial result. Of course, this is what a CFO looks at, in particular.

What were the biggest challenges in fiscal year 2021 as you see it?

Mark Becks: Our growth in 2021 could have been even stronger without one or the other limiting factor. Like many other industries, we are struggling with staff shortages at some sites. At Matzen & Timm, there was also a change in management, which initially slowed down the restructuring of the site. These problems will accompany us in the future, and we are of course working on solutions. However, the biggest challenges for us were on the raw materials side. We are currently living from hand to mouth. The way in which purchasing has to manage this is quite intense. On the one hand, we countered the tight supply situation and the related price increases with a forward-looking build-up of raw materials and supplies, and in the meantime, customers are accepting that we pass on the cost increases to them.

What are your expectations for 2022?

Andreas Bastin: 2021 has shown that growth at Masterflex has stabilized despite various challenges. We still expect a challenging first half of the year in the area of raw materials and hopefully an easing of the situation in the second half of 2022. Due to the dynamic demand situation, we nevertheless expect significant revenue growth in 2022 as a whole and, as announced, a return to a double-digit EBIT margin, provided that there is no renewed global lockdown or corona-related high sick leave, which fortunately does not appear to be the case at present. In the course of the expected positive business development, nothing stands in the way of a further improvement in our financial figures. Following the successful implementation of our B2DD optimization program, we are continuing to work steadily on improving our efficiency. After all, “a company that stops getting better has stopped being good.” In addition, there will be a greater focus on expansion in the future, which is why we also plan to explore acquisition opportunities in 2022. Our long-term plan, which envisages sales growth to EUR 200 million by 2030, also includes inorganic growth. We see the opportunity to generate growth of around EUR 50 million to EUR 70 million in sales through buy & build.

What are the biggest challenges in the current fiscal year 2022?

Mark Becks: The challenges I already mentioned from 2021 will also accompany us this year. In our estimation, the commodity markets will still be a challenge, at least in the first half of the year, after which we expect gradual easing. But let’s wait and see. We are working very hard to combat the personnel bottleneck. We are getting new employees, but not necessarily at the speed that our order situation necessitates. An important project in the current year will be the restructuring of our aviation activities at Matzen & Timm, and here we are very confident and have a very positive outlook.

You mentioned acquisitions: Where does Masterflex stand in terms of M&A activities?

Andreas Bastin: We have maintained international contacts in the industry for years and have a comprehensive and good overview of the market. The hose market as a whole is very fragmented, and this applies in particular to the special hose business relevant to Masterflex, in which we are one of the top suppliers worldwide thanks to our material expertise and many years of experience. In contrast to the mass market, the players relevant to us are largely regionally oriented medium-sized companies. As one of the few globally oriented companies, we intend to play an active role in shaping the consolidation that will take place over the next few years. We can and will repeat the success we had with the acquisition of APT Advanced Polymer Tubing GmbH and the related expansion of our end markets to include smooth hoses for the food, robotics and medical technology industries.

Mark Becks: We are currently working on a strategic roadmap regarding the order and structure of approaching potential target companies. It goes without saying that we don't make acquisitions just for the sake of growth. The companies we approach must be a good fit for us and also financially viable. An acquisition must make strategic and business sense. Our search for the right targets is therefore flanked by appropriate considerations and discussions with banks and investors on possible financing options. We will be prepared when opportunities for acquisitions arise.

What are your personal wishes for 2022?

Andreas Bastin: In one word: normality. My wish is that the issue of corona, which has kept us permanently busy in our private and business lives for over two years now, will gradually disappear from the headlines. So that, among other things, long-distance travel to our sites, customers and partners overseas is possible without restrictions again.

Mark Becks: In this context, I would be grateful for a resumption of a healthy, fact-based culture of debate in society, although this is something I would like to see not only with regard to the corona crisis, but in general. If, in addition, the excessive regulation and bureaucracy were to be cut back, as the new government has promised, that would be the icing on the cake and would make many things easier and faster in both private and business life. But perhaps this wish is too utopian.

Andreas Bastin: What has so far overshadowed the year 2022 to an unimaginable extent are the armed conflicts in Ukraine. One can only hope that this humanitarian catastrophe will be be resolved peacefully as soon as possible.

Dr. Andreas Bastin (CEO)
Mark Becks (CFO)

What is going on at Masterflex in the field of ESG, how important is this for you?

Andreas Bastin: Although the topic of ESG is currently very present in the media, the elements of it have always been part of Masterflex's company philosophy. This is especially true for the areas of "Social" and "Governance." As a medium-sized German company, we focus on what makes sense in the long term. This is expressed in long-term, sustainable customer relationships, trusting and long-standing employee relationships, as well as an open and tolerant company, management and communication culture, which offers our employees opportunities for development and freedom for different working time models. In addition, based on our high material expertise, we offer durable products and the use of recyclable raw materials without compromising our product quality. The topic of ESG is already deeply anchored in the Masterflex DNA. The area of environmental is also gaining in importance at Masterflex. We are currently determining our honest status quo and are already working on concepts to reduce our CO2 footprint. Here, we have already defined a strategy to set up site-specific and future-proof energy concepts. Team building and measure generation are already underway to be climate neutral by 2045. In order to make the whole thing transparent and visible in figures, we will be implementing appropriate ESG controlling.

Digitalization is a major trend that Masterflex is not immune to. How is Masterflex positioned for the future here?

Andreas Bastin: Digitalization has been and continues to be part of the Masterflex Group's overall transformation process for years. There is no business unit that is not subject to digital changes. Our AMPIUS brand goes far beyond conventional hose solutions. AMPIUS systems independently report if they require maintenance or if a failure is imminent. In addition, they enable us and our customers to collect data from the lifecycle or operation of our hoses, which constantly provides us with know-how and new empirical values. Turning these and other insights gained digitally into customer benefits step by step probably best describes our current challenge. In 2022, we want to take another big step in the direction of series production for our customers. I think we will have good and, above all, important news for our customers this year.

On a final note, is there anything else you would like to share with the shareholders?

Andreas Bastin: First and foremost, I would like to thank our shareholders, also on behalf of my Management Board colleague Mark Becks, for the trust they have placed in our work and in Masterflex over many years. We are well on the way to achieving the milestone we announced with the launch of our Back to Double Digit program by returning to a double-digit EBIT margin in the current year, so that together with our shareholders we can accelerate growth to sales of EUR 200 million. Masterflex is positioned in a sustainable and future-oriented manner and is back on its usual growth path. I am certain that our growth potential is not nearly exhausted and the technological possibilities of AMPIUS alone open up many more prospects. Looking at the current year, we have gotten off to a good start to the fiscal year, therefore we are expecting significant growth.

Report by the Supervisory Board

Dear shareholders,

Dealing with the COVID-19 pandemic became the new operational reality in fiscal year 2021, so that the topics the Supervisory Board advised on focused more strongly on the strategic further development of the Masterflex Group again. The prerequisite for this were the effective measures from the Back to Double Digit program implemented in previous years. This laid a healthy and stable foundation to underpin the Company's next growth steps.

In fiscal year 2021, the Supervisory Board of Masterflex SE performed the duties incumbent upon it under the German Stock Corporation Act and the Company's Articles of Association in full and regularly monitored and advised the Management Board. The regular written and oral reports of the Management Board on all issues of relevance to the Company and the Group relating to Company planning, business development, in particular the business and financial position, the risk situation, risk management and compliance, provided the basis for this.

The Supervisory Board was and is closely involved in the procedures and measures of the Management Board at all times and was kept properly informed by the Management Board. If necessary, the Supervisory Board discussed documents submitted by the Management Board and Management Board matters without the Management Board in attendance.

A total of four Supervisory Board meetings were held in fiscal year 2021, each of which was attended by all Supervisory Board members and Management Board members. The following table shows the attendance in individualized form:

	March 30, 2021	May 19, 2021	September 14, 2021	December 14, 2021
Georg van Hall	x	x	x	x
Dr. Gerson Link	x	x	x	x
Jan van der Zouw	x	x	x	x

At its Supervisory Board meetings, the Supervisory Board discussed and reviewed in detail the reports and draft resolutions submitted by the Management Board. In addition, various meetings were held between individual Supervisory Board members and the Management Board to provide factual support for its activities.

Main topics in 2021

At the Supervisory Board meeting on March 30, 2021, that was held to approve the Annual Financial Statements, the Supervisory Board discussed the Annual Financial Statements, the Consolidated Financial Statements, the Non-financial Statement and the Combined Management Report for fiscal year 2020. The Report by the Supervisory Board, the Corporate Governance Statement and the Corporate Governance Report were also reviewed. In addition, the Supervisory Board (Financial Expert) dealt intensively with the quality of the audit in the sense of a 360° approach and held discussions with the Management Board, the auditors and accounting staff.

With regard to the remuneration of the Management Board, resolutions were adopted at the Supervisory Board meeting on March 30, 2021, to determine the target achievement for fiscal year 2020 and to set the targets for the bonus agreements with the Management Board members for fiscal year 2021.

The second Supervisory Board meeting of Masterflex SE took place after the Annual General Meeting on May 19, 2021. In addition to the follow-up to the Annual General Meeting and the exchange of information on the process flow of the second purely virtual Annual General Meeting, the current economic development of the Company and the already emerging shortage of raw materials were the subject of the discussions.

The Supervisory Board focused on governance aspects at the Supervisory Board meeting on September 14, 2021. The agenda also included the dates for the Supervisory Board meetings and the 2022 Annual General Meeting.

In the course of its annual training, the Supervisory Board dealt intensively at this meeting with the new requirements of the Financial Market Integrity Strengthening Act (FISG). Deriving from this, the question of the future structure of the Supervisory Board and a possible expansion of the Board to four persons was discussed. Against this backdrop, the Supervisory Board also dealt with the future target remuneration for Supervisory Board members. The results of these discussions will also be incorporated into proposed resolutions for the 2022 Annual General Meeting.

In line with its schedule, the Supervisory Board subjected its work to a self-evaluation. For this purpose, the Supervisory Board jointly defined the process and the focus topics of the efficiency review at this meeting. The results of the efficiency review were incorporated into the revision of the Rules of Procedure for the Management Board and Supervisory Board, which were adopted at the Supervisory Board meeting on December 14, 2021.

In this last Supervisory Board meeting of the year, on December 14, 2021, the Management Board provided an outlook on the economic results in fiscal year 2021 and reported on the current status of the five-year planning. In connection with this, the economic development and future market prospects of the aviation industry in particular were examined from a variety of different angles and the resulting scenarios were discussed intensively between the Management Board and the Supervisory Board. The planning was approved by the Supervisory Board as presented.

The Management Board also focused on the development of the Company's sustainability strategy. In addition, the Management Board reported on the implementation of regulatory requirements for sustainability reporting. Besides implementation aspects in the course of the requirements of the EU Taxonomy, the aspects of the future CSR directive were also presented by the Management Board and discussed intensively by the Supervisory Board.

The update of the Declaration of Conformity with the German Corporate Governance Code in the version dated December 16, 2019, was also approved by the Supervisory Board at this meeting.

Trusting cooperation with the Management Board

The Supervisory Board continued its open and trusting cooperation with the Management Board in the past fiscal year. Even between meeting dates, the Chairman of the Supervisory Board was in regular contact with the Management Board and was informed of all significant developments and pending decisions of particular importance to the Company. The Chairman of the Management Board informed the Chairman of the Supervisory Board without delay of all significant events of material importance for the assessment of the situation and development and for the management of the Company. All members of the Supervisory Board were fully informed of these matters by the Chairman of the Supervisory Board at the latest at the following meeting.

The Supervisory Board received regular information from the Management Board on the development of revenue and earnings and changes in key balance sheet items. In addition, the Supervisory Board addressed the issue of the effectiveness and further development of the compliance and risk management systems at all its meetings. The Chief Compliance Officer was also available to the Board to answer questions.

The Management Board reported in writing and verbally in meetings and discussions during the year, as well as in telephone conferences, on the preparation and content of the financial reports to be published quarterly and discussed these in detail with the Supervisory Board. In fiscal year 2021, the Supervisory Board approved all transactions requiring its consent after they had been examined in detail and discussed with the Management Board.

There were no changes to the Management Board in the past fiscal year.

The members of the Supervisory Board were elected at the Annual General Meeting in 2019 until the end of the Annual General Meeting that resolves on the ratification of actions for the fiscal year ending December 31, 2024. Further information on the composition of the Supervisory Board is summarized in the Corporate Governance Statement.

Supervisory Board committees

The Supervisory Board has not formed any committees. In accordance with Section 107 (4) AktG, the three-member Supervisory Board also acts as the Company's Audit Committee. There are currently no other committees, as the Supervisory Board is composed of three members and its duties can therefore be performed effectively and competently by the full Supervisory Board.

Corporate Governance

The implementation of the German Corporate Governance Code is a fixed component of the meetings of the Supervisory Board of Masterflex SE. In 2021, the Supervisory Board and the Management Board again intensively discussed the recommendations and suggestions of the Code in its current version of December 16, 2019. On this basis, the Supervisory Board adopted the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) in its meeting on December 14, 2021, which has been made permanently available to our shareholders on the Company's website.

In addition to the Declaration of Conformity, the Corporate Governance Statement and the Rules of Procedure of the Supervisory Board are also available for inspection by our shareholders on the website of the Masterflex Group (www.MasterflexGroup.com).

In the interests of good Corporate Governance, the Supervisory Board undertakes regular training. In fiscal year 2021, the focus of the training measures was on information on upcoming changes to the law (Act to Strengthen Financial Market Integrity) and their impact on the work of the Supervisory Board, as well as regulatory requirements for CSR reporting.

There were no conflicts of interest involving members of the Supervisory Board in the reporting period.

Adoption of the Annual Financial Statements and approval of the Consolidated Financial Statements

The Annual Financial Statements for Masterflex SE prepared by the Management Board, the Consolidated Financial Statements, the Combined Management Report and the Remuneration Report for the Group and Masterflex SE for fiscal year 2021, including the accounting, were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Essen, which was appointed as auditor by the Annual General Meeting on May 19, 2021, and issued with an unqualified audit opinion. The auditor submitted the requested Declaration of Independence to the Supervisory Board before commencing with the audit.

The documents to be examined and the auditor's reports were available to each member of the Supervisory Board at the financial statements meeting on March 24, 2022, and had been forwarded to each member of the Supervisory Board in good time for preparation. The auditors took part in the discussion of the Annual Financial Statements and the Consolidated Financial Statements. They reported on the main results of the audits and were available to provide additional information. The Supervisory Board adopted the Annual Financial Statements and approved the Consolidated Financial Statements in a circular resolution on 30 March 2022 after detailed examination of the documents and taking the audit reports into account.

Furthermore, the Supervisory Board examined the planning documents, the risk situation and the risk management system of Masterflex SE. All risk areas identifiable from the perspective of the Management Board and the Supervisory Board were discussed. The risk management system was examined intensively by the auditor. The auditor confirmed that the Management Board of the Company had taken the measures required by Section 91 (2) of the German Stock Corporation Act (AktG), in particular to establish a monitoring system and an internal control system (ICS), in an appropriate manner and that the monitoring system was fundamentally suited for the early identification of developments that could jeopardize the continued existence of the Company and to take account of any undesirable developments that were identified. Finally, the supervisory board fulfilled its audit obligation pursuant to section 171 (1) sentence 4 of the German Stock Corporation Act (AktG) with regard to the Company's non-financial statement on corporate social responsibility and found no objections.

The Supervisory Board would like to thank the Management Board and all employees of the Masterflex Group very much for their commitment and for their constructive, trusting and successful work in the past year.

Gelsenkirchen, March 30, 2022
For the Supervisory Board

Georg van Hall
Chairman of the Supervisory Board

Corporate Governance Report – Declaration on Corporate Governance

Declaration on Corporate Governance pursuant to Sections 289f, 315d HGB (unaudited)

The Declaration on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB) is part of the Combined Management Report. In accordance with Section 317 (2) Sentence 6 HGB, the auditor's review of the disclosures pursuant to Section 289f (2) and (5) and Section 315d HGB is to be limited to whether the disclosures have been made. The information and documents referred to in this chapter, including the Articles of Association, the Rules of Procedure of the Supervisory Board, as well as the Code of Conduct and the Modern Slavery Act Statement, are available for inspection by our shareholders on the Masterflex Group website at (www.MasterflexGroup.com).

Declaration of Conformity on Corporate Governance pursuant to Section 161 of the German Stock Corporation Act (AktG)

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board are required to issue an annual declaration stating that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been and are being complied with, or stating which recommendations have not been or are not being applied and why not. This Declaration of Conformity is to be made permanently available to shareholders. The current Declaration of Conformity was adopted by the Management Board and Supervisory Board in December 2021 and has since been available for inspection on the Internet at www.MasterflexGroup.com. The Supervisory Board has also agreed with the auditor that the latter will inform the Supervisory Board and make a note in the audit report if, during the performance of the audit, the auditor ascertains facts which show a misstatement in the declaration on the Code issued by the Management Board and Supervisory Board.

The majority of the principles and recommendations of the German Corporate Governance Code (Code or DCGK for short) have long been part of Masterflex's Company culture. The Company follows the recommendations of the Code. The Code in the version valid on December 16, 2019, when the declaration was issued, is authoritative. Any deviations from the Code are explained below.

The Declaration of Conformity from March is worded as follows:

Declaration of Conformity on Corporate Governance pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of Masterflex SE declare that the recommendations of the Code in the version of February 7, 2017, have been complied with to date with the exception of the deviations mentioned in the last Declaration of Conformity from December 2020 and that the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16, 2019, will be complied with in the future with the deviations mentioned below. The declaration is made permanently available to the shareholders of Masterflex SE on the website. All previously published Declarations of Conformity can also be found there.

Exceptions:

B.2 HS2.
The procedure for appointing the Management Board follows customary standards on important personnel decisions and is designed with foresight by the Supervisory Board; however, it is not described in more detail in the Declaration on Corporate Governance.

D.2 p.1 - D.3 and D.4 p.2 - D.5 Supervisory Board - Committees
With three members, the Supervisory Board of Masterflex SE has been deliberately kept small to date in order to be able to pass resolutions efficiently, quickly and flexibly through lean structures - as is the case throughout the Group. The composition of the Supervisory Board with recognized experts is an important basis for Masterflex SE to work together in continuous dialog to set the course for the Company's successful development. In view of this, the establishment of committees, which would also have to be staffed with at least three members of the Supervisory Board, makes no sense.

In Mr. van Hall we have a proven financial expert as Chairman of the Supervisory Board. If the supervisory board consists of only three members, it is now also the audit committee pursuant to section 107 para. 4 sentence 2 of the German Stock Corporation Act (AktG) in the version applicable as of 1 July 2021, which is why the chairperson of the audit committee and the chairperson of the supervisory board are then held by the same person due to this legal fiction. If necessary, the Supervisory Board also makes use of qualified external support to assess difficult issues.

G.3 Peer group comparison of Management Board remuneration
Masterflex SE is the only listed hose Company which, in view of its internationality and Group structure, is also relatively complex in relation to the size of its revenue, which cannot be appropriately represented and reflected in a peer group. Therefore, there is currently no sufficiently representative and thus suitable selection of comparable companies, so that no peer group can be properly depicted. In the opinion of the Supervisory Board, the definition and disclosure of a representative peer group is therefore currently out of the question. Irrespective of this, comparisons were of course also made with regard to the development of remuneration, which is traditionally monitored with a sense of proportion. The remuneration of the Executive Board is therefore appropriate and customary.

G.5 External remuneration expert
Insofar as an external compensation expert is considered necessary to assess the appropriateness of the Management Board's remuneration, attention is also paid to his independence. However, given the expertise available on the Supervisory Board and the qualified support provided by the Company's legal advisors, it has not yet been deemed necessary to additionally engage a separate independent compensation expert.

G.6 and G.10 p.1 - G.10 p.2
The long-term variable compensation (LTI) of the Management Board members is not greater than the short-term variable compensation (STI) and is also not share-based or invested in shares. The members of the Management Board of the Company already hold a significant share in the Company's share capital, which is why the long-term orientation of the variable remuneration on the basis of the development in the value of the shareholding, as intended by the Code, is already ensured. As before, the members of the Management Board can dispose of the variable amounts granted as LTI after three years on the basis of continuous performance measurement over the entire assessment period, which also continues to reflect the characteristic of multi-year performance.

G.11 S.2
No so-called claw-back has been agreed with the members of the Management Board, as from the point of view of the Company and in view of its previous management structure, this would not have any separate effect on their behavior, but from a risk point of view would regularly result in an increase in remuneration.

G.13 p.2, G.14 and G.16
As in the past, a change of control provision is envisaged with the members of the Management Board, which in the past also corresponded to a Code recommendation which the Company still considers to be sensible in the future. There will be no offsetting of payments in respect of a post-contractual non-competition clause agreed with the Company. Nor is compensation for Supervisory Board mandates outside the Group offset, although the number of such mandates is limited and requires the prior approval of the Supervisory Board, which must also be notified of the compensation.

Gelsenkirchen, March 2022
The Management Board and Supervisory Board

Disclosures on Corporate Governance Practices

Masterflex SE is a European stock corporation for which German stock corporation law is applied on a supplementary basis in accordance with the SE Regulation. The basic principle of German stock corporation law is the dual management principle consisting of the Management Board and the Supervisory Board, both of which have their own competences.

The structures of the Company management and supervision of Masterflex SE are regulated in the Articles of Association as well as in the rules of procedure of the Management Board and the Supervisory Board.

Corporate Governance has high priority for Masterflex SE. The Company principles of Masterflex are based on responsible management and control of the Company aimed at long-term value creation. Key aspects of this Corporate Governance include efficient cooperation between the Management Board and the Supervisory Board, respect for shareholder interests, and openness and transparency in corporate communications.

Risk management

Masterflex SE has set up a Group-wide risk management system that is constantly being further developed in order to be able to rely on an internal control system that is always effective throughout the Group. We consider risk management to be a core task of the members of the Management Board, senior executives and all employees. This allows for early identification, monitoring and control of risks without having to forego business opportunities. Risk management is described in detail in the 2021 Combined Management Report, section C “Opportunity and Risk Report.”

Compliance

To avoid regulatory risks, Masterflex SE employs a compliance management system that controls and monitors the necessary activities. Details of the Group-wide, centrally managed compliance management system can be found in the Risk Report (section C) of the Combined Management Report.

In addition, the Management Board and the Chairman of the Supervisory Board exchange information on an ongoing basis on the establishment and status of risk management and compliance as well as the measures required for this in the Company. In addition, the Supervisory Board also informs itself externally about the content of appropriate compliance and its implementation.

The Code of Conduct of the Masterflex Group is the basis of the compliance management system and provides an overview of the legal topics relevant to the Masterflex Group on the one hand and sets (minimum) standards for ethical and lawful conduct on the other. The Code of Conduct is available for download on our website in German and English.

With these principles of conduct, we clearly define the standards we set for the behavior of our employees and Management Board members as well as our business partners, and at the same time communicate the main principles of our business behavior. We consider these principles of conduct to be a minimum standard for cooperation and interaction with customers, suppliers, competitors, shareholders and authorities. By implementing this Code in our day-to-day business activities, we are also committed to combating all forms of unfair competition, corruption and deception.

Managers have a special responsibility when it comes to avoiding violations of the law. All managers of the Masterflex Group commit themselves to this in a written declaration and undertake to inform their employees about the content and significance of the Code of Conduct and to sensitize them to legal risks. Managers must regularly review compliance with the Code of Conduct on their own initiative and seek discussions with their employees to this end.

Managers and employees are systematically trained on the fundamentals of compliance. In addition to these basic training courses, target audience-specific training measures are carried out on specific compliance topics. We regard the further development and Group-wide establishment of an effective compliance management system as an essential contribution not only to risk avoidance in the Group, but also as an expression of the self-image of Masterflex SE and its commitment to fair, responsible and lawful conduct worldwide.

We have a central Compliance Officer who supports the implementation of the Code of Conduct in the Group and reports regularly to the Management Board and Supervisory Board. Under his leadership, the Group-wide compliance management system is also being further developed as part of good Corporate Governance. He is supported in this task by decentralized and appropriately oriented compliance officers who are based at all Masterflex Group sites. As a further component of the compliance management system, an external ombudsman office for internal reports has been implemented as well as an electronic whistleblower system that meets the requirements of the European specifications of the EU Whistleblower Directive.

Description of the working relationship between the Management Board and the Supervisory Board

Management Board

The Masterflex Group is managed by a two-member Management Board. Dr.-Ing. Andreas Bastin has been Chairman of the Management Board of the stock corporation or SE since 2008. Mark Becks, who holds a degree in industrial engineering, has been Chief Financial Officer since 2009.

The Management Board of Masterflex SE manages the Company’s business and is bound by the interests and business policy principles of the Company pursuant to the provisions of the German Stock Corporation Act (AktG). It consists of at least one member and determines the strategic direction of the Company.

The work of the Management Board is governed by rules of procedure. These set out the matters reserved for the full Management Board and those subject to the approval of the Supervisory Board, the responsibilities of the various departments and the required majority for resolutions. Each member of the Management Board manages his or her area of work independently and under his or her own responsibility. In doing so, they are obliged to keep the full Management Board informed of important business matters on an ongoing basis: This is because the allocation of areas of work does not release any member of the Management Board from joint responsibility for the overall management of the business.

The Management Board attends the meetings of the Supervisory Board, reports in writing and orally on the individual agenda items and draft resolutions, and answers the questions of the individual Supervisory Board members. The reports provided by the Management Board on a regular basis, usually in writing, follow the contents of the applicable Rules of Procedure for the Management Board issued by the Supervisory Board.

Diversity concept on the Management Board

The Management Board currently consists of two members. Considering the size of the Company, this structure is considered sufficient. Both members of the Management Board have current terms of appointment and corresponding employment contracts. In addition, both members of the Management Board also hold a significant share in the Company's share capital, which not only documents their high level of loyalty to the Company, but is also a recognized assessment factor in the view of the Supervisory Board. In view of this, a target of zero for the participation of women on the Management Board has been set until March 31, 2027. The requirements for the share of women on the Management Board within the meaning of the Second Management Positions Act (FüPoG II) are not relevant for Masterflex SE.

Age limit on the Management Board and appointment of a Chairman of the Management Board

The Supervisory Board will not appoint a person to the Management Board who has already reached the age of 65. It is authorized to appoint a member of the Management Board Chairman of the Management Board and other members of the Management Board Deputy Chairmen of the Management Board. If the Supervisory Board does not exercise this right of appointment, the members of the Management Board shall elect a spokesperson for the Management Board from among their members.

Remuneration system for the Executive Board

In the 2021 financial year, the Supervisory Board revised the remuneration system for the Management Board members in accordance with the requirements of the Second Shareholder Directive Implementation Act (ARUG II) and the requirements of the GCGC. The remuneration system was approved at the Annual General Meeting on 19 May 2021.

The Management Board and Supervisory Board report on details of remuneration in their separate remuneration report, which was prepared in accordance with the requirements of § 162 AktG. This report, together with the auditor's opinion, is available on the website www.MasterflexGroup.com and can be accessed there under Investor Relations / Corporate Governance.

Diversity within the Company

The Company also has flat hierarchies throughout the Group as a distinguishing feature. There are therefore no two further management levels below the Management Board, but only one. Within this management level, which is directly subordinate to the Management Board, the share of women is already 30%, so that the legal guiding principle is already fully complied with there and in this respect, as opposed to most companies, and this has also been the case for quite some time. The Masterflex Group is always committed to its goal of having an appropriate share of women, including in management positions, throughout its entire structure, and has also demonstrated this through corresponding implementations that are compatible with the structures. Last but not least, the Masterflex Group was one of the first companies to have a female CFO on a two-person Management Board even before the discussion about the participation of women on Management Boards began in the past.

Diversity also includes the increased involvement of people with international origins or a migration background. An essential element of further personnel planning is to fill an increasing share of the workforce and functionaries with people who have their roots abroad, in line with the development of the business.

Supervisory Board

The three-member Supervisory Board of Masterflex SE has been composed of the Chairman Georg van Hall, his deputy Dr. Gerson Link and the member Jan van der Zouw since 2016 and after the re-election by the 2019 Annual General Meeting.

The Supervisory Board advises and monitors the Management Board. With three members, this body is deliberately kept small at Masterflex SE in order to be able to pass resolutions efficiently, quickly and flexibly through lean structures - as is the case in the Group.

The Supervisory Board also has its own Rules of Procedure. In accordance with Section 11 (4) of the Articles of Association, Supervisory Board members are not allowed to have reached the age of 70 at the time of their appointment.

The Supervisory Board is entitled to form committees from among its members, to which - to the extent permitted by law - decision-making powers may also be delegated. It has a financial expert for accounting in the person of the Chairman of the Supervisory Board, who is an auditor and tax advisor, and a financial expert for auditing in the person of the Deputy Chairman of the Supervisory Board. In accordance with Section 107 (4) of the German Stock Corporation Act (AktG), the three-member Supervisory Board also acts as the Company's Audit Committee. There are currently no other committees, as the Supervisory Board is composed of three members and its tasks can therefore be performed effectively and competently by the full Supervisory Board.

Important issues are also dealt with outside the meetings between the Management Board and the Supervisory Board in conference calls or in strategy meetings convened at short notice. In addition, the Chairman of the Supervisory Board regularly obtains information about the business performance and upcoming projects of Masterflex SE.

The Supervisory Board regularly discusses business development, planning, strategy and its implementation, as well as the risk situation, risk management and compliance issues with the Management Board. Major business decisions, such as the determination of the annual budget and the investment plan, the acquisition or disposal of shareholdings, the conclusion of intercompany agreements and major financial measures, are subject to its approval. The Supervisory Board may determine further transactions requiring its approval. It is also responsible for adopting or approving the Annual Financial Statements and the Consolidated Financial Statements submitted by the Management Board, unless this is left to the Annual General Meeting.

Each year, the Chairman of the Supervisory Board explains the activities of the Supervisory Board both in the Annual Report ("Report of the Supervisory Board") and at the Annual General Meeting.

The Supervisory Board reviews the effectiveness of the cooperation within the Board and also in the cooperation with the Management Board every two years as scheduled. The last self-evaluation took place in the period from September to December 2021 and did not reveal any significant changes. Individual suggestions led to adjustments in the Rules of Procedure of the Management Board and Supervisory Board. In principle, it is in line with the Supervisory Board's working methods that individual changes are also taken up and implemented during the year where necessary.

Members and mandates of the Supervisory Board

Member	Profession	Born	Member since	Appointed until the AGM that decides on the discharge for the fiscal year	Other mandates
Georg van Hall Chairman and financial expert	Certified Public Accountant	Oct. 14, 1957	August 11, 2009	2024	• No
Dr. Gerson Link Deputy Chairman and financial expert	Board Member, InnoTec TSS AG, Düsseldorf	Aug. 5, 1971	June 14, 2016	2024	• Waag & Zübert Value AG, • Nürnberg • FABRI AG, Nuremberg **Group mandate at Innotec TSS AG:** • Rodenberg Türsysteme AG, Porta Westfalica (Chairman)
Jan van der Zouw	Multi Supervisory Board, formerly CEO of Eriks NV, Netherlands	June 20, 1954	June 14, 2016	2024	• Den Helder Airport CV, Den Helder/Netherlands (Chairman) • Aalberts Industries NV, Langebroek/Netherlands

Composition of the Supervisory Board

The Supervisory Board of Masterflex SE is to be composed in such a manner as to ensure qualified control and advice of the Management Board by the Supervisory Board. The Supervisory Board has defined a competence profile for the composition of the Supervisory Board. The composition of the Supervisory Board comprising recognized experts is an important basis for Masterflex SE to work together in continuous dialog to set the course for the successful development of the Company. If necessary, the Supervisory Board avails itself of qualified external assistance to assess difficult matters.

The definition of the competence profile is based on the entrepreneurial challenges the Company is facing. We are convinced that the combination of diverse areas of knowledge will achieve the best entrepreneurial success.

Competence profile

The candidates proposed for election to the Supervisory Board should, based on their knowledge, skills and experience, be capable of performing the duties of a Supervisory Board member in an internationally active, listed company.

The Supervisory Board of Masterflex SE is deliberately kept small and thus reflects the fast and efficient decision-making processes of the Masterflex Group. Due to the Company's size, the composition of the Supervisory Board with industry experts is of particular importance so that the entrepreneurial issues can be deliberated and discussed while taking market developments into account.

Our Supervisory Board members should also bring with them knowledge and experience in managing companies, relating in particular to the aspects of strategy, sales, purchasing, production, human resources, accounting, risk management and compliance.

At least one independent member of the Supervisory Board should have expertise in the field of accounting and another independent member should have expertise in the field of auditing. In addition, the Company's financial experts should have special knowledge and experience in applying accounting principles and internal control procedures.

When appointing Supervisory Board members, attention must also be paid to compliance with the age limit defined for Masterflex SE on the Supervisory Board as well as to the aspects of independence as defined by the German Corporate Governance Code.

The competence profile of the Supervisory Board is adapted regularly to the entrepreneurial challenges facing the Masterflex Group.

Target agreement of the Supervisory Board

The Supervisory Board is to contribute to the implementation of the Masterflex strategy by aligning its expertise. The objectives for the Supervisory Board are therefore aligned with legal and corporate aspects.

Internationality

In view of the international orientation of the Company, care should be taken to ensure that the Supervisory Board comprises individuals with many years of international management experience and international networks.

The goal is to have at least one member with international management experience and international networks on the Supervisory Board in future.

Innovation

The Masterflex Group sees itself as an innovation and technology leader in its relevant markets. In order to further expand this strategic positioning in the future, the majority of the Supervisory Board / at least one member should have the relevant technological knowledge.

Diversity

The Supervisory Board agrees with the objectives of the Code that, in addition to balanced professional qualifications, appropriate internationality and adequate representation of women on management bodies should be achieved by taking diversity into account. Here, the term diversity is to be understood as international origin, upbringing, training or professional activity rather than citizenship, gender diversity or age diversity. This means that the composition of the Supervisory Board should also take appropriate account of the diversity that can be found today in an open, innovative and internationally active company such as Masterflex SE and its subsidiaries. However, it also means that no one is eliminated as a candidate for the Supervisory Board or proposed for the Supervisory Board solely because he or she possesses or does not possess a certain characteristic. In this context, women are given appropriate consideration in the case of equal qualifications and eligibility.

Independence

The Supervisory Board is to comprise what it considers to be an appropriate number of independent members. Appropriate consideration is to be given to the interests of the owners. In accordance with the requirements of the German Corporate Governance Code, more than half of the shareholder representatives should be independent of the company and the Management

Board. Criteria on the question of independence are defined in Section C.7 of the German Corporate Governance Code.

Significant and not merely temporary conflicts of interest are to be avoided. Supervisory Board members should have sufficient time to exercise their mandate so that they can do so with due regularity and care. In order to ensure this, Supervisory Board members of Masterflex SE shall not hold more than three other supervisory board mandates at listed companies.

Age limit and duration of membership

The Supervisory Board's Rules of Procedure define the age limit and length of membership. Only persons who are not older than 70 years may be nominated for election to the Supervisory Board. The nomination shall take into account the standard limit of 15 years set by the Supervisory Board for the length of membership of the Supervisory Board.

Implementation of the targets for the Supervisory Board

The competence profile, diversity concept and target agreement are taken into account by the Supervisory Board when filling Supervisory Board positions. The last Supervisory Board election took place in 2019.

All members of the Supervisory Board – Georg van Hall, Dr. Gerson Link, Jan van Zouw – are independent Supervisory Board members as defined by the German Corporate Governance Code.

Georg van Hall, who has been a member of the Supervisory Board since 2009, is a certified public accountant and holds the position of a financial expert with expertise in accounting. As a long-standing member of the Management Board of InnoTec TSS AG, Dr. Gerson Link has extensive financial expertise in auditing.

Dr. Gerson Link and Jan van der Zouw also have extensive experience in the area of company management, partly in niche markets with small-scale production and partly with larger, international industrial companies.

With Jan van der Zouw, an internationally and commercially experienced member of Dutch descent, complements the Supervisory Board, thus underscoring the diversity objectives and their representation on the Supervisory Board.

The statutory gender quota in the Supervisory Board does not apply to Masterflex SE. Nevertheless, it is the declared goal to also achieve an appropriate participation of women on the Supervisory Board. In 2022, the Supervisory Board resolved a target of zero for the participation of women in this body by March 31, 2027, in accordance with the law for the equal participation of women and men in management positions in the private and public sectors. This is because Masterflex SE has the special feature that the Supervisory Board consists of only three persons in total and is therefore of a size that would exceed the statutory target of 30% even with the participation of only one woman. This also makes it clear why the selection must be made carefully and responsibly.

In view of this, it can be assumed for the current period of appointment of the incumbent Supervisory Board that there will be no participation of a woman on the Supervisory Board. Nevertheless, the fundamental objective of proposing a woman as a member of the Supervisory Board in future Supervisory Board elections is expressly maintained.

Shareholders, Annual General Meeting, Transparency

Shareholders and Annual General Meeting

The shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting of the Company takes place within the framework of the legal requirement of Art. 54 para. 1 SE Regulation in the first six months of the fiscal year. The Annual General Meeting is chaired by the Chairman of the Supervisory Board. The Annual General Meeting resolves on all tasks assigned to it by law (including ratification of the actions of the management, appropriation of profits, election of the members of the Supervisory Board, election of the auditor, amendment of the Articles of Association and capital measures).

Transparency

Uniform, comprehensive and timely information has high priority at Masterflex SE. Reporting on the Company's development is carried out via the Internet, in annual and interim reports and announcements, at analyst, press and general capital market conferences, as well as via ad hoc announcements and press releases.

All information is available on the website www.MasterflexGroup.com under Investor Relations.

Masterflex SE maintains an insider directory in accordance with Article 18 (1) of the Market Abuse Regulation. The persons listed there have been informed about the legal obligations and sanctions.

Conflicts of interest, insofar as they should exist, are comprehensively discussed and, if necessary, communicated and taken into account in the assessment of the independence of each individual member of the Supervisory Board. No conflicts of interest were identified or reported in the past.

Accounting and auditing

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS). After preparation by the Management Board, the Consolidated Financial Statements are audited by the auditor and, in turn, reviewed and, if necessary, approved by the Supervisory Board. The Annual Financial Statements are prepared in accordance with German commercial law (HGB/AktG). After preparation by the Management Board, the Annual Financial Statements are audited by the auditor and, in turn, reviewed and, if necessary, approved by the Supervisory Board. The interim reports are not reviewed by an auditor. In addition, monthly internal reporting is carried out in accordance with International Financial Reporting Standards (IFRS). For competitive reasons, all disclosures for the investees in the Consolidated Financial Statements are reported with the exception of the individualized statement of income.

