MASTERFLEX GROUP
Connecting Values

Financial Statements for the Financial Year 2017

Table of Contents

The management report of Masterflex SE and the Group management report are combined in accordance with § 315 (3) of the German Commercial Code (HGB) and published in the Annual Report 2017.

Both the separate financial statements of Masterflex SE and the combined management report of Masterflex SE and the Masterflex Group are published in the Federal Gazette; they are also available for inspection in the Company Register.

The separate financial statements of Masterflex SE and the Annual Report for the financial year 2017 are also available on the Internet at https://www.masterflexgroup.com/en/investor-relations/financial-reports/financial-reports-2017.html.

Please note: Only the German version is legally binding.

Masterflex SE, Gelsenkirchen
Income Statement for the Period from
1 January to 31 December 2017

		2017 EUR	2016 EUR
1.	**Revenue**	**19,926,596.72**	**18,899,594.57**
2.	Increase of inventories in finished and unfinished goods	114,959.03	19,724.67
3.	Work performed by the enterprise and capitalised	561,979.08	522,222.36
4.	Other operating income	2,663,052.89	136,265.31
	- thereof from currency translation EUR 2,127.90 (previous year: EUR 2,792.68)		
5.	**Operating revenue**	**23,266,587.72**	**19,577,806.91**
6.	Cost of materials		
	a) Expenses for raw materials and supplies and for purchased goods	-7,346,019.58	-6,820,197.30
	b) Expenses for purchased services	-1,081.13	0.00
		-7,347,100.71	-6,820,197.30
7.	Staff costs		
	a) Wages and salaries	-7,398,197.87	-7,169,440.45
	b) Social security contributions and expenses for pensions and support	-1,232,210.23	-1,201,476.40
		-8,630,408.10	-8,370,916.85
8.	Depreciation, amortisation and impairments	-703,611.30	-492,347.09
9.	Other operating expenses	-3,978,821.56	-3,953,711.95
	- thereof from currency translation EUR 663.69 (previous year: EUR 119.79)		
10.	**Operating result**	**2,606,646.05**	**-59,366.28**
11.	Income from investments	394,214.08	212,488.13
	- thereof from affiliated companies: EUR 394,214.08 (previous year: EUR 212,488.13)		
12.	Income from other financial instruments and loans	526,383.50	259,623.08
	- thereof from affiliated companies: EUR 522,983.50 (previous year: EUR 254,423.08)		
13.	Other interest and similar income	590.98	2,279.24
14.	Depreciation of financial assets and current financial instruments	-12,928.99	-40,193.31
15.	Income received based on profit and loss transfer agreements	3,221,503.06	3,184,837.64
16.	Interest and similar expenses	-1,201,955.75	-1,448,674.59
	- thereof to affiliated companies: EUR 143,418.87 (previous year: EUR 91,956.61)		
17.	Financial result	2,927,806.88	2,170,360.19
18.	**Earnings before taxes**	**5,534,452.93**	**2,110,993.91**
19.	Taxes on income	-990,266.61	-508,236.00
20.	**Earnings after taxes on income**	**4,544,186.32**	**1,602,757.91**
21.	Other taxes	-56,499.77	-42,930.11
22.	Net profit	4,487,686.55	1,559,827.80
23.	Profit carry-forward	5,675,971.59	4,116,143.79
24.	Distributions to shareholders	-480,916.70	0.00
25.	**Retained earnings**	**9,682,741.44**	**5,675,971.59**

Masterflex SE, Gelsenkirchen

Balance Sheet for 31 December 2017

ASSETS	31.12.2017 EUR	31.12.2016 EUR
A. NON-CURRENT ASSETS		
I. Intangible assets		
1. Self-created industrial property rights and similar rights and assets	561,555.83	394,693.69
2. Purchased concessions, industrial property rights an similar rights and assets, as well as licenses to such rights and assets, as well as licenses to such rights	378,757.00	284,025.75
3. Advance payments	473,406.51	290,994.21
	1,413,719.34	969,713.65
II. Property, plant and equipment		
1. Land, leasehold rights and buildings, including buildings on unowned land	10,297,848.01	10,006,513.03
2. Technical equipment and machinery	2,370,902.00	1,228,332.00
3. Other assets, operating and office equipment	886,927.00	670,863.00
4. Advance payments and construction in progress	741,094.04	610,311.87
	14,296,771.05	12,516,019.90
III. Financial assets		
1. Shares in affiliated companies	31,805,892.34	31,725,207.09
2. Loans to affiliated companies	21,654,216.71	10,417,763.18
3. Non-current financial instruments	78,377.01	91,306.00
	53,538,486.06	42,234,276.27
	69,248,976.45	55,720,009.82
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and supplies	1,416,822.44	1,030,996.81
2. Unfinished goods and services	200,357.74	0.00
3. Finished products and goods	1,869,324.44	2,050,108.58
4. Advance payments	0.00	12,900.00
	3,486,504.62	3,094,005.39
II. Receivables and other assets		
1. Trade receivables	841,655.42	1,011,609.67
2. Receivables from affiliated companies	6,505,817.44	5,581,551.24
3. Other assets	249,667.44	417,382.79
	7,597,140.30	7,010,543.70
III. Cash in hand and bank balances	906,043.36	1,256,885.04
	11,989,688.28	11,361,434.13
C. PREPAID EXPENSES	354,972.55	401,784.20
D. DEFERRED TAX ASSETS	559,257.00	1,393,220.00
	82,152,894.28	68,876,448.15