It was agreed with the auditors that they would inform the financial experts on the Supervisory Board without delay of any significant findings and events occurring during the audit.

Control variables and control system

The Company's internal management systems have been continuously improved in recent years in order to identify undesirable developments at an early stage and to be able to initiate countermeasures. To this end, new methods of business and action planning have been developed and the internal reporting system has been expanded considerably.

The focus of managing the Company is on earnings and liquidity ratios. For information on the key performance indicators used to manage the Company, please refer to the comments in the Combined Management Report 2021 under section A "Management system."

Remuneration Report

The transparent and comprehensible presentation of the remuneration of the Management Board has been an integral element of good Corporate Governance for the Company for many years. The remuneration of the members of the Management Board and the Supervisory Board of Masterflex SE for fiscal year 2021 is presented and explained in the following Remuneration Report in accordance with Section 162 of the German Stock Corporation Act (AktG).

Resolution on the approval of the remuneration system for the Management Board

The current remuneration system for the members of the Management Board of the Masterflex Group was adopted by the Supervisory Board in accordance with Section 87 (1), Section 87a (1) of the German Stock Corporation Act (AktG) and approved by the Annual General Meeting on May 19, 2021 by a majority of 94.40% of the capital present. If necessary, the Supervisory Board may call in external consultants. When appointing external compensation experts, attention is paid to their independence.

Application of the remuneration system for the Management Board in fiscal year 2021

In anticipation of the approval resolution of the Annual General Meeting on May 19, 2021 on the remuneration system for the Management Board resolved by the Supervisory Board, the Management Board contracts of Dr. Bastin and Mr. Mark Becks were extended as of January 1, 2021, by another 6 years as defined in the SE Regulation, applying the contents of the new system through December 31, 2026.

Compensation components were also paid out in fiscal year 2021, however, that were still agreed under the previously applicable remuneration system. This related to the short- and long-term targets and variable remuneration components of the Management Board for the years 2018 and 2020 from the remuneration system valid until May 19, 2021.

The Supervisory Board regularly reviews the appropriateness and customary nature of the remuneration components. In this context, appropriate also means the fundamental orientation towards comparable companies in Germany, which, in view of the stock exchange listing of Masterflex SE on the one hand and its complexity and international structure on the other, does not include a fixed peer group as a benchmark. The level of remuneration of the members of the Management Board is thereby varied and reflects the areas of responsibility.

Other criteria for the appropriateness of Management Board remuneration are the tasks of the individual Management Board member, his personal performance, the economic situation, the success, the implementation of the strategic goals and the associated sustainable future prospects of the Company, as well as the customary level of remuneration taking the peer environment and the remuneration structure applicable in the Company into account. To this end, the Supervisory Board analyzes the remuneration structure in both a horizontal and a vertical comparison.

Horizontal comparison

The annual review of the remuneration levels of the members of the Management Board and the consideration of developments in the size and structure of companies regarded as comparable over time ensure that the remuneration of the members of the Management Board is commensurate with the situation of the Company. The Supervisory Board's aim is to offer the

Management Board members remuneration that is both in line with the market and competitive within the regulatory framework. However, this is always fraught with the difficulty that few medium-sized companies like the Masterflex Group are listed on the stock exchange, and therefore there are correspondingly few comparable remuneration levels and structures available in a comprehensible manner.

Vertical comparison

In addition, the Supervisory Board takes particular account of the Company's internal remuneration structure in a vertical comparison when determining the remuneration of the Management Board. In this context, the Supervisory Board considers the ratio of the remuneration of the Management Board in relation to the remuneration of senior management and the workforce in Germany.

At Masterflex SE, the situation for the year 2021 is as follows:

The remuneration received by all employees (excluding apprentices and temporary staff) amounted to an average of EUR 42.8 thousand in 2021, and the remuneration received by the Management Board amounted to an average of EUR 500 thousand. This represents a ratio of 11.7 to the Management Board.

Compared to the current factors, such as in the DAX (other index factors are not publicly available yet), the factor of average Management Board remuneration and average employee remuneration at Masterflex SE appears to be in a comparatively very balanced ratio. On average from 2015 to 2021, the verticality in the DAX was between factor 49 and factor 54.

The structure of the Company also plays an important role in defining and determining remuneration. Masterflex SE, with its historically small structure and comparatively high number of shareholdings, can be defined as quite complex by direct comparison with many other companies of a similar size in terms of sales and employees, whereby the additional requirements of capital market orientation must also be fulfilled, which is not the case in the same way for many competitors.

Determination of the target agreements

In accordance with the applicable remuneration system, the Supervisory Board has defined specific target remuneration and related individual performance criteria for each member of the Management Board.

The performance-related components - the bonus - contain components with a multi-year assessment basis. They thus provide long-term behavioral incentives and align the remuneration structure to the sustainable development of the Company. The Company does not have any further share-based incentive systems, such as a stock option program. This is due not least to the fact that the Management Board already holds a significant stake in the Company and therefore no additional incentive structure would be associated with this.

With regard to the targets for the variable remuneration elements, the Supervisory Board ensures that the remuneration is geared towards the sustainable development of the Company.

The appropriateness of the remuneration structure was last reviewed by the Supervisory Board during the development of the remuneration system.

Resolution on the approval of the remuneration system of the Supervisory Board

The remuneration system for the Supervisory Board, which is governed by Art. 15 of the Articles of Association and has been in place for several years, was approved by the Annual General Meeting on May 19, 2021, by a majority of 99.70% of the capital represented. The remuneration system adopted at the Annual General Meeting on June 16, 2015, was thus confirmed without any changes.

Application of the remuneration system for the Supervisory Board in fiscal year 2021

The remuneration system for the Supervisory Board, which was unchanged from previous years, was applied in fiscal year 2021 in accordance with the requirements of Art. 15 of the Articles of Association.

Remuneration of the Management Board in fiscal year 2021

Overview of the structure of the remuneration system for the Management Board

The remuneration system complies with the requirements of the German Stock Corporation Act (AktG) and is to a large extent based on the recommendations of the German Corporate Governance Code.

The remuneration of the Management Board is geared towards promoting and supporting the sustainable and long-term development of the Masterflex Group. Sustainable action is an integral part of the strategy and ensures the social and economic future viability of the Masterflex Group. These demands are reflected in the definition of quantitative and qualitative targets for the Management Board body.

The total remuneration of the members of the Management Board is made up of fixed and variable components. The fixed, non-performance-related remuneration comprises the basic remuneration and benefits in kind. The fixed remuneration components currently correspond to around 63% of the total target remuneration for the members of the Management Board. The short-term variable cash remuneration (Short Term Incentive = STI) and the long-term variable cash remuneration (Long Term Incentive = LTI) are variable and therefore performance-related. For the members of the Management Board, these together are equivalent to around 37% of the target remuneration. The variable remuneration components are defined by the Supervisory Board before each fiscal year with adequate and performance-oriented targets, which include the long-term implementation of the Company's strategy and whose degree of achievement determines the amount of the actual payment. The possible total remuneration is limited to a maximum amount for each member of the Management Board (maximum total remuneration).

Furthermore, the remuneration system regulates whether and which payments can be made in the event of premature termination of Management Board activity. The total amount and the parameters are reviewed regularly every two years.

The following table provides an overview of the remuneration components and their basic structure. The specific targets for fiscal year 2021 are explained further in the Remuneration Report.

Remuneration components	Chairman of the Board	Chief Financial Officer
Remuneration not linked to performance		
Fixed remuneration	EUR 400 thousand	EUR 280 thousand
Fringe benefits	Company car, occupational disability insurance, accident insurance, social insurance subsidy in the amount of the employer's contribution, D&O insurance	
Total performance-related remuneration		
Total bonus for 100% target achievement	EUR 240 thousand	EUR 160 thousand
Lower/upper limit (0% to max. 100% or 150%)[1]	EUR 0 thousand – EUR 300 thousand	EUR 0 thousand – EUR 200 thousand
consisting of five individual targets:	1. Market and competition, strategic development 2. Corporate and Group planning 3. EPS 4. Sustainability, CSR and compliance 5. Personal performance	
Entitlement and payment structure of performance-related remuneration:		
Targets 1, 4 and 5 predominantly qualitative	min. 0% - max. 100% achievable	
Targets 2 and 3 purely quantitative	min. 0% - max. 150% achievable	
of which A. One-year performance-related remuneration		
Annual bonus for 100% target achievement	EUR 156 thousand	EUR 104 thousand
Lower/upper limit (0% to max. 100% or 150%)[1]	EUR 0 thousand – EUR 195 thousand	EUR 0 thousand – EUR 130 thousand
of which B. Long-term incentive (3 years)		
Long-term bonus in the event of 100% target achievement	EUR 84 thousand	EUR 56 thousand
Lower/upper limit (0% to max. 100% or 150%)[1]	EUR 0 thousand – EUR 105 thousand	EUR 0 thousand – EUR 70 thousand
Company pension plan	None	None
Other remuneration arrangements		
Total cap on remuneration (maximum remuneration)	EUR 750 thousand	EUR 530 thousand
Transitional allowance	One annual fixed salary	One annual fixed salary
Non-compete clause	90% of the last annual salary	90% of the last annual salary
Change of control	max 1.5 annual salaries	max 1.5 annual salaries
Severance cap	2 annual remunerations	2 annual remunerations
Clawback rule	None	None
Special remuneration[2]	EUR 50 thousand	EUR 50 thousand

[1] Absolute amount of the upper limit depending on the weighting of the quantitative to the qualitative targets (here 50% qualitative and 50% quantitative targets).
[2] Relevant only in particularly justifiable exceptional cases

Non-performance-related remuneration components

Fixed remuneration

The fixed remuneration of the members of the Management Board is paid monthly in equal installments. The current annual fixed remuneration for the Chairman of the Management Board is EUR 400,000 and for the Chief Financial Officer EUR 280,000.

Fringe benefits

For the duration of the service contract, the Company grants the members of the Management Board an allowance for health, pension and long-term care insurance in the amount of the employer's contribution, as it would be in the case of a statutory social security obligation within the respective statutory maximum contribution assessment limit of the member of the Management Board, however, at most in the amount of half of the amount, which the member of the Management Board spends for his health, pension and long-term care insurance.

The Company provides members of the Management Board with an appropriate Company vehicle for business purposes. The Company car may also be used by the Management Board member for private purposes. The taxes incurred for this non-cash benefit are borne by the Management Board member himself.

The Company has taken out appropriate accident insurance for the Management Board members and also reimburses the premiums for occupational disability insurance for the benefit of the respective Management Board member with a monthly benefit covering a maximum of 80% of the last contractually agreed net remuneration from fixed remuneration.

The Company has taken out D&O insurance for the Management Board with an appropriate deductible of at least 10% of any loss for which the Management Board member is responsible, up to an absolute maximum of 1.5 times the respective amount of agreed fixed remuneration.

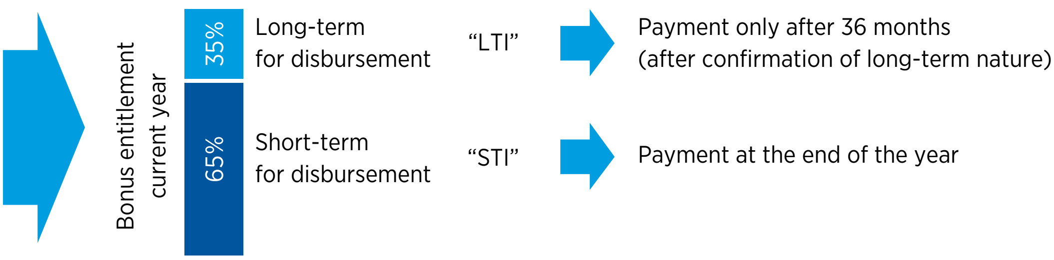
Retirement benefits and pension commitments

The Management Board of Masterflex SE does not receive any pension commitments or other retirement benefit commitments. The Management Board of Masterflex SE handles its own pension arrangements entirely itself.

Performance-related remuneration components

Structure of performance-related remuneration

The amount of the performance-related remuneration is based on the degree to which the quantitative and qualitative assessment parameters defined for the sustainable development of the Company on the basis of the planning are achieved, with a short-term (12 months - past fiscal year) and a multi-year observation period (36 months).



The quantitative and qualitative parameters for determining the achievement of the performance-related remuneration components and the respective amount of remuneration are defined by the Supervisory Board for the respective fiscal year on the basis of the short-, medium- and long-term planning of the Management Board and adjusted appropriately if necessary in the event of relevant deviations or changes in general conditions. The performance-related remuneration thus contributes to the long-term development of the Company by concretizing the operational implementation of the Company's strategy on the basis of the defined performance targets and rewarding this if the targets are met. The assessment of success is based on financial, strategic and sustainable performance criteria.

Special items that reduce earnings, which are known to and approved by the Supervisory Board, are not taken into account in the quantitative target parameters when determining the achievement of targets within the framework of the defined assessment parameters. These include unscheduled investment measures or financing costs for acquisitions. Similarly, special factors that increase earnings, such as extraordinary income from the disposal of shareholdings, are not taken into account.

If a member of the Management Board is ill or otherwise prevented from working for a period of more than six months through no fault of his own, the bonus is paid only for the first six months from the start of the illness, on a pro rata basis of 1/12 per month. After resumption of activity, the bonus entitlement for the current fiscal year is pro rata temporis according to the remaining full months of service.

The Supervisory Board has the option of granting a special bonus of up to EUR 50,000 in the case of special performance by a member of the Management Board that has not been the subject of prior planning; this requires a separate resolution and justification by the Supervisory Board.

Short-Term Incentive

65% of the maximum annual remuneration attributable to performance-related components is paid out as a short-term incentive after the end of the fiscal year. A target bonus of EUR 156,000 has been set by the Supervisory Board for the Chairman of the Management Board. A target bonus of EUR 104,000 has been agreed for the Chief Financial Officer. The maximum compensation for the Short-Term Incentive (STI) is capped at 100% for the qualitative targets and at 150% for the quantitative targets. In the current weighting, this means a cap across all parameters at 125%. This corresponds to EUR 195 thousand for the Chairman of the Management Board and EUR 130 thousand for the Chief Financial Officer.

Long-Term Incentive

35% of the maximum total performance-related remuneration is saved over the long term. The saved remuneration components (LTI) are not paid out until the third year after the entitlement to remuneration arises, together with the Short-Term Incentive (STI) then accruing and payable in that year.

If the parameters of the assessment criteria on which the bonus (LTI) is based deviate significantly from the original assessment parameters at the grant date in individual years in the two subsequent years after the bonus is determined, which the Supervisory Board reviews and determines at its due discretion at the time of determining the bonus entitlement for the respective fiscal years following the grant of the LTI, the bonus accrued up to that point is reduced in relation to any negative deviation identified in a subsequent fiscal year, while in the case of overachievement this can rise to a maximum of 150% target achievement for the quantitative targets (year-by-year assessment of the degree of achievement). When assessing target achievement, extraordinary, short-term developments are taken into account neither increasing nor decreasing.

A long-term target bonus of EUR 84,000 was set by the Supervisory Board for the Chairman of the Management Board. A target bonus of EUR 56,000 has been agreed for the Chief Financial Officer. The maximum remuneration for the Long-Term Incentive (LTI) is capped at 100% for the qualitative targets and at 150% for the quantitative targets. In the current weighting, this means a cap across all parameters at 125%. This corresponds to EUR 105 thousand for the Chairman of the Management Board and EUR 70 thousand for the Chief Financial Officer.

Assessment parameters for the granting of bonuses

The bonus for the respective past fiscal year is determined by the Supervisory Board on the basis of both qualitative assessment parameters, such as market and competitive developments, strategic milestones defined and implemented by the Management Board, the achievement of sustainability targets and the personal performance of the Management Board, and quantitative assessment parameters, such as the fulfillment of Company and Group planning, the development of the financing and equity structure of the Company and the Group, and earnings per share (EPS). Subsequent amendment of the performance criteria and the target values for the performance criteria is ruled out.

The Supervisory Board set the following quantitative and qualitative targets for the Management Board for fiscal year 2021:

Strategic further development

The goals for the strategic further development of the Masterflex Group are aligned with the four strategic pillars - Internationalization, Innovation, Operational Excellence and Digital Transformation.

In defining its goals for fiscal year 2021, the Supervisory Board focused on the international expansion of the Company by exploring the acquisition market. In order to consolidate the results from the B2DD Program, a further focus was consequently placed on the aspect of “Operational Excellence.” The goals of “Operational Excellence” in fiscal year 2021 included improving the gearing ratio, generating measures and following up on B2DD, and further developing the annual report and the annual financial statement process.

In line with the long-term and sustainable orientation of the Company’s success, the “Strategic development” of the Company is weighted with a factor of 30% in the overall target achievement.

Company and Group planning

The targets for Company and Group planning are linked to the achievement of the forecast published in the 2020 Annual Report. Achievement of the sales forecast is weighted at 10% in the overall target achievement. The EBIT forecast is included in the overall target achievement at a weighting of 30%.

Targets for 2021	Floor / “0%” target achievement	100% target achievement	Cap / 150% target achievement	Actual fiscal year 2021
Sales in EUR million	71.9	75.0	76.4	79.1
EBIT in %	4.4	6.0	7.5	7.3

Earnings per Share

The Supervisory Board set the quantitative target of increasing shareholder value, which is reported as earnings per share and factored into the overall target achievement by a factor of 10%.

Targets for 2021	Floor / “0%” target achievement	100% target achievement	Cap / 150% target achievement	Actual fiscal year 2021
Earnings per share in EUR	0.08	0.20	0.30	0.34

Corporate Social Responsibility

Corporate Social Responsibility is an important factor which, in addition to regulatory aspects, also affects the culture within the Company and even its competitiveness in international business transactions. The design of a holistic Corporate Social Responsibility concept is included in the overall target achievement with a weighting of 10%. In fiscal year 2021, the focus was on the legally required adjustments to the current compliance management system, the expansion of the sustainability strategy, and the regulatory requirements in line with the EU taxonomy.

Personal performance of the members of the Management Board

Depending on the current business challenges, further individual targets are agreed for each member of the Management Board in addition to their personal commitment. For fiscal year 2021, the personal targets were linked to managing the corona pandemic, securing supply capability despite raw material shortages, and operational implementation of regulatory requirements. The personal targets of the members of the Management Board are weighted at 10% of the overall target achievement.

Other agreements relevant to remuneration

Contractual terms and commitments in connection with the termination of Management Board activities

The Supervisory Board complies with the provisions of Section 84 of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code in appointing members of the Management Board and in determining the duration of their contracts.

In the case of an initial appointment to the Management Board, the term of appointment and the duration of the Management Board service contract are generally three years. In the case of reappointments or an extension of the term of office, the maximum duration of the Management Board service contract is six years, as Masterflex is an SE. In the event of termination of the contract before the end of the appointment period at the instigation of the Company, except in the case of termination for good cause, the commitments under the Management Board service contracts are fulfilled until the date of departure.

In this case, the variable remuneration components are paid out at the originally agreed times and conditions on the basis of an average degree of target achievement from the last three years before the departure of the Management Board member; the variable remuneration components are not paid out prematurely.

In accordance with the recommendations of the German Corporate Governance Code, the service contracts of the members of the Board of Management contain the provision that payments in the event of premature termination of service on the Management Board may not exceed the value of two years’ remuneration (severance payment cap) and that no more than the remaining term of the respective contract of service on the Management Board will be remunerated.

Change of control

To ensure their independence, the members of the Management Board are also entitled to a severance payment in the event of a change of control within the meaning of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG), subject to strict conditions.

In the event of a change of control after conclusion of this agreement, the Management Board member has a one-time special termination right to terminate the service agreement by giving six months' notice to the end of the month and to resign from office on the termination date. Upon exercising the special right of termination, he is entitled to payment of severance compensation. The special right of termination may only be exercised within three months of the Management Board member becoming aware of the change of control.

A change of control shall be deemed to have occurred if a third party or several third parties acting in concert within the meaning of the WpÜG acquire more than 30% of the shares in the SE or if the position of the Management Board member as a member of the Management Board is affected more than insignificantly and this is connected with a change in the group of shareholders of at least 25% of the voting shares.

The severance payment is limited to a total of two annual salaries, but not more than the total remuneration entitlement for the remaining term of the contract still existing at the time of departure. The severance payment is payable upon termination of the employment relationship.

There shall be no entitlement to a severance payment pursuant to the above paragraph if the contractual relationship would have ended automatically within the next six months, even irrespective of the occurrence of the change of control, due to the expiry of a fixed term or the reaching of the age limit, for example, or a justified termination notice already served by the Company.

Compensation payment / transitional allowance at the end of the contract

If the contract with the Management Board member is not extended or is terminated again immediately after an extension through no fault of his own, the Management Board member shall be entitled to a one-time transitional allowance in the amount of the fixed remuneration for a period of 12 months, payable upon termination of the contract, with any other remuneration then earned being offset against this allowance after the expiry of six months.

Compensation for non-competition

As the Management Board member is prohibited from working for companies that operate in the Hoses and Connecting Systems area of business or that compete directly with the Company for a period of 12 months after termination of the service agreement, compensation for non-competition has been agreed.

For the duration of the post-contractual non-competition clause, the Company will pay the Management Board member compensation amounting to 90% of his last annual fixed salary. No other income will be offset.

The Company is, however, entitled to waive the non-competition clause by written declaration prior to termination of the employment relationship with the effect that it is released from the obligation to pay the compensation upon expiry of twelve months from the declaration. The declaration of waiver must be made no later than nine months before the expiry of the agreement.

If the Management Board member breaches the non-competition agreement, the Company may demand a contractual penalty for each instance of breach. This does not affect the right to claim further damages. For the duration of the infringement, the entitlement to payment of the compensation for non-competition shall also lapse. The non-competition clause applies geographically to the member states of the European Union.

Other activities of the members of the Management Board

The remuneration for the Management Board also generally covers any activities of a member of the Management Board at affiliated companies and subsidiaries. "Affiliated companies" are all companies affiliated pursuant to Section 15 of the German Stock Corporation Act (AktG) and such companies in which Masterflex SE holds an interest of at least 25%. Insofar as members of the Management Board receive remuneration from these companies for the performance of mandates in these companies, this is offset against the remuneration.

The Supervisory Board of Masterflex SE expressly welcomes it if the members of the Management Board also assume supervisory mandates to an appropriate extent, e.g. in the form of supervisory or advisory board mandates, at companies outside the Masterflex Group. These external mandates regularly contribute to the further development of the Management Board and to the creative exchange of ideas on challenging operational and strategic issues with managers from other companies, which typically cannot be obtained on an equal footing, or at least hardly at all, in conventional further training courses and other corporate networks.

It goes without saying that such external mandates must comply with the German Stock Corporation Act, Masterflex's internal guidelines and the GCGC. In particular, none of the members of the Management Board may assume a chairmanship mandate in companies outside the Group. Conflicts of interest are to be excluded. The members of the Management Board of Masterflex SE are obliged to comply with these rules when selecting mandates and to inform the Supervisory Board of this before accepting a mandate and to obtain its approval.

The remuneration paid for assuming Supervisory Board mandates outside the Group is not offset against the remuneration of the Management Board member at Masterflex SE.

Special remuneration

In exceptional cases, which it must both determine and justify, the Supervisory Board may grant members of the Management Board a special bonus in accordance with recommendation G.11 of the German Corporate Governance Code. The special bonus is limited. It also falls under the maximum remuneration pursuant to Section 87a (1) Sentence 2 No. 1 of the German Stock Corporation Act (AktG) as an absolute upper limit on total remuneration. No such special bonus was granted in recent years or in fiscal year 2021.

Other

The Supervisory Board may deviate from the remuneration system temporarily and in justified exceptional cases if this is necessary in the interest of the long-term well-being of Masterflex SE. A deviation from the remuneration system in the aforementioned circumstances is only possible by means of a corresponding Supervisory Board resolution that establishes the exceptional circumstances and the necessity of a deviation. The components of the remuneration system from which deviation is possible are the performance criteria of the bonus and the temporary assumption of expenses for extraordinary performance and fringe benefits. In addition, the Supervisory Board has the right to grant special payments to newly appointed members of the Management Board to compensate for salary losses from a previous employment relationship or to cover costs arising from a change of location. There was no such deviation in the fiscal year.

Any entitlement to severance pay lapses if the Company effectively terminates the employment relationship extraordinarily for good cause.

Individualized disclosure of Management Board remuneration

Management Board remuneration granted in fiscal year 2021

The following table shows the remuneration components paid to the members of the Management Board of Masterflex in fiscal year 2021, which, in addition to the promised fixed remuneration and fringe benefits, consist of variable remuneration components from the Management Board remuneration system valid until May 19, 2021. The variable remuneration components (STI and LTI) for fiscal years 2018 and 2020 were paid in March 2021.

	Dr. Andreas Bastin CEO				Mark Becks CFO			
	2021	2021	2021	2021	2021	2021	2021	2021
	granted	granted in %	Minimum	Maximum	granted	grantedin %	Minimum	Maximum
Fixed remuneration	400		400	400	280		280	280
Fringe benefits	46		46	46	41		41	41
Total fixed remuneration granted	446	76%	446	446	321	78%	321	321
One-year variable remu-neration (STI) from 2020	95		0	158	63		0	106
Multi-year variable remu-neration (LTI) from 2018	45		0	82	30		0	54
Total variable remuneration granted	140	24%	0	240	93	22%	0	160
Total remuneration granted	**586**	**100%**	**446**	**686**	**414**	**100%**	**321**	**481**

Main features of the remuneration system valid through May 19, 2021, and the resulting payouts in fiscal year 2021

In line with the previous remuneration system, the remuneration of the members of the Management Board also consisted of non-performance-related and performance-related components. The non-performance-related components consisted of a fixed salary and fringe benefits. The performance-related variable components comprise an immediately effective (66%) and a long-term incentive component (34%).

The bonus was determined by the Supervisory Board both on the basis of qualitative assessment parameters, such as the market and competitive performance of the Masterflex Group and the personal performance of the Management Board, and on the basis of quantitative assessment parameters, such as the fulfillment of Company and Group planning as well as the development of the share price in relation to comparative indices.

The previous remuneration system provided for a short-term portion (STI) of around two-thirds of the bonus to be paid out after adoption of the Annual Financial Statements. The remaining portion of around one third of the total variable remuneration (LTI), remains with the Company for a further two years and is only paid out if the performance parameters have been sustainably guaranteed over the entire three-year horizon. If, on the other hand, these parameters are not met over this period, this portion is forfeited in full or in part accordingly. A payment from the long-term remuneration component for fiscal year 2020 as defined by the former remuneration system will be made in fiscal year 2023.

Target achievement, the weighting of the respective targets, and the breakdown of the variable remuneration components into short-term and long-term bonus components for fiscal year 2020 are disclosed in the following table:

Dr. Andreas Bastin	Weighting	Target achievement (in %)	Basis for bonus (in €)	Target achievement	thereof STI	thereof LTI
Market and competitive development	30%	100%	240,000	72,000	47,520	24,480
Company planning	40%	0%	240,000	0	0	0
Capital market	10%	100%	240,000	24,000	15,840	8,160
Personal performance	20%	100%	240,000	48,000	31,680	16,320
Total	**100%**				**95,040**	**48,960**

Mark Becks	Gewichtung	Zielerreichung (in %)	Tantiemebasis (in €)	Zielerreichung	davon STI	davon LTI
Market and competitive development	30%	100%	160,000	48,000	31,680	16,320
Company planning	40%	0%	160,000	0	0	0
Capital market	10%	100%	160,000	16,000	10,560	5,440
Personal performance	20%	100%	160,000	32,000	21,120	10,880
Total	**100%**				**63,360**	**32,640**

In fiscal year 2021, the long-term remuneration component from the bonus agreement for fiscal year 2018 was also paid out. The portion of the long-term variable remuneration was already allocated in fiscal year 2018. Payment was only made after a holding period of an additional two years, provided that the performance parameters were sustainably ensured over the entire three-year horizon.

The following table discloses the target achievement of the long-term variable remuneration components for fiscal year 2018:

Dr. Andreas Bastin	Weighting	Target achievement (in %)	Basis for bonus (in EUR)	Target achievement
Market and competitive development	30%	100%	81,600	24,480
Company planning	40%	0%	81,600	0
Capital market	10%	50%	81,600	4,080
Personal performance	20%	100%	81,600	16,320
Total paid out	**100%**			**44,880**

Mark Becks	Weighting	Target achievement (in %)	Basis for bonus (in EUR)	Target achievement
Market and competitive development	30%	100%	54,400	16,320
Company planning	40%	0%	54,400	0
Capital market	10%	50%	54,400	2,720
Personal performance	20%	100%	54,400	10,880
Total paid out	**100%**			**29,920**

Compliance with the maximum remuneration

In addition to limiting the variable remuneration components, the Supervisory Board has, in accordance with Section 87a (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG), set a maximum remuneration which limits the remuneration to be received in any one fiscal year. This maximum remuneration includes the basic remuneration, fringe benefits, retirement benefits and payouts from the STI and LTI, as well as any special bonus.

The STI and LTI payouts are capped at 150% for quantitative targets, while target achievement for qualitative targets may not exceed 100%. This mechanism automatically means that the permissible total remuneration (maximum remuneration) can only be exceeded in the exceptional case of a special bonus, as this was calculated on the basis of a consistent target achievement of 150% for the quantitative targets.

The maximum remuneration for the members of the Management Board is as follows:

Members of the Management Board	ACTUAL remuneration in fiscal year 2021	Maximum remuneration pursuant to Section 87a (1) sentence 2 no. 1 AktG
Dr. Andreas Bastin	EUR 586 thousand	EUR 750 thousand
Mark Becks	EUR 414 thousand	EUR 530 thousand

Remuneration components due in fiscal year 2021

On the basis of the remuneration system approved on May 19, 2021, and the variable remuneration components agreed therein, the target achievement for fiscal year 2021 for the members of the Management Board of Masterflex was determined as follows:

Dr. Andreas Bastin	Weighting (in %)	Target achievement (in %)	Ceiling (in %)	Basis for bonus	Target achievement in 2021
Market and competition	30%	100%	100%	240,000	72,000
Company planning					
Sales target	10%	246%	150%	240,000	36,000
EBIT target	30%	143%	143%	240,000	102,960
Share/EPS	10%	170%	150%	240,000	36,000
Sustainability/CSR/Compliance	10%	100%	100%	240,000	24,000
Personal performance	10%	100%	100%	240,000	24,000
	100%				294,960
of which to be paid in the short term				65%	191,724
of which to be deferred				35%	103,236

Mark Becks	Weighting (in %)	Target achievement (in %)	Ceiling (in %)	Basis for bonus	Target achievement in 2021
Market and competition	30%	100%	100%	160,000	48,000
Company planning					
Sales target	10%	246%	150%	160,000	24,000
EBIT target	30%	143%	143%	160,000	68,640
Share/EPS	10%	170%	150%	160,000	24,000
Sustainability/CSR/Compliance	10%	100%	100%	160,000	16,000
Personal performance	10%	100%	100%	160,000	16,000
	100%				196,640
of which to be paid in the short term				65%	127,816
of which to be deferred				35%	68,824

The Short-Term Variable Incentive (STI) for fiscal year 2021 will be paid out in March 2022. A three-year holding period applies to the Long-Term Variable Incentive (LTI). In addition, remuneration components from long-term bonus arrangements under the previous remuneration system will continue to be recognized in the coming fiscal years.

The following table provides an overview of the remuneration components owed to the members of the Management Board of Masterflex in fiscal year 2021. The remuneration components owed for the fiscal year are not synonymous with the remuneration also paid to the Management Board. The remuneration components owed also partly reflect the status of the remuneration provisions, insofar as these are to be paid out in later years due to future maturities:

	Dr. A. Bastin, CEO 2021 owed	M. Becks, CFO 2021 owed
Fixed remuneration	400	280
Fringe benefits	46	41
Total fixed remuneration owed	**446**	**321**
One-year variable remuneration (STI) from 2021)[1]	195	130
Multi-year variable compensation (LTI) from 2019)[1]	45	30
Multi-year variable compensation (LTI) from 2020)[2]	49	33
Multi-year variable compensation (LTI) from 2021)[3]	105	70
Total variable remuneration owed	**394**	**263**
Total remuneration owed	**840**	**584**

[1] Payment in March 2022
[2] Payment in March 2023
[3] Payment in March 2024

Remuneration of the Supervisory Board in fiscal year 2021

The remuneration system for the Supervisory Board, which was last amended in 2015, takes the requirements of the Corporate Governance Code into account. In accordance with the Articles of Association, the remuneration of the members of the Supervisory Board has since comprised a fixed remuneration based on their functions. This structure complies with the recommendations of the Corporate Governance Code. This is still considered appropriate in principle with regard to the various parameters, but is also reviewed for appropriateness in accordance with the legal requirements.

Apart from the reimbursement of their expenses, each member of the Supervisory Board receives fixed annual remuneration, payable at the end of each fiscal year. The fixed remuneration of the Chairman is EUR 30,000 per year, that of the Deputy Chairman EUR 25,000 per year and that of an ordinary member of the Supervisory Board EUR 20,000 per year. Members of the Supervisory Board who belong to the Supervisory Board for only part of the fiscal year receive remuneration in proportion to the length of their membership. In addition, attendance fees of EUR 500 per meeting are paid to Supervisory Board members. The total remuneration of the Supervisory Board and its breakdown in 2021 are shown in the following table.

The members of the Supervisory Board were remunerated as follows:

	Fixed		Meeting fee		Total compensation relevant for disbursement	
in EUR thousand	2020	2021	2020	2021	2020	2021
Chairman of the Supervisory Board, Georg van Hall (since June 14, 2016)	30	30	3	2	33	32
Deputy Chairman of the Supervisory Board, Dr. Gerson Link (since June 14, 2016)	25	25	3	2	28	27
Supervisory Board member, Jan van der Zouw (since June 14, 2016)	20	20	3	2	23	22
Total remuneration	**75**	**75**	**9**	**6**	**84**	**81**

Comparative presentation of remuneration and earnings development

The following comparative presentation presents the annual change in the remuneration granted and owed to current and former members of the Management Board and Supervisory Board, the Company's earnings performance and the remuneration of employees on a full-time equivalent basis. The comparative presentation of employees is based on the average wages and salaries of employees at all international locations and thus forms an appropriate benchmark for the international orientation of the Masterflex business model.

Comparative presentation of the development of remuneration and earnings for the members of the Management Board

in EUR thousand	2017	2018	2019	2020	2021
Fixed remuneration Dr. Andreas Bastin	357	378	378	378	400
STI Dr. Andreas Bastin (paid out)	141	140	118	98	95
LTI Dr. Andreas Bastin (paid out)	62	57	69	52	45
Fringe benefits	42	41	42	43	46
Total Dr. Andreas Bastin	602	616	607	571	586
Fixed remuneration Mark Becks	247	262	262	262	280
STI Mark Becks (paid out)	76	93	79	65	63
LTI Mark Becks (paid out)	34	31	37	35	30
Fringe benefits	38	37	39	38	41
Total Mark Becks	395	423	417	400	414
Total remuneration of the Management Board (paid in the fiscal year)	997	1,039	1,024	971	1,000
Average remuneration	499	520	512	486	500
Group operating EBIT	7,081	6,251	5,058	3,167	5,764
Net profit of Masterflex SE	4,488	4,838	-2,611	331	3,643
Average remuneration of employees	37.4	37.7	40.3	43.6	42.8
Ratio of average remuneration of Management Board/employees	13.3	13.8	12.7	11.1	11.7

Comparative presentation of the remuneration and earnings development for the members of the Supervisory Board

in EUR thousand	2017	2018	2019	2020	2021
Fixed remuneration for Georg van Hall	30	30	30	30	30
Attendance fee for Georg van Hall	2	2	3	3	2
Total Georg van Hall	32	32	33	33	32
Fixed remuneration for Dr. Gerson Link	25	25	25	25	25
Attendance fee for Dr. Gerson Link	2	2	3	3	2
Total Dr. Gerson Link	27	27	28	28	27
Fixed remuneration for Jan van der Zouw	20	20	20	20	20
Attendance fee for Jan van der Zouw	2	2	3	3	2
Total Jan van der Zouw	22	22	23	23	22
Total Supervisory Board remuneration	81	81	84	84	81
Average remuneration	27	27	28	28	27
Group operating EBIT	7,081	6,251	5,058	3,167	5,764
Net profit of Masterflex SE	4,488	4,838	-2,611	331	3,643
Average remuneration of employees	37,4	37,7	40,3	43,6	42,8
Ratio of average remuneration Supervisory Board/employees	0,7	0,7	0,7	0,6	0,6

Report of the independent auditor on the audit of the Remuneration Report pursuant to Section 162 (3) German Stock Corporation Act (AktG)

To Masterflex SE

Audit opinion

We have formally audited the Remuneration Report of Masterflex SE for the fiscal year from January 1 to December 31, 2022, to determine whether the disclosures pursuant to Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the Remuneration Report. In accordance with Section 162 (3) German Stock Corporation Act (AktG), we have not audited the content of the Remuneration Report.

In our opinion, the enclosed Remuneration Report complies, in all material respects, with the disclosures pursuant to Section 162 (1) and (2) German Stock Corporation Act (AktG). Our audit opinion does not cover the content of the Remuneration Report.

Basis for the audit opinion

We conducted our audit of the Remuneration Report in accordance with Section 162 (3) German Stock Corporation Act (AktG) and IDW Auditing Standard: The Audit of the Remuneration Report in Accordance with Section 162 (3) German Stock Corporation Act (IDW PS 870(08.2021)). Our responsibility under this provision and this standard is further described in the Auditor's Responsibility section of our report. As an auditing practice, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Practice of Public Accountants (IDW QS 1). We have complied with the professional duties pursuant to the Wirtschaftsprüferordnung (German Auditors' Code) and the professional statutes for auditors/sworn accountants, including the requirements for independence.

Responsibility of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board are responsible for the preparation of the Remuneration Report, including the related disclosures, which complies with the requirements of Section 162 German Stock Corporation Act (AktG). They are further responsible for such internal control as they determine is necessary to enable the preparation of the Remuneration Report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our objective is to obtain reasonable assurance as to whether the disclosures required by Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in all material respects in the Remuneration Report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to obtain evidence about the formal completeness of the Remuneration Report by comparing the disclosures made in the Remuneration Report with the disclosures required by Section 162 (1) and (2) German Stock Corporation Act. In accordance with

Section 162 (3) German Stock Corporation Act (AktG), we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the fair presentation of the Remuneration Report.

Dealing with any misleading representations

In connection with our audit, we have a responsibility to read the Remuneration Report taking the knowledge obtained in the audit of the Financial Statements into account and to remain alert for indications as to whether the Remuneration Report contains misleading representations as to the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the fair presentation of the Remuneration Report.

If, based on the work we have performed, we conclude that such misleading presentation exists, we are required to report that fact. We have nothing to report in this regard.

Essen, March 30, 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Fritz
Certified Public Accountant

signed Dr. Falk
Certified Public Accountant

Masterflex Share

Key figures of the Masterflex share

		2021	2020	2019	2018	2017
Number of shares (Dec. 31)	Shares	9,752,460	9,752,460	9,752,460	9,752,460	9,752,460
Number of treasury shares	Shares	134,126	134,126	134,126	134,126	134,126
Market capitalization* (Dec. 31)	EUR million	62.1	54.3	43.1	67.9	84.2
Opening price	EUR	5.70	4.62	7.00	8.92	6.63
Closing price	EUR	6.46	5.65	4.48	7.06	8.75
Highest price	EUR	7.82	6.40	7.26	9.56	9.50
Lowest price	EUR	5.65	3.12	4.34	7.00	6.58
Share performance	%	+14.3%	+26.1%	-37.6%	-20.9%	+32.0%
Dividend per share	EUR	0.12	0.08	0.07	0.07	-
Earnings per share	EUR	0.34	0.08	0.26	0.35	0.45
Free float	%	42.02%	41.8%	32.6%	41.8%	48.7%

All figures are based on Xetra prices
* excluding treasury shares

The stock market year 2021

The development of the capital markets in the past stock market year 2021 continued to be characterized by the coronavirus pandemic and was characterized by a roller coaster ride between euphoria and concern. Global indices recorded a mixed start to the year, due in particular to the lingering coronavirus pandemic and the containment measures that accompanied it. The DAX opened at 13,890 points on January 4 and fell accordingly in the opening month of January to its low for the year at 13,311 points on January 28. With hopes of an end to the pandemic following the start of the vaccination campaign, the leading German index started to climb in March. The positive market sentiment was flanked by good corporate and economic data. However, from the summer onwards, the increasingly evident supply bottlenecks, logistics problems, high energy and raw material prices and the associated swelling inflation became an issue, with the result that the DAX fell back by a good 1,000 points from the interim high of 16,030 points to the beginning of October. Political uncertainty in the run-up to the Bundestag elections in Germany also played a role here. In the fall, the end of the pandemic briefly seemed close, which, in conjunction with full order books in industry, led to growing optimism and greater visibility and finally pushed the DAX to a new all-time high of 16,290 points in mid-November. The index was unable to maintain this high level until the end of the year, however, partly due to the new virus variant Omicron, which initially caused new concerns beyond the turn of the year. On December 30, the DAX finally closed the year 2021 at 15,885 points, a gain of 15.8% compared to the closing level in 2020.

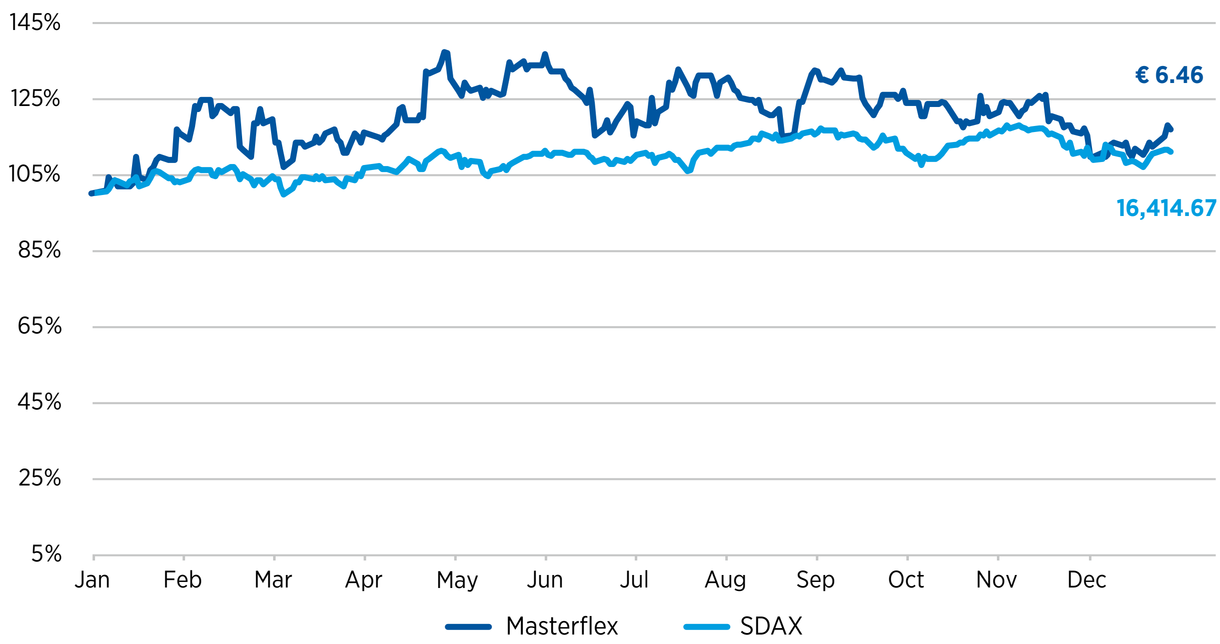
The Masterflex share recorded a price increase of 14.3% in the reporting year. The positive share price performance was supported by the dynamic development of the business with increasing profitability thanks to the successful implementation of the optimization program launched in 2019 (B2DD) and a further reduction in net debt.

The Masterflex share opened the stock market year on January 4, 2021, at a Xetra price of EUR 5.70. This also represented the lowest price for the year as a whole. Following a dynamic start to fiscal year 2021, the Masterflex share price rose during the second quarter of 2021 to a high for the year of EUR 7.82 on April 28. Masterflex SE shares left trading on December 30, 2021, at a Xetra closing price of EUR 6.46. The Masterflex SE share thus outperformed the SDAX, which gained 11.2% in 2021, by gaining 14.3%.

The average daily trading volume on all German trading venues in the reporting year totaled 6,747 shares (2020: 4,654 shares).

As of December 31, 2021, the market capitalization of Masterflex SE amounted to EUR 62.1 million with 9,618,334 shares outstanding and a closing price of EUR 6.46. As of the 2020 reporting date, the market capitalization was EUR 54.3 million with the same number of shares and a closing price of EUR 5.65 (all figures based on Xetra prices).

Masterflex share price performance in 2021 compared to the SDAX



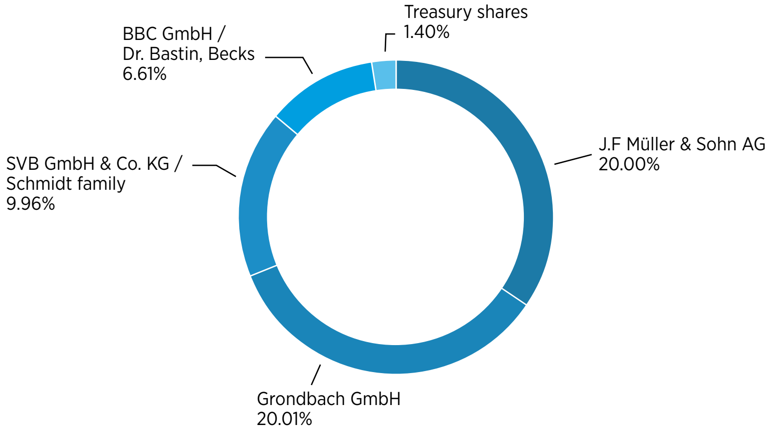
Shareholder structure

The share capital of Masterflex SE amounts to EUR 9,752,460.00 and is divided into 9,752,460 no-par value bearer shares. Each share grants one vote at the Annual General Meeting.

The largest shareholder of Masterflex SE is Grondbach GmbH, which increased its shareholding from 15.00% to 20.01% in the reporting year. The second largest anchor shareholder is J.F. Müller & Sohn AG, whose shareholding remained constant at 20.00%. SVB GmbH & Co. KG is the third largest shareholder with a share of 9.96%. The characteristic of a shareholder base dominated by family offices is thus still dominant. The management also holds a significant position amounting to 6.61% of the share capital, thus confirming its confidence in the growth strategy of Masterflex

SE. The free float is currently 42.02% (December 31, 2020: 41.80%). Masterflex SE holds 1.40% treasury shares.

Reportable shareholders (3% or more):



The information on the shares generally refers to the most recent WpHG notifications to the Company in each case.

Analyst Research

Masterflex SE shares are listed in the Prime Standard of the Frankfurt Stock Exchange and are routinely analyzed and valuated by renowned research firms. The analysts at Metzler Research rate the Masterflex share as a “buy” in their update of October 6, 2021. Analyst Alexander Neuberger sees a price target of EUR 8.50 per share. In addition, the experts at SMC Research, which specializes in small-cap stocks, reiterated their buy recommendation for Masterflex shares on November 12, 2021, with a target price of EUR 10.60. Montega Research joined as a new research firm in fiscal year 2021. In his latest assessment dated November 11, 2021, analyst Nicolas Gruschka issued a buy recommendation with a price target of EUR 10.50 per share.

The average analyst price target is EUR 9.87 per share, resulting in upside potential of around 52.8% for Masterflex shares based on the closing price of EUR 6.46 on December 30, 2021.

Detailed information on the reports is available to interested investors at Masterflexgroup.com in the Investor Relations/Analyst Recommendations section.

2021 Annual General Meeting

The Annual General Meeting was again held in virtual form on May 19, 2021, due to the corona pandemic. The shareholders expressed their confidence in the Management Board and Supervisory Board for fiscal year 2020 by a large majority and approved practically all items on the agenda by a clear majority. Attendance was 56.17% of the capital stock (2020: 53.3%).

Dividend

Masterflex SE pursues a dividend policy based on continuity and continued to do so in 2020. From the retained earnings of Masterflex SE as of December 31, 2020, amounting to EUR 10.2 million, a dividend at the level of the previous year of EUR 0.08 per no-par value share was distributed to the shareholders on May 19, 2021. The remaining unappropriated profit of around EUR 9.5 million was carried forward to new account.

Capital market communication

The Masterflex Group maintains an open as well as timely and consistent information policy towards all capital market participants. As far as the competitive position of the Masterflex Group as one of the few listed hose manufacturers permits, the most detailed data possible is also made available. The purpose of capital market communication is to contribute to a fair valuation of the share through a high level of transparency and regular awareness on the capital market. In the year under review, the Management Board intensified its contact with capital market participants at numerous virtual roadshows and virtual investor conferences as well as at the Hamburg Investor Day. In addition, the management of Masterflex SE remained in constant contact with the press, investors and financial analysts.

The Masterflex Group's goal is to achieve market leadership in all markets it addresses. The sustainable growth is also to be reflected in the valuation of the share, especially when the profitability-enhancing measures from the B2DD program take full effect.

2022 Financial Calendar

The financial calendar is published on the Company's website Masterflexgroup.com.

March 31	Publication of the Consolidated Financial Statements for 2021
May 11	Q1/2022 statement
May 23-25	Spring Conference Frankfurt
June 14	Annual General Meeting
August 10	2022 Half-Year Report
August 25-26	HIT 7th Hamburg Investors Day
November 9	Q3/2022 Announcement
November 15	Munich Capital Market Conference

Share information

ISIN code	DE0005492938
WKN	549293
Class of shares	Ordinary bearer shares
Stock exchange ticker	MZX
Bloomberg symbol	MZX GR
Reuters symbol	MZXG.DE
Market segment	Prime Standard
Component of the following indices	CDAX Prime All Share Index Classic All Share Index Prime Industrial Index
Designated Sponsor	ICF Bank AG
Number of shares (Dec. 31)	9,752,460

Combined Management Report

Combined Management Report of the Masterflex Group and Masterflex SE for fiscal year 2021

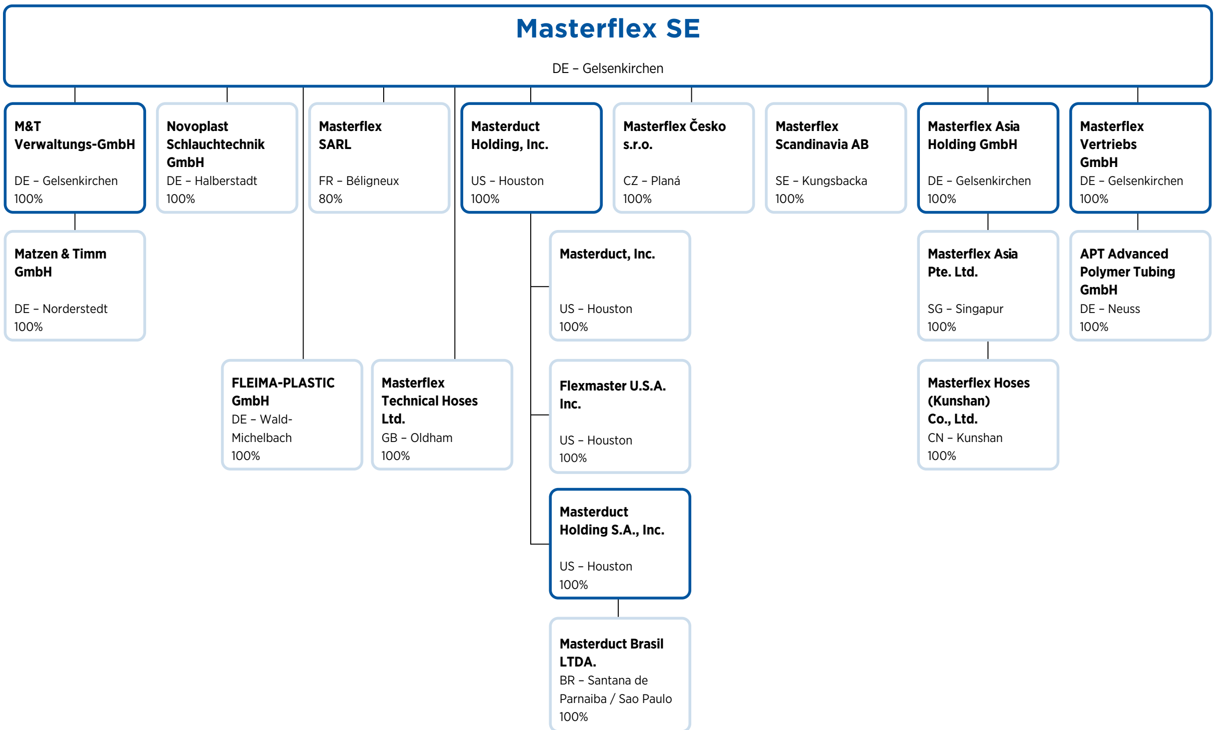
A. Principles of the Group

Organization and management structure

Masterflex SE, Gelsenkirchen, is the parent Company of the Masterflex Group (referred to here as Masterflex Group). Since 2000, the shares of Masterflex SE (International Securities Identification Number ISIN: DE0005492938) have been traded on the Frankfurt Stock Exchange in the segment with the highest transparency requirements in the Regulated Market, the Prime Standard.

The main production sites of the internationally active Masterflex Group with 14 operating subsidiaries are Gelsenkirchen, Neuss, Halberstadt, Norderstedt and Houston (USA). In addition, the Masterflex Group has subsidiaries in various locations in Europe, America and Asia, some of which have small production lines and sales partnerships.

The structure of the Group:



Performance promise

We are a supplier of products, systems and consulting know-how for solving connection tasks. Our unique expertise lies in the use of high-quality and particularly high-performance plastics.

The development, production and engineering-oriented marketing of high-tech hoses and connection systems as well as the related consulting approach offer the Masterflex Group long-term growth potential. The wide range of applications for Masterflex hose systems in a variety of different industries represents an advantage.

We strive to stand out from other hose manufacturers as the quality leader with a clear focus on values.

The high-tech hose market

The Masterflex Group focuses exclusively on the market for high-tech hoses and connection systems and thus occupies the niche market for special hoses. These hoses are used in a wide variety of different industries.

Market analysis special hoses

Customers in the special hose segment mainly come from the manufacturing sector including industrial applications (B2B market). They range from globally active companies to wholesalers and medium-sized industrial companies as well as small regional businesses. Given the material, processing and application expertise, which is not easy to acquire, as well as the wide range of possible applications for sophisticated plastics, this is a market with corresponding market entry barriers, good margins and intact growth prospects. It is characterized by small batch sizes in both production and sales, as well as by intensive consulting and development expertise for customer-specific solutions. In contrast, the market for mass-produced hoses, which is better known to the general public, tends to be characterized by large batch sizes, lower margins and large international suppliers.

Dynamic growth in line with relevant industry development

Special hoses are used in a wide range of applications and industries. The field of application of Masterflex special hoses is focused on critical and particularly demanding manufacturing and application areas that require technological knowledge, material expertise and precision.

The demand situation is therefore significantly influenced by the economic development of the markets of relevance to Masterflex.

Medical Technology:

Masterflex hose systems - monolayer, multilayer, co-extruded and micro-extruded hoses as well as various connectors (also pressure-resistant), clamps, manifolds, drip chambers and separating membranes - are used in intensive medical areas as well as in reproductive medicine. Pulmonology, nephrology and urology are just a few other typical fields of application for Masterflex hose systems in medical technology. In these areas, the highest demands are placed on durability, cleanroom hygiene and manufacturing expertise.

Life Science:

Life science comprises the food and pharmaceutical industries as well as the trend markets of the laboratory and biotechnology industries. These industries - like the medical technology field - require the highest level of manufacturing expertise with the need for cleanroom technology during production in some cases.

Typical applications in the food industry are large bakeries, confectionery manufacturers or dairies. Suction, transport, reactor and conveying hoses from the Masterflex Group are typical examples of applications in this industry.

The areas of application for Masterflex hose systems in the pharmaceutical, laboratory and biotechnology industries are diverse. Particular expertise lies in their use in high-precision micropelletizing as well as in the cultivation of microbes.

Renewable Energies:

Hoses used in the renewable energies sector, especially in the off-shore area of wind turbines, must be particularly hard-wearing and have good resistance to temperature, UV and ozone.

In order to meet these requirements, a high level of technological knowledge is needed on the nature of the materials used as well as the service life of the hoses used.

Aviation:

Hose systems in the aviation industry make a significant contribution to aircraft safety. In addition to the aspects of reliability and material durability, the issue of weight in particular plays a key role here. Due to these specific requirements, special hoses in the aviation industry are a system-relevant supplier part that can only be sourced from certified and specified partners.

Masterflex hoses are used in the exhaust control of ECU systems, for air distribution inside the cabin, in vacuum toilets, bleed air systems in virtually all types of aircraft. All Masterflex components used are of lightweight construction. Another product is ground support equipment hoses, e.g. for fecal disposal on aircraft in parking position, so-called toilet service unit (TSU) hoses.

Automotive and E-Mobility:

Special hoses in the automotive industry are used to ensure the functionality of sub-products in the car. Seat technology and adaptive aerodynamics are just two examples of applications for Masterflex hoses.

Because of these areas of application in the automotive industry, Masterflex is independent of the question of the drive train (combustion engine or electric). Due to the increasing e-mobility, we expect to see greater use of innovative lightweight components, which suits our competence profile.

As a special area, Masterflex also offers a product range for motorsports. These include engine air technology for rally cars, protective hoses, ventilation, fluid supply and tank hose protection hoses.

Process Industry and Robotics:

The ideal definition of a manufacturing process increases production efficiency, optimizes the flow of materials and, as a result, leads to an improved ecological footprint. A steadily increasing degree of automation and flexibilization inevitably leads to increased demand for special hoses, which are absolutely essential as connection solutions in the process industry and in the field of robotics.

In automotive production, for example, Masterflex hose systems are used in critical production areas. These include the paint shop as well as the test areas and test benches.

Semiconductor industry:

Reliable and safe use when dealing with chemically aggressive media and gases is the challenge facing connection systems in the semiconductor industry. The high material expertise in specified raw materials up to high-purity material selection ensures the highest quality in terms of purity and dimensional stability in end customers' production processes.

Predictive Maintenance:

The standstill of a production line or inferior quality in the manufacturing process are among the greatest risk factors in system-critical manufacturing processes. Industry 4.0 provides new answers to these problems.

Under the name AMPIUS, Masterflex offers hose systems with integrated life cycle tracking functions as well as a matching app. The AMPIUS-app can be used to automatically read the product signature of the hose system, which in the basic version is equipped with a digital interface as standard. The digitalization of hose and connection solutions by means of our smart AMPIUS-solutions opens up completely new possibilities. For example, appropriately equipped systems are also able to generate and provide information on wear, abrasion, temperature, flow rate and many other parameters. Our core competence is to derive concrete customer benefits from the digital insights gained.

Megatrends as sustainable growth drivers

In addition to their own sector dynamics, the industries relevant to Masterflex also benefit from long-term and sustainable trends in social change.

Globalization and demographic change

The population is steadily increasing and getting older. With the change in global population density, accompanied by dynamic urbanization, social patterns and demand structures are inevitably changing, which also affect growth prospects in the industries relevant to Masterflex.

While the demand structure of the emerging markets is characterized by the desire for greater prosperity, the industrialized nations are focusing on maintaining health and aspects of medical care. Demographic change thus remains a sustainable growth trend with different regional manifestations. Globalization also stands for a multipolar world order. Value systems and structures were clearly defined in the international context in the past and are currently undergoing a transformation that creates a further dimension of uncertainty for business decisions. Consequently, security is gaining an increasingly important role in this environment. Quite pragmatically in terms of securing production capacities, one sees a clear trend from offshoring to nearshoring. This trend continued to gain momentum in fiscal year 2021 in times of raw material shortages and dependencies on individual suppliers.

As the Masterflex Group, we expect to benefit from globalization and demographic change because we are already well represented in the relevant application fields (e.g. medicine and life science) with our market access and solutions as well as our innovation potential. Thanks to the procurement and production structures of the Masterflex Group, we view ourselves as a building block within a procurement chain that is flexible and as independent as possible for our customers.

Digital transformation

The speed of digital transformation of processes and even entire business models, which has been underway for years, will continue to gain momentum. The impact on market structures and interrelationships in virtually all areas of the economy and social life will also continue to accelerate.

However, the effects of digital developments are not only evident in the digital markets or in the digitalizable processes themselves, but also in an increasing acceleration of technological developments. The latest technological developments and those expected in the future, in the areas of “autonomous industry and mobility,” robotics and self-learning machines and systems, for example, can thus become finished applications or solutions and thus changing parameters much more quickly.

On the one hand, we have been driving digitalization and automation as well as the improvement of our process efficiency and quality within our Group for years, combined with the goal of providing our customers with the best possible benefit/performance ratio. On the other hand, through the product launch of the AMPIUS digital hose system, we are one of the pioneers in the digitalization of hose and connection solutions. Based on our AMPIUS projects, we learn, grow and work together with our customers from various markets on future processes and business models. This ensures the closest possible involvement in the digital transformation of our customer markets.

The new application markets driven by digital transformation are already among the areas we are targeting with our competence profile and our range of products and services.

Sustainability

The increasingly evident scarcity of resources promotes sustainable use and consumption solutions at nearly all levels and areas of material use.

The increasing consequences of climate change and the resulting need for action have far-reaching implications for the protection and regeneration of the environment in almost all respects. In addition, current and even more so future energy supplies will be strongly assessed based on their regenerative solution approaches or will be converted to them.

The use of plastics will presumably have to meet higher recycling and environmental compatibility requirements in the future.

The products manufactured within the Masterflex Group meet customer requirements in terms of performance and service life and are therefore preferred to conventional hose and connection solutions made of mass-produced plastics, such as PVC or rubber, particularly from a sustainability perspective. In addition, we already ensure a high degree of reusability and environmental compatibility of the products we manufacture. This is due on the one hand to the high-quality raw materials used, which are often approved for food and medical applications, and on the other hand to the high standards for waste avoidance, recycling and disposal that have been in place for years within our production processes.

Strategy

Profitable growth

The strategic focus of the Masterflex Group is on above-average as well as profitable growth. In doing so, the Masterflex Group will benefit from sustainable growth drivers, which include the megatrends globalization & demographic change, sustainability and digital transformation.

The additional broad industry diversification stabilizes the business model and makes the Masterflex Group less vulnerable in times of economic crisis. With the implementation of the "Back to Double Digit" (B2DD) optimization program, the foundation for the sustainable double-digit profitability of the Masterflex Group has been laid, so that in future fiscal years the focus will be on the strategic expansion of business activities to a revenue volume of EUR 100 million in 2024 through purely organic growth. Additional growth through acquisitions to a sales volume of up to EUR 200 million is targeted by 2030.

This growth strategy is based on the four strategic pillars: Internationalization, Innovation, Digital Transformation and Operational Excellence.

I. Internationalization

We strive for value-oriented, long-term growth in all the markets and sectors we address. We pursue a dynamic market expansion strategy by growing globally in line with demand in our sectors. We are benefiting from the trend toward ongoing globalization combined with the increasing demand for greater proximity and security of production-relevant suppliers (nearshoring).

The broad focus of our product portfolio also enables us to serve the different demand priorities of emerging markets and industrialized nations to the same extent (demographic change).

We are already represented by our own companies in Europe, North and South America, and Asia. Our aim is to further expand our market presence, particularly in North America and Asia. In this context, acquisition opportunities are also reviewed regularly and represent an important element of our long-term growth strategy.

In addition, we serve a number of markets that are adjacent to or closely related to our focus regions through cooperative ventures.

II. Innovation

It is our declared goal to stand out on the market through technology and quality leadership. The basis for this is our innovation strategy, which encompasses aspects of sustainable resource use, the optimization of traditional products, and completely new, innovative joining solutions. A prerequisite for innovation is, among other factors, knowledge of the variety, properties and behavior of high-performance plastics and specific knowledge of the requirements and challenges on the application side. Our experienced engineers constantly design, test and produce new products that replace traditional joining solutions or their materials for the benefit of our customers. This consulting expertise is often an approach to design ideas and development directions for new products together with our customers.

Another pillar of our innovation strategy is based on knowledge of process and production sequences for manufacturing hoses and connecting solutions from sophisticated plastics. Continuous efficiency and quality improvements in our own production processes play a crucial role here, as do sustainability improvements. The focus here is on further waste avoidance and maximizing recycling opportunities, but also on the possible future use of bioplastics.

III. Digital transformation

We strive to be the innovation leader in our relevant markets and industries. That is why another thrust of our growth strategy is digital transformation. We are convinced that in the medium term, intelligent and thus digital connection solutions will be an important component for our customers. Masterflex is working on services that use knowledge as well as current information about the status of products or systems and plants and offer direct added value to the customer through transparency and analysis. With the AMPIUS hose system series, the Masterflex Group has already laid a foundation for its own digital product line and is also directly involved in customer transformation projects through the AMPIUS projects. In addition, we are driving our own digital transformation at our sites. Our larger and long-term supported IT systems (ERP, PIM, MDE, CRM, …) are already cloud-based and will be further networked or integrated step by step along our internal digital roadmap.

In addition, we are constantly investing in the further networking and automation of our production facilities. In Gelsenkirchen, we have now reached the point where we can achieve significant improvements in material use, product quality and production process efficiency with the support of AI algorithms in the ongoing production process. These developments will continue to be driven forward strongly because they are an important component in underpinning the Masterflex Group's own claim to technology and quality leadership.

IV. Operational excellence

With our strategic focus on operational excellence, we meet the challenge of combining maximum flexibility with the highest possible efficiency. We place our processes at the center of our overall entrepreneurial activities with the aim of making them simple, fast and flexible and of standardizing them. We consider the reduction of complexity or its efficient management with simultaneous high customer orientation through flexibility and individuality to be a clear competitive advantage. It is the basis for stable earnings power.

The digital transformation approach is also an important aspect for the processes in the Masterflex Group itself. Our goal is to become faster and more flexible – simply more agile – on the basis of better data and thus a better basis for decision-making. Networked production with Industry 4.0-capable machines goes hand in hand with a significant expansion of internal and external networking with our customers, suppliers and partners. This is associated with reduced throughput times for customers, significantly simpler and faster processes in all areas of the Company, higher revenue per employee, and meaningful automation steps. Continuously increasing our level of digital maturity is an integral part of the measures and projects in the course of operational excellence.

Control system

Internal control system

The starting point for strategic Company planning is an annually updated five-year plan that comprises an income statement, a balance sheet, investments and liquidity. The budget planning for the following fiscal year is derived from this strategic planning and broken down into individual months. The Group is managed within the framework of monthly budget/actual variance analyses. Forecasts are prepared on a quarterly basis, thus allowing a rolling forecast of results into the future. On a weekly basis, the management is informed about the revenue and the order intake of the previous week. The operating result (earnings before interest and taxes – EBIT) for the entire Group is reported to the full Management Board as part of monthly reporting.

In the Masterflex Group, the most important performance indicators for us – i.e. the core control variables as defined by GAS 20 – are based on liquidity and Company value. These are in particular:

- sales revenue in comparison to actual, target (budget) and the previous year and
- consolidated EBIT.

Research and development

As an award-winning TOP 100 innovator, the Research and Development (R&D) department is a key building block for the success of the Masterflex Group. By developing innovative products and processes, we are able to offer hoses and individual connection solutions that meet the requirements of our customers. Due to the high level of innovation expertise, Masterflex products cannot simply be substituted by other products.

The subsidiaries of Masterflex SE have independent R&D units. Cooperation between the companies and company brands is specifically promoted and forms the basis of an efficient and customer-oriented development process. In particular, our innovation process (stage-gate process) has proven its value in shortening the lead times for new products.

In regular project and milestone meetings, developments are discussed and reviewed from the perspective of the market, technology and customers, as well as with regard to their economic relevance. External partners from research institutes or selected suppliers are brought in for this purpose. This ensures that possible innovations are analyzed both from the market side, with regard to new technologies, and with regard to the necessary use of raw materials.

We do not use contract manufacturing. Nearly all products and services are developed and largely manufactured by our engineers and skilled workers. This also applies to certain components of our manufacturing technology or our production facilities to safeguard the production and process know-how we have built up.

In the case of our product innovations, we examine on a case-by-case basis whether it is necessary and legally possible to protect our intellectual property or whether it makes sense as part of our Company strategy to apply for patents or other property rights.

The core of our research and development activities is our innovation strategy, which is based on the aspects of “Digital Transformation,” “Sustainability” and “Engineering Services.” The Masterflex Group does not conduct traditional basic research.

Digital transformation

Under the aspect of “Digital Transformation,” we summarize both our activities in the course of increasing networking of processes and systems through intelligent joining solutions and the progress of networking and automation within our own production and value stream chains.

The predictive maintenance product group in particular benefits from the opportunities that digital transformation offers. Here, it is not only a matter of ensuring system-critical manufacturing processes, but also of optimizing production planning and costs from the customer’s point of view. The AMPIUS hose series developed specifically for this purpose is constantly being expanded as part of our innovation strategy.

In addition to the AMPIUS hose system, the Masterflex Group places a clear R&D focus on the customer-specific optimization of manufacturing processes through the integration of intelligent connection solutions.

Sustainability

The high-tech plastics Masterflex processes offer considerable substitution potential for conventional materials, here in particular for steel and rubber. In this context, the Masterflex Group’s materials expertise also extends to the use of recyclable plastics with the assurance of the same material properties. It is the declared aim of the innovation strategy to further expand the portfolio of materials used in the future. To this end, Masterflex also works closely with research institutions such as Frauenhofer Institute.

Engineering Services

The connection solutions developed by engineers are the driver of the Masterflex Group’s innovation strategy. Knowledge of processes, systems and materials is always in demand from our customers when non-standardized manufacturing processes are involved. The individuality of the manufacturing processes or application areas as well as the reorientation towards sustainable process flows requires engineering expertise in independent customer development projects.

External ratings

The Masterflex Group was again included in the World Market Leader Index of the University of St. Gallen in 2022 and has thus been one of the current world market leader champions for many years.

In 2021, the Masterflex Group was also named a TOP 100 Innovator for the third time (after 2016 and 2019), making it one of the most innovative companies and, according to TOP 100, “shapers of the future” in Germany. TOP 100 is the only innovation competition that honors medium-sized companies for their innovation management and innovation success. The Masterflex Group was particularly convincing in the category “Innovative processes and organization.”

B. Economic Report

General economic conditions

The COVID-19 pandemic had a drastic impact on the development of the global economy. The COVID-19 pandemic also negatively impacted economic development in 2021. The emergence of new corona mutations further intensified the impact on the economy. Overall, the global economy recovered only unevenly from the effects of the worldwide epidemic in 2021. From the summer of 2021 on, supply bottlenecks, logistics problems and high energy and raw material prices made themselves felt. By the end of the year, the Omicron variant again fueled the pandemic-related effects. Rapidly rising inflation rates worldwide were further influencing factors leading to a slowdown in the global economic recovery. While global output increased markedly over the course of the year, economic developments in individual countries differed greatly depending on vaccination status. As before, the strongly expansionary monetary policy had a supportive effect and interest rates tended to remain low, also in the emerging countries.

China implemented some drastic measures to contain the pandemic and thus influenced international supply chains. The extent to which the global manufacturing sector suffered from supply bottlenecks is illustrated by the example of the automotive industry. It recorded a drop in production of around 30% by the fall of 2021. The increase in overall economic production in the advanced economies slowed from 1.7% in the second quarter to 0.9% in the third quarter of 2021.

Growth rates in the US and the United Kingdom also contracted in the third quarter to 0.5% and 1.3% respectively. The reasons for the decline in the United States compared to the previous quarter (1.6%) were the effects of a hurricane on oil production, difficulties in procuring intermediate products in the industrial sector, and reduced economic stimulus.

Until an increase in incidence in the fall, the euro area recovered steadily from the COVID-induced decline in output in the winter half-year 2020/2021.[1]

Following the economic slump of 5.0% in 2020, economic output in Germany rose again in virtually all sectors of the economy in 2021.[2] Price-adjusted gross domestic product (GDP) also increased again by 2.7% in 2021, following a decline of 4.6% in the previous year, according to current calculations. However, this is disappointing compared to the expectations at the

1) https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_85_2021-Q4_Welt_DE.pdf
2) https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811

beginning of 2021 and confirms the recessionary course of the German economy.[3] The short-term growth outlook remained significantly clouded due to the heightened pandemic, as there were again supply bottlenecks in the manufacturing sector and even production backlogs. The raw materials and intermediates needed were simply not available, therefore orders could not be processed and prices rose. The supply bottlenecks and above all the high energy prices are just two of the factors that led to an increase in the inflation rate to over 5%. At 5.2%, the rate in November 2021 was the highest since 1992.[4]

Despite the many challenges, German foreign trade nearly reached the pre-corona level of 2019 with price-adjusted export growth of 9.4%. Price-adjusted imports also recorded a year-on-year increase of 8.6%. Following already increased consumer spending in 2020, government investment was also a pillar of growth in the German economy in 2021. Despite the already high level of the previous year, investments increased by another 3.4% in price-adjusted terms in the second year of the corona pandemic. These funds went mainly to free rapid antigen testing, free testing and vaccination centers, and corona vaccines.[5]

The German labor market recovered in 2021. The number of unemployed fell by 159 thousand in 2021, down 9.6% from the previous year, to 1.5 million. The annual average number of employed persons increased slightly (+7 thousand), but remained at the level of the previous year (= 44.9 million).[6]

Inflation picked up so strongly worldwide in 2021 that even the core rate, which excludes prices for food and energy, exceeded the central bank's inflation target of 2% almost everywhere. Only in Japan did core inflation remain low at 0.5%. Smaller central banks and emerging economies reacted early to inflation by raising their interest rates. Additional spending, tax deferrals and government support programs should help combat the impact of the COVID-19 pandemic on the economy in advanced economies.[7]

After a strong upswing in 2021 with GDP growth of 5.2%, economic activity in the euro area is projected by the OECD to grow by 4.3% in 2022 and 2.5% in 2023.

The German Bundesbank expects private consumption in Germany to increase significantly starting in the spring of 2022, as the savings involuntarily built up during the pandemic are likely to be additionally spent. Furthermore, supply bottlenecks will ease by the end of 2022. Exports in particular will then receive a temporary strong boost from catch-up effects.[8]

3) https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html
4) https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/12/PD21_603_p001.html
5) https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_020_811.html
6) https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/01/PD22_001_13321.html
7) OECD Economic Outlook, Dezember 2021
8) Deutsche Bundesbank Monatsbericht Dezember 2021

Economic growth in selected countries in which Masterflex Group maintains its own presence

Change in GDP compared to the previous year in %

Country / region	2021 (figure from the 2020 AR*)		2020
Eurozone	5.0	(4.7)	-6.4
Germany	2.6	(3.1)	-4.9
France	6.6	(6.3)	-8.0
UK	6.9	(6.5)	-9.7
World	5.7	(6.1)	-3.1
Brazil	5.0	(3.9)	-4.2
China	7.8	(9.2)	2.3
USA	5.6	(3.7)	-3.4

Source: IMF
* (expected values in 2021 as stated in the 2020 Annual Report in parentheses).

Business performance

The effects of the corona pandemic continued to be felt throughout 2021, which was particularly noticeable in the supply and price situation of raw materials. The Masterflex Group's business model is geared towards a wide range of industries, which recovered to varying degrees from the effects of the COVID-19 pandemic in fiscal year 2021. In terms of the respective customer industries, the Masterflex Group recorded increasing demand, particularly from cyclical industries such as automotive and mechanical engineering. By contrast, the high-margin business in medical technology showed a flat demand trend due to postponements of operations, particularly in elective medical services, and the slowdown in special economic activity in the corona environment. On the other hand, orders from the aviation sector experienced a significant increase.

At Group level, these different economic sector effects balance each other out, so that we already expected revenue growth of between 2% and 5% for the full year 2021 for the Masterflex Group at the beginning of the year. At the end of the third quarter, the Masterflex Group was already at the upper end of its revenue forecast for the year, so that the annual targets for 2021 could be raised. With the reporting on the third quarter of 2021, the Masterflex Group published a revenue forecast for fiscal year 2021 in a range of EUR 76 million to EUR 78 million, which corresponds to a year-on-year revenue growth of between 5% and 8%.