LIABILITIES	31.12.2017 EUR	31.12.2016 EUR
A. EQUITY		
I. Issued capital		
1. Subscribed capital	9,752,460.00	8,865,874.00
2. Mathematical value of own shares	- 134,126.00	- 134,126.00
	9,618,334.00	8,731,748.00
II. Capital reserve	26,120,308.31	21,066,768.11
III. Earnings reserves		
- Other earnings reserve	4,115,049.13	4,115,049.13
IV. Retained earnings	9,682,741.44	5,675,971.59
	49,536,432.88	39,589,536.83
B. PROVISIONS		
1. Provisions for taxes	68,065.00	72,228.49
2. Other provisions	2,260,496.57	2,061,216.55
	2,328,561.57	2,133,445.04
C. ACCOUNTS PAYABLE		
1. Payables to banks	26,003,705.93	23,504,678.82
2. Trade payables	564,751.00	1,024,081.00
3. Payables to affiliated companies	3,455,351.72	2,519,394.55
4. Other liabilities	264,091.18	105,311.91
- thereof for social security: EUR 3,502.31 (previous year: EUR 10.00)		
- thereof from taxes: EUR 241,913.59 (previous year: EUR 99,649.55)		
	30,287,899.83	27,153,466.28
	82,152,894.28	68,876,448.15

Masterflex SE, Gelsenkirchen

Notes for Financial Year 2017

Preliminary Remark

Masterflex SE as parent company of the Group is registered in the Commercial Register at Gelsenkirchen District Court under no. HRB 11744. The company's head office is in Gelsenkirchen (Germany). Masterflex SE operates primarily within Germany, as well as performing central tasks on behalf of the Group and its domestic and foreign companies.

General

The financial statements for the financial year 2017 have been prepared in accordance with the provisions of the German Commercial Code (HGB), the Stock Corporation Act (AktG) and supplementary provisions of the articles of association and generally accepted accounting principles.

In principle, accounting policies are applied which are unchanged from the year before (consistency principle). Measurement is performed based on the going concern principle.

The structure of the balance sheet and income statement is in accordance with the provisions of the Commercial Code. Masterflex SE is a large corporation pursuant to § 267 (3) Sentence 2 of the Commercial Code, as its shares have been listed in the Frankfurt Stock Exchange since 16 June 2000, in the Prime Standard segment.

The income statement is prepared using the total cost method.

Accounting Policies

Property, plant and equipment and intangible assets are recognised at cost less depreciation, based on their typical useful life, and in an amount allowable under tax rules. Cost includes direct material and production costs as well as indirect material and production costs, along with their share of general administrative expenses insofar as those costs accrued during the time of production.

Independently usable, movable and depreciable non-current assets with a cost of up to € 410 are written off entirely in the year of acquisition.

The following useful lives generally apply for non-current assets:

Intangible assets	3 - 15 years
Buildings, lightweight structures, external installations	10 - 50 years
Technical equipment and machinery	5 - 15 years
Other assets, operating and office equipment	3 - 15 years

Shares in and loans to affiliated companies are measured at cost. Factors which diminish the value of these items are recognised in the form of impairments insofar as these factors are permanent.

Non-current financial instruments and other loans are recognised at cost. Insofar as a near-market price is available as of the balance sheet date and the cost is higher than the price as of that date, the assets are recognised at the price as of the balance sheet date. Resulting losses are recognised through profit and loss.

In **inventories,** raw materials, supplies and merchandise are recognised at cost price or fair value, whichever is lower. Finished products are measured at cost, including direct material and production costs, as well as the appropriate share of general indirect operating and administrative costs.

Receivables and other assets are recognised at nominal value minus necessary impairments. All identifiable individual risks are taken into account. A general allowance in the amount of 1.0% is performed to reflect the general credit risk for trade receivables. Individual allowances are performed for evident defaults.

Cash in hand and bank balances are recognised at nominal value.

Payments made prior to the balance sheet date are recognised as **prepaid expenses** insofar as they represent expenses for periods after that date.

Current financial instruments are measured at cost or market value, whichever is lower.

Assets and liabilities denominated in **foreign currency** are generally translated at the average exchange rate as of the balance sheet date pursuant to § 256a of the Commercial Code. If the residual term of more than one year, the realisation principle and the historical cost principle are observed.