The following variance analyses relate to our concretized forecast of the quarterly report as of September 30, 2021.

The Masterflex Group closed fiscal year 2021 with revenue growth of 10.0%, thus also exceeding the revenue forecast for the full year 2021 published in the third quarterly report 2021. The economic developments of the respective customer industries were basically in line with our expectations, with the exception of the significantly faster revival of demand dynamics in the aerospace industry, which presented us with capacity bottlenecks.

The successful implementation of the B2DD program unfolded its full effect in fiscal year 2021. Particular mention should be made here of the optimization of process flows through digitalization in manufacturing and in purchasing management, which resulted in only a slight increase in the cost of materials in times of rising raw material prices and a simultaneous shortage of raw materials.

Overall, EBIT was significantly above the same level of the previous year in both nominal and relative terms, thus confirming the full-year forecast for 2021. The operating EBIT margin was 7.3% as of December 31, 2021 (2020: 4.4%). Thus, the fiscal year 2019 was also exceeded.

Situation

Results of operations of the Group

	2021		2020		Change	
	in EUR thousand	%	in EUR thousand	%	in EUR thousand	%
Revenue	79,068	100.0	71,881	100.8	7,187	10.0
Changes in inventories	-131	-0.2	-683	-1.0	552	-80.8
Other own work capitalized	158	0.2	138	0.2	20	14.5
Total output	**79,095**	**100.0**	**71,336**	**100.0**	**7,759**	**10.9**
Other operating income	1,004	1.3	883	1.2	121	13.7
Operating performance	**80,099**	**101.3**	**72,219**	**101.2**	**7,880**	**10.9**
Cost of materials	-25,398	-32.1	-22,571	-31.6	-2,827	12.5
Personnel expenses	-30,476	-38.5	-28,796	-40.4	-1,680	5.8
Depreciation and amortization	-4,906	-6.2	-4,725	-6.6	-181	3.8
Other operating expenses	-13,277	-16.8	-12,671	-17.8	-606	4.8
Other taxes	-279	-0.4	-289	-0.4	10	-3.5
Operating expenses	**-74,336**	**-94.0**	**-69,052**	**-96.8**	**-5,284**	**7.7**
EBIT (operational)	**5,763**	**7.3**	**3,167**	**4.4**	**2,596**	**82.0**
Non-operating effects	-420		-832		412	
EBIT	**5,343**		**2,335**		**3,008**	
Financial result	-753		-910		157	
Earnings before income taxes	**4,590**		**1,425**		**3,165**	
Income taxes	-1,289		-624		-665	
Consolidated annual result	**3,301**		**801**		**2,500**	
Thereof:						
Non-controlling interests	19		8		11	
Shares of shareholders of Masterflex SE	3,282		793		2,489	

1.1 Revenue development and incoming orders

Consolidated revenue amounted to EUR 79,068 thousand in fiscal year 2021, compared to EUR 71,881 thousand in the previous year, and was thus only slightly below the pre-corona level (2019: EUR 79,969 thousand). Revenue growth corresponded to an increase of 10.0%. The Masterflex Group thus also outperformed the production growth of the mechanical and plant engineering industry in general, which according to the German Engineering Federation (VDMA) amounted to 7.2% for fiscal year 2021.

The positive trend was also confirmed by a significant increase in orders on hand as of the balance sheet date. The order backlog amounted to EUR 22.9 million as of December 31, 2021, compared to EUR 9.4 million in the previous year.

Following the corona breaking point, nearly all companies returned back to their growth tracks in fiscal year 2021. Only the demand situation in the medical technology sector flattened out slightly compared to the previous year. While the share of medical technology was still around 20% in fiscal year 2020, it declined to around 17% in fiscal year 2021. The special economic effects of 2020 from the corona pandemic were partially absent in fiscal year 2021. By contrast, surgeries – particularly in the case of elective medical services – have not yet been able to return to pre-corona levels.

Growth was higher than the previous year at almost all subsidiaries. Particularly strong growth was recorded by the companies that primarily supply the mechanical engineering, automotive and semiconductor industries.

The international orientation of the Masterflex Group made it possible to serve the positive industry trends in all relevant economies. The broad regional positioning combined with the focus on different customer industries are the basis for stability and the sustainable growth of the Masterflex Group.

1.2 Development of earnings

Operating earnings before interest and taxes (EBIT before non-operating income and expenses) amounted to EUR 5,763 thousand, compared to EUR 3,167 thousand in 2020. This equates to an operating EBIT margin of 7.3% based on total operating performance (2020: 4.4%).

The development of earnings is derived as follows:

In fiscal year 2021, the reduction in inventories amounted to EUR 131 thousand (2020: reduction of EUR 683 thousand). Capitalization of own work was at the level of the previous year and amounted to EUR 158 thousand in 2021 (2020: EUR 138 thousand).

Other operating income increased from EUR 883 thousand to EUR 1,004 thousand in the course of business in 2021. This increase is mainly due to reversals of provisions amounting to EUR 131 thousand as well as income relating to other periods amounting to EUR 150 thousand.

Cost of materials of EUR 25,398 thousand is reported for fiscal year 2021. This corresponds to a cost of materials ratio (cost of materials in relation to total output) of 32.1%. In the previous year, cost of materials amounted to EUR 22,571 thousand or 31.6%. Increases in raw material prices were partially offset by price increases for customers, material savings in production, and efficiency improvements in purchasing management as part of the B2DD program.

The efficiency improvements from the B2DD program are also reflected in the development of personnel expenses. Personnel expenses increased nominally from EUR 28,796 thousand to

EUR 30,476 thousand. In relative terms, the personnel expense ratio fell from 40.4% to 38.5% in fiscal year 2021 as total output increased.

In 2021, Masterflex invested in production expansions as well as in the expansion of climate protection activities. This led to a slight increase in depreciation and amortization. In fiscal year 2021, depreciation and amortization amounted to EUR 4,906 thousand, compared to EUR 4,725 thousand in the previous year.

Other operating expenses increased from EUR 12,671 thousand to EUR 13,277 thousand in the course of business in 2021. In line with the development of sales and due to inflationary effects, energy, freight and export costs increased compared to the previous year's figures.

In total, operating EBIT in fiscal year 2021 thus amounted to EUR 5,763 thousand (previous year: EUR 3,167 thousand). Taking into account the non-operating effects, EBIT came to EUR 5,343 thousand, compared to EUR 2,335 thousand the previous year. The non-operating effects mainly include restructuring expenses for the activities in the aerospace industry. The operating EBIT margin was therefore 7.3%, well above 2020 (4.4%) as well as 2019 (6.3%).

Due to the repayment of financial liabilities in accordance with the contract and improved financial ratios (debt-equity ratio) and thus lower interest rates, the financial result improved (2021: EUR -753 thousand; 2020: EUR -910 thousand). Income tax expense increased from EUR 624 thousand to EUR 1,289 thousand due to the significant improvement in earnings.

The consolidated result amounted to EUR 3,301 thousand in fiscal year 2021 after EUR 801 thousand the previous year. Taking the non-controlling interests in a Group company into account, the shareholders of Masterflex SE account for EUR 3,282 thousand (previous year: EUR 793 thousand). The non-controlling interests include the ownership of the subsidiary in France (Masterflex SE: 80%).

Earnings per share increased from EUR 0.08 to EUR 0.34.

1.3 Comparison of the actual with the forecast business development and the effects of the COVID-19 pandemic

Corporate management of the effects of the corona pandemic became a new reality in fiscal year 2021. Nevertheless, imponderables of the pandemic situation continue to influence the economic development of the Masterflex Group.

These include in particular high sickness rates and quarantine-related influences on process flows, which became a challenge in processing the high order backlogs. Needs-based health and hygiene guidelines were issued at all our sites, which also provided for the use of mobile workplaces from home.

The recovery of the various customer industries during the COVID-19 pandemic was also heterogeneous. While the traditional industries in particular quickly returned to pre-corona levels, the special business cycle in medical technology in particular flattened out slightly.

The forecast made in the 2020 Annual Report for fiscal year 2021 was exceeded in terms of sales revenue. The EBIT forecast, which assumed a nominal and relative improvement compared to the previous year, was achieved in fiscal year 2021.

In the course of the annual impairment tests, all company values were confirmed.

Net assets of the Group

2.1 Asset structure

	December 31, 2021		December 31, 2020		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Intangible assets	13,106	16.6	13,242	17.3	-136	-1.0
Property, plant and equipment	31,254	39.4	31,434	41.2	-180	-0.6
Financial assets	112	0.1	64	0.1	48	75.0
Other assets	34	0.0	21	0.0	13	61.9
Deferred taxes	33	0.0	213	0.3	-180	-84.5
Non-current assets	**44,539**	**56.1**	**44,974**	**58.9**	**-435**	**-1.0**
Inventories	17,243	21.8	15,518	20.3	1,725	11.1
Receivables and other assets	7,954	10.1	6,645	8.7	1,309	19.7
Current assets	**25,197**	**31.9**	**22,163**	**29.0**	**3,034**	**13.7**
Cash and cash equivalents	**9,550**	**12.0**	**9,217**	**12.1**	**333**	**3.6**
	79,286	**100.0**	**76,354**	**100.0**	**2,932**	**3.8**

Total assets increased from EUR 76,354 thousand as of December 31, 2020, to EUR 79,286 thousand as of the reporting date. The increase on the assets side of the balance sheet is primarily due to the change in working capital.

Non-current assets amounted to EUR 44,539 thousand as of December 31, 2021 (2020: EUR 44,974 thousand). The slight reduction is due to depreciation effects and the reduction in deferred taxes. Intangible assets (2021: EUR 13,106 thousand; 2020: EUR 13,242 thousand) include goodwill of EUR 9,187 thousand, which was confirmed in the impairment test.

The increase in working capital led to an increase in current assets of EUR 3,367 thousand to EUR 34,747 thousand. This includes an increase in inventories to EUR 17,243 thousand (2020: EUR 15,518 thousand) and in trade receivables by EUR 1,413 thousand to EUR 6,971 thousand as of December 31, 2021.

Cash and cash equivalents increased to EUR 9,550 thousand (2020: EUR 9,217 thousand). Please refer to the comments in section B "Financial position of the Group" (3.3) Liquidity position.

2.2 Capital structure

	December 31, 2021		December 31, 2020		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Group equity	44,655	56.3	40,982	53.7	3,673	9.0
Non-controlling interests	322	0.4	303	0.4	19	6.3
Equity	**44,977**	**56.7**	**41,285**	**54.1**	**3,692**	**8.9**
Provisions	257	0.3	165	0.2	92	55.8
Financial liabilities	23,013	29.0	24,922	32.7	-1,909	-7.7
Other liabilities	834	1.1	1,172	1.5	-338	-28.8
Deferred taxes	823	1.0	696	0.9	127	18.2
Non-current liabilities	**24,927**	**31.4**	**26,955**	**35.3**	**-2,028**	**-7.5**
Provisions	120	0.2	325	0.4	-205	-63.1
Financial liabilities	2,455	3.1	2,447	3.2	8	0.3
Other liabilities	6,807	8.6	5,342	7.0	1,465	27.4
Current liabilities	**9,382**	**11.9**	**8,114**	**10.6**	**1,268**	**15.6**
	79,286	**100.0**	**76,354**	**100.0**	**2,932**	**3.8**

The equity of the Masterflex Group increased by EUR 3,692 thousand to EUR 44,977 thousand as of December 31, 2021. The absolute increase in equity is mainly due to the change in the adjustment item for currency translation (EUR 860 thousand) and to the consolidated net profit of EUR 3,301 thousand. The dividend payment of EUR 770 thousand reduced equity.

Despite a simultaneous increase in total assets, the equity ratio (equity to total assets) also increased from 54.1% to 56.7% as of the reporting date. For further details, please refer to the Consolidated Statement of Changes in Equity in fiscal year 2021 (p. 108 of the 2021 Annual Report).

Liabilities to banks were repaid in accordance with the contract, resulting in a decrease in non-current liabilities of EUR 2,028 thousand to EUR 24,927 thousand as of December 31, 2021.

Current liabilities increased in total from EUR 8,114 thousand the previous year to EUR 9,382 thousand as of the reporting date. This increase is related to the change in working capital and the associated increase in trade payables.

Financial position of the Group

3.1 Principles and objectives of financial management

The short- to medium-term financial management targets were achieved in 2021. These were in particular:

- Further strengthening of equity
- An improvement in the gearing ratio

Equity amounted to EUR 44,977 thousand as of December 31, 2021, compared to EUR 41,285 thousand in the previous year. Despite the simultaneous increase in total assets, the equity ratio also increased to 56.7% as of the reporting date (2020: 54.1%).

The gearing ratio improved to 1.5 as of December 31, 2021, compared to 2.3 in the previous year, due to the significantly better EBITDA and simultaneously lower net debt.

3.2 Financing analysis

The Masterflex Group's cash and cash equivalents amounted to EUR 9,550 thousand as of December 31, 2021 (previous year: EUR 9,217 thousand). Net debt as of the reporting date was thus EUR 15,918 thousand (previous year: EUR 18,152 thousand). This means the ratio of net debt to EBITDA at the end of the year was 1.5 (previous year: 2.3). This ratio is a measure of the Group's gearing and is an indicator of how quickly debt can be reduced.

As of December 31, 2021, non-current and current financial liabilities decreased by EUR 1,901 thousand to EUR 25,468 thousand, mainly due to the repayments of the syndicated loan rescheduled in 2019 in accordance with the agreement.

In addition to the non-current and current tranches of the syndicated loan, financial liabilities also include lease liabilities amounting to EUR 2,626 thousand (previous year: EUR 2,727 thousand). There were no other liabilities to banks at the end of 2021.

Most of the borrowed funds provided are secured. There are no significant off-balance sheet financing arrangements.

3.3 Liquidity position

Cash and bank balances amounted to EUR 9,550 thousand as of December 31, 2021 (2020: EUR 9,217 thousand).

The main positive effects on cash and cash equivalents were as follows:

- Positive earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 10.7 million

The main negative factors affecting cash and cash equivalents were as follows:

- Investments in property, plant and equipment and intangible assets of EUR 3.5 million
- Increase in inventories of EUR 1.7 million
- Net loan repayments of EUR 1.5 million
- Increase in trade accounts receivable and other assets of EUR 1.0 million

- Dividend payment of EUR 0.8 million
- Expenses for income taxes of EUR 0.8 million
- Interest payments in the amount of EUR 0.7 million

The cash flow statement, which shows the reconciliation of cash and bank balances in the past fiscal year, can be found on page 109 of the 2021 Annual Report.

The solvency of the Masterflex Group was ensured at all times in 2021. In addition, Masterflex SE had a free, unused credit line – in compliance with defined covenants – in essence from the syndicated loan agreement in the amount of EUR 8.6 million at the end of 2021.

Overall statement on the economic situation

Overall, the Group's management assesses the earnings, asset and financial positions of the Masterflex Group as of the reporting date against the backdrop of

- the sales forecast being exceeded,
- the improved earnings situation in both nominal and relative terms,
- Group financing secured in the medium term,
- the stability of the Group's equity and
- a significantly improved ratio of net debt to EBITDA of 1.5 compared to the previous year,

as stable and as a good starting position for the further development of the Company in an environment (Corona, Ukraine war, availability of raw materials) that remains difficult overall.

Earnings, asset and financial positions of Masterflex SE

In addition to the reporting on the Masterflex Group, we explain the development of Masterflex SE in fiscal year 2021 below.

Masterflex SE is the parent Company of the Masterflex Group and is headquartered in Gelsenkirchen, Germany. Its business activities mainly comprise the development, production and distribution of high-tech hoses and connecting systems made of high-performance plastics in Germany as well as the management of the worldwide activities of the Group, the Masterflex Group. Masterflex SE produces its hoses and connection systems at its headquarters in Gelsenkirchen, Germany, as well as through the Group's domestic and foreign subsidiaries. Distribution is carried out via the distribution system of Masterflex SE, via domestic and foreign subsidiaries as well as via selected contractual partners of the Masterflex Group.

The main management functions of the Masterflex Group are the responsibility of the Management Board of Masterflex SE. It determines the Group strategy and controls the allocation of resources as well as the organization of the Group. In addition, the Management Board determines the financing as well as the communication with the most important target audiences of the Masterflex Group and is responsible for the worldwide M&A activities. The economic development of Masterflex SE is mainly determined by its production and sales success as well as by its operating subsidiaries. The investment result from profit transfers and profit distributions of the investments is, in addition to the sales success of Masterflex SE, of central importance for the economic situation of Masterflex SE. Accordingly, the statements in section C "Opportunity and Risk Report" and the Non-Financial Report published on the website of the Masterflex Group also essentially apply to Masterflex SE.

The Annual Financial Statements of Masterflex SE are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The Consolidated Financial Statements follow the International Financial Reporting Standards (IFRS). This results in differences in the accounting and valuation methods.

Revenue and earnings of Masterflex SE

Income statement of Masterflex SE according to HGB (short form)

	2021		2020		Change	
	in EUR thousand	in %	in EUR thousand	in %	in EUR thousand	in %
Revenue	20,100	99.6	16,819	102.4	3,281	19.5
Changes in inventories	50	0.2	-490	-3.0	540	-110.2
Other own work capitalized	50	0.2	98	0.6	-48	-49.0
Total output	20,200	100.0	16,427	100.0	3,773	23.0
Other operating income	95	0.5	159	1.0	-64	-40.3
Operating performance	20,295	100.5	16,586	101.0	3,709	22.4
Cost of materials	-7,231	-35.8	-5,965	-36.3	-1,266	21.2
Personnel expenses	-9,868	-48.9	-8,528	-51.9	-1,340	15.7
Depreciation	-1,232	-6.1	-1,079	-6.6	-153	14.2
Other operating expenses	-4,790	-23.7	-4,081	-24.8	-709	17.4
Other taxes	-69	-0.3	-66	-0.4	-3	4.5
Operating expenses	-23,190	-114.8	-19,719	-120.0	-3,471	17.6
Operating result (EBIT)	-2,895	-14.3	-3,133	-19.0	238	-7.6
Financial result	6,871		3,975		2,896	
Non-operating effects	-35		-256		221	
Neutral result	-66		31		-97	
Earnings before income taxes	3,875		617		3,258	
Income taxes	-232		-286		54	
Net income	3,643		331		3,312	

The results of operations of Masterflex SE are largely determined by the business with high-tech hoses and connection systems at the Gelsenkirchen site as well as the profit distributions and profit transfers of the operating subsidiaries that conduct this business at the other national and international sites.

Masterflex SE's revenue increased by 19.5% compared to the previous year and, at EUR 20,100 thousand, was already above the pre-corona level again (2020: EUR 16,819 thousand; 2019: EUR 19,405 thousand). This means that the sales forecast for the Group, which most recently assumed sales growth of between 2% and 5%, was significantly exceeded at the level of the individual companies. The individual companies have different industry focuses, the cyclical effects of which are balanced out at Group level. In fiscal year 2021, Masterflex SE benefited in particular from the catch-up effects of the traditional industrial sectors such as mechanical engineering and the plastics industry, which we have grouped together under process industry.

The increase in inventories in the fiscal year amounted to EUR 50 thousand (2020: reduction of EUR 490 thousand). The capitalization of other own work is in a steady state and, at EUR 50 thousand in fiscal year 2021, was slightly below the previous year's level of EUR 98 thousand.

The total output (i.e. the sum of sales, changes in inventories and other own work capitalized) of Masterflex SE thus increased from EUR 16,427 thousand in 2020 to EUR 20,200 thousand in 2021.

At EUR 95 thousand, other operating income in the fiscal year was down on the previous year's figure of EUR 159 thousand. In the previous year, this figure was impacted by the reimbursement of social security contributions during the receipt of short-time working benefits. No short-time working was utilized in fiscal year 2021.

As a result, the operating performance (as the sum of total operating performance plus other operating income) increased by EUR 3,709 thousand to EUR 20,295 thousand in fiscal year 2021.

Due to the significant growth in revenue, cost of materials also increased nominally and amounted to EUR 7,231 thousand in fiscal year 2021 (2020: EUR 5,965 thousand). The cost of materials ratio (cost of materials as a percentage of total output) improved slightly to 35.8% (2020: 36.3%) despite increases in raw material prices and shortages of materials. The process optimizations in the course of the B2DD program with regard to purchasing management and price increases on the sales side in the wake of the drastic rise in raw material prices had a positive impact here.

Personnel expenses amounted to EUR 9,868 thousand in fiscal year 2021, compared to EUR 8,528 thousand the previous year. In percentage terms, the personnel employment ratio (personnel expenses as a % of total operating performance) actually improved to 48.9%, compared to 51.9% in the previous year. The process efficiency programs from the B2DD program enabled the revenue increases to be largely realized with the core team.

Other operating expenses include expenses for freight, packaging and energy, which increased in line with the development of sales. As a result, other operating expenses increased from EUR 4,081 thousand to EUR 4,790 thousand in fiscal year 2021. In addition to the volume-related increase in these expenses, inflationary effects for freight and energy are also the cause of this increase.

Investments at the Gelsenkirchen site, including the construction of a solar roof, are reflected in a slightly higher depreciations. Depreciation amounted to EUR 1,232 thousand in 2021, compared to EUR 1,079 thousand the previous year.

In summary, the operating result (EBIT) in fiscal year 2021 was EUR -2,895 thousand (2020: EUR -3,133 thousand). As forecast, EBIT was thus higher than in the previous year in both absolute and percentage terms.

The financial result includes mainly income from investments and profit transfers from subsidiaries. These increased by EUR 2,896 thousand to EUR 6,871 thousand in 2021. This key figure underpins the effectiveness of the measures from the B2DD program across all subsidiaries.

In the previous year, non-operating effects included non-recurring expenses of EUR 256 thousand for the headcount reduction at the Gelsenkirchen site. With the completion of the measures in fiscal year 2021, this item was reduced to EUR 35 thousand. Overall, earnings before income taxes improved from EUR 617 thousand in the previous year to EUR 3,875 thousand in fiscal year 2021.

The net profit of Masterflex SE generated in the fiscal year 2021 amounted to EUR 3,643 thousand (2020: EUR 331 thousand). Taking into account the profit carried forward remaining after distribution in the amount of EUR 9,452 thousand, the unappropriated profit amounted to EUR 13,095 thousand.

Development of the net assets and financial position of Masterflex SE

	December 31, 2021		December 31, 2020		Change	
Asset structure	in EUR thousand	in %	in EUR thousand	in %	in EUR thousand	in %
Intangible assets	3,193	3.8	3,246	3.9	-53	-1.6
Property, plant and equipment	13,604	16.2	13,717	16.6	-113	-0.8
Financial assets	52,335	62.2	52,772	63.7	-437	-0.8
Non-current assets	**69,132**	**82.2**	**69,735**	**84.2**	**-603**	**-0.9**
Inventories	3,504	4.1	2,946	3.5	558	18.9
Receivables and other asset	9,668	11.5	8,071	9.7	1,597	19.8
Prepaid expenses	238	0.3	300	0.4	-62	-20.7
Current assets	**13,410**	**15.9**	**11,317**	**13.6**	**2,093**	**18.5**
Cash and cash equivalents	**1,594**	**1.9**	**1,808**	**2.2**	**-214**	**-11.8**
Total assets	**84,136**	**100.0**	**82,860**	**100.0**	**1,276**	**1.5**

Total assets of Masterflex SE increased by EUR 1,276 thousand to EUR 84,136 thousand as of December 31, 2021. The increase in total assets is exclusively attributable to changes in current assets.

Non-current assets amounted to EUR 69,132 thousand as of the reporting date, EUR 603 thousand lower than in the previous year. The change in this item is mainly attributable to the reduction in financial assets due to the repayment of loans to subsidiaries (2021: EUR 52,335 thousand; 2020: EUR 52,772 thousand). Property, plant and equipment and intangible assets decreased slightly due to depreciation and amortization.

By contrast, current assets increased by EUR 2,093 thousand to EUR 13,410 thousand as of December 31, 2021. The increase in inventories (2021: EUR 3,504 thousand; 2020: EUR 2,946 thousand) and trade receivables (2021: EUR 9,668 thousand; 2020: EUR 8,071 thousand) was related to the increase in sales revenue. In relation to total output, the key figures actually improved. Prepaid expenses were slightly below the level of the previous year.

Cash and cash equivalents amounted to EUR 1,594 thousand as of December 31, 2021, down EUR 214 thousand on the figure for the same period of the previous year.

	December 31, 2021		December 31, 2020		Change	
Capital structure	in EUR thousand	in %	in EUR thousand	in %	in EUR thousand	in %
Issued capital	9,618	11.4	9,618	11.6	0	0.0
Capital reserve	26,120	31.0	26,120	31.5	0	0.0
Retained earnings	4,115	4.9	4,115	5.0	0	0.0
Unappropriated profit	13,095	15.6	10,222	12.3	2,873	28.1
Equity	**52,949**	**62.9**	**50,075**	**60.4**	**2,873**	**5.7**
Liabilities to banks	21,500	25.6	23,000	27.8	-1,500	-6.5
Other provisions	257	0.3	165	0.2	92	55.8
Deferred tax liabilities	510	0.6	407	0.5	103	25.3
Non-current liabilities	**22,267**	**26.5**	**23,572**	**28.5**	**-1,305**	**-5.5**
Provisions for taxes	2	0.0	93	0.1	-91	-97.8
Other provisions	1,361	1.6	879	1.1	482	54.8
Liabilities to banks	1,501	1.7	1,540	1.8	-39	-2.5
Trade payables	822	1.0	511	0.6	311	60.9
Liabilities to affiliated companies	5,005	5.9	5,801	7.0	-796	-13.7
Other liabilities	229	0.3	389	0.5	-160	-41.1
Current borrowings	**8,920**	**10.6**	**9,213**	**11.1**	**-293**	**-3.2**
Total liabilities and shareholders' equity	**84,136**	**100.0**	**82,860**	**100.0**	**1,276**	**1.5**

Equity increased by EUR 2,873 thousand to EUR 52,949 thousand as of the balance sheet date due to the increase in retained earnings. Despite the simultaneous increase in total assets, the equity ratio also increased to 62.9%, compared to 60.4% in the previous year. The unappropriated profit comprises the net profit of Masterflex SE of EUR 3,643 thousand plus the profit carryforward of EUR 10,221 thousand less the dividend of EUR 0.08 per share or EUR 770 thousand paid in May 2021.

As of December 31, 2021, there were distribution-restricted amounts totaling EUR 1,211 thousand, of which EUR 27 thousand were attributable to deferred tax assets and EUR 1,184 thousand to the capitalization of development costs (less deferred tax liabilities thereon).

The long-term syndicated loan was repaid in accordance with the contract. As a result, non-current loan liabilities decreased from EUR 23,000 thousand to EUR 21,500 thousand as of the reporting date. The repayment portion of the syndicated loan due within one year is reported under current liabilities to banks. In total, current liabilities to banks amounted to EUR 1,501 thousand as of December 31, 2021, compared to EUR 1,540 thousand the previous year.

Liabilities to affiliated companies decreased by EUR 796 thousand as of December 31, 2021, due to loan repayments to subsidiaries in the amount of EUR 2,149 thousand with a simultaneous increase in other liabilities to subsidiaries in the amount of EUR 1,353 thousand and amounted to EUR 5,005 thousand (2020: EUR 5,801 thousand).

Financial position of Masterflex SE

Cash and cash equivalents declined to EUR 1,594 thousand as of December 31, 2021, compared to EUR 1,808 thousand in the previous year. No cash and cash equivalents are pledged. The change in cash and cash equivalents is shown in the following cash flow statement:

in EUR thousand		2021	2020
	Adjusted net profit	3,678	587
-	Non-operating expenses	-35	-256
=	Net income	3,643	331
+	Depreciation of property, plant and equipment	909	796
+	Amortization of intangible assets	323	283
-/+	Write-ups / write-downs of financial assets	-48	1
+	Increase in non-current provisions	92	1
-/+	Other non-cash income / expenses	-53	3
=	Cash flow according to DVFA/SG	4,866	1,414
+	Loss from the disposal of fixed assets	68	0
+/-	Increase / decrease in medium- and short-term provisions	367	-28
-	Increase in inventories, trade receivables and other assets	-7,780	-4,945

	in EUR thousand	2021	2020
+	Increase in trade payables and other liabilities	1,423	1,081
-	Income from loans of financial assets	-365	-391
+	Interest expenses	808	919
-	Other investment income	-3,466	-379
+	Income tax expense	232	286
-	Income tax payments	-208	-66
=	Subtotal	-8,921	-3,523
=	Cash flow from operating activities	-4,055	-2,109
+	Proceeds from disposals of non-current assets	0	0
-	Cash outflows for investments in intangible assets	-339	-384
-	Payments made for investments in property, plant and equipment	-796	-476
+	Proceeds from the repayment of financial assets	7,110	7,350
- / +	Payments from / for investments in financial assets	-521	276
+	Dividends received	3,466	379
=	Cash flow from investing activities	8,920	7,145
-	Disbursements to company owners	-770	-673
+	Proceeds from the issue of bonds and the raising of (financial) loans	0	500
-	Payments for the redemption of bonds and (financial) loans	-1,536	-4,174
-/+	Cash outflows / inflows from repayment / issuance of loans to affiliated companies (net)	-2,149	961
-	Interest paid	-624	-748
=	Cash flow from financing activities	-5,079	-4,134
	Cash-effective changes in cash and cash equivalents	-214	902
+	Cash and cash equivalents at the beginning of the fiscal year	1,808	906
=	Cash and cash equivalents at the end of the fiscal year	1,594	1,808
	Composition of cash and cash equivalents at the end of the fiscal year		
+	Cash and cash equivalents	1,594	1,808

The significant improvement in net income compared to the previous year could only partially compensate for the increased commitment of funds to inventories and trade receivables. Overall, the increase in working capital led to a decrease in cash flow from operating activities (2021: EUR -4,055 thousand; 2020: EUR -2,109 thousand).

Cash flow from investing activities of EUR 8,920 thousand (previous year: EUR 7,145 thousand) was positively impacted in particular by the significant increase in dividend payments from subsidiaries.

The repayment of liabilities to affiliated companies resulted in a deterioration in cash flow from financing activities from EUR -4,134 thousand in the previous year to EUR -5,079 thousand as of December 31, 2021. The other loans were also repaid in accordance with the contract.

Overall, cash and cash equivalents decreased to EUR 1,594 thousand in the fiscal year (previous year: EUR 1,808 thousand).

Composition of cash and cash equivalents

Liabilities to banks and cash equivalents are not due in the short term.

Proposed appropriation of earnings

The Management Board and the Supervisory Board propose to the Annual General Meeting to distribute an amount of EUR 1,154,200.08 from the net retained profits as of December 31, 2021, of Masterflex SE in the amount of EUR 13,094,961.14 to the shareholders as a dividend on the 9,618,334 issued shares of the share capital as of December 31, 2021, and to carry forward the remaining amount of EUR 11,940,761.06 to new account.

The distribution will be made on the basis of the shares carrying dividend rights at the time of the Annual General Meeting. In accordance with Section 58 (4) sentence 2 AktG, the shareholders' entitlement to the dividend is due on the third business day following the resolution by the Annual General Meeting, i.e. on June 17, 2022.

Non-Financial Statement

The Combined Non-Financial Report and Non-Financial Group Report in accordance with the CSR Directive Implementation Act will be submitted in a separate Sustainability Report 2021, which will be published on the Company website at www.masterflexgroup.com/investor-relations/financial-reports-of-masterflex-se.

C. Opportunity and Risk Report

Opportunity and risk management system for value-oriented corporate management

In principle, entrepreneurial activity is always associated with opportunities and risks. A risk is defined as a possible future development or event that could lead to a negative deviation from the forecast or target for the Company. By contrast, we define an opportunity as a possible future development or event that could lead to a positive deviation from our forecast or target.

In all the business we enter into as an internationally operating Company, we are exposed to numerous uncertainties and changes. Taking advantage of the opportunities arising from these changes is the basis for the entrepreneurial success of the Masterflex Group. We must consciously take certain risks in order to seize opportunities in the market and thus to be able to realize entrepreneurial success in the future. Existing risks that could jeopardize the success of the Masterflex Group are systematically identified, monitored and controlled as part of risk management. In doing so, we strive to optimize identified risks to an acceptable, bearable level and not to minimize them, as otherwise opportunities would remain unconsidered. To this end, we make use of insurance and contractual arrangements, among other means.

The Masterflex Group operates in a dynamic market environment characterized by many, generally smaller competitors, widely diversified target industries, great customer diversity, technical solution expertise, close links with customers and suppliers, and high material and processing expertise.

Our opportunity and risk management is firmly anchored in the Group-wide communication, management and planning structures and is therefore an important element of corporate governance. Opportunities and risks are discussed with the management of the operating units at regular meetings. The tracking of relevant issues is documented via checklists. The individual risks of all consolidated companies are discussed in detail in annual planning meetings. The basis for this is our risk manual, which is the guideline on how risks are identified, assessed and monitored.

Opportunity management

As part of our opportunity management, we continuously evaluate market data, analyze our competitors and scrutinize the alignment of our product portfolio, the efficiency of our organization and resource deployment, and changes in customer requirements, from which market opportunities are derived. Both in the planning process and through regular monthly consultations with the management, opportunities are analyzed and tracked for achievability, necessary investments and risk potential.

Individual opportunities

Opportunities arising from a positive market development

Our planning assumptions are based on strong growth in the global economy (see Outlook in the Management Report). However, should the global economy develop more sustainably and dynamically than we have assumed, this will have a positive impact on our revenue and operating profit (EBIT) in the years ahead.

Opportunities arising from research and development

Our strategic planning is based on four cornerstones: Innovation, Internationalization, Digital Transformation and Operational Excellence. The continuation of our growth trajectory also depends significantly on continuously bringing innovative solutions to market to create added value for our customers.

We are constantly working on our innovation management. If we are able to bring significantly more innovations to market in a much shorter time than planned, this will have a positive impact on our earnings, asset and financial positions.

Opportunities arising from increased efficiency

We constantly work to optimize our operations and processes in order to improve the efficiency of our global organization. In the optimization process, we use recognized methods to continuously improve our processes. These methods draw on the know-how and experience of all employees involved from the relevant areas to continuously improve business processes in line with the Company's objectives. In some cases we also work with external consultants for this purpose. Measures for optimization and implementation are developed in regular workshops with the aim of improving our effectiveness, avoiding inefficiencies and continuously increasing our efficiency.

Opportunities arising from internationalization

The focus of our sales distribution continues to be on the euro zone, where we expect stronger growth compared to the global economy as a whole. In the global target markets addressed by us, the focus is primarily on China and the US. In the US in particular, we expect positive effects based on a strong economic foundation. We also expect further growth opportunities in China.

If there is no positive impetus from the global economy and the target markets relevant to us, this will mean an economic risk for our internationalization strategy. If, on the other hand, we succeed in implementing the internationalization steps more quickly, in particular in accelerating the market success of sales and thus generating revenue more quickly, Masterflex's growth in these regions will exceed our forecast.

Another focus will be on making all products sold in Germany available worldwide. Here we continue to see great growth potential in all regions of the world.

Opportunities arising from digitalization

The ongoing digitalization of the entire economy is creating not only new market opportunities for us, but also new technological possibilities for optimizing processes, further enhancing quality in the production process, launching new, innovative products on the market, and opening up new business areas and models.

For us, it will be essential for the success of the digital transformation that we identify the right opportunities (products, processes, business models) for us and our customers in good time on the basis of ever faster technological change (especially in information technology) and measurably increase our flexibility and agility.

If we succeed in consistently implementing the digitalization strategy in all areas, this will have a positive impact on the overall Company result.

Opportunities arising from personnel management

Our employees are the basis of our success. They are the source of value creation, the source of ideas for innovations, and partners for our customers and suppliers, and thus the driving force behind our growth and improved profitability.

We will continue to focus on developing our employees and thus increasing the efficiency of our global organization. If we succeed faster than expected, this will have a particularly positive impact on sales, the EBIT margin and cash flow.

The risk management system

The Masterflex Group has implemented an integrated risk management system to ensure the continued existence and future achievement of the Group's objectives through the early identification, assessment and management of risks. Overarching standards, methods and tools are available and ensure timely reporting to the Management Board.

As part of the comprehensive risk management system, Masterflex has an internal control system related to the (Group) accounting process. The aim is to ensure proper and effective accounting and financial reporting.

The risk in financial reporting is that our Annual, Consolidated and Interim Financial Statements could contain misstatements that could potentially have a material impact on the decision of their addressees. We have therefore developed an accounting-related internal control system (ICS) aimed at identifying possible sources of error and limiting the resulting risks. This internal control system covers the entire Masterflex Group and is subject to permanent further development. The important accounting principles are documented in an accounting manual for the Group, which is also continuously developed and adapted to new legal framework conditions.

The design of the accounting-related ICS results from the organization of our accounting and financial reporting processes. One of the core functions of these processes is to manage the Group and its operating units. The starting points are the targets developed by the Management Board. From these and from the monthly forecast planning on operating performance, a rolling medium-term plan is drawn up. The effectiveness and efficiency of the ICS (in particular the risk early warning system) is comprehensively reviewed at least once a year.

We identify financial reporting risks at the level of the individual areas using quantitative, qualitative and process-related criteria. The ICS is based on our generally binding guidelines and ethical values. In an annual regular process, we assess whether the necessary control measures were actually implemented and carried out correctly. This is done by the auditor, an internal risk officer and the Managing Directors or division heads responsible for implementing the controls.

The accounting-related internal control system and its effectiveness are a regular part of the Supervisory Board meetings.

On this basis, the Masterflex Group understands risk management to mean the targeted safeguarding of existing and future potential for success, but also the targeted management of known risks. Our risk management system comprises risk identification, assessment, control and management. We have also established communication channels for the main opportunities and risks in the central departments and the operating units. This controlled approach to risks stabilizes the Group's earnings, asset and financial positions. The Masterflex Group's risk management is embedded in existing structures and is therefore an inseparable part of corporate management and business processes. In addition to the risk manual, strategic corporate planning, internal reporting and the internal control system are the core elements of the risk management system.

Our risk management is standardized and valid throughout the Group. This ensures that all risks are identified, analyzed and assessed systematically, uniformly and across the Group. At the heart of this is the risk inventory carried out by the management of the operating units. Individual risks are identified, assigned to risk areas and assessed on a uniform basis. The risk transparency this creates helps us select appropriate management and countermeasures.

Our risk assessment is made up of the two components probability of occurrence and potential loss amount.

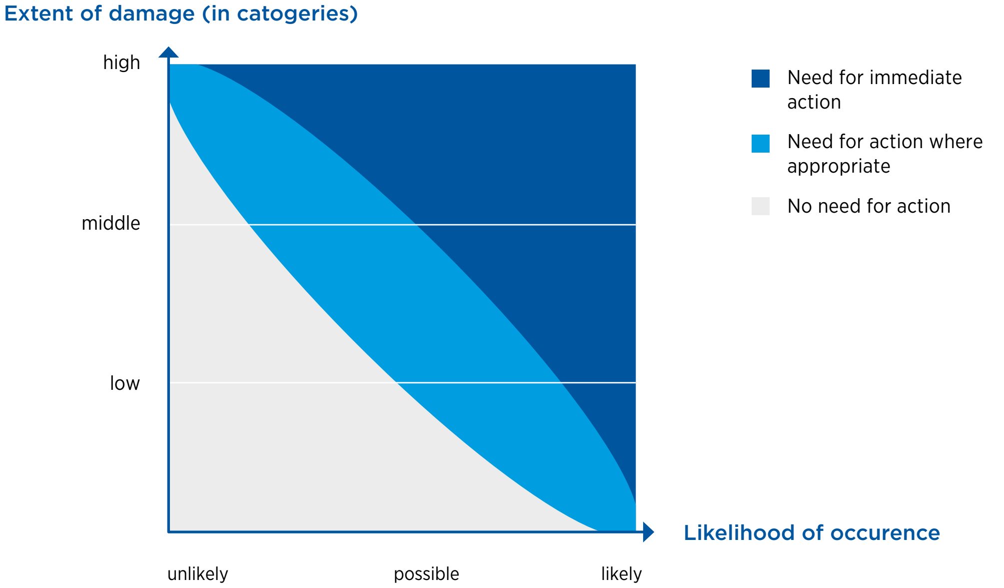
With regard to the criterion of the probability of occurrence of a risk, we distinguish between the categories "unlikely" (probability less than 30%), "possible" (probability between 30% and 59%) and "probable" (probability of 60% or more).

With regard to the criterion of the level of damage, we distinguish between "minor," "medium" or "severe" effects on the results of operations, net assets, financial position, and cash flows.

We set both components in relation to the key performance indicators adjusted EBIT and cash flow and distinguish between

- High risk › Need for action
- Medium risk › Medium need for action
- Low risk › No need for action

The following graphic illustrates these relationships.



Our risk presentation takes into account risk-reducing measures already implemented as part of risk management using the net method.

We manage risks through measures that are suitable for preventing risks (application of risk policy principles), transferring them (taking out insurance policies) or reducing them (continuous improvement of the internal control system and processes).

To assess our risk-bearing capacity, we aggregate all material risks and determine the financial resources available to us as coverage in the event of risk materialization. In the risk-bearing capacity calculation, we compare the risk aggregation with the risk coverage funds. The calculated risk-bearing capacity determines the maximum extent of risk that we can bear without jeopardizing the continued existence of the Masterflex Group. In addition to the high level of equity, free liquidity also plays a key role in the assessment.

Below we have listed major risk areas that could have a significant impact on our business development as well as on our results of operations, net assets and financial position. In addition, there are risks of which we are currently unaware and risks which we now consider to be less significant, but which could have an adverse effect on our Group if the situation changes.

Individual risks

IT risks

Constant availability of the IT systems is an indispensable prerequisite for maintaining business operations at the individual sites. Internal and external experts therefore constantly work to optimize the centralized and decentralized information systems, their availability and security. Differentiated backup strategies and redundant data lines are used to prevent availability failures and data losses. The hardware and software components currently available are always used to protect against possible external operational disruptions, such as malware penetrating the IT system through hacking or virus attacks. Technical protective measures include the use of anti-virus programs and firewall systems as well as comprehensive access controls. Masterflex SE and some of its subsidiaries use the services of external data centers to meet these requirements. In addition, we sensitize our employees to typical fraud practices.

Nevertheless, external attacks or IT operational disruptions cannot be ruled out. Due to the observed global increase in threats to information security and greater professionalism in computer crime, we consider the probability to be given, also against the backdrop of the discussion on issues of data security and espionage or external attacks on our networks. These would have a serious impact on our earnings, asset and financial positions; therefore we continue to see a high risk here.

Regulatory risks

The strategy of the Masterflex Group is based on the four pillars of innovation, internationalization, digital transformation and operational excellence. This means that the Group will continue to operate with its own employees and companies in many places around the world in the future. In doing so, we must comply with the applicable legal regulations in each country in which we operate. The large number and increasing complexity of the relevant regulations at the national and international level increase the risk that we could incur significant legal and economic disadvantages in the event of non-compliance, such as fines, profit claw backs or claims for damages. Even the mere allegation of a breach of the law could have a negative impact on our reputation and share price.

The regulatory environment has become significantly more stringent in recent years at both the national and international level. Together with the lawyers and auditors who accompany us, we keep ourselves informed of new legal requirements, applied case law and innovations in compliance topics.

The Code of Conduct of Masterflex SE defines the ethical and legal framework for our business activities. Our compliance management system is intended to ensure that our economic activities worldwide are in accordance with the law and regulations applicable to us as well as our internal implementation regulations. We pursue this goal, among other ways, through targeted training and communication measures as well as the clear exemplification of the Company culture by the management (Tone from the Top). We constantly work to further develop our compliance management system in the Group and reduce compliance risks.

The increasing number and complexity of national and international legal frameworks entails considerable risks for our business activities. Despite a comprehensive compliance program and existing internal controls, it cannot be ruled out that individual employees could circumvent established control mechanisms and violate laws or internal rules of conduct or behave fraudulently for their own benefit. We classify the occurrence of this risk as possible. A breach could have a significant impact on the earnings, asset and financial positions, and on the Company's reputation. Overall, we classify the regulatory risks as medium.

Acquisitions and divestments

The Masterflex Group's strategy includes strengthening the hose business through business combinations or acquisitions.

Despite careful planning and examination, business combinations and acquisitions are subject to risks that can have a negative impact on the earnings, asset and financial positions. In addition, there is a risk that such measures could cause significant costs. Company acquisitions can put a strain on our financing structure as the acquiring company. Another risk is that write-downs on non-current assets, including goodwill, could become necessary due to unplanned developments. In addition, there are risks in the internal transfer of knowledge. Relevant knowledge of new employees must be transferred within the Masterflex Group and secured in the long term, so that the ability to innovate is promoted by newly acquired valuable knowledge.

Acquisitions always represent a considerable risk. We counter this risk via a wide range of methodical and organizational measures. For example, we always carry out technical, operational, financial and legal due diligence on potential acquisition targets. With regard to process control, we assume a low risk. An acquisition would have a significant impact on our earnings, asset and financial positions. We therefore classify this possible future event as a medium risk.

Acquisitions that support the Masterflex Group's strategy could also be made in the coming years.

Financial risks

Financial risks include liquidity risks, market price risks and so-called bad debt risks. These risks can result from transactions in the operating business, their hedging, financing decisions and changes in the value of financial items in the balance sheet. At the Masterflex Group, we optimize and monitor centrally managed Group financing and thus limit financial risks.

The type of financing instruments used, the maximum limits for concluding them, and the group of banks involved are subject to binding regulations. The risk of counterparty default is reduced by systematically obtaining creditworthiness information, setting credit limits, and by active debtor management, including a dunning system and active debt collection. Nevertheless, individual – even major – defaults on customer receivables cannot be ruled out.

The basic risk strategies for interest rate, currency and liquidity management are defined centrally by the Management Board. Financing and hedging decisions are made on the basis of the financial and liquidity planning of all business units.

With the exception of individual customers, there are no significant business and financing activities in foreign currencies. In the case of individual customers or individual items, the Masterflex Group evaluates the potential exchange rate risks taking all significant variables (including the size of the transaction, term, exchange rate development) into account and, if necessary, hedges against these risks by using conservative hedging instruments. Currently, only one such case exists within the Masterflex Group. There are currently no significant cross-currency financing transactions within the Group, which naturally lead to foreign currency positions within the Group. Translation risks arising from the translation of balance sheet items originally denominated in foreign currencies are not hedged within the Group. Similarly, Masterflex SE does not hedge its net asset claims from Group companies outside the euro zone.

In addition to other obligations, two so-called covenant regulations are also agreed in the syndicated loan agreement. Here, Masterflex SE undertakes to comply with defined financial ratios at Group level: the gearing ratio and the equity ratio. These ratios are highly dependent on the course of business. In the event of a strongly negative business performance, we may not be able to comply with these key figures.

In the event of non-compliance with these ratios, the lenders are entitled to terminate the overall credit commitment. However, the corona crisis has shown that Masterflex is so strongly positioned that the covenants were also complied with during this period.

The financial ratios were complied with on the basis of both current and planned business development. For example, the contractually prescribed upper limit for the “gearing” ratio (calculated in accordance with the syndicated loan agreement at Group level) was a value of 3.0 in 2021. In contrast, Masterflex SE achieved a gearing ratio of 2.1 initially in 2021. As of the 2021 balance sheet date, this ratio was 1.6.

The lower limit of the second ratio, “equity ratio” (calculated according to the requirements of the syndicated loan agreement by adjusting the balance sheet equity by certain assets), was a value of 37.5% in 2021. In contrast, Masterflex SE achieved an equity ratio of initially 51.2% until the balance sheet date 2021 of 54.3% and was thus always significantly above the prescribed lower limits. Thus, the covenants could only not be met in the event of a significant deterioration in future results.

Due to the low level of foreign currency transactions, the relatively small scale of the business and the existing syndicated loan agreement with a remaining term of just under three years, the financial risks in the Masterflex Group are considered to be medium due to the covenant situation.

Economic, political and social risks

The global economy, financial markets and the political environment continue to be characterized by uncertainty. The global economic outlook continues to be shaped by the corona pandemic and, in particular, by the development of vaccination rates and new virus mutations, the progress of which and the overall economic and social impact are difficult to predict. To limit the risks, we have drawn up a pandemic plan and convened a crisis team to continuously monitor the further development of the corona pandemic and take appropriate measures, in particular to protect employees and ensure supply capability.

In addition to the corona pandemic, bottlenecks of raw materials and transport capacities as well as rising raw material prices and the accompanying inflation represent a further challenge for the economy.

As a result of the Ukraine conflict, economic relations with Russia and Belarus will be broken off, at least temporarily. However, this will only lead to minor sales losses for Masterflex. Cost increases in the energy sector as well as in the course of raw material procurement in the context of the international sanctions will be the consequence, however. The consequences of a lack of gas and crude oil supplies from Russia are currently not foreseeable. The same applies to the consequences of a widening war. Other geopolitical uncertainties include China’s threats of war against Taiwan and the current trade conflicts between the US and China and Europe and China.

Continuing political risks in the eurozone, further independence debates or sustained success of protectionist, anti-European and anti-business parties and policies could reignite the euro crisis or even jeopardize the future of the eurozone altogether. Events such as a global economic crisis, a prolonged recession in our target countries, an unsustainable increase in sovereign debt, and significant tax increases and natural disasters can negatively impact our business. Growing nationalism, landmark elections and terrorist threats also mean rising political and economic risks. Instability in the economic, political and social situation could therefore have a negative impact on our earnings, asset and financial positions. The Management Board is taking measures to mitigate the potential negative impact if these risks materialize. These are essentially to concentrate on sectors less dependent on economic cycles, to increase diversification with regard to sales and procurement markets, to make costs more flexible in conjunction with ongoing cost management, to simplify processes and organizational structures, to produce on the respective continents, and to secure long-term financing.

As a result of the aforementioned risks, the economy could develop more weakly than anticipated in our planning and thus have a negative impact on our revenue and EBIT targets. Despite the measures initiated, we cannot rule out the occurrence of this risk, but due to our stabilized business model and the experience gained from the corona crisis, from which we have emerged stronger, we no longer classify it as high, but rather as medium.

Procurement market risks

On the procurement side, both the availability of raw materials and of intermediate and intermediate products and the development of purchase prices represent a risk for our company. In addition, the corona pandemic could lead to noticeable impairments on the procurement side. We counter these price and procurement risks through international purchasing, long-term supply contracts and continuous optimization of the supplier portfolio. When selecting suppliers, the Masterflex Group focuses on performance and quality. In the case of significant purchasing parts or quantities, we strive for close cooperation with suppliers and involve them in the project at an early stage in the case of new developments. These working relationships also give rise to risks for the Masterflex Group, which can manifest themselves in a relationship of dependency on the supplier. In order to limit risks, a so-called second-source strategy is generally pursued in order to avoid dependence on a supplier.

Due to the current supply chain situation and the potential threat posed by the war in Ukraine, we assess the risk relating to the availability of raw materials and the loss of suppliers as a medium risk with a medium impact on the earnings, asset and financial positions.

Personnel risks

Committed and qualified employees and managers are of the utmost importance for the economic success and future development of the Masterflex Group. We counter the intense competition for qualified specialists and managers and the associated risks in the form of know-how loss due to employee turnover with attractive qualification opportunities, family-friendly working time models and a performance-related remuneration system. Furthermore, there may be temporary staff shortages due to pandemics, which we counter with comprehensive behavioral and hygiene concepts in the area of occupational health and safety. We prevent the loss of know-how carriers or competent specialists and managers and the related loss of knowledge through measures for internal knowledge transfer, automation of production processes, training courses and documentation. Overall, we assess the personnel risks in the Group as weaker than in the prior year and downgrade the risk to low.

The Masterflex Group's ability to attract, integrate, develop and retain young specialists and managers in the long term is becoming increasingly important. The necessary steps for this have been taken in personnel recruitment and development; these include performance-related remuneration, conducting annual employee appraisals, further training of employees, developing future prospects, cooperation with universities and research institutes as well as early information to interested young people about career opportunities in the Masterflex Group. These efforts will be further intensified in the future due to demographic developments. In order to give these measures further impetus and to expand the potential for new specialists and managers for the Masterflex Group, women as well as people with a wide range of nationalities or older ages will also be targeted and their qualifications further developed. In view of the noticeable shortage of specialists and managers, we as a medium-sized Company also see this as an opportunity to compensate for possible competitive disadvantages on the personnel market compared to large companies.

Production risks

We counteract possible production downtime caused by natural disasters or fire damage, for example, by taking preventive maintenance measures, the stocking of important replacement components, activities in the area of fire protection, employee training and the establishment of a network both of external suppliers and within the Masterflex Group. However, should damage occur, we are insured against business interruption and property damage to an economically reasonable extent. In addition, our production is not limited to one location.

A possible production stop or restrictions in production at individual plants could in principle also result from the current corona pandemic if several employees or supplier plants were affected or raw materials could no longer be procured to the required extent.

Based on past experience and current global risk reporting, we consider the probability of occurrence of a catastrophe to be low in principle, but still possible in light of the corona pandemic infections. In view of the measures in place, we consider the remaining risk to be weaker than in the previous year and have downgraded it overall to low.

Risks associated with deteriorating efficiency

A series of efficiency measures and the systematic implementation of the "Back to Double Digit" (B2DD) optimization program launched in 2019 enabled us to achieve further savings in the reporting year, which will play a key role in helping us cope with the corona pandemic. Significant cost optimizations resulted in particular in the area of personnel productivity as well as in the use of materials and other operating expenses. If we do not succeed in further developing and implementing these efficiency measures on a sustainable basis, the general cost increases will cancel out the effects of the measures already implemented.

Overall, we classify this risk as low, as the savings achieved show that we are well on the way to achieving a sustainable increase in efficiency.

Sales market risks

On the sales market side, long-standing current customers may be lost. As the Masterflex Group is active in many industries and markets and also supplies many different customers, there is no dependence on one industry or a single customer.

The general customer risk (e.g. loss or insolvency of major customers, increase in price pressure due to a dominant position in the market) is countered by the broad diversification of the customer structure. In addition, we are expanding our activities in particular in those sectors that are relatively independent of economic fluctuations, such as medical technology or the food and pharmaceutical industries. In this way, we are also countering dependencies on sectors that are weak in economic terms, such as mechanical engineering and the automotive sector, which were already experiencing a downturn before the corona pandemic.

We are countering a possible increase in competitive pressure in our product groups, partly due to growing market transparency, by continuously improving our products and services and our business processes. The level of our selling prices could suffer from the aggressive behavior of our competitors and increasing market transparency. We counter this both by constantly reviewing our cost structures and by developing new, unique products that offer a unique selling proposition.

Due to our broad customer and sector diversification, we consider this risk to be low, as the loss of individual customers would have only a limited impact on our earnings, asset and financial positions. Due to increasing market transparency, it is possible that this risk will have to be weighted higher in the future.

Technology and quality risks

As an excellent top innovator offering internationally competitive products and services, the Masterflex Group is exposed to the risk of losing this position due to declining innovative strength or even human error as well as loss of know-how. To avoid this, we drive a continuous, structured research and development process in order to be able to meet customer requirements. We counter the risk of know-how loss by means of appropriate confidentiality and invention protection agreements and by sensitizing employees to the handling of confidential information. In addition, sensitive data is only made accessible to a selected and limited group of people. To ensure that this continues in the future, an innovation management process has been in place for several years and was further optimized last year: An internal panel of experts decides on further developments according to clear process and evaluation specifications (so-called stage-gate process). The members make decisions in particular on the basis of market analyses and profitability considerations.

In addition, close cooperation with customers is sought in order to be able to develop new applications and markets at an early stage. Further details on this process can be found in section A “Research and development.”

The recognized quality of our products and high delivery capability are important prerequisites for our success. In order to manage such risks in the course of production, we attach great importance to quality assurance. Quality-related risks in the Group are consistently limited by demanding quality standards in development, intensive testing along the entire process chain, and constant contact with suppliers.

Due to the many different products and thus the independence from any one product or manufacturing process, as well as the low number of warranty cases in the past, we consider the technology and quality risks to be low in terms of their impact on our earnings, asset and financial positions.

Tax risks

Tax risks can arise in particular from tax audits, as a result of which the tax authorities could demand additional tax payments, which would impact the liquidity of the Masterflex Group. We currently assess the probability of occurrence as unlikely and consider the risk to be low overall.

Legal risks

We are currently not aware of any legal disputes that could have a significant impact on the earnings, asset and financial positions of the Masterflex Group.

Risks from legal disputes cannot be completely ruled out in the future either. Appropriate provisions have been made for potential legal disputes. Nevertheless, it cannot be ruled out that the provisions recognized in the balance sheet will not be sufficient. In order to avoid new legal risks, contracts that are of economic significance for the Masterflex Group are reviewed by external lawyers before they are concluded. Overall, we see a low probability of occurrence of these risks.

Other individual risks

At present, there are still no known risks that could endanger the continued existence of the Masterflex Group either individually or in its entirety.

Summary and overall statement on the Group’s current risk situation

In addition to the global risk factors, the expected moderate development of the earnings, asset and financial positions of the Masterflex Group may be noticeably negatively impacted by negative or even recessionary business developments in individual sectors or economies, for example by a renewed increase in momentum of the coronavirus pandemic.

The possible departure of a larger number of specialists and managers within a relatively short period of time would also have a negative impact on our further development. This is also the case in the event of significant operational disruptions to our IT systems. In the area of human resources, we will make every effort to remain an attractive employer in the future. We seek to minimize IT risks by optimizing the centralized and decentralized information systems, their availability and their security.

In addition, our earnings, asset and financial positions could be materially adversely affected in the future if the Masterflex Group were unable to adequately adapt to changes in the markets – particularly if no new high-quality products could be developed, manufactured and distributed. Such an erroneous development could lead to extraordinary write-downs on internally generated assets as well as intangible assets.

The continuation of the corona pandemic and its impact on the global economy have changed the overall risk situation of the Masterflex Group compared to the previous year. The revenue risk has increased due to the more fragile supply chains and thus possible production disruptions. The Group is countering this by reducing expenses to the minimum necessary for operations and making costs more flexible. However, it is difficult to make a conclusive risk assessment at the present time. In principle, the Management Board remains convinced of the effectiveness of its opportunity and risk management and the measures taken.

As of now, the Ukraine crisis will not have any serious impact on the development of Masterflex. However, this could be dramatically exacerbated by a dramatic intensification and expansion of the war as well as by a cessation of raw material deliveries from Russia.

The Management Board currently considers the Masterflex Group to be in a good position to manage the known risks. Both on the process side and due to the short communication channels, changes in the risk situation are known to the Management Board at an early stage and are dealt with there in a targeted manner.

Against the backdrop of its risk-bearing capacity, Masterflex sees the risks of cyber-attacks, compliance violations in an increasingly complex legal landscape, and, in perspective, the acquisition of further companies as the greatest risks. However, the Management Board does not consider any of these risks to be a threat to the Company as a going concern. Only the accumulation of several of these risks, which the Company considers very unlikely, could result in a going concern risk. With a very adequate equity base and satisfactory free liquidity, the Masterflex Group considers itself to be well positioned to deal with any risks that could arise.

The organization of the compliance system

Compliance is of central importance to the Management Board and the Supervisory Board of the Masterflex Group and is one of the basic prerequisites for the sustainable success of the Masterflex Group. In simplified terms, compliance initially means adherence to all applicable statutory provisions and internal rules. The Compliance Management System (CMS) of Masterflex describes the measures, structures and processes that work towards responsible, ethically correct and lawful actions by the Management Board and Supervisory Board as well as by the entire management and all employees of the Masterflex Group.

As an internationally oriented Group of companies, the Masterflex Group is subject to many laws, guidelines, regulations and ordinances. To this end, at the beginning of 2015, it supplemented the Company's Mission Statement with a Code of Conduct for all employees and managers that applies to all areas and sites and is valid throughout the Group. These principles of conduct set a minimum standard for ethical and legally compliant behavior.

Towards its shareholders, employees, business partners, competitors, and society, the Masterflex Group is committed to compliance with the highest possible ethical and legal standards. They are anchored as an essential part of the Company culture and are increasingly integrated into operational processes.

Compliance is one of the basic requirements for sustainable business and the success of the Masterflex Group. The Company's management expressly shares this view. Every employee of the Masterflex Group receives a personal copy of the Code of Conduct, is trained with regard to the Code of Conduct and instructed to make the principles of conduct the binding standard for their own actions.

The Management Board, Supervisory Board and all managers have a role model function and continuously support their employees to comply with the applicable regulations. Even the mere appearance of improper conduct by the management or employees is to be avoided throughout the business activities of the Masterflex Group.

The Masterflex Group has established a CMS that follows a preventive compliance approach and strives for a Company culture that sensitizes and educates employees and seeks to prevent systematic misconduct.

The compliance organization is headed by the Chief Compliance Officer (CCO), who reports regularly and directly to the Management Board of Masterflex SE on all compliance-relevant issues, in particular on the steps taken to further develop the Masterflex Group CMS as well as on violations that have become known, their sanction and corrective and preventive measures. The Management Board in turn reports to the Supervisory Board regularly and, if necessary, also on an ad-hoc basis on the current status of compliance activities in the Masterflex Group.

In the reporting year, training courses were held on compliance and principles of conduct, anti-corruption, data protection and data security, as well as other relevant compliance topics aimed at ensuring lawful and ethically sound, responsible action. In addition, special measures have been implemented for employees who are particularly exposed to risks, as well as training for all new managers on the Masterflex Group Code of Conduct.

By communicating compliance-relevant topics to affected employees in the individual Group companies, the compliance organization always offers support, provides guidance, raises awareness and clarifies. Thus, compliance is an integral part of operational processes in the Masterflex Group and a basic prerequisite for sustainable business.

D. Forecast report

The following statements on the future business performance of the Masterflex Group and the assumptions made about the economic development of markets and industries that are considered to be material for this are based on our estimates, which we consider to be realistic at present according to the information available to us. However, against the background of the current economic environment, these are subject to significantly greater uncertainty than in previous years and involve the unavoidable risk that the forecast developments will not actually occur either in terms of their tendency or their extent.

Outlook

Expected macroeconomic development — The economy in 2022

As before, the COVID-19 pandemic has and will continue to have a major impact on the global economy. According to the International Monetary Fund (IMF), development startet from a weaker base in 2022 than previously assumed. In particular, the spread of the new Omicron virus variant from November 2021 already caused renewed mobility and assembly restrictions. Previously effective vaccination campaigns suffered a setback due to new virus variants.[1]

The effects of the containment measures are manifesting themselves in a variety of ways. Rising energy prices and unstable and disrupted supply chains have caused and continue to cause a broader-than-expected rise in inflation – particularly in the US and many emerging markets. Fossil energy price quotes nearly doubled in 2021. Instability in China's real estate sector and a slow recovery in private consumption are clouding growth prospects in the Middle Kingdom. The situation was aggravated by further COVID outbreaks and severe power outages, which in some cases led to temporary production losses.

The IMF expects the global economy to grow by 4.4% in 2022. The economists have thus reduced their forecast by 0.5 percentage points compared to their October 2021 estimate. Compared to the growth rate of 5.9% in 2021, the global recovery is therefore continuing at a slower pace. With regard to inflation, the IMF expects levels to remain elevated. For industrialized countries, this is 3.9% and 5.9% for emerging countries for 2022, before a slowdown is expected in 2023. According to the IMF, the key factors here will be that the pandemic momentum subsides, supply chains start to function again and the expansionary monetary policy stance is tightened.[2]

At its meeting at the end of January 2022, the US Federal Reserve left the key interest rate at zero, but held out the prospect of a first interest rate step in the near future.[3] The key interest rate is to reach a level of 0.75% to 1.0% by the end of 2022. In addition, the bond purchases launched during the corona pandemic are to be discontinued by the beginning of March 2022.[4]

The Kiel Institute for the World Economy (IfW) is moderately optimistic for Germany and expects GDP to rise by 4.0% in 2022. The pre-crisis level should then be reached in the second quarter of 2022. The institute expects production capacity utilization to return to normal in the third quarter of 2022, by which time private consumption should also have returned to its pre-crisis level. In summary, the economy should expand to the extent that the braking factors such as infection control measures and supply bottlenecks dissipate.[5] At the beginning of 2022, in particular, the various crisis-related influences on the economy in Germany, Europe and the world are once again showing a clear dynamism. In addition to new highs for the number of people infected with COVID-19, the Ukraine crisis, which is clearly coming to a head, and the still permanently disrupted supply chains in many industrial sectors are particularly worthy of mention here.

[1] https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022
[2] https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022
[3] https://www.zeit.de/wirtschaft/2022-01/inflation-fed-leitzins-wirtschaft
[4] https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022
[5] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2021/KKB_86_2021-Q4_Deutschland_DE.pdf

Forecast economic growth in selected countries in which the Masterflex Group has a presence

Change compared to the previous year in %)

Country / region	2021	2022	2023
Eurozone	5.0	3.5	3.1
Germany	2.6	4.0	3.5
France	6.6	2.9	2.9
UK	6.9	4.5	1.9
World	5.7	4.5	4.0
Brazil	5.0	2.5	3.0
China	7.8	4.1	4.9
USA	5.6	4.4	2.9

Source: IfW, as of December 2021

Anticipated development of the industries of relevance to Masterflex

High-tech hoses and connection systems from the Masterflex Group are used in a wide range of industries. Consequently, the development of the Masterflex Group cannot be seen in isolation from the development of the relevant markets.

Medical Technology:

Medical technology is expected to see the greatest innovative and technological advancements in the years ahead. With increasing automation of processes in medical technology, the demands on high-tech medical hose connections will also rise. The long-term growth trend in this industry is unstoppable.

Masterflex hose systems are currently used in intensive care medicine, among other areas. We assume that the technological requirements for hose solutions in medical technology will continue to increase in the short term beyond this area of application. The prerequisite for this is a functioning healthcare system without pandemic influences in basic medical care. We anticipate a heterogeneous but strongly growing development of this industry in fiscal year 2022.

Life Science:

In society's perception, health as a fundamental value increasingly stands for the aspect of quality of life. This is also benefiting the food industry, under which we also group products from the pharmaceutical, laboratory and biotech industries. The trend toward greater health awareness is irreversible and, in our estimation, will also be reflected in a further increase in demand in fiscal year 2022.

E-Mobility, Automotive, Aviation:

Mobility will remain one of the key megatrends driving economic growth in the future. However, classic mobility concepts are increasingly being put to the test. Masterflex is largely independent of the choice of mobility form because no mobility concept can do without high-tech connection solutions.

Against this backdrop, the long-term growth trend in the mobility sector is unbroken. However, fiscal year 2022 will still be affected by the after-effects of the COVID-19 pandemic. We expect moderate growth in e-mobility and the automotive sector, and even strong growth in the aviation industry due to the high order backlog.

Renewable Energies:

Our applications in the renewable energies sector are benefiting from regulatory requirements relating to the energy transition and are thus decoupled from the general economic effects. However, changes in financing structures have a direct impact on the demand situation. Provided we do not experience any significant changes in the finance industry, we expect the demand situation in this sector to remain stable.

Process Industry & Robotics:

According to its forecast from December 2021, the VDMA expects production to rise by 7% in fiscal year 2022. According to the VDMA, the order books for robotics and automation are currently well filled. The association sees a positive investment climate in the important customer industries. For the current year, the VDMA expects industry growth of 10% to EUR 14.7 billion in industry sales, which corresponds exactly to the pre-crisis level of 2019.[6)] The Masterflex Group will benefit directly from the development in mechanical engineering. However, the VDMA forecast is subject to the proviso that the supply bottlenecks on the raw materials side remain largely manageable in fiscal year 2022.

Semiconductor Industry:

The development of digital infrastructures will be one of the key growth drivers in the coming years. Connectivity requires the use of semiconductors. In light of this, we expect to see a continuously increasing demand situation for Masterflex products in semiconductor production. In fiscal year 2022, we expect demand to increase despite possible raw material bottlenecks.

Predictive Maintenance:

Predictive maintenance using intelligent hose systems is becoming a sustainable future market. Growth in these products will be gradually expanded and underpinned by new product developments. We expect a further increase in demand in this area in fiscal year 2022.

Expected development of the Masterflex Group

Based on its diversified growth strategy and the still intact market drivers and current market potentials, the Masterflex Group continues to adhere to its general objective of return-oriented growth above economic growth – as well as the achievement of the return target of an EBIT margin of over 10%. Even the continuing high economic uncertainties for 2022 as a result of the ongoing corona pandemic and the geopolitical upheavals in connection with the war in Ukraine have not changed this so far. Despite all the current challenges, we believe it is possible to achieve a sustainable double-digit EBIT margin in fiscal year 2022.

Due to the wide range of applications of Masterflex hoses in different industries, the Masterflex Group benefits from different trends in the relevant sectors. With this product market strategy, the Masterflex Group can partially compensate for economic fluctuations. The B2DD program implemented in fiscal years 2019 and 2020 already showed its full effectiveness in fiscal year 2021 and is a solid basis for the double-digit return expectation for fiscal year 2022.

For the current fiscal year, we expect to generate revenue in a range of EUR 83 million to EUR 87 million. This forecast is based on the premise that the measures in the wake of the corona

[6)] https://www.vdma.org/viewer/-/v2article/render/39318854 pandemic will remain at the level of fiscal year 2021 or even be reduced. The war in Ukraine has not had any significant impact on the revenue development of the Masterflex Group thus far.

We assume that price increases in raw material procurement and energy supply will be unavoidable in the course of the war in Ukraine. We will be able to pass on most of these additional costs to our customers, so our earnings forecast for fiscal year 2022 is for EBIT of between EUR 8.3 million and EUR 9.0 million. We are thus confirming our medium-term forecast issued in previous years, which assumed that we would again achieve a double-digit EBIT margin in fiscal year 2022.

Expected development of Masterflex SE

Masterflex SE expects sustainable growth in its core markets of the traditional industries also in fiscal year 2022, analogous to the business development of the Masterflex Group. For the mechanical engineering industry as a whole, the VDMA predicts production growth of 7% p.a. – subject to negative effects from the Ukraine crisis.

In principle, we consider the VDMA growth scenario to be realistic. In view of the current pandemic and geopolitical uncertainties, we expect revenue growth of between 4% and 8% for Masterflex SE in fiscal year 2022. EBIT will thus be slightly above the previous year in absolute and percentage terms.

Summary statement on the anticipated development of the Group

In summary, the Management Board sees the Masterflex Group on a good path in its long-term growth course. Growth opportunities arise from the restructuring of the aviation sector, medical technology, the expansion of innovation leadership, the further internationalization of activities, and the expansion of digitalization. These strategic measures form the basis for our medium-term plan to increase sales volumes organically to EUR 100 million by 2024 at the latest.

From fiscal year 2022 on, the declared goal is to generate a sustainable double-digit EBIT margin. This will permanently support the possibility of a steady dividend payment on the way to achieving our goals of reducing our debt, financing further growth and financing possible new company acquisitions.

E. Takeover-relevant information

Other disclosures pursuant to Sections 289a and 315a HGB

The subscribed capital amounts to EUR 9,752,460.00, divided into 9,752,460 ordinary bearer shares in the form of no-par value shares, each with a notional share in the share capital of EUR 1.00 per share. Each share grants one vote.

The Management Board of the Company is not aware of any restrictions affecting voting rights or the transfer of shares.

The Company is aware of two cases of direct or indirect shareholdings in the capital exceeding 10% of the voting rights as of December 31, 2021:

- According to the latest information, J.F. Müller & Sohn AG holds 20.0% of the shares. This investor is a 6th generation family investment holding company with broadly diversified investments preferably in established medium-sized companies in Europe.

- Grondbach GmbH is a long-term investor from Germany which, according to the latest information available to the Company, holds 20.01% of the shares in Masterflex SE.

There are no shares with special rights conferring powers of control.

In accordance with Section 76 German Stock Corporation Act (AktG) and Art. 7 of the Articles of Association of Masterflex SE, the Management Board consists of at least one person. In accordance with Section 84 AktG and Art. 7 of the Articles of Association, the Supervisory Board appoints the Management Board and determines the number of members. In the event of a change of control, the Management Board has a special right of termination under certain conditions, combined with a severance payment limited in amount.

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting. In accordance with Section 179 of the German Stock Corporation Act (AktG), the resolution of the Annual General Meeting requires a majority of at least three quarters of the share capital represented when the resolution is adopted. The Articles of Association may stipulate a different capital majority, but only a larger capital majority for a change in the object of the Company. In accordance with Art. 18 of the Articles of Association, resolutions of the Annual General Meeting are passed by a simple majority, unless mandatory statutory provisions require otherwise. If the law also requires a majority of the share capital represented when the resolution is adopted, a simple majority of the share capital represented is sufficient – insofar as this is legally permissible. This also applies to amendments to the Articles of Association. Pursuant to Art. 14 par. 5 of the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that affect only their wording.

Purchase of treasury shares

By resolution of the Annual General Meeting on May 19, 2021, the Management Board was authorized,

- with the approval of the Supervisory Board, to acquire treasury shares up to a maximum of 10% of the Company’s share capital existing at the time the resolution is adopted by the Annual General Meeting or – if this value is lower – at the time the authorization is exercised. The shares acquired – together with other treasury shares held by or attributable to the Company pursuant to Arts. 71d and 71e AktG – may at no time exceed 10% of the Company’s share capital. The authorization became effective on May 20, 2021, and is valid through May 19, 2026. The authorization may not be used for the purpose of trading in treasury shares.
- Modalities of acquisition
  - The acquisition shall be effected (1) via the stock exchange or (2) by means of a public purchase offer addressed to all shareholders of the Company or by means of an invitation to all shareholders to submit offers for sale (“public offer”).
    - When treasury shares are purchased on the stock exchange, the purchase price per share (excluding incidental costs) may not be more than 10% higher or lower than the market price of the Company’s shares. The relevant stock exchange price within the meaning of the authorization shall be the unweighted arithmetic mean of the stock exchange prices of the shares of the Company determined in the closing auctions in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) during the last three trading days prior to the acquisition of the shares.
    - If treasury shares are acquired by means of a public offer to all shareholders of the Company, the purchase price offered or the limits of the purchase price range offered per share (excluding incidental costs of acquisition) may not be more than 10% higher or lower than the stock market price of the shares of the Company. The relevant stock exchange price within the meaning of this clause (2) shall be the unweighted arithmetic mean of the stock exchange prices of the shares of the Company determined in the closing auctions in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) during the sixth to third trading days prior to the date of publication of the public offer.
    - The acquisition volume may be limited. If, in the case of a public offer, the volume of shares offered exceeds the intended acquisition volume, (i) acceptance may be in proportion to the respective shares offered (tender quotas) instead of in proportion to the shareholding of the tendering shareholders in the Company (participation quotas). (ii) preferential acceptance of small numbers of shares of the Company offered or tendered for purchase of up to 100 shares per shareholder may be provided for and (iii) rounding according to commercial principles may be carried out in order to avoid fractional shares. Any further tender rights of shareholders are excluded in cases (i) to (iii).

- Use of treasury shares

  - The Management Board may sell the acquired treasury shares in compliance with the principle of equal treatment (Art. 53a AktG). In particular, a sale via the stock exchange or by means of an offer addressed to all shareholders in proportion to their shareholdings is sufficient for this purpose.

  - The Management Board is further authorized, with the approval of the Supervisory Board, to offer or grant the acquired treasury shares to third parties excluding shareholders' subscription rights in the following cases:

    - against cash payment if the agreed price is not significantly lower than the stock market price of shares in the Company at the time of the sale;

    - in the context of business combinations or in the context of the (also indirect) acquisition of companies, parts of companies or equity interests in companies, including the increase of existing shareholdings, or of other assets eligible for contribution in connection with such an acquisition project, including receivables from the Company;

    - to fulfill conversion or option rights granted by the Company or a Company in which the Company holds a direct or indirect majority interest when issuing bonds, or to fulfill conversion obligations arising from bonds issued by the Company or a Company in which the Company holds a direct or indirect majority interest;

    - as employee shares within the framework of the agreed remuneration or of separate programs to employees of the Company and its affiliated companies (including members of executive bodies); insofar as treasury shares are to be offered or promised as well as transferred to members of the Management Board of the Company, this authorization shall apply to the Supervisory Board of the Company;

    - to carry out a so-called scrip dividend by selling in return for the full or partial transfer of shareholders' dividend entitlements.