Deferred taxes are calculated for tax loss carry-forwards and for temporary differences in the recognised values of assets, liabilities and accrual and deferral items between the commercial and tax balance sheets. Masterflex SE recognises not only differences in the items of its own balance sheet, but also those in the balance sheets of controlled companies in which Masterflex SE holds shares. Deferred taxes are calculated based on the combined income tax rate of the companies included in Masterflex SE's single-entity relationship. The combined income tax rate includes corporate income tax, trade tax and the solidarity mark-up. If this results in a net tax expense, this expense is recognised in the balance sheet as a deferred tax liability. If deferred tax assets exceed deferred tax liabilities, net deferred tax assets are capitalised by exercising the option pursuant to § 274 (1) Sentence 2 of the German Commercial Code. Deferred tax assets exceeded deferred tax liabilities in the financial year.

Equity is recognised at nominal value.

In measuring **provisions,** all identifiable risks, contingent liabilities and imminent losses from pending transactions are taken into account. Provisions are recognised in the amount of the settlement amount necessary based on prudent commercial assessment.

Liabilities are recognised at their settlement amount.

Income and **expenses** are recognised in the period in which they accrue.

Notes to the Balance Sheet

Non-current assets

The presentation and development of the individual items in non-current assets are evident from the attached statement of gross non-current assets. Material changes in the financial year are attributable to the circumstances presented below:

Intangible assets
Intangible assets, in the amount of € 1,414 thousand, largely consist of purchased licenses, trademarks and similar assets.

Masterflex SE invested a total of € 218 thousand in research and development in the financial year. These amounts were spent exclusively on development and were therefore capitalised in full. Self-created intangible assets amounted to € 562 thousand as of the balance sheet date.

Shares in affiliated companies
Shares in affiliated companies amount to € 31,806 thousand (previous year: € 31,725 thousand). The increase in this item results from an increase by € 75 thousand in the carrying amount of the company's investment in Masterflex Vertriebs GmbH and from the capitalisation of Masterflex Scandinavia AB, in the amount of € 6 thousand.

Loans to affiliated companies
Loans to affiliated companies consist exclusively of loan claims. Taking into account intra-group financing arrangements, there were additions in the amount of € 15,029 thousand and disposals in the amount of € 3,793 thousand.

Non-current financial instruments
Investment securities relate to income-yielding stock from a European Share Index. The changes largely consist of changes in measurement as of the balance sheet date.

Current assets

Inventories

Raw materials, supplies and merchandise are measured at cost, taking into account ancillary purchase costs.

Finished goods and work in progress are measured at the cost of production. The cost of production includes direct material and labour costs as well as the appropriate share of indirect material and labour costs. The appropriate share of general administrative expenses is also taken into account, to the extent that they relate to the production period.

Finished products consist of hoses manufactured by the company.

Receivables and other assets

Receivables and other assets were measured at their nominal value. Individual and general allowances were performed to an adequate extent and were subtracted from the amount of the receivables.

Receivables from affiliated companies exist in the amount of € 6,506 thousand and include claims arising from loans, single-entity relationships and clearing arrangements. Receivables from affiliated companies include trade receivables in the amount of € 2,822 thousand.

Other assets decreased by € 167 thousand, to € 250 thousand, and largely consist of tax refund claims in the amount of € 159 thousand, receivables from supplier bonuses (€ 50 thousand), accrued interest for an interest cap agreement measured at fair value (€ 18 thousand) and security deposits in the amount of € 5 thousand.

Further disclosures concerning current assets

All receivables and other assets have a residual term of less than one year.

Cash in hand and bank balances

Cash amounts to € 906 thousand (previous year: € 1,257 thousand) and consists of bank balances as well as cash in hand and checks.

Prepaid expenses

Prepaid expenses include an administrative fee of € 248 thousand arising from the syndicated loan provided in the financial year.

Deferred tax assets

To calculate deferred taxes based on tax loss carry-forwards, the amount of the tax relief is measured using the individual company tax rates at the time the differences were eliminated and is not discounted. Tax loss carry-forwards amount to € 4,859 thousand, consisting of € 3,228 thousand in corporate income tax loss carry-forwards and € 1,631 thousand in trade tax loss carry-forwards. The underlying income tax rate as of 31 December 2017 is 31.23%. It is assumed with adequate probability that tax relief will arise in the next five financial years in the amount of deferred tax assets. The rules of minimum taxation are also taken into account.

Deferred tax liabilities arise from self-created intangible assets in the amount of € 649 thousands. Deferred taxes are recognised as net assets or net liabilities.

A total of € 559 thousands in deferred tax assets were recognised as of 31 December 2017.

Deferred taxes are determined as follows:

Deferred taxes arise from:

Values in €k

	2017	2016
Assets:		
Loss carry-forwards	762	1,535
Liabilities:		
Development costs	-203	-142
Net assets	559	1,393

Equity

Subscribed capital/issued capital

The subscribed capital of Masterflex SE increased by € 886,586.00, from € 8,865,874.00 to € 9,752,460.00, through a capital increase