- However, the authorization pursuant to item (1) above shall only apply subject to the proviso that the treasury shares sold subject to the exclusion of subscription rights do not exceed 10% of the share capital, i.e. neither 10% of the share capital existing at the time the authorization is granted nor 10% of the capital stock existing at the time the authorization to exclude subscription rights is exercised. Shares sold or issued during the term of this authorization on the basis of other authorizations in direct or corresponding application of Section 186 (3) sentence 4 AktG with exclusion of subscription rights shall be counted towards the aforementioned 10% limit ("counting"). However, if another authorization exercised is renewed by the Annual General Meeting during the term of this authorization, the offsetting shall cease to apply to the extent that the renewed authorization permits the issue of shares with exclusion of subscription rights in direct or corresponding application of Section 186 (3) sentence 4 AktG.

  In accordance with item (1) above, the shares may only be sold to third parties at a price that is not significantly lower than the stock market price of shares in the Company at the time of the sale. The relevant stock market price shall be the unweighted arithmetic mean of the stock market prices of the shares of the Company determined in the closing auctions in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) during the last five trading days prior to the sale of the treasury shares.

In addition, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the event of the sale of acquired treasury shares in connection with an offer to all shareholders for fractional amounts.

The Management Board is also authorized, with the approval of the Supervisory Board, to retire the acquired treasury shares without any further resolution by the Annual General Meeting. In the context of the redemption, it is also authorized to redeem no-par value shares either with or without a capital reduction. If no-par-value shares are redeemed without a capital reduction, the proportion of the share capital represented by the remaining shares shall increase in accordance with Section 8 par. 3 AktG. In this case, the Management Board is also authorized to adjust the number of shares in the Company in the Articles of Association (Section 237 (3) no. 3 AktG).

- More details
  - The Management Board shall determine the further details of the respective use of the authorization. The above authorizations may be exercised once or several times, individually or together. The provisions of the German Securities Acquisition and Takeover Act must be observed if and to the extent that they apply. When acquiring treasury shares, the Management Board shall dutifully observe the statutory provisions on the hypothetical formation of reserves in the amount of the expenses for the acquisition (Section 71 par. 2 sentence 2 AktG).

The Management Board and Supervisory Board did not make use of these authorizations in 2021.

The Company currently holds 134,126 treasury shares. The calculated share of the acquired treasury shares in the share capital amounting to EUR 134,126.00 – corresponding to 1.38% of the share capital – was deducted from the subscribed capital.

The shares were acquired in the period from September 2004 to July 2005 on the basis of corresponding resolutions by the Annual General Meeting in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act (AktG). By resolutions of the Annual General Meetings of June 9, 2004, and June 8, 2005, the Company was authorized to acquire treasury shares with a maximum notional value of EUR 450,000.00 of the share capital attributable to these shares. This was 10% of the Company's share capital at the time of the respective Annual General Meeting, which at that time totaled EUR 4,500,000.00. The shares acquired – together with other treasury shares held by or attributable to the Company pursuant to Section 71a et seq. AktG – were not permitted to exceed 10% of the Company's share capital at any time. The authorization was not to be used for the purpose of trading in treasury shares.

Accordingly, Masterflex SE reports subscribed capital in the amount of EUR 9,752,460.00.

Authorized capital

By resolution of the Annual General Meeting on June 14, 2016, the Management Board was authorized, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to an additional EUR 4,432,937 by issuing new no-par value bearer shares on one or more occasions in return for cash contributions and/or contributions in kind until June 14, 2021 (Authorized Capital 2016). The Authorized Capital 2016 was entered in the Company's commercial register on July 20, 2016. One component of the Authorized Capital 2016 was an authorization of the Management Board, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) in the case of capital increases against cash contributions if the issue price of the new shares is not significantly lower than the stock market price and the shares issued in exercise of this authorization to exclude subscription rights do not exceed a total of 10% of the share capital, either at the time the authorization becomes effective or at the time it is exercised.

On March 15, 2017, the Management Board, with the approval of the Supervisory Board, resolved to make partial use of the Authorized Capital 2016 and to increase the Company's share capital, excluding shareholders' subscription rights pursuant to Sections 203 (2) and 186 (3) sentence 4 of the AktG, by EUR 886,586 from EUR 8,865,874 to EUR 9,752,460 by issuing 886,586 new no-par value bearer shares with profit participation rights from January 1, 2016, against cash contributions. This corresponds to an increase of 10% in the Company's share capital existing at the time the Authorized Capital 2016 became effective and at the time it was utilized. The capital increase was then entered in the relevant commercial register for the Company on March 21, 2017, with the result that the Company's share capital has amounted to EUR 9,752,460 since that date. As a result of the partial utilization described above, the Authorized Capital 2016 now still amounted to EUR 3,546,351.

Shares may only be issued in return for cash contributions with the exclusion of subscription rights pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) if the total pro rata amount of share capital represented by the new shares issued with the exclusion of subscription rights does not exceed 10% of the share capital, which was the case with the capital increase in March 2017, but which meant that the authorization existing at that time was fully utilized in this respect and which is why additional authorized capital was then added in 2017.

The Authorized Capital 2016 as well as the Authorized Capital 2017 expired on June 21, 2021, which is why the previous capital resolutions were cancelled by resolution of the Annual General Meeting on May 19, 2021.

By resolution of the Annual General Meeting on May 19, 2021, the Management Board was authorized, with the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 4,876,230 by May 15, 2026, by issuing up to 4,876,230 no-par value bearer shares on one or more occasions in return for cash contributions and/or contributions in kind (Authorized Capital 2021). The Management Board is authorized, with the approval of the Supervisory Board, to determine the further content of the share rights and the conditions of the share issue. The new shares are to be offered to the shareholders for subscription. The new shares may also be taken up by a bank or an enterprise operating in accordance with Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz) with the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- for fractional amounts;
- in the case of capital increases against contributions in kind, in particular
  - to grant shares in connection with business combinations or in connection with the acquisition of companies, parts of companies or equity interests in companies, including

the increase of existing shareholdings, or other assets eligible for contribution in connection with such an acquisition project, including receivables from the Company,

  - for the acquisition of other assets or claims to the acquisition of assets, and
  - to implement a so-called scrip dividend, whereby shareholders are offered the option of contributing their dividend entitlements (in whole or in part) to the Company as contributions in kind in return for the granting of new shares;

- in the case of cash contributions, if the issue price of the shares is not significantly lower than the stock market price of the shares of the Company already listed at the time the issue price is finally fixed;
- in order to grant holders or creditors of bonds carrying option or conversion rights to shares in the Company or corresponding option or conversion obligations, which were or are issued by the Company or a Company in which the Company holds a direct or indirect majority interest, subscription rights to new shares in the Company to the extent to which they would be entitled as shareholders after exercising their option or conversion rights or after fulfillment of option or conversion obligations.

The total of the shares issued against cash contributions and contributions in kind with exclusion of subscription rights may not exceed 20% of the capital stock at the time this authorization becomes effective or – if this value is lower – of the share capital existing at the time this authorization is exercised. The exclusion of subscription rights for fractional amounts shall not count towards this 20% limit. Shares sold or issued during the term of this authorization on the basis of other authorizations with exclusion of subscription rights shall be counted towards the aforementioned 20% limit ("counting"). The issue or establishment of option or conversion rights or obligations to shares in the Company from bonds issued by the Company or by its direct or indirect majority-owned subsidiaries shall also be deemed to be an issue of shares in this sense if the bonds are issued on the basis of a corresponding authorization during the term of this authorization with exclusion of subscription rights. However, if another authorization exercised is renewed by the Annual General Meeting during the term of this authorization, the offsetting shall cease to apply to the extent that the renewed authorization permits the issue of shares with exclusion of subscription rights.

The total of the shares issued against cash contributions under exclusion of subscription rights in accordance with subsection c) may not exceed 10% of the share capital at the time this authorization becomes effective or – if this value is lower – of the share capital existing at the time this authorization is exercised.

Shares that are sold or issued during the term of this authorization subject to the exclusion of subscription rights shall be counted towards the aforementioned 10% limit ("counting"). Furthermore, shares issued or to be issued to service bonds with conversion or option rights or an option or conversion obligation shall be counted towards this limit if these bonds are issued by the Company or a Company in which the Company holds a direct or indirect majority interest during the term of this authorization with exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG. However, if another authorization exercised is renewed by the Annual General Meeting during the term of this authorization, the credit shall not apply to the extent that the renewed authorization permits the issue of shares with exclusion of subscription rights in direct or analogous application of Section 186 (3) sentence 4 AktG.

The Management Board has not yet made use of the above authorization.

Contingent capital

On May 28, 2019, the Annual General Meeting of the Company authorized the Management Board, with the consent of the Supervisory Board, to issue bearer or registered bonds with warrants and/or convertible bonds on one or more occasions until May 27, 2024, for a total nominal amount of up to EUR 60,000,000.00. Shareholders generally have a statutory subscription right to bonds issued by the Company. The bonds may also be underwritten by one or more credit institutions or the members of a syndicate of credit institutions or companies treated as equivalent by credit institutions in accordance with Section 186 par. 5 sentence 1 AktG (German Stock Corporation Act) with the obligation to offer them to the shareholders for subscription. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights to the bonds in the following cases:

- for fractional amounts resulting from the subscription right relationship;
  - provided that the bonds are issued against cash contributions and the issue price is not significantly lower than the theoretical market value of the bonds calculated in accordance with recognized principles of financial mathematics. However, this authorization to exclude subscription rights shall only apply to bonds with rights to shares representing a total pro rata amount of the capital stock of no more than 10% of the share capital either at the time this authorization becomes effective or at the time it is exercised. The sale of treasury shares shall be counted towards this limit if it takes place during the term of this authorization with the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG. Furthermore, shares issued from authorized capital during the term of this authorization with exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG shall be counted towards this limit;
  - provided that the bonds are issued against contributions in kind and the value of the contribution in kind is not unreasonably low compared to the theoretical market value of the bonds determined in accordance with recognized principles of financial mathematics.

The total number of shares issued to holders of bonds issued under this authorization with exclusion of subscription rights, taking into account shares issued during the term of this authorization from authorized capital or from a portfolio of treasury shares with exclusion of subscription rights in exchange for cash and/or non-cash contributions, may not exceed 20% of the Company's share capital existing at the time the resolution is adopted by the Annual General Meeting or – if this value is lower – at the time this authorization is exercised, excluding subscription right exclusions for fractional amounts. The issue of subscription rights or shares under stock option programs which do not currently exist at the Company does not constitute an exclusion of subscription rights in this sense.

The holders or creditors of bonds with warrants and convertible bonds (hereinafter collectively referred to as "holders") may be granted option or conversion rights to a total of up to 4,876,230 new no-par value bearer shares of the Company with a pro rata amount of the share capital of up to EUR 4,876,230.00 in total in accordance with the terms and conditions of the bonds, or conversion obligations may be established in a corresponding amount. To service these rights or obligations, the Company's share capital was conditionally increased by resolution of the Annual General Meeting on May 28, 2019.

The Management Board has not yet made use of the authorization granted on May 28, 2019, to issue bonds with warrants and/or convertible bonds.

The Company has not established any employee stock option programs. To the extent that employees of the Company have participated in the share capital of the Company in other ways, the Management Board is not aware that these employees may not exercise the control rights to which they are entitled directly in the same way as other shareholders in accordance with the statutory provisions and the provisions of the Articles of Association.

In the event of a change of control, the existing syndicated loan agreement contains a standard market termination right for the participating banks as part of good corporate governance.

Gelsenkirchen, March 30, 2022

Dr. Andreas Bastin
CEO

Mark Becks
CFO

Consolidated financial statements

Consolidated statement of financial position

Assets in EUR thousand	Notes	December 31, 2021	December 31, 2020
Non-current assets			
Intangible assets	**3.24**	**13,106**	**13,242**
Concessions, industrial property rights	3	1,786	2,087
Development services	3	1,721	1,635
Goodwill	3.24	9,187	9,187
Advance payments	3	412	333
Property, plant and equipment	**3**	**31,254**	**31,434**
Land and buildings		17,079	17,300
Technical equipment and machinery		10,697	11,095
Other equipment, operating and office equipment		2,920	2,742
Advance payments and assets under construction		558	297
Financial assets	**3**	**112**	**64**
Investment securities		112	64
Other assets	**5**	**34**	**21**
Deferred taxes	**26**	**33**	**213**
		44,539	**44,974**
Current assets			
Inventories	**4**	**17,243**	**15,518**
Raw materials, consumables and supplies		9,458	7,723
Work in progress		465	715
Finished products and goods		7,320	7,075
Advance payments		0	5
Receivables and other assets	**5.6**	**7,631**	**6,228**
Trade receivables	6	6,971	5,558
Other assets	5	660	670
Income tax assets	7	323	417
Cash in hand and bank balances	**8**	**9,550**	**9,217**
		34,747	**31,380**
Total assets		**79,286**	**76,354**

Equity and liabilities in EUR thousand	Notes	December 31, 2021	December 31, 2020
Equity			
Group equity	**9**	**44,655**	**40,982**
Issued capital		9,618	9,618
Capital reserve		31,306	31,306
Retained earnings		4,654	2,142
Reserve for the market valuation of financial instruments		-595	-643
Hedging instruments		25	-224
Currency differences		-353	-1,217
Non-controlling interests	**10**	**322**	**303**
Total equity		**44,977**	**41,285**
Non-current liabilities			
Provisions	**11**	**257**	**165**
Financial liabilities	**12.17**	**23,013**	**24,922**
Other liabilities	**14**	**834**	**1,172**
Deferred taxes	**26**	**823**	**696**
		24,927	**26,955**
Current liabilities			
Provisions	**11**	**120**	**325**
Financial liabilities	**12.17**	**2,455**	**2,447**
Income tax liabilities	**13**	**395**	**149**
Other liabilities	**14.15**	**6,412**	**5,193**
Trade payables	15	2,036	1,647
Other liabilities	14	4,376	3,546
		9,382	**8,114**
Total equity and liabilities		**79,286**	**76,354**

Consolidated statement of income

		Notes	2021 EUR thousand	2020 EUR thousand
1.	Revenue	18	79,068	71,881
2.	Decrease in finished goods and work in progress		-131	-683
3.	Other own work capitalized		158	138
4.	Other income	19	1,004	883
	Operating performance		**80,099**	**72,219**
5.	Cost of materials	20	-25,398	-22,571
6.	Personnel expenses	23	-30,721	-29,151
7.	Depreciation and amortization		-4,906	-4,975
8.	Other expenses	21	-13,730	-13,187
9.	Financial result	25		
	Finance expenses		-759	-920
	Other financial result		5	10
10.	**Earnings before taxes**		**4,590**	**1,425**
11.	Income taxes	26	-1,289	-624
12.	**Consolidated result**		**3,301**	**801**
	thereof: non-controlling interests		19	8
	of which: attributable to shareholders of Masterflex SE		**3,282**	**793**
	Earnings per share (undiluted and diluted)	**27**	**0.34**	**0.08**

Consolidated statement of comprehensive income

		Notes	2021 EUR thousand	2020 EUR thousand
	Consolidated result		**3,301**	**801**
	Other result			
	Items that are subsequently reclassified to profit or loss if certain conditions are met			
1.	Currency gains/losses from the translation of foreign financial statements	9	860	-673
2.	Changes in the fair value of financial instruments		48	-1
3.	Hedging transactions		249	-134
4.	Income taxes		4	63
5.	**Other comprehensive income after taxes**		**1,161**	**-745**
6.	**Comprehensive income**		**4,462**	**56**
	Comprehensive income:		**4,462**	**56**
	thereof: non-controlling interests		19	8
	of which: attributable to shareholders of Masterflex SE		**4,443**	**48**

Consolidated statement of changes in equity

Consolidated Statement of Changes in Equity	Subscribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of financial instruments	Reserve for hedging transactions	Exchange rate differences	Shares held by the shareholders of Masterflex SE	Non-controlling interests	Equity
in EUR thousand									
Notes	**9**	**9**	**9**	**9**	**9**	**9**		**10**	
Equity as of January 1, 2020	**9,618**	**31,306**	**3,048**	**-642**	**-90**	**-607**	**42,633**	**-618**	**42,015**
Distributions	0	0	-673	0	0	0	-673	-13	-686
Other changes	0	0	-1,026	0	0	0	-1,026	926	-100
Comprehensive income	**0**	**0**	**793**	**-1**	**-134**	**-610**	**48**	**8**	**56**
Consolidated result	0	0	793	0	0	0	793	8	801
Other comprehensive income after income taxes	0	0	0	-1	-134	-610	-745	0	-745
Changes in the fair value of financial instruments	0	0	0	-1	-134	0	-135	0	-135
Currency gains/ losses from the translation of foreign financial statements	0	0	0	0	0	-673	-673	0	-673
Income taxes attributable to other comprehensive income	0	0	0	0	0	63	63	0	63
Equity as of December 31, 2020	**9,618**	**31,306**	**2,142**	**-643**	**-224**	**-1,217**	**40,982**	**303**	**41,285**
Distributions	0	0	-770	0	0	0	-770	0	-770
Other changes	0	0	0	0	0	0	0	0	0
Overall result	**0**	**0**	**3,282**	**48**	**249**	**864**	**4,443**	**19**	**4,462**
Group result	0	0	3,282	0	0	0	3,282	19	3,301
Other comprehensive income after income taxes	0	0	0	48	249	864	1,161	0	1,161
Changes in the fair value of financial instruments	0	0	0	48	249	0	297	0	297
Currency gains/ losses from the translation of foreign financial statements	0	0	0	0	0	860	860	0	860
Income taxes attributable to other comprehensive income	0	0	0	0	0	4	4	0	4
Equity as of 12/31/2021	**9,618**	**31,306**	**4,654**	**-595**	**25**	**-353**	**44,655**	**322**	**44,977**

Consolidated cash flow statement

in EUR thousand	2021	2020
Result for the period before taxes, interest expense and financial income	5,325	2,327
Expenses for income taxes	-783	-630
Amortization of intangible assets	519	478
Depreciation of property, plant and equipment	4,387	4,497
Increase in provisions	212	326
Other non-cash expenses / income and profit / loss from the disposal of non-current assets	-140	449
Increase / decrease in inventories	-1,725	3,105
Increase / decrease in trade receivables and other assets not attributable to investing or financing activities	-1,020	2,097
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	37	-1,103
Cash flow from operating activities	**6,812**	**11,546**
Cash outflows for investments in intangible assets	-451	-573
Payments for investments in property, plant and equipment	-3,015	-1,747
Cash flow from investing activities	**-3,466**	**-2,320**
Payments to shareholders and minority interests (dividends, purchases of treasury shares)	-770	-686
Interest and dividend income	5	7
Interest expenses	-691	-815
Proceeds from borrowings	0	500
Payments for lease liabilities	-1,108	-1,006
Payments for the repayment of loans	-1,536	-4,174
Cash flow from financing activities	**-4,100**	**-6,174**
Cash-effective changes in cash and cash equivalents	**-754**	**3,052**
Effect of exchange rate changes and other changes in the value of cash and cash equivalents	1,087	-743
Cash and cash equivalents at the beginning of the period	**9,217**	**6,908**
Cash and cash equivalents at the end of the period	**9,550**	**9,217**

Notes to the consolidated financial statements

1. Principles of financial reporting

Principles of presentation

Masterflex SE, as the parent Company of the Group, is registered in the Commercial Register at the Local Court of Gelsenkirchen under No. HRB 11744. The Company's registered office is in Gelsenkirchen (Germany). The address is Masterflex SE, Willy-Brandt-Allee 300, 45891 Gelsenkirchen.

These Consolidated Financial Statements have been prepared in accordance with Section 315 e of the German Commercial Code (HGB) ("Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)") and the related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU as of December 31, 2021, in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

The Consolidated Statement of Financial Position, Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows are shown here. The Notes to the Consolidated Financial Statements also include segment reporting. The attached schedule of fixed assets is also an integral part of the notes.

Various items in the Consolidated Statement of Financial Position, Consolidated Statement of Income and Consolidated Statement of Comprehensive Income have been combined for the sake of clarity and explained accordingly in the Notes to the Consolidated Financial Statements. Assets and liabilities are classified as current and non-current. The Consolidated Statement of Income has been prepared using the nature of expense method.

The Consolidated Financial Statements have been prepared in euros (EUR). All figures, including the previous year's figures, are stated in thousands of euros (EUR thousand). All amounts have been rounded. In individual cases, minor differences can therefore arise when individual figures are added to the total. The financial statements of the companies included in the Consolidated Financial Statements have been prepared as of the reporting date of the Consolidated Financial Statements.

The Management Board of Masterflex SE approved these financial statements for publication on March 30, 2022. They were adopted on March 30, 2022.

2. Accounting principles

Scope of consolidation

The Consolidated Financial Statements of Masterflex SE include all companies in which Masterflex SE either directly or indirectly holds the majority of voting rights or can otherwise directly or indirectly exercise a controlling influence over the financial and operating policies. Subsidiaries are fully consolidated from the date on which the possibility of a controlling influence is transferred to the Group. They are deconsolidated from the date on which the controlling influence ceases.

As of December 31, 2021, in addition to Masterflex SE, the scope of consolidation includes 8 domestic subsidiaries (previous year: 8) and 11 foreign subsidiaries (previous year: 11). The subsidiaries shown in the following overview are fully included in the Consolidated Financial Statements as of December 31, 2021:

Company	Seat of the company		Masterflex share in %
Masterflex SARL	France	Béligneux	80
Masterflex Technical Hoses Ltd.	UK	Oldham	100
Masterduct Holding, Inc.*	USA	Houston	100
· Flexmaster USA, Inc.	USA	Houston	100*
· Masterduct, Inc.	USA	Houston	100*
· Masterduct Holding S.A., Inc.	USA	Houston	100*
· Masterduct Brasil LTDA.	Brazil	Santana de Parnaiba	100*
Novoplast Schlauchtechnik GmbH	Germany	Halberstadt	100
FLEIMA-PLASTIC GmbH	Germany	Wald-Michelbach	100
Masterflex Handelsgesellschaft mbH	Germany	Gelsenkirchen	100
Masterflex Česko s.r.o.	Czech Republic	Plana	100
M & T Verwaltungs GmbH*	Germany	Gelsenkirchen	100
· Matzen & Timm GmbH	Germany	Norderstedt	100*
Masterflex Scandinavia AB	Sweden	Kungsbacka	100
Masterflex Vertriebs GmbH*	Germany	Gelsenkirchen	100
· APT Advanced Polymer Tubing GmbH	Germany	Neuss	100*
Masterflex Asia Holding GmbH*	Germany	Gelsenkirchen	100
· Masterflex Asia Pte. Ltd.	Singapore	Singapore	100*
· Masterflex Hoses (Kunshan) Co., Ltd.	People's Republic of China	Kunshan	100*

* = Subgroup

Acquired subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the cash or cash equivalents transferred and the fair value of the assets transferred, equity instruments issued and liabilities assumed as of the date of the transaction, plus costs directly attributable to the acquisition. Adjustments to the cost of acquisition due to the occurrence of future events are already taken into account at the time of acquisition depending on the probability of occurrence and the sufficiently reliable estimate. Assets, liabilities and contingent liabilities identifiable in a business combination are measured at fair value at the time of the initial consolidation, irrespective of any non-controlling interests.

The excess of the cost of acquisition over the Group's interest in the fair value of the net assets of the subsidiary acquired is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired of the subsidiary, the difference is recognized in the income statement.

Some subsidiaries included in the Consolidated Financial Statements make use of parts of the exemption provisions of Section 264 (3) HGB. A list of the companies that make use of these exemption regulations can be found in Note 37.

Consolidation

Intragroup receivables, liabilities, and income and expenses arising from transactions between Group companies are eliminated, with the exception of income and expenses between continuing and discontinued operations.

Capital consolidation is performed in accordance with IFRS 3 by offsetting the carrying amounts of the investments against the Group's share in the equity of the subsidiaries. The equity of the acquired subsidiaries is determined as of the acquisition date, taking into account the fair values of the assets, liabilities and contingent liabilities, deferred taxes and any goodwill on that date.

Currency conversion

The Group companies prepare their financial statements on the basis of their respective functional currencies.

Foreign currency transactions of consolidated companies are translated into the functional currency using the exchange rate valid as of the transaction date. Monetary assets are adjusted to the applicable exchange rate on each reporting date. The resulting foreign exchange gains and losses on these items are generally recognized in profit or loss under other income or expenses.

All financial statements of companies that have a functional currency different from the reporting currency are translated into the reporting currency of Masterflex's Consolidated Financial Statements. The assets and liabilities of the consolidated companies are translated at the average rates on the reporting date. The income statements of these companies are translated at moving average exchange rates for the year. If the average rate is not a reasonable approximation of the actual transaction rates, translation takes place at the respective transaction rates. Any translation differences that arise are recognized and carried forward as a separate component of shareholders' equity. As of December 31, 2021, these differences amounted to EUR - 353 thousand (previous year: EUR - 1,217 thousand).

Goodwill from the acquisition of foreign subsidiaries whose functional currency differs from the reporting currency and adjustments from fair value measurement are translated as assets of these companies at the closing rate.

The following exchange rates, among others, were used for currency translation purposes as of the reporting date. Income and expense items, including net income, were translated at the following average exchange rate for the year:

in €	Balance sheet date Dec. 31, 2021	Annual exchange rate for 2021
1 British pound (GBP)	1.1901	1.1633
1 US dollar (USD)	0.8829	0.8455
1 Brazilian real (BRL)	0.1585	0.1568
1 Czech crown (CZK)	0.0402	0.0390
1 Swedish krona (SEK)	0.0976	0.0986
1 Singapore dollar (SGD)	0.6545	0.6293
1 Renminbi (CNY)	0.1390	0.1311

Intangible assets

Intangible assets include both internally generated and acquired assets. Internally generated intangible assets comprise own work capitalized and are recognized at cost incurred after the date on which technological and commercial feasibility has been established but up to the date of completion. Acquired intangible assets include concessions, licenses, industrial property rights and similar rights and assets as well as technologies. Acquired intangible assets are capitalized at acquisition cost.

If the useful life of an intangible asset can be determined, it is amortized on a straight-line basis over its useful life. The carrying amount of an intangible asset with a definite useful life is reviewed if it is likely to be impaired as a result of events or changed circumstances. Intangible assets with indefinite useful lives are tested annually for impairment. Impairment is assessed by comparing the carrying amount of the asset with its recoverable amount ("impairment" test). Previously recognized impairment losses must be reversed if the reasons for impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Goodwill

Goodwill arising from a business combination is recognized as an intangible asset.

Goodwill is tested for impairment at least once a year at the end of the fiscal year and at the level of the cash-generating unit if there are indications of impairment. The recoverable amount of the individual cash-generating units is compared with the carrying amount, including goodwill. The recoverable amount corresponds to the internal value in use or the higher fair value less costs to sell. If the carrying amount of the assets of the individual cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the difference.

An impairment loss must be deducted from goodwill. Any amount in excess of goodwill is allocated to the other assets of the unit to be tested in proportion to their carrying amounts.

The recoverable amount is defined as the value in use of the individual cash-generating units and is determined in the fourth quarter of each fiscal year using the discounted cash flow method.

Property, plant and equipment

All tangible assets that are used for the purpose of producing or supplying goods and services, for rental to third parties or for administrative purposes and that are expected to be used for more than one period are recognized as property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses and plus reversals of impairment losses.

The carrying amount of property, plant and equipment is reviewed if it is likely to be impaired as a result of events or changed circumstances. Impairment is assessed by comparing the carrying amount of the asset with its recoverable amount ("impairment" test). If the carrying amount is higher than the recoverable amount, an impairment loss is recognized. For the purpose of assessing impairment, assets are grouped at the lowest level for which cash flows can be separately identified. If the reason for impairment subsequently ceases to exist, the impairment loss is reversed up to a maximum of the amortized historical cost.

Useful lives

The amortization of intangible assets and depreciation of property, plant and equipment were based on the following useful lives:

	Useful life	Depreciation method
Software	3 years	Linear
Licenses and similar rights	Over the contract period	Linear
Development costs	10 years	Linear
Buildings/parts of buildings	10-50 years	Linear
Technical equipment and machinery	3-18 years	Linear
Other equipment, operating and office equipment	3-10 years	Linear

Financial assets

Financial assets comprise securities and financial receivables (excluding trade receivables).

Debt securities evidenced by paper, where the business model is to hold the securities to realize interest and principal payments, are measured at amortized cost using the effective interest method. All other securities whose business model consists of holding and selling are measured at fair value, with fluctuations in value recognized directly in equity.

Financial receivables are held in accordance with the business model for generating cash flows over the term of these receivables and are measured at amortized cost using the effective interest method.

The settlement date is relevant for both the initial recognition and derecognition of financial assets. Where financial derivatives exist, initial measurement is recognized as of the contract date. Similarly, regular way purchases or sales of securities are recognized on the trade date. Derecognition takes place as soon as the right to receive cash or another financial asset expires as a result of payment, remission, expiry, offsetting or otherwise, or the right is transferred to another person, with the risks having passed to the acquirer.

At each balance sheet date, indications of impairment of financial assets or a group of financial assets are reviewed. Impairment losses are recognized in profit or loss. With the exception of equity instruments, financial assets are written up through profit or loss when the reasons for impairment cease to exist.

Leasing

As a lessee, the Masterflex Group leases assets, including real estate. Rights of use and lease liabilities are recognized for all contracts that qualify as leases under IFRS 16.

A lease as defined by IFRS 16 exists if the contract gives the right to control the use of an identified asset for a certain period of time in return for payment of a fee.

As of the date of commitment, the right-of-use asset is initially measured at cost, being the initial measurement of the lease liability, adjusted for payments made on or before the date of commitment, plus any initial direct costs and the estimated costs of dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is amortized on a straight-line basis from the date of provision to the end of the lease term. In addition, the right-of-use asset is continuously adjusted for impairment losses, if necessary, and for certain revaluations of the lease liability.

The lease liability is recognized at the present value of lease payments not yet made on the provision date. The Masterflex Group generally applies the incremental borrowing rate when discounting future lease payments, as the interest rate underlying the lease cannot be readily determined.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if there is a change in the future lease payments due to a change in an index or (interest) rate, if the Masterflex Group adjusts its estimate of the expected payments under a residual value guarantee, if the Masterflex Group changes its estimate of the exercise of a purchase, extension or termination option, or if there is a change in a de facto fixed lease payment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Rights of use and liabilities are not presented separately in the Consolidated Statement of Financial Position. Rights of use are included in the same Consolidated Statement of Financial Position item as the underlying assets. Please refer to the Statement of Changes in Property, Plant and Equipment. Lease liabilities are reported under financial liabilities.

For low-value leases and short-term agreements with a term of less than twelve months, the application relief of IFRS 16 is used and the expense is recognized on a systematic basis over the term.

If an agreement provides for payments for lease components and non-lease components, no separation is made, with the exception of real estate leases, in application of the option pursuant to IFRS 16.15.

Deferred taxes

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts in the respective national tax accounts and the IFRS accounts used in the Consolidated Financial Statements. In addition, deferred tax assets are recognized for tax loss carryforwards. Deferred tax assets from tax loss carryforwards are recognized only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

In accordance with IFRS, valuations based solely on tax regulations are not taken into account in the Consolidated Financial Statements.

Inventories

Inventories are stated at the lower of cost and net realizable value. The majority of inventories are valued using the FIFO (First In – First Out) method. Production cost includes direct costs, production and material overheads, depreciation and production-related administrative expenses, but no borrowing costs. Net realizable value is determined as the estimated selling price less costs to complete and costs to sell. Previously recognized impairment losses must be reversed if the reasons for impairment no longer apply. Impairment losses are reversed up to a maximum of the amortized historical cost.

Receivables and other assets

Receivables and other assets are measured at amortized cost, which is a reasonable estimate of fair value due to the short maturities involved. If there is objective evidence of impairment, an impairment loss is recognized. Such indications of impairment include, for example, a deterioration in the credit rating of a debtor and the associated payment stagnation or impending insolvency. Any necessary impairment losses are based on the past loss of receivables and the expected risk of default. Receivables comprise financial receivables, trade receivables and other receivables.

Cash and bank balances

Cash and cash equivalents mainly comprise cash at banks, cash in hand and checks not yet credited and are stated at nominal value, which corresponds to fair value. Cash and cash equivalents in foreign currencies have been translated at the closing rate.

Subscribed capital/issued capital

Ordinary shares are classified as equity. Treasury shares are deducted from the equity attributable to the shareholders of Masterflex SE.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount. The amount recognized as a provision is the best estimate at the balance sheet date of the expenditure required to settle the present obligation, taking into account the risks and uncertainties underlying the obligation.

If it can be assumed that parts or all of the economic benefit required to settle the provision will be reimbursed by an outside third party, this claim is capitalized as an asset if this reimbursement is virtually certain and its amount can be reliably estimated.

The formation of warranty provisions is based both on the actual warranty expense incurred in the past and on the evaluated overall risk of our product portfolio. In addition, provisions are recognized when a warranty claim becomes known and a loss is probable. Recourse claims against suppliers are capitalized if their performance is subject to a warranty and the claim can be enforced with a high degree of probability.

Liabilities

Liabilities are recognized at amortized cost. This cost is determined using the effective interest method. Liabilities under finance leases are recognized at the lower of the fair value of the leased asset at the inception of the lease and the present value of the minimum lease payments. Liabilities comprise financial liabilities, trade accounts payable and other liabilities.

Other obligations to employees include all short-term employee benefits. Short-term employee benefit obligations are generally due in full no later than 12 months after the service has been rendered. They include wages, salaries, social security contributions, paid leave and profit-sharing. They are expensed at the same time as the remunerated work is performed. As of the Balance sheet date, the portion of the expense that exceeds the payments already made is recognized as an accrued liability.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. Primary financial instruments in the Masterflex Group include in particular trade receivables, loans, cash and cash equivalents as well as financial liabilities and trade payables.

Non-derivative financial instruments are recognized as of the settlement date in the case of regular way purchases or sales. Foreign currency receivables and liabilities are measured at the respective closing rates.

Financial derivatives are recognized on the basis of financial mathematical models, in particular according to Black Scholes, with correspondingly derived valuation factors (Level 2) for initial measurement and, using the same valuation method, also for subsequent measurement.

Financial assets and financial liabilities are reported gross in the Masterflex Group. They are only offset if there is an enforceable right to offset the amounts at the present time and the intention is to settle on a net basis.

For accounting and measurement purposes, financial assets are aggregated into the following categories:

- measured at amortized cost (acquisition cost – AC),
- measured at fair value through profit and loss (FVTPL),
- at fair value through other comprehensive income (FVOCI).

The following categories were formed for the recognition and measurement of financial liabilities:

- measured at amortized cost (AC),
- measured at fair value through profit or loss (FVTPL).

The Masterflex Group classifies financial assets and financial liabilities in these categories in each case at the time of addition and reviews at regular intervals whether the criteria for classification are met.

The Masterflex Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the cash flows in a transaction that also transfers substantially all the risks and rewards of ownership of the financial asset. Derecognition also occurs when the Masterflex Group neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the transferred asset. Any interest in such transferred financial assets that arises or remains in the Masterflex Group is recognized as a separate asset or liability.

Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Impairment losses on financial assets measured at amortized cost are also recognized using a forward-looking model, taking into account expected credit losses.

Allowances for trade receivables, contractual assets and lease receivables are determined using the simplified life-time expected credit loss approach.

Financial assets, with the exception of financial assets at fair value through profit or loss, are tested for possible impairment indicators on each reporting date. Financial assets are considered to be impaired if, as a result of one or more events that occurred after the initial recognition of the asset, there is objective evidence that the expected future cash flows of the financial asset have changed negatively. Objective evidence that an impairment loss has been incurred could include various facts such as late payment over a certain period, the initiation of enforcement measures, impending insolvency or overindebtedness, the filing or opening of insolvency proceedings, or the failure of restructuring measures.

Financial assets are measured at amortized cost if the business model provides for the financial asset to be held for the purpose of collecting the contractual cash flows and the contractual terms of the instrument give rise solely to cash flows representing interest payments and principal repayments.

Upon initial recognition, financial instruments belonging to the AC category are measured at fair value plus directly attributable transaction costs.

For subsequent measurement, financial assets measured at amortized cost are measured using the effective interest method. When applying the effective interest method, all directly attributable fees paid or received, transaction costs and other premiums or discounts included in the calculation of the effective interest rate are amortized over the expected life of the financial instrument.

Interest income and expense arising from the application of the effective interest method are recognized in profit or loss under interest income or interest expense from financial instruments.

Non-interest-bearing and low-interest-bearing receivables with a term of more than twelve months are discounted at the interest rate appropriate to the term.

Cash and cash equivalents include cash on hand and current account balances with banks. These are only reported under cash and cash equivalents if they are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have a remaining maturity of three months or less from the date of acquisition.

If the business model is to hold and sell the financial asset and the contractual terms of the instrument give rise solely to cash flows representing interest payments and principal repayments, the financial asset is carried at fair value with changes in value recognized in other comprehensive income (FVOCI). Financial assets held exclusively for trading are recognized at fair value through profit or loss, with changes in value recognized in profit or loss (FVTPL). Derivatives belong to this category. In addition, there is the option to measure financial instruments carried at amortized cost at fair value through profit or loss using the fair value option if this significantly reduces or eliminates a measurement or recognition inconsistency. The Masterflex Group does not make use of the fair value option.

Equity instruments are measured at fair value without exception. Upon initial recognition, there is an irrevocable option to present realized and unrealized changes in value in the Consolidated Statement of Comprehensive Income rather than in the income statement, unless the equity instrument is held for trading purposes. Amounts recognized in other comprehensive income may not be subsequently reclassified to profit or loss.

Non-current and current financial liabilities to banks, trade accounts payable and other liabilities are measured as financial liabilities at amortized cost, with the exception of derivative financial instruments. Non-current liabilities are measured using the effective interest method less directly attributable transaction costs.

Initial recognition is at fair value less directly attributable transaction costs.

Interest income and expense arising from the application of the effective interest method are recognized in profit or loss under interest income or interest expense from financial instruments.

A financial liability is measured at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Directly attributable transaction costs are recognized in profit or loss as they are incurred.

Derivative financial instruments

The Group holds derivative financial instruments to hedge currency and interest rate risks. Under certain conditions, embedded derivatives are separated from the host contract and accounted for separately.

Derivatives are initially measured at fair value. Derivatives are subsequently measured at fair value. Any resulting changes are generally recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable expected transactions resulting from changes in foreign exchange rates and interest rates. Certain derivatives and non-derivative financial liabilities are designated as hedges of foreign currency risks of a net investment in a foreign operation.

At the inception of the designated hedge relationships, the Group documents its risk management objectives and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, and whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

Cash flow hedges

If a derivative is designated as a cash flow hedge, the effective portion of the changes in fair value is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in fair value recognized in other comprehensive income is limited to the cumulative change in the fair value of the hedged item (calculated on a present value basis) since the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group recognizes only the change in the fair value of the spot component of forward exchange contracts as a hedging instrument in cash flow hedges. The change in the fair value of the forward points of forward exchange contracts is accounted for separately as a hedge cost and recognized in a hedge cost reserve in equity.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventories, the cumulative amount of the hedging relationship reserve and the hedging cost reserve is included directly in the cost of the non-financial item when it is recognized.

For all other hedged expected transactions, the cumulative amount that has been designated to the hedging reserve is reclassified to profit or loss in the period or periods during which the hedged forecast cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, hedge accounting is discontinued prospectively.

When hedge accounting for cash flow hedges is discontinued, the amount that was allocated to the hedging relationship reserve remains in equity until – for a hedging transaction that results in the recognition of a non-financial item – that amount is included in the cost of the non-financial item on initial recognition or – for other cash flow hedges – that amount is reclassified to profit or loss in the period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts that have been transferred to the hedging relationship reserve and the hedging cost reserve are immediately reclassified to profit or loss.

Revenue recognition

Revenue is recognized when performance obligations to customers are satisfied through the transfer of a promised good. Revenue is recognized on the basis of contracts with customers and is based on the agreed transaction price as consideration, taking into account sales deductions. Revenue from the transfer of promised goods is recognized when the promised goods are delivered to the customer in accordance with the terms of the contract, as this is when most of the indicators in IFRS 15.38 are met and the customer obtains control of the transferred goods.

The transaction price is the consideration expected to be received for the transfer of goods to a customer. Variable transaction price components such as rebates, discounts or customer bonuses reduce the recognized revenue.

Interest income is recognized in finance income on a time proportion basis over the remaining term to maturity, taking into account the effective interest rate and the amount of the remaining receivable.

Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

Research and development

Research costs are expensed as incurred. Development costs that relate to the significant further development of a product or process are capitalized if the product or process is technically and commercially feasible, the development is marketable, the costs can be measured reliably and sufficient resources are available to complete the development project. All other development expenses are recognized immediately in profit or loss. Capitalized development expenses of completed projects are stated at cost less accumulated amortization.

Government grants

Government grants are recognized at fair value when the Group meets the necessary conditions to receive the grant. Government grants are recognized over the period in which the related costs for which they were awarded are incurred. Government grants related to capital expenditures are recognized as deferred income and amortized over their useful lives. Performance-related government grants are presented separately as ‘other income.’

Estimates

The preparation of the financial statements requires estimates and assumptions to be made that affect assets, liabilities, provisions, deferred tax assets and liabilities, income and expenses, and the disclosure of contingent liabilities. Although the estimates and assumptions are made carefully and conscientiously, it cannot be ruled out that the actual amounts may differ from the estimates.

Factors that could cause a negative deviation from expectations include, for example, a deterioration in the global economy, developments in exchange rates and interest rates, as well as significant legal proceedings and changes in environmental or other legal regulations. Production defects, losses of major customers and rising financing costs can also have a negative impact on the future success of the Group.

The possible effects of changes in estimates on the recognition and measurement of assets and liabilities are presented below:

a. Development services

In order to determine the recoverability of the capitalized amounts, the management must make assumptions concerning the amount of future cash flows expected to be generated by the assets, the period of inflow of expected future cash flows generated by the assets and the interest rates to be applied. Best estimates were determined as of the balance sheet date (see Note 2).

b. Goodwill

The Group tests annually whether goodwill is impaired. The recoverable amount of cash-generating units has been determined on the basis of value in use. The value in use calculations are based on assumptions made by the Management Board (see Note 24).

c. Deferred taxes

In assessing the recoverability of deferred tax assets, management considers the extent to which there are more reasons for realization than not. Whether the deferred tax assets can actually be realized depends on whether sufficient taxable income will be generated in the future that can be offset against the tax loss carryforwards. For this purpose, the management considers the timing of the reversal of the deferred tax liabilities and the expected future taxable income. Based on the expected future business development, the management assumes the realizability of the deferred tax assets (see Note 26).

d. Provisions and contingent liabilities

Changes in the probability estimate of a present obligation or an outflow of economic resources can result in matters previously classified as contingent liabilities having to be recognized as provisions or in changes in the amounts of provisions (see Note 11).

Assumptions and estimates are also required for impairment losses on doubtful accounts and contingent liabilities and other provisions, as well as for the determination of the fair value of long-lived property, plant and equipment and intangible assets and the determination of the net realizable value of inventories.

In individual cases, the actual values may differ from the assumptions and estimates made, necessitating a material adjustment to the carrying amount of the assets or liabilities concerned. Changes in estimates are recognized in profit or loss in accordance with IAS 8 when better knowledge becomes available.

New accounting standards

No use has been made of the option of early adoption of new standards, revisions of standards and interpretations that had already been adopted by December 31, 2021, and endorsed by the European Union by the time the Consolidated Financial Statements were authorized for issue.

The following interpretations have been adopted by the International Accounting Standards Board (IASB) and are applicable for the first time in the current fiscal year:

• IFRS 9/ IAS 39/ IFRS 7/IFRS 4/IFRS 16	Changes in the context of the IBOR reform (phase 2)
• IFRS 4	Amendment relating to the fixed date of expiry of the deferral approach
• IFRS 16	Amendment to extend the application period of the exemption from assessing whether a pandemic coronavirus-related lease concession is a lease modification

The standard amendments IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 represent the result of the second phase of the IASB's IBOR project and address issues that could affect financial reporting following the reform of a reference interest rate, including its replacement by alternative reference interest rates.

The amendments to IFRS 4 postpone the specified expiry of the temporary exemption from the application of IFRS 9 in IFRS 4 to fiscal years beginning on or after January 1, 2023.

This amendment to IFRS 16 extends the application period of the May 2020 amendments to IFRS 16 by one year, which provides lessees with an exemption from assessing whether a lease concession related to the coronavirus pandemic constitutes a lease modification.

The first-time application of the regulations has no material impact on the financial statements of Masterflex SE.

For the preparation of the IFRS Consolidated Financial Statements as of December 31, 2021, the following accounting standards and interpretations as well as amendments to existing standards had already been published, but their application was not yet mandatory:

Standard/ Interpretation		Obligation to apply as of
• **IFRS 3**	Amendments to update a reference to the Framework concept	Jan. 1, 2022
• **IAS 16**	Amendments prohibiting the deduction of revenue from the cost of an item of property, plant and equipment arising from the disposal of items produced while it is in the location and condition necessary for it to be used in the manner intended by the management	Jan. 1, 2022
• **IAS 37**	Amendments relating to costs to be included in determining whether a contract is onerous, are to be included	Jan. 1, 2022
• **IFRS 17**	Accounting for insurance contracts	Jan. 1, 2023

as well as the amendment as part of the annual "Improvement" project cycle 2018-2020 relating to improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41 from Jan. 1, 2022, on.

The amendments update IFRS 3 in that the standard now refers to the 2018 framework and no longer to the 1989 framework. In addition, two amendments have been included. An acquirer shall apply those requirements (rather than the framework) to transactions and similar events within the scope of IAS 37 or IFRIC 21 when identifying liabilities assumed in a business combination. In addition, inclusion of the explicit statement that contingent assets acquired in a business combination are not to be recognized.

The amendments to IAS 16 make it illegal to deduct from the cost of an item of property, plant and equipment the revenue arising from the disposal of goods that are produced while an item of property, plant and equipment is being brought to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognizes the income from such disposals and the costs of producing those goods in operating profit. Costs of test runs to verify that the item of property, plant and equipment is functioning properly continue to be an example of a directly attributable cost.

The amendments to IAS 37 specify that the "costs of fulfilling the contract" comprise the "costs that relate directly to the contract." This can be either additional costs of fulfilling that contract (e.g., direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of depreciation of an item of property, plant and equipment used in fulfilling the contract).

IFRS 17 governs the accounting treatment of insurance contracts. It replaces the previously applicable transitional standard IFRS 4. The scope of application includes insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Under

IFRS 17, insurance contracts are generally measured using the general model. Under this model, the settlement value and the contractual service margin are determined for a group of insurance contracts upon initial recognition. Depending on what changes in the underlying parameters relate to, either the underwriting result or the underwriting financial income/expense is affected in the course of subsequent measurement, or there may initially be an adjustment to the contractual service margin that only affects the income statement in later periods.

The following accounting standards published by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as amendments to standards and interpretations, are still subject to endorsement by the EU and have not yet been applied:

Standard/ Interpretation		Application obligation from
• **IAS 1**	Amendments relating to the classification of liabilities	Jan. 1, 2023
• **IAS 1**	Amendments relating to the disclosure of accounting and valuation methods	Jan. 1, 2023
• **IAS 8**	Amendments relating to accounting estimates	Jan. 1, 2023
• **IAS 12**	Amendments relating to deferred taxes on leases and decommissioning obligations	Jan. 1, 2023
• **IFRS 17**	Insurance contracts	Jan. 1, 2023
• **IFRS 10, IAS 28**	Changes relating to the disposal or contribution of assets between an investor and an associate or joint venture*	Jan. 1, 2023

* The originally planned initial application period has been postponed indefinitely and is to be redefined by the IASB.

Notes to the Consolidated Statement of Financial Position: Assets

3. Fixed assets

The development of fixed assets is presented separately in a Consolidated Statement of Changes in Fixed Assets, which is part of the annex (see annex). As collateral for liabilities to banks, there are land charge entries amounting to EUR 14,577 thousand (previous year: EUR 14,476 thousand) and assignments of production equipment as security amounting to EUR 9,815 thousand (previous year: EUR 9,766 thousand).

The assets of foreign companies with different functional currencies are translated into euros as of December 31 using the respective closing rates, and all changes during the year are translated at average annual exchange rates. The currency differences resulting from the different translation are shown separately in the Consolidated Statement of Changes in Non-Current Assets.

a) Intangible assets

All intangible assets have been acquired, with the exception of individual industrial property rights and development services provided by Masterflex SE, Matzen & Timm GmbH and Novoplast Schlauchtechnik GmbH. The industrial property rights relate to patents generated internally. The development services include capitalizable expenses incurred in the development of marketable products.

The cumulative acquisition costs as well as additions, disposals and reclassifications are composed as follows:

in EUR thousand	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Balance on Jan. 1, 2020	**1,909**	**4,403**	**15,090**	**21,402**
Additions	341	232	0	573
Disposals	98	308	0	406
Transfers	72	57	0	129
Exchange rate differences	0	-3	0	-3
Balance on Dec. 31, 2020	**2,224**	**4,381**	**15,090**	**21,695**
Additions	299	152	0	451
Disposals	69	0	0	69
Transfers	-48	48	0	0
Exchange rate differences	0	2	0	2
Balance on Dec. 31, 2021	**2,406**	**4,583**	**15,090**	**22,079**

Current depreciation and accumulated amortization break down as follows:

in EUR thousand	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Balance on Jan. 1, 2020	**464**	**1,920**	**5,903**	**8,287**
Depreciation and amortization in the fiscal year	136	342	0	478
Disposals	5	307	0	312
Balance on Dec. 31, 2020	**595**	**1,955**	**5,903**	**8,453**
Depreciation and amortization in the fiscal year	95	424	0	519
Disposals	61	-61	0	0
Exchange rate differences	**0**	**1**	**0**	**1**
Balance on Dec. 31, 2021	**629**	**2,441**	**5,903**	**8,973**

The carrying amounts break down as follows:

in EUR thousand	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Balance on Dec. 31, 2020	1,629	2,426	9,187	13,242
Balance on Dec. 31, 2021	1,777	2,142	9,187	13,106

b) Financial assets

Financial assets are composed as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Securities held as fixed assets	112	64

The securities are yield securities from a European equity index classified as at fair value through other comprehensive income (FVOCI) within the meaning of IFRS 9. The financial instruments are classified as Level 1 inputs with quoted prices in active markets for identical assets or liabilities.

Increases in fair value amounting to EUR 48 thousand were recognized directly in equity in fiscal year 2021 (see Note 9).

Cost, unrealized gains, unrealized losses and fair values of available-for-sale securities as of December 31, 2021, are as follows:

in EUR thousand	Acquisition costs	Unrealized losses	Market value
	707	595	112

Income from securities amounted to EUR 0 thousand (previous year: EUR 0 thousand).

4. Inventories

Inventories break down as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Raw materials and supplies	9,458	7,723
Work in progress	465	715
Finished products and goods	7,320	7,075
Prepayments made	0	5
Total inventories	**17,243**	**15,518**

Inventories amounting to EUR 25,086 thousand (previous year: EUR 22,309 thousand) were recognized under cost of materials (see Note 20).

Raw materials and supplies increased by EUR 1,735 thousand to EUR 9,458 thousand. Work in progress decreased by EUR 250 thousand to EUR 465 thousand. Finished goods and merchandise increased by EUR 245 thousand to EUR 7,320 thousand and advance payments made decreased by EUR 5 thousand to EUR 0 thousand.

Write-downs of inventories to net realizable value were made in the amount of EUR 155 thousand (previous year: EUR 52 thousand).

5. Receivables and other assets

Receivables and other assets break down as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	6,971	5,558
Other assets	658	691
Other financial assets	36	0
Total receivables and other assets	**7,665**	**6,249**

Other assets amounting to EUR 18 thousand (previous year: EUR 21 thousand) have a remaining term of more than one year.

Other assets break down as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Accruals and deferrals	316	338
Creditors with debit balances	105	72
Receivables from health insurance funds	67	79
Deposits	51	52
Receivables from tax authorities	32	16
Receivables from personnel	27	23
Bonus receivables	0	5
Other	60	106
Total other assets	**658**	**691**

The carrying amounts of other assets correspond to their amortized cost.

Accruals and deferrals mainly comprise advance payments on insurance premiums, maintenance contracts, trade fair costs, decoration costs, licence fees and consulting costs.

Receivables from tax authorities primarily include sales tax receivables.

6. Trade receivables

The valuation of trade receivables is as follows:

in EUR thousand	Dec. 31, 2021	31.12.2020
Nominal value of trade receivables	7,101	5,683
Impairments	-130	-125
Trade receivables	**6,971**	**5,558**

Trade accounts receivable are assigned to the measurement category AC in accordance with IFRS 9.

Total impairment losses on trade receivables amount to EUR 130 thousand (previous year: EUR 125 thousand).

The average payment term and the average outstanding receivables are in line with the market.

The aging structure of trade receivables as of the balance sheet date is as follows:

2021 in EUR thousand		
Carrying amount		**6,971**
1. of which neither impaired nor overdue as of the balance sheet date		**5,606**
2. of which not impaired, but past due as of the balance sheet date		**1,365**
less than 30 days	932	
30 to 59 days	191	
60 to 89 days	133	
90 to 119 days	67	
120 days or more	42	

2020 in EUR thousand		
Carrying amount		**5,558**
1. of which neither impaired nor past due as of the balance sheet date		**4,113**
2. of which not impaired, but past due as of the balance sheet date		**1,445**
less than 30 days	777	
30 to 59 days	238	
60 to 89 days	121	
90 to 119 days	79	
120 days or more	230	

7. Income tax assets

Income tax assets as of the reporting date amounted to EUR 323 thousand (previous year: EUR 417 thousand). All income tax refund claims are due within one year.

8. Cash and bank balances

Cash and bank balances comprise bank balances and cash in hand:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Cash and bank balances	9,550	9,217

The effective interest rate of short-term bank deposits was between 0.00% and 0.30%.

Notes to the Consolidated Statement of Financial Position: Equity and liabilities

9. Total equity

Capital management

The strategic orientation of the Masterflex Group sets the framework for optimizing capital management. The sustainable increase in the Company's value in the interest of shareholders, customers and employees is to be achieved by continuously improving earnings through growth and improving the efficiency of our business processes. This requires balancing business and financial risks with the financial flexibility of the Masterflex Group, which is represented by intensive communication with the financial market and here in particular with the banks.

The Articles of Association do not impose any external capital requirements on Masterflex SE.

For an explanation of the development of equity, please refer to the Consolidated Statement of Changes in Equity.

Subscribed capital/issued capital

The subscribed capital of Masterflex SE most recently increased by EUR 886,586.00 from EUR 8,865,874.00 to EUR 9,752,460.00 as a result of a capital increase on March 21, 2017, and is fully paid up.

No treasury shares were sold or newly acquired during fiscal year 2021. As of the balance sheet date, Masterflex SE held 134,126 treasury shares (previous year: 134,126).

The 134,126 no-par value bearer shares have a notional value of EUR 134,126. They represent 1.38% of the share capital. The shares were acquired in the period from September 2004 to July 2005. The Company was authorized by the relevant resolutions of the Annual Stockholders' Meetings in 2004 and 2005 to acquire treasury shares up to a maximum proportionate amount of the share capital attributable to these shares of EUR 450,000.00. This was 10% of the Company's share capital of EUR 4,500,000.00 at the time of the Annual General Meeting. The shares acquired – together with other treasury shares held by the Company or attributable to it in accordance with Sections 71 a ff. of the German Stock Corporation Act (AktG) – were not permitted to exceed 10% of the Company's share capital at any time. The authorization was not to be used for the purpose of trading in treasury shares.

Accordingly, Masterflex SE has subscribed capital of EUR 9,752,460 and issued capital of EUR 9,618,334.00.

Authorization to acquire treasury shares

By resolution of the Annual General Meeting on May 19, 2021, the Management Board was authorized, with effect from May 20, 2021, until May 19, 2026, with the approval of the Supervisory Board, to acquire treasury shares up to a maximum of 10% of the Company's share capital existing at the time the resolution is adopted by the Annual General Meeting or – if this value is lower – at the time the authorization is exercised.

In this context, we refer to our explanations in section F. "Other disclosures pursuant to Sections 289 and 315 HGB" in the Combined Management Report.

The Management Board and Supervisory Board have not made use of these authorizations.

Authorized capital

By resolution of the Annual General Meeting on May 19, 2021, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 4,876,230 by May 15, 2026, with the approval of the Supervisory Board, by issuing up to 4,876,230 no-par value bearer shares on one or more occasions against cash contributions and/or contributions in kind (Authorized Capital 2021).

The Management Board is authorized to amend the wording of Art. 4 of the Articles of Association after the full or partial implementation of the share capital increase in accordance with the respective utilization of the Authorized Capital 2021 and, if the Authorized Capital 2021 has not been utilized or not fully utilized by May 15, 2026, it is to be adjusted after the expiry of the authorization period.

We also refer to our comments on Authorized Capital in section E. “Other disclosures pursuant to Sections 289a and 315a HGB” in the Combined Management Report.

The Management Board has not yet made use of the above authorization.

Conditional capital

On May 28, 2019, the Annual General Meeting of the Company authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered bonds with warrants and/or convertible bonds on one or more occasions up until May 27, 2024, for a total nominal amount of up to EUR 60,000,000.00.

We also refer to our comments on Conditional Capital in section E “Other disclosures pursuant to Sections 289a and 315a HGB” in the Combined Management Report.

The Management Board has not yet made use of the authorization granted on May 28, 2019, to issue bonds with warrants and/or convertible bonds.

Capital reserve

The capital reserve amounted to EUR 31,306 thousand as of the balance sheet date (previous year: EUR 31,306 thousand).

As a result of the capital increase registered on March 21, 2017, the capital reserve increased by EUR 5,053,540.20 compared to fiscal year 2016. The shares were placed at a price of EUR 6.70 each. The increase resulted from the premium on the shares issued.

Retained earnings

The development of retained earnings is shown in the Consolidated Statement of Changes in Equity.

Reserve for fair value measurement of financial instruments

In accordance with IFRS 9, current investment securities were classified as FVOCI (measured at fair value through other comprehensive income). As of the balance sheet date, these securities were measured at fair value. This resulted in unrealized gains for one security which, after taking income tax effects into account, were transferred to the item “Reserve for fair value measurement of financial instruments” with no effect on profit or loss.

Hedging reserve

The currency forwards designated for hedging purposes are measured at fair value with no effect on profit or loss and are recognized in the item “Hedging reserves” with no effect on profit or loss.

Currency differences

The currency differences recognized in equity are as follows:

in EUR thousand	Currency differences from the translation of foreign financial statements	Currency differences according to IAS 21.17	Currency differences according to IAS 21.19	Total
Balance on Dec. 31, 2019	-297	-405	95	-607
Change 2020	-634	24	0	-610
Balance on Dec. 31, 2020	-931	-381	95	-1,217
Change 2021	855	9	0	864
Balance on Dec. 31, 2021	-76	-372	95	-353

Taxes relating to items recognized directly in equity were also recognized directly in equity in accordance with IAS 12.61 and included in the changes in currency differences presented above.

In accordance with IAS 21.17/21.19/21.32 in conjunction with IAS 21.37, the changes in fair value amounting to EUR 9 thousand (previous year: EUR 24 thousand), which are recognized directly in equity, are fixed when the foreign currency obligation is settled. The currency differences offset in equity are not reversed through profit or loss until the date of disposal of the economically independent sub-unit.

10. Non-controlling interests

As of December 31, 2021, there were non-controlling interests in companies of the Masterflex Group amounting to EUR 322 thousand (previous year: EUR 303 thousand). These relate to Masterflex S.A.R.L. based in Béligneux, France, which has been part of the Masterflex Group since 1992 and is the sales subsidiary for France.

The non-controlling interests accounted for total income of EUR 19 thousand in the reporting year.

11. Provisions

Provisions are composed as follows:

in EUR thousand	Balance on Jan. 1, 2021	Utilization	Reversal	Addition	Balance on Dec. 31, 2021
Royalties	165	75	14	181	257
Warranties	325	208	117	120	120
Total	**490**	**283**	**131**	**301**	**377**

a) Non-current provisions

Non-current provisions relate to the performance-related components of Management Board remuneration amounting to EUR 257 thousand (previous year: EUR 165 thousand), which will not be paid out until the third year after the reference year.

b) Current provisions

Warranty provisions were recognized for the warranty claims known up to the balance sheet date in the amount of the expected expenses.

12. Financial liabilities

Financial liabilities as of December 31, 2021, consisted of:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Liabilities to banks	21,399	22,844
Lease liabilities	1,614	1,772
Other financial liabilities*	0	306
Non-current financial liabilities	**23,013**	**24,922**
Liabilities to banks	1,443	1,479
Lease liabilities	1,012	955
Other financial liabilities*	0	13
Current financial liabilities	**2,455**	**2,447**
Total financial liabilities	**25,468**	**27,369**

Liabilities to banks

The breakdown of liabilities to banks by maturity is as follows:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Liabilities with a remaining term of up to 1 year	1,443	1,479
Liabilities with a remaining term of between 1 and 5 years	21,399	22,844
Total liabilities to banks	**22,842**	**24,323**

If the financial liabilities relate to current financial liabilities, the fair values correspond to the carrying amounts. If the financial liabilities relate to the syndicated loan agreement, the effective interest method is applied.

The syndicated loan agreement concluded in August 2019 has a volume of EUR 34.9 million and a term until September 2024. Utilization amounted to EUR 23.0 million as of the reporting date. Due to the use of the effective interest method, there is a difference of EUR 158 thousand between the utilized loan amount of EUR 23,000 thousand and the liabilities to banks measured at amortized cost of EUR 22,842 thousand as of December 31, 2021.

For accounting purposes, the syndicated loan agreement was reduced by the directly attributable transaction costs of EUR 292 thousand upon initial recognition. Subsequent measurement is at amortized cost using the effective interest method. The difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is distributed over the term in line with the effective interest rate and recognized in net interest income.

The receivables of the banking consortium under the syndicated loan agreement are secured by assets with a carrying amount of EUR 37,627 thousand (previous year: EUR 35,960 thousand) from the companies of the Masterflex Group.

Of this amount, EUR 14,577 thousand relates to land charges, EUR 9,760 thousand to other non-current assets, EUR 9,691 thousand to inventories and EUR 3,600 thousand to current receivables.

The fair value of liabilities to banks corresponds to the carrying amounts stated.

Liabilities to banks in the euro zone were subject to interest rates of between 1.25% and 1.40% (previous year: 1.40% and 2.5%), depending on the term and purpose of the financing. Please refer to section C. of the combined Management Report for information on the terms and conditions of the loan agreement.

As of December 31, 2021, there were bank lines (cash credit lines) of EUR 8,574 thousand. Of this amount, bank lines amounting to EUR 8,574 thousand were unused.

Lease liabilities

The outstanding lease payments have the following maturities:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Liabilities with a remaining term of up to 1 year	1,614	1,772
Liabilities with a remaining term of between 1 and 5 years	1,012	955
Total lease liabilities	**2,626**	**2,727**

More detailed explanations of the lease liabilities are provided in Note 17.

13. Income tax liabilities

Income tax liabilities relate to current taxes and amounted to EUR 395 thousand as of the balance sheet date (previous year: EUR 149 thousand).

14. Other liabilities

The details of other liabilities are shown in the following table:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Trade accounts payable	2,036	1,647
Advance payments received on orders	307	303
Other liabilities	4,903	4,415
Total other liabilities	**7,246**	**6,365**

Other liabilities include the following items:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Bonuses, severance payments, commissions	1,545	1,159
Accruals and deferrals	742	790
Outstanding invoices	536	614
Liabilities from taxes	475	882
Bonuses to customers	426	118
Liabilities to employees	383	226
Acquisition costs	262	262
Accounts receivable with credit balances	243	125
Vacation	126	107
Social security	98	79
Professional association	67	53
Total	**4,903**	**4,415**

Accruals and deferrals almost exclusively include government grants used to promote investment.

The following amounts were recognized as liabilities as of December 31:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Grants	483	512
Allowances	259	278
Total	**742**	**790**

Reversals affecting income were as follows in the individual years:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Reversal of grants	29	32
Reversal of allowances	19	25
Total	**48**	**56**

The grants received mainly relate to subsidies for the expansion of operating facilities and for technical equipment and machinery in the years 1995 to 2011. The subsidies were granted for the acquisition of machinery and operating and office equipment. The necessary proof of use has been provided in full.

The item "Other liabilities" includes liabilities amounting to EUR 834 thousand (previous year: EUR 1,172 thousand) that are not due until one year after the balance sheet date.

15. Trade payables

The following trade payables existed as of the balance sheet date December 31:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Trade accounts payable	2,036	1,647

The fair values correspond to the carrying amounts reported. Trade payables in the amount of EUR 2,036 thousand (previous year: EUR 1,647 thousand) are due within one year.

16. Financial instruments

This section provides a summary overview of the Masterflex Group's financial instruments.

The following overview summarizes the carrying amounts of the financial instruments included in the Consolidated Financial Statements according to the IFRS measurement categories:

in EUR thousand	Dec. 31, 2021	Dec. 31, 2020
Financial assets		
Measured at amortized cost	16,862	15,128
Measured at fair value through other comprehensive income (hedging relationship)	36	0
Measured at fair value without effect on profit or loss	112	64
Financial liabilities		
Measured at amortized cost	31,972	33,045
Measured at fair value through other comprehensive income (hedging relationship)	0	319

The carrying amounts and fair values of current and non-current financial assets as of the reporting date are as follows:

	Dec. 31, 2021						
	Total	AC		FVPL		FVOCI	
in EUR thousand	CA*	CA*	FV*	CA*	FV*	CA*	FV*
Assets							
Financial assets	112			0	0	112	112
Cash and cash equivalents	9,550	9,550	9,550	0	0	0	0
Trade receivables	6,971	6,971	6,971	0	0	0	0
Other financial assets	36	0	0	0	0	36	36
Other assets	342	342	342	0	0	0	0
Total assets	**17,011**	**16,863**	**16,863**	**0**	**0**	**148**	**148**
Liabilities							
Liabilities to banks	22,842	22,842	22,842	0	0		
Lease liabilities	2,626	2,626	2,626	0	0		
Other financial liabilities	0	0	0	0	0	0	0
Trade accounts payable	2,036	2,036	2,036	0	0		
Other liabilities	4,468	4,468	4,468	0	0		
Total liabilities and shareholders' equity	**31,972**	**31,972**	**31,972**	**0**	**0**	**0**	**0**

* CA = Carrying amount, FV = Fair value

	Dec. 31, 2020						
	Total	AC		FVPL		FVOCI	
in EUR thousand	CA*	CA*	FV*	CA*	FV*	CA*	FV*
Assets							
Financial assets	64			0	0	64	64
Cash and cash equivalents	9,217	9,217	9,217	0	0	0	0
Trade receivables	5,558	5,558	5,558	0	0	0	0
Other assets	353	353	353	0	0	0	0
Total assets	**15,192**	**15,128**	**15,128**	**0**	**0**	**64**	**64**
Liabilities							
Liabilities to banks	24,323	24,323	24,323	0	0		
Lease liabilities	2,727	2,727	2,727	0	0		
Other financial liabilities	319	0	0	0	0	319	319
Trade accounts payable	1,647	1,647	1,647	0	0		
Other liabilities	3,928	3,928	3,928	0	0		
Total liabilities and shareholders' equity	**33,269**	**33,045**	**33,045**	**0**	**0**	**319**	**319**

The Masterflex Group does not hold any cash collateral and does not perform any offsetting in the statement of financial position. Derivative financial instruments, balances and liabilities to banks are reported gross in the Consolidated Statement of Financial Position.

The Masterflex Group has pledged financial assets in the amount of EUR 3,600 thousand (current receivables) as collateral for financial liabilities. The Masterflex Group does not hold any collateral with regard to financial assets.

The Masterflex Group distinguishes between recoverable, non-performing and irrecoverable financial assets. For recoverable financial assets, the impairment is based on the expected 12-month credit loss. For non-performing financial assets, an impairment loss is recognized in the amount of the expected credit loss until final maturity. Uncollectible receivables are recognized as disposals. A receivable is considered to be non-performing (definition of default) if a due date of more than 90 days or a deterioration in the creditworthiness of the customer indicates that a debtor will not meet its payment obligations to the Masterflex Group.

The following overview summarizes the credit quality and maximum default risk of the financial assets measured at amortized cost by the aforementioned categories:

Dec. 31, 2021 in EUR thousand	Credit quality	Treatment	Gross carrying amount	Value adjustment	Net carrying amount
Other assets	collectible	12-month ECL*	658	0	0
	non-performing	lifetime ECL*	0	0	0
Trade receivables	collectible	lifetime ECL* simplified approach	6,668	0	6,668
	non-performing	lifetime ECL*	433	130	303
			7,101	**130**	**6,971**
Cash and cash equivalents	collectible	12-month ECL*	9,550	0	9,550
	non-performing	lifetime ECL*	0	0	0
			9,550	**0**	**9,550**

* ECL = Expected Credit Loss

Dec. 31, 2020 in EUR thousand	Credit quality	Treatment	Gross carrying amount	Value adjustment	Net carrying amount
Other assets	collectible	12-month ECL*	691	0	0
	non-performing	lifetime ECL*	0	0	0
			691	**0**	**0**
Trade receivables	collectible	lifetime ECL* simplified approach	5,015	0	5,015
	non-performing	lifetime ECL*	668	125	543
			5,683	**125**	**5,558**
Cash and cash equivalents	collectible	12-month ECL*	9,217	0	9,217
	non-performing	lifetime ECL*	0	0	0
		9,217	**0**	**9,217**	**9,217**

The Masterflex Group recognizes valuation allowances for loans and other receivables taking into account past events and expectations regarding the future development of credit risk. The methods used to measure the allowance have not changed compared to the previous year.

Due to the slight deterioration in customers' credit ratings, the valuation allowances increased from EUR 125 thousand to EUR 130 thousand.

Cash and cash equivalents are cash on hand and bank balances. The Masterflex Group deposits cash and cash equivalents exclusively with banks with the highest credit ratings and default probabilities close to zero. For reasons of materiality, the valuation allowance was not recognized. In the event of a significant increase in the probability of default, the Group companies are instructed to withdraw cash and cash equivalents immediately. For this reason, cash and cash equivalents are no longer included in the recoverable category (12-month ECL).

In accordance with the simplified approach under IFRS 9.5.5.15, allowances for trade accounts receivable are consistently measured at the expected credit loss until final maturity.

In determining the allowance, receivables are divided into risk categories and assigned different impairment rates. Receivables are written off if a debtor is in serious financial difficulties and there is no prospect of recovery.

Masterflex Group companies determine default risk using individual approaches, taking into account country- and business unit-specific risks. In doing so, the companies use, among other means, data from Schufa, historical default rates and customer-specific future-related credit risk analyses. The Masterflex Group does not have any significant holdings of overdue assets.

In the case of trade accounts receivable, the expected credit loss model was reviewed with regard to the assessment of future economic conditions in the course of COVID-19. The focus here was in particular on the past and expected payment behavior of our customers. Our trade accounts receivable mainly comprise outstanding invoices for products supplied. In the course of the review, we did not become aware of any matters in connection with our receivables portfolio that showed signs of impairment to a significant extent. We continuously monitor our trade accounts receivable for possible deterioration due to the COVID-19 pandemic.

Net results of financial instruments

Net results in 2021 broken down by measurement category:

in EUR thousand	Interest result	Operating result	Other result	Net results 2021
Financial assets				
Measured at amortized cost	0	-5	0	-5
Measured at fair value through profit or loss	0	0	0	0
Measured at fair value without effect on profit or loss	0	0	48	48
Measured at fair value through other comprehensive income (hedging relationship)	0	0	36	36
Financial liabilities				
Measured at amortized cost	-759	0	0	-759
Measured at fair value without effect on profit or loss (hedging relationship	0	0	-224	-224
Total	**-759**	**0**	**-224**	**-983**

Net results in 2020 broken down by measurement category:

in EUR thousand	Interest result	Operating result	Other result	Net results 2020
Financial assets				
Measured at amortized cost	0	-75	0	-75
Measured at fair value through profit or loss	0	0	0	0
Measured at fair value without effect on profit or loss	0	0	-1	-1
Financial liabilities				
Measured at amortized cost	-920	0	0	-920
Measured at fair value without effect on profit or loss (hedging relationship	0	0	224	224
Total	**-920**	**-75**	**223**	**-772**

Derivative financial instruments

The Group has entered into a fixed forward exchange contract to hedge highly probable transactions (sales of products) and this is accounted for as a hedging relationship. The agreement has a maturity date of March 15, 2022. The fair value of the derivative contracted for a total of USD 300 thousand amounts to EUR 17 thousand as of the balance sheet date and was recognized under other liabilities. As the hedging relationship was essentially classified as fully effective, EUR 16 thousand were recognized in other comprehensive income as changes in the value of the hedging instrument.

The Group has entered into another fixed forward exchange contract to hedge highly probable transactions (sales of products) and this is accounted for as a hedging relationship. The agreement has a maturity date of March 11, 2027. The fair value of the derivative contracted for a total of USD 4,062 thousand amounts to EUR 19 thousand as of the balance sheet date and was recognized under other liabilities. As the hedging relationship was essentially classified as fully effective, EUR 322 thousand were recognized in other comprehensive income as changes in the value of the hedging instrument.

As of December 31, 2021, the amount recognized in the reserve for hedging instruments is EUR 36 thousand less deferred taxes thereon in the amount of EUR 11 thousand.

The fair value of the forward exchange contracts was determined externally on the basis of a Black-Scholes valuation. The forward exchange contracts were assigned to Level 2 and the measurement category “Financial assets (debt instruments) measured at fair value through other comprehensive income.”

17. Leases

As lessees, contracts were primarily concluded for real estate and vehicles. Lease agreements are negotiated on an individual basis and each has different agreements, on renewal, termination or purchase options, for example.

Contracts for the lease of land and buildings have terms of 6 years on average. The payments agreed for these contracts are in many cases adjusted annually. Lease agreements for objects other than land and buildings generally have terms of an average of 3 years.

As a rule, contracts for the rental of vehicles include an early return right and an extension option.

For details on lease liabilities, please refer to Notes 12 and 29. Rights of use are recognized in property, plant and equipment.

In addition, the following amounts were recognized in the income statement in connection with leases in fiscal year 2021:

in EUR thousand	2021	2020
Interest expense from the accrual of interest on lease liabilities	73	67
Expenses for short-term leases with a term of more than one and not more than 12 months	46	54
Expenses for leases with underlying assets of low value (excluding short-term leases)	150	301
Total	**269**	**422**

Cash outflows in connection with lessee activities amounted to EUR 1,376 thousand in 2021 (previous year: EUR 1,428 thousand).

Notes to the Consolidated Statement of Income

18. Revenue

Revenue is recognized in accordance with IFRS 15. Contracts with customers are not aggregated, as there is either a master agreement that governs the relationship with customers and is usually renegotiated annually, or customers order on a case-by-case basis and on request.

In the customers' purchase orders, the contractual performance obligation with the corresponding consideration/transaction price is specified on an item-by-item basis and the consideration is thus allocated to the individual performance obligations. Customer bonuses are calculated on the basis of the sales volume expected with the customer up until the end of the fiscal year and deferred until payment to the customer.

Revenue from the supply of high-tech hoses and connection systems is recognized on a time proportion basis, as the criteria for time proportionate revenue recognition of IFRS 15.35 are not met. The transfer of control of high-tech hoses and connection systems supplied to customers is recognized at the time of delivery of these goods to the customer in accordance with the terms of delivery, as most of the indicators listed in IFRS 15.38 are met at this time. Standard industry terms of payment without significant financing components are used. Variable consideration is regularly not available. Contracts with customers only contain functional guarantees related to the intended use.

Revenues from development services for customers, which are recognized either on a period or point in time basis, did not arise either in fiscal year 2020 or in fiscal year 2021.

Sales revenues include sales of high-tech hoses and connection systems less sales deductions and were all recognized on a time-related basis in fiscal year 2021.

As of December 31, 2021, there were trade receivables of EUR 6,971 thousand (previous year: EUR 5,558 thousand). Contract assets from contracts with customers did not exist as of December 31, 2020, nor as of December 31, 2021.

In fiscal year 2021, impairment losses amounting to EUR 130 thousand were recognized on receivables from contracts with customers.

19. Other income

Other income breaks down as follows:

in EUR thousand	2021	2020
Exchange rate gains from currency translation	407	120
Revenues from non-typical ancillary revenues	179	361
Other income unrelated to the accounting period	150	36
Income from the reversal of provisions	131	2
Allowances	49	56
Expenditure subsidy from public authorities	13	181
Insurance compensation	13	54
Income from the reversal of valuation allowances on receivables	1	19
Other	61	54
Total	**1,004**	**883**

The non-operating ancillary revenues relate to a large number of individual cases from the operating business, for example sales to employees, merchandising and scrap proceeds.

20. Cost of materials

Cost of materials breaks down as follows:

in EUR thousand	2021	2020
Cost of raw materials and supplies	25,085	22,309
Expenses for services purchased	313	262
Total	**25,398**	**22,571**

21. Other expenses

Other expenses break down as follows:

in EUR thousand	2021	2020
Selling expenses	5,266	4,431
Operating expenses	2,733	2,518
Administrative expenses	2,611	2,485
Room operating costs	2,210	1,767
Insurance	405	419
Expenses from exchange rate differences	167	742
Warranties	11	213
Expenses for valuation allowances	26	202
Other	22	121
Other taxes	279	289
Total	**13,730**	**13,187**

22. Research and development costs

Development costs eligible for capitalization were recognized under the item “Intangible assets.” Research and non-capitalizable development costs were expensed as incurred. Research and development expenses of EUR 411 thousand (previous year: EUR 425 thousand) were incurred in fiscal year 2021.

23. Personnel expenses

Personnel expenses increased in 2021 by EUR 1,570 thousand to EUR 30,721 thousand (previous year: EUR 29,151 thousand). Personnel expenses include wages and salaries in the amount of EUR 25,716 thousand (previous year: EUR 24,031 thousand) as well as social security contributions and pension expenses in the amount of EUR 5,005 thousand (previous year: EUR 5,120 thousand).

The Company’s pension plans are defined contribution plans. In the case of defined contribution plans, the Company does not enter into any further obligations beyond the payment of contributions to funds. The expenses are included in current personnel expenses; no provision is formed. The expenses for this amount to EUR 307 thousand (previous year: EUR 355 thousand). The employer’s pension insurance benefits are not included in these benefits.

24. Impairment of assets

In accordance with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill and internally generated intangible assets whose production has not yet been completed are subject to regular impairment tests.

Goodwill and internally generated intangible assets whose production has not yet been completed are tested annually for possible impairment. If events or changes in circumstances indicate a possible impairment, the impairment test must also be performed more frequently.

As part of the impairment test, the Masterflex Group compares the residual carrying amounts of the individual cash-generating units ("CGUs") with their respective recoverable amounts, i.e. the higher of their fair value less costs to sell and their value in use.

Where the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is determined by calculating the value in use using the discounted cash flow method. The cash flows used to determine the value in use were determined on the basis of management's medium-term planning. These 5-year plans, in particular for the development of sales and earnings, are based on past experience and expectations of future market developments, taking into account strategic and operational measures already initiated to manage the business on the basis of management's best estimate of future developments.

The cost of capital is calculated as the weighted average cost of equity and debt (WACC = Weighted Average Cost of Capital). The cost of equity is derived from a peer group analysis of the relevant market and thus from available capital market information.

In order to take account of the different risk/return profiles of our main areas of activity, we calculate individual cost of capital rates for our companies (CGUs). The weighted average cost of capital, so-called WACC before taxes, which have been applied to discount the cash flows, range between 5.60% and 6.89% (previous year: 5.38% and 7.01%). For a presentation per CGU, please refer to the table below. In extrapolating future cash flows beyond the detailed planning period of five years, a growth rate of 1.0% was used for the CGUs, as in the previous year.

As in the previous year, the acquisitions of subsidiaries in previous years and the successive share purchases and disposals resulted in the following goodwill, which has been allocated to the following CGUs. In addition to the amortized cost of goodwill for each CGU, the following table also shows their individual cost of capital:

	EUR thousand	WACC 2021	WACC 2020
APT Advanced Polymer Tubing GmbH	5,929	6.37	6.61
Flexmaster USA, Inc.	1,488	6.89	7.01
FLEIMA-PLASTIC Ltd.	1,075	5.60	5.38
Novoplast Schlauchtechnik GmbH	462	6.06	6.18
Matzen & Timm GmbH	233	6.20	6.00
Total	**9,187**		

In the fiscal years 2020 and 2021, the impairment test of goodwill did not reveal any need for impairment. An increase in the discount rate of 1 percentage point would not have led to any impairment of goodwill.

25. Financial result

The financial result breaks down as follows:

in EUR thousand	2021	2020
Other interest and similar income	5	10
Interest and similar expenses	-759	-920
Total	**-754**	**-910**

The interest income results from the short-term area.

26. Income tax expense

The income tax expense in the income statement is composed as follows:

in EUR thousand	2021	2020
Income tax expense	-1,102	-593
Deferred taxes		
from time differences	-53	+307
from loss carryforwards	-134	-338
Total deferred taxes	-187	-31
Total income tax expense	**-1,289**	**-624**

The following reconciliation of income taxes for fiscal year 2021 is based on the overall tax rate of 30.0% (previous year: 30.0%) and reconciles to the effective tax rate of 28.1% (previous year: 43.8%):

in EUR thousand	2021	2020
Earnings before income taxes	4,590	1,425
Expected tax expense 30.0%	-1,377	-428
Change in deferred tax assets on loss carryforwards or utilization of loss carryforwards in the fiscal year/unutilized losses	-5	-279
Tax refunds/payments of arrears for previous years	-29	-88
Effects of non-deductible expenses and tax-exempt income	-80	20
Tax effect on tax rate differences	222	172
Other	-20	-21
Total tax expense	**-1,289**	**-624**

The initial figure (earnings before income taxes) corresponds to the consolidated net income for the year plus income taxes and deferred taxes as reported in the income statement.

Deferred taxes result from loss carryforwards and the individual Consolidated Statement of Financial Position items as follows:

	Dec. 31, 2021		Dec. 31, 2020	
in EUR thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards	52	0	186	0
Fixed assets	345	1,248	334	1,411
Financial assets	0	11	0	0
Inventories	15	0	39	0
Receivables	17	135	39	21
Other assets	43	21	74	17
Provisions	8	0	72	0
Liabilities	193	48	302	83
Before netting	**673**	**1,463**	**1,049**	**1,532**
thereof non-current	512	1,198	607	1,362
Balancing	-640	-640	-836	-836
Consolidated Statement of Financial Position	**33**	**823**	**213**	**696**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to income taxes levied by the same tax authority.

The recoverability of deferred tax assets on loss carryforwards was tested on the basis of a five-year plan taking the minimum taxation into account. The recoverability is given due to the positive earnings expectations derived on the basis of medium-term planning. In addition, parts of the loss carryforwards have arisen as a result of expenses in connection with the refinancing and the capital increase. There is sufficient certainty that these loss carryforwards will be realized.

As of December 31, 2021, Masterflex recognized deferred tax assets in the amount of EUR 52 thousand (previous year: EUR 186 thousand) on tax loss carryforwards.

For foreign companies, the tax rates vary between 17% and 30%.

No deferred tax assets were recognized for tax loss carryforwards amounting to EUR 10,550 thousand (previous year: EUR 10,763 thousand), as their utilization is not sufficiently certain. The loss carryforwards of the German companies can be carried forward indefinitely. The use of loss carryforwards of foreign companies is generally limited in terms of time.

Other comprehensive income includes taxes amounting to EUR 4 thousand (previous year: EUR 63 thousand) attributable to exchange rate differences in accordance with IAS 21, which were charged or credited directly to equity.

27. Earnings per share

Earnings per share are calculated as follows:

	2021	2020
Result of the fiscal year (EUR thousand)	3,282	793
Weighted average of shares issued	9,618,334	9,618,334
Earnings per share (EUR)	**0.34**	**0.08**

There were no dilutive effects for either fiscal year 2021 or the previous year.

28. Appropriation of earnings

The Annual Financial Statements of Masterflex SE prepared in accordance with the German Commercial Code (HGB) show net retained earnings of EUR 13,095 as of December 31, 2021.

The Management Board and Supervisory Board propose to the Annual General Meeting to distribute to the shareholders as a dividend from the net retained earnings as of December 31, 2021, of Masterflex SE in the amount of EUR 13,094,961.14 an amount of EUR 1,154,200.08 on the 9,618,334 issued shares of the share capital as of December 31, 2021, and to carry forward the remaining amount of EUR 11,940,761.06 to new account. This corresponds to a dividend of EUR 0.12 per share.

As of December 31, 2021, Masterflex SE has distribution-restricted amounts totaling EUR 1,211 thousand, of which EUR 27 thousand is attributable to deferred tax assets and EUR 1,184 thousand to the capitalization of development costs.

29. Financial risk management

Besides identifying, assessing and monitoring risks in the course of business operations and in particular from the resulting financial transactions, risks are managed by the Management Board in close cooperation with the Group companies. Particular attention is paid to hedging certain risks, such as currency, interest rate, price, default and liquidity risks.

In addition to primary financial instruments, various derivative financial instruments can be used, including forward exchange transactions, currency option transactions and interest rate swaps. Derivative financial instruments are used exclusively to hedge existing or planned underlying transactions and serve to reduce foreign currency, interest rate and commodity price risks and are used on a case-by-case basis in consultation with the Management Board of Masterflex SE.

Management of currency risks

The international nature of the Group's operations gives rise to cash flows in various currencies, in particular in US dollars. Foreign currency positions include currency risks from highly probable future business transactions, foreign currency receivables and payables as well as from firmly contracted purchase or sales contracts in foreign currencies. Orders in emerging markets are generally invoiced in US dollars or euros.

The sensitivity analysis based on the outstanding monetary items denominated in US dollars assuming a ten percent change in the US dollar against the euro results in an impact of around EUR 700 thousand on equity.

As of December 31, 2021, the Group held the following instruments to hedge against changes in foreign exchange rates and interest rates:

	Maturity		
	1-6 months	7-12 months	More than a year
Exchange rate risk			
Forward exchange transactions			
Net risk in USD thousand	300	0	0
Average EUR:USD forward rate	1.2165		
Net risk in USD thousand	203	406	3,453
Average EUR:USD forward rate	1.1817	1.1817	1.1817

Management of interest rate risks

Due to the international orientation of our business activities, Masterflex procures and invests liquidity on the international money and capital markets in various currencies.

The resulting financial liabilities and cash investments are partly exposed to interest rate risk. Derivative financial instruments can be used on a case-by-case basis to hedge the interest rate risk with the aim of minimizing the interest rate volatility and financing costs of the underlying transactions.

The sensitivity analysis was determined using the interest rate risk exposure as of the balance sheet date. For floating-rate liabilities, the analysis is prepared on the assumption that the amount of the liability outstanding on the balance sheet date was outstanding for the entire year.

Based on a fluctuation in the interest rate of 100 basis points, the sensitivity analysis results in an increase/decrease in cash and cash equivalents of approximately EUR 235 thousand.

Management of default risks

At Masterflex, the risks of customer receivables are monitored and assessed on a decentralized basis, and default is also limited in some cases through the use of trade credit insurance.

As of the balance sheet date, there were trade accounts receivable from a large number of domestic and foreign customers from various industries. The default risk was negligible.

The risk management of loans to subsidiaries as well as of investments is carried out by means of a Group-wide controlling system with fully consolidated planning accounts, monthly Consolidated Financial Statements and regular discussions of the course of business.

The maximum default risk results from the carrying amounts of the financial receivables recognized in the Consolidated Statement of Financial Position.

Liquidity risk management

Group liquidity management to reduce liquidity risks includes safeguarding cash and cash equivalents, the availability of sufficient credit lines, and the ability to close out market positions.

The table shows the contractually agreed repayments of financial liabilities:

2021 in EUR thousand	Carrying amount	2022	2023	2024	2025	2026	≥ 2027
Trade payables	2,036	2,036	0	0	0	0	0
Liabilities to banks	22,842	1,501	1,500	19,841	0	0	0
Lease liabilities	2,626	1,012	828	403	189	194	0
Other liabilities	4,161	4,161	0	0	0	0	0
Total	**31,665**	**8,710**	**2,328**	**20,244**	**189**	**194**	**0**

2020 in EUR thousand	Carrying amount	2021	2022	2023	2024	2025	≥ 2026
Trade payables	1,647	1,647	0	0	0	0	0
Liabilities to banks	24,323	1,537	1,500	1,500	19,786	0	0
Lease liabilities	2,727	955	698	489	206	185	194
Other liabilities	4,269	4,269	0	0	0	0	0
Total	**32,966**	**8,408**	**2,198**	**1,989**	**19,992**	**185**	**194**

The table contains only the contractually agreed payments from the financial liabilities up to the reporting date without planned figures for future new liabilities. Financial liabilities repayable at any time are presented as due within one year. Payments under operating leases are reported under other financial obligations.

The accruals and deferrals reported under "Other liabilities" in the amount of EUR 742 thousand (previous year: EUR 790 thousand) do not affect payments. For this reason, the reversal is not shown in the table.

30. Other financial obligations

With the exception of the collateral referred to in Notes 3, 12 and 16, there were no contingent liabilities arising from warranty agreements, guarantees and other contingent liabilities as of the balance sheet date.

31. Segment reporting

The Masterflex Group is managed as a single-segment Company. It is managed on the basis of the information at Group level that the full Management Board, as the chief operating decision maker, receives to measure performance and allocate resources for the entire Masterflex Group (so-called "management approach").

Following the disposal of business units in previous years, Masterflex SE reports only one operating segment, the core business unit (HTS).

In its sole High-tech Hose Systems (HTS) segment, which represents the core business of the Masterflex Group, activities focus on the development and production of technically sophisticated high-tech hose systems, molded parts and injection-molded elements made of innovative specialty plastics for industrial and medical applications. The products of this segment are used in a wide variety of industrial sectors, such as the chemical industry, the food industry, automotive engineering and medical technology.

The segment is managed on the basis of both sales and earnings (earnings before interest and taxes (EBIT)).

Segment assets include operating assets such as property, plant and equipment, intangible assets including goodwill, inventories, receivables, other assets and cash. Tax receivables, deferred tax assets and financial assets are not part of the segment assets to be reported under IFRS 8.

According to IFRS 8, liabilities are only to be included in segment reporting if they are used regularly and reported for company management purposes. Masterflex SE does not use this indicator and therefore does not disclose it.

Segment information:

in EUR thousand	2021	2020
Sales revenue from third parties outside the Group	79,068	71,881
EBIT	5,344	2,335
Investments in property, plant and equipment and intangible assets	4,484	3,203
Scheduled depreciation	4,906	4,975
Assets	79,286	76,354

The geographical distribution of revenue is reported at Group level. The basis of calculation is the location of the customer's registered office. This results in a geographical distribution of sales as follows:

in EUR thousand	2021	2020
Germany	36,386	32,108
Rest of Europe	16,616	18,058
Third countries	26,066	21,715
Total	**79,068**	**71,881**

No sales > 10% of Group revenue were generated with any customer in fiscal year 2021.

The reconciliation of EBIT to earnings after taxes is as follows:

Reconciliation to Group after-tax result in EUR thousand	2021	2020
EBIT	**5,344**	**2,335**
Interest income/income from investments	5	10
Interest expense, etc.	-759	-920
EBT	**4,590**	**1,425**
Taxes on income and earnings	-1,102	-593
Deferred taxes	-187	-31
Earnings after taxes	**3,301**	**801**

Rounding differences possible

In accordance with IFRS 8, the geographical breakdown of non-current assets must be disclosed. Non-current assets include property, plant and equipment and intangible assets. In accordance with IFRS 8, deferred taxes and financial assets are not included in the non-current assets to be presented.

Non-current assets in EUR thousand	2021	2020
Germany	38,876	39,114
Rest of Europe	664	685
Third countries	4,838	4,898
Total	**44,378**	**44,697**

Segment assets reconcile to Group assets as follows:

in EUR thousand	2021	2020
Segment assets	78,818	75,660
Deferred tax assets	33	213
Tax receivables	323	417
Financial assets	112	64
Group assets	**79,286**	**76,354**

32. Cash flow statement

The Consolidated Statement of Cash Flows has been prepared in accordance with IAS 7. A distinction is made between cash flows from operating, investing and financing activities. The liquidity shown in the Consolidated Statement of Cash Flows corresponds to the Consolidated Statement of Financial Position item “Cash and bank balances.”

The Consolidated Statement of Cash Flows is prepared using the indirect method in respect of cash flows from operating activities and the direct method in respect of cash flows from investing and financing activities.

Liabilities from financing activities developed as follows from January 1 to December 31, 2021:

Figures in EUR thousand	As of Dec. 31, 2020	Cash-effective	Non-cash (accrued interest)	Non-cash (lease liability)	Non-cash items (foreign exchange transactions)	As of Dec. 31, 2021
Current financial debt	2,447	-36	0	57	-13	2,455
Non-current financial debt	24,922	-1,445	0	-158	-306	23,013
Total liabilities from financing activities	**27,369**	**-1,481**	**0**	**-101**	**-319**	**25,468**

33. Related party disclosures

Business transactions between Masterflex SE and its consolidated subsidiaries are conducted at arm's length and have been eliminated in consolidation.

The key management personnel remuneration required to be disclosed in accordance with IAS 24 includes the remuneration of the Management Board and the Supervisory Board.

The remuneration of the Management Board is performance-related in its entirety and consisted of three components in the fiscal year: non-performance-related remuneration, performance-related remuneration, long-term incentive component.

The remuneration of the Management Board is reported in individualized form as recommended by the German Corporate Governance Code and the standardized model tables (as amended). A key feature of these model tables is the separate disclosure of the benefits granted (Table 1) and the actual amount received (Table 2). For the grants, the target values (payment if 100% of the target is achieved) and the achievable minimum and maximum values are also stated.

In the past financial year, the total remuneration for the Management Board and Supervisory Board according to IFRS amounted to EUR 1,081 thousand (previous year: EUR 1,055 thousand). The remuneration of the Supervisory Board amounted to EUR 81 thousand (previous year: EUR 84 thousand) and consisted exclusively of short-term components.

The following table shows the individual components of Executive Board remuneration according to IFRS:

The remuneration of the Management Board for its services is presented below:

in EUR thousand	2021	2020
Basic remuneration	680	640
Remuneration in kind and fringe benefits	**87**	**81**
Total short-term non-performance-related remuneration	**767**	**721**
Short-term performance-related remuneration	158	163
Total short-term remuneration	**925**	**884**
Long-term performance-related remuneration	75	87
Total long-term remuneration	**75**	**87**
Total remuneration (according to IFRS)	**1,000**	**971**

The total remuneration of the Management Board and Supervisory Board pursuant to HGB amounted to EUR 1,348 thousand (previous year: EUR 1,044 thousand). Of this amount, EUR 1,267 thousand (previous year: EUR 961 thousand) was paid to the Management Board and EUR 81 thousand (previous year: EUR 84 thousand) to the Supervisory Board. The remuneration of the Management Board consisted of short-term non-performance-related remuneration of EUR 767 thousand (previous year: EUR 721 thousand), short-term performance-related remuneration of EUR 325 thousand (previous year: EUR 158 thousand) and long-term performance-related remuneration of EUR 175 thousand (previous year: EUR 81 thousand). The remuneration for the Supervisory Board members included attendance fees of EUR 6 thousand (previous year: EUR 9 thousand).

34. Declaration of Conformity with the German Corporate Governance Code

In December 2021, the Management Board and Supervisory Board of Masterflex SE again issued a Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the Company's website at www.MasterflexGroup.com/de/Investor-Relations/Corporate-Governance/.

35. Number of employees

The number of employees in the reporting period breaks down by operating function as follows:

	2021	2020
Production	365	405
Sales	95	92
Management	90	81
Technology	35	35
Employees in the Group	**585**	**613**
thereof trainees	14	16

36. Audit and consulting fees

In fiscal year 2021, the expense (provision) for the auditor of the Consolidated Financial Statements BDO AG, Wirtschaftsprüfungsgesellschaft, amounted to EUR 150 thousand and comprises the fees for the audit of the Consolidated Financial Statements as well as the audit of the statutory financial statements of Masterflex SE and its domestic subsidiaries.

37. Exemption of subsidiaries pursuant to Section 264 (3) HGB

- Novoplast Schlauchtechnik GmbH
- Matzen & Timm GmbH
- M&T Verwaltungs GmbH
- FLEIMA-PLASTIC Ltd.

38. Events after the balance sheet date

There have been no significant events of particular importance for the results of operations, net assets and financial position of the Masterflex Group since the reporting date of 31 December 2021.

The Ukraine crisis will not have any serious impact on the development of the Masterflex Group at the present time. However, this could be dramatically exacerbated by a dramatic intensification and expansion of the war as well as by the cessation of raw material deliveries from Russia.

39. Publication of the Consolidated Financial Statements

These Consolidated Financial Statements were authorized for publication by the Management Board on March 30 and are to be published on March 31, 2022.

40. Shareholdings

The list of Masterflex SE's complete shareholdings is published in the Federal Gazette.

Gelsenkirchen, March 30, 2022
The Management Board

Dr. Andreas Bastin
(Chairman of the Management Board)

Mark Becks
(CFO)

Consolidated statement of changes in non-current assets 2021

in EUR thousand	AK/HK Jan. 1, 2020	Recognition of rights of use from first-time application of IFRS 16	Additions	Disposals	Transfers	Exchange rate differences	AK/ HK Dec. 31, 2021
Intangible assets							
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	4,380	0	79	0	51	2	4,512
Development work	1,892	0	290	69	-48	0	2,065
Goodwill	15,090	0	0	0	0	0	15,090
Prepayments made	333	0	82	0	-3	0	412
Total	21,695	0	451	69	0	2	22,079
Property, plant and equipment							
Land, land rights and buildings, including buildings on third-party land	30,065	0	690	166	680	407	31,676
- thereof rights of use from IFRS 16	3,861	0	617	117	0	222	4,583
Technical equipment and machinery	33,856	0	688	48	452	591	35,539
Other equipment, operating and office equipment	11,579	0	1,129	373	134	134	12,603
- thereof rights of use from IFRS 16	781	0	401	195	0	5	992
Advance payments and assets under construction	297	0	1,526	1	-1,266	2	558
Total	75,797	0	4,033	588	0	1,134	80,376
Financial assets							
Securities held as fixed assets	733	0	0	0	0	0	733
Other loans	0	0	0	0	0	0	0
Total	733	0	0	0	0	0	733
	98,225	**0**	**4,484**	**657**	**0**	**1,136**	**103,188**

Consolidated statement of changes in non-current assets 2021

in EUR thousand	Accumulated depreciation Jan. 1, 2021	Depreciation in the fiscal year	Disposals	Changes in fair value recognized directly in equity	Exchange rate differences	Accumulated depreciation Dec. 31, 2021	Balance Dec. 31, 2021	Balance Dec. 31, 2020
Intangible Assets								
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,293	432	0	0	1	2,726	1,786	2,087
Development work	257	87	0	0	0	344	1,721	1,635
Goodwill	5,903	0	0	0	0	5,903	9,187	9,187
Prepayments made	0	0	0	0	0	0	412	333
Total	**8,453**	**519**	**0**	**0**	**1**	**8,973**	**13,106**	**13,242**
Property, plant and equipment								
Land, land rights and buildings, including buildings on third-party land	12,765	1,595	13	0	250	14,597	17,079	17,300
- thereof rights of use from IFRS 16	1,523	889	0	0	61	2,473	2,110	2,338
Technical equipment and machinery	22,761	1,704	48	0	425	24,842	10,697	11,095
Other equipment, operating and office equipment	8,837	1,088	370	0	128	9,683	2,920	2,742
- thereof rights of use from IFRS 16	487	290	195	0	3	585	407	294
Advance payments and assets under construction	0	0	0	0	0	0	558	297
Total	**44,363**	**4,387**	**431**	**0**	**803**	**49,122**	**31,254**	**31,434**
Financial assets								
Securities held as fixed assets	669	0	0	-48	0	621	112	64
Other loans	0	0	0	0	0	0	0	0
Total	**669**	**0**	**0**	**-48**	**0**	**621**	**112**	**64**
	53,485	**4,906**	**431**	**-48**	**804**	**58,716**	**44,472**	**44,740**

Consolidated statement of changes in non-current assets 2020

in EUR thousand	Acquisition cost / production cost Jan. 1, 2020	Additions	Disposals	Repostings	Exchange rate differences	Acquisition cost / production cost Dec. 31, 2020
Intangible assets						
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	4,405	85	313	206	-3	4,380
Development work	1,569	337	86	72	0	1,892
Goodwill	15,090	0	0	0	0	15,090
Prepayments made	338	151	7	-149	0	333
Total	21,402	573	406	129	-3	21,695
Property, plant and equipment						
Land, land rights and buildings, including buildings on third-party land	29,607	737	64	55	-270	30,065
- thereof rights of use from IFRS 16	3,248	726	0	0	-113	3,861
Technical equipment and machinery	34,888	521	1,348	312	-517	33,856
Other equipment, operating and office equipment	11,380	700	423	55	-133	11,579
- thereof rights of use from IFRS 16	674	157	46	0	-4	781
Advance payments and assets under construction	202	672	25	-551	-1	297
Total	76,077	2,630	1,860	-129	-921	75,797
Financial assets						
Securities held as fixed assets	733	0	0	0	0	733
Other loans	0	0	0	0	0	0
Total	733	0	0	0	0	733
	98,212	**3,203**	**2,266**	**0**	**-924**	**98,225**

Consolidated statement of changes in non-current assets 2020

in EUR thousand	Accumulated depreciation Jan. 1, 202020	Depreciation in the fiscal year	Disposals	Changes in fair value recognized directly in equity	Exchange rate differences	Accumulated depreciation Dec. 31, 2020	Balance Dec. 31, 2020	Balance Dec. 31, 2019
Intangible Assets								
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,196	409	312	0	0	2,293	2,087	2,209
Development work	188	69	0	0	0	257	1,635	1,381
Goodwill	5,903	0	0	0	0	5,903	9,187	9,187
Prepayments made	0	0	0	0	0	0	333	338
Total	8,287	478	312	0	0	8,453	13,242	13,115
Property, plant and equipment								
Land, land rights and buildings, including buildings on third-party land	11,289	1,695	60	0	-159	12,765	17,300	18,318
- thereof rights of use from IFRS 16	805	787	0	0	-69	1,523	2,338	2,443
Technical equipment and machinery	22,661	1,787	1,305	0	-382	22,761	11,095	12,227
Other equipment, operating and office equipment	8,351	1,015	413	0	-116	8,837	2,742	3,029
- thereof rights of use from IFRS 16	262	271	46	0	0	487	294	412
Advance payments and assets under construction	0	0	0	0	0	0	297	202
Total	42,301	4,497	1,778	0	-657	44,363	31,434	33,776
Financial assets								
Securities held as fixed assets	668	0	0	1	0	669	64	65
Other loans	0	0	0	0	0	0	0	0
Total	668	0	0	1	0	669	64	65
	51,256	**4,975**	**2,090**	**1**	**-657**	**53,485**	**44,740**	**46,956**

Other information

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the earnings, asset and financial positions of the Group and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Gelsenkirchen, March 30, 2022

The Management Board

Dr. Andreas Bastin
(Chairman of the Management Board)

Mark Becks
(CFO)

Independent auditor’s report

To Masterflex SE, Gelsenkirchen

Report on the audit of the consolidated financial statements and the combined management report

Audit judgments

We have audited the Consolidated Financial Statements of Masterflex SE, Gelsenkirchen, and its subsidiaries (the Group), which comprise the Consolidated Statement of Fi-nancial Position as of December 31, 2021, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the fiscal year from January 1, 2021, to December 31, 2021, and the Notes to the Consolidated Financial Statements, including a summary of signifi-cant accounting policies.

We have also audited the Combined Man-agement Report (Combined Management Re-port of the Company and the Group) of Mas-terflex SE for the fiscal year from January 1, 2021, to December 31, 2021. In accordance with German legal requirements, we have not audited the content of the components of the Combined Management Report men-tioned under “OTHER INFORMATION.”

In our opinion, based on the findings of our audit

- the accompanying Consolidated Fi-nancial Statements comply in all material respects with IFRSs as adopted by the EU and the addi-tional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and give a true and fair view of the asset and financial positions of the Group as of December 31, 2021, and of its earnings situation for the fiscal year from January 1, 2021, to December 31, 2021, in accordance with these requirements; and

- the accompanying Combined Man-agement Report as a whole provides a fair view of the Group’s position. In all material respects, this Com-bined Management Report is con-sistent with the Consolidated Finan-cial Statements, complies with Ger-man legal requirements, and suita-bly presents the opportunities and risks of future development. Our audit opinion on the Combined Management Report does not cover the content of the parts of the Combined Management Report men-tioned under “OTHER INFORMATION.”

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the Consolidated Financial Statements and the Combined Management Report.

Basis for the audit judgments

We conducted our audit of the Consolidated Financial Statements and the Combined Management Report in accordance with Sec-tion 317 of the German Commercial Code (HGB) and the EU Regulation on Auditing of Financial Statements (No. 537/2014; herein-after “EU-APrVO”) and German generally accepted standards for the audit of finan-cial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsi-bility under those provisions and standards is further described in the section “AUDITOR’S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT” in our auditor's re-port. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accord-ance with these requirements.

In addition, we declare pursuant to Article 10 (2) (f) EU-Audit Regulation that we have not performed any prohibited non-audit services in accordance with Article 5 (1) EU-Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements and the Combined Management Report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters which, in our professional judgment, were of the greatest importance in our audit of the Con-solidated Financial Statements for the fiscal year from January 1, 2021, to December 31, 2021. These matters were considered in the context of our audit of the Consolidated Fi-nancial Statements as a whole, and in form-ing our opinion thereon; we do not provide a separate opinion on these matters.

We have identified the following matter as a key audit matter:

Recoverability of goodwill

Facts

Goodwill amounting to EUR 9,187 thousand (previous year: EUR 9,187 thousand) is reported under the balance sheet item "Goodwill" in the Consolidated Financial Statements of Masterflex SE, representing 11.6% of the consolidated balance sheet total. The goodwill has been allocated to cash-generating units.

Cash-generating units with goodwill are tested for impairment by the company as of December 31 of each fiscal year and whenever there are indications of impairment. The recoverable amount based on the value in use is determined using a valuation model based on the discounted cash flow method. If the carrying amount of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference between the carrying amount and the recoverable amount.

The assessment of the recoverability of goodwill is complex and requires a number of estimates and judgments by the legal representatives, particularly with regard to the amount of future cash surpluses, the growth rate for forecasting cash flows beyond the detailed planning period and the discount rate to be used. Due to the significance of the amount of goodwill for the Consolidated Financial Statements of Masterflex SE and the significant uncertainties associated with its measurement, this is a particularly important audit matter.

Masterflex SE's disclosures on goodwill are included in Note 24 of the Notes to the Consolidated Financial Statements.

Audit response and findings

As part of our audit, we assessed the appropriateness of the key assumptions and discretionary parameters as well as the method of calculating the impairment tests by involving our valuation specialists. We have obtained an understanding of the planning system and process and of the significant assumptions made by the management in the planning, in particular with regard to the possible effects of the economic developments in connection with the COVID-19 pandemic. We have compared the forecast of future cash surpluses in the detailed planning period with the multi-year plan approved by the Supervisory Board. We verified the assumptions underlying the planning and the growth rates assumed in the forecast of cash flows beyond the detailed planning period by comparing them with current industry-specific market expectations. In addition, we critically examined the discount rates applied on the basis of the average cost of capital of a peer group. Our audit also included the sensitivity analyses performed by Masterflex SE.

Overall, we were able to assure ourselves that the assumptions made by the legal representatives in performing the impairment test and the valuation parameters used are comprehensible and lie within a reasonable range.

Other information

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises:

- the Non-Financial Declaration referred to in the section “ECONOMIC REPORT” of the Combined Management Report that is published separately.
- the Declaration on Corporate Governance contained in the section “CORPORATE GOVERNANCE REPORT” of the Combined Management Report.
- the other parts of the Management Report, with the exception of the audited Consolidated Financial Statements and Combined Management Report and our auditor’s report.

Our audit opinions on the Consolidated Financial Statements and the Combined Management Report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, evaluate whether the other information

- is materially inconsistent with the Consolidated Financial Statements, the Combined Management Report, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibility of the legal representatives and the supervisory board for the consolidated financial statements and the combined management report

The management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error. Furthermore, the management is responsible for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to a going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the management is responsible for the preparation of the Combined Management Report that as a whole provides a suitable view of the Group's position and is consistent in all material respects with the Consolidated Financial Statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, the management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of the Combined Management Report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the Combined Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and the Combined Management Report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Combined Management Report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the Consolidated Financial Statements and with our audit findings, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the Consolidated Financial Statements and on the Combined Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these Consolidated Financial Statements and the Combined Management Report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Combined Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher in the case of non-compliance than in the case of inaccuracy, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of the arrangements and actions relevant to the audit of the Combined Management Report in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of the going concern basis of accounting used by the legal representatives in making those risk assessments and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Combined Management Report or, if these disclosures are inappropriate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions can result in the Group being unable to continue as a going concern.

- assess the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the asset, financial and earnings positions of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e para. 1 of the German Commercial Code (HGB).

- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and on the Combined Management Report. We are responsible for directing, supervising and performing the audit of the Consolidated Financial Statements and are solely responsible for our audit opinions.

- assess the consistency of the Combined Management Report with the Consolidated Financial Statements, its legality and the overall presentation of the Group's position.

- perform audit procedures on the forward-looking statements made by the management in the Combined Management Report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions made by the management regarding the forward-looking statements and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

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

We make a declaration to those responsible for governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters we discussed with those responsible for governance, we determine those matters that were of the greatest significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or other regulations preclude public disclosure of the matter.

Other statutory and legal requirements

Report on the audit of the electronic reproductions of the consolidated financial statements and the management report prepared for the purpose of disclosure in accordance with section 317 (3A) HGB

Audit opinion

Pursuant to Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance review to determine whether the financial statements contained in the attached file [„Masterflex_KA_2021.zip“ (SHA256-Hashwert: 1435030690b1ff4d825f12b419a0a6f2b9d63d65c8ab1beba092a93dc92ccd39)] and prepared for disclosure purposes of the Consolidated Financial Statements and the Combined Management Report (hereinafter also referred to as the "ESEF Documents") comply in all material respects with the electronic reporting format requirements ("ESEF Format") pursuant to Section 328 (1) of the German Commercial Code (HGB). In accordance with German legal requirements, this audit extends only to the conversion of the information in the Consolidated Financial Statements and the Combined Management Report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the Consolidated Financial Statements and the Combined Management Report included in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) of the German Commercial Code (HGB). We report on this audit opinion and on our audit opinions contained in the preceding "REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE ACCOMPANYING COMBINED MANAGEMENT REPORT" for the fiscal year from January 1, 2021 to December 31, 2021. In addition, we do not express any opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the Consolidated Financial Statements and the Combined Management Report contained in the above-mentioned attached file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) HGB

(IDW PS 410 (10.2021)). Our responsibility thereafter is further described in the section “Auditor’s Responsibility for the Audit of the ESEF Documents.” Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company’s management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the Consolidated Financial Statements and the Combined Management Report in accordance with Section 328 (1) sentence 4 no. 1 of the German Commercial Code (HGB) and for the mark-up of the Consolidated Financial Statements in accordance with Section 328 (1) sentence 4 no. 2 of the German Commercial Code (HGB).

Furthermore, the management is responsible for the internal controls they deem necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding the electronic reporting format.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the auditor’s report and the attached audited Consolidated Financial Statements and audited Combined Management Report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the accounting process.

Auditor’s Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB). During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) of the German Commercial Code (HGB), whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

- assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for that file.

- assess whether the ESEF documents provide a consistent XHTML representation of the audited Consolidated Financial Statements and the audited Combined Management Report.

- assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other disclosures pursuant to article 10 EU APRVO

We were elected auditors by the Annual General Meeting on May 19, 2021. We were appointed by the Supervisory Board on November 10, 2021. We have served as auditors of the Consolidated Financial Statements of Masterflex SE since fiscal year 2020.

We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU-APrVO (audit report).

Other matters — Use of the audit opinion

Our audit opinion should always be read in conjunction with the audited Consolidated Financial Statements and the audited Combined Management Report and the audited ESEF documents. The Consolidated Financial Statements and the Combined Management Report converted to the ESEF format — including the versions to be published in the Federal Gazette — are merely electronic reproductions of the audited Consolidated Financial Statements and the audited Combined Management Report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Auditor responsible

The auditor responsible for the audit is Dr. Marcus Falk.

Essen, March 30, 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Fritz
Certified Public Accountant

signed Dr. Falk
Certified Public Accountant

Glossary

Bruttoinlandsprodukt (BIP)	The total value of all goods and services produced by an economy for the market within a reporting period.
Cashflow	The flow of financial resources generated from the current period, adjusted for non-cash expenses and income. It shows the company's self-financing capability or earning power.
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBIT	Earnings before interest and taxes
EBT	Earnings before taxes
Extrusion	Procedure for the processing of plastics. The raw materials in granular form are crushed and heated in a so-called extruder until they are plasticised – i.e. moldable – so that they can be processed further.
FEP	Fluorinated ethylene propylene: fully fluorinated plastics with very high chemical resistance.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
PFA, PTFE	Perfluoroalkoxy (PFA) and polytetrafluoroethylene (PTFE): two fluorinated plastics with very high chemical resistance.
Stage-Gate-Prozess	Model for the optimisation of innovation and development processes. Thus, objectives that were not or insufficiently included in such processes should also be taken into account. These could be about: focusing and prioritising, parallel developments at a faster pace, using cross-divisional teams or market orientation.
Working Capital	Current assets less current liabilities.

Imprint

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Forward-looking statements

This annual report contains forward-looking statements. These statements are based on the current expectations, presumptions and forecasts of the Management Board and the information currently available to it. The forward-looking statements are not to be understood as guarantees of the future developments and results mentioned therein. Rather, the future developments and results are dependent on a large number of factors; they involve various risks and imponderables and are based on assumptions that may prove to be incorrect. We assume no obligation to update the forward-looking statements made in this report.

MASTERFLEX GROUP
Connecting Values

WirtschaftsWoche
WELT MARKT FÜHRER
Champion
2022
Masterflex Group
Schläuche und Verbindungslösungen aus High-Tech Kunststoffen

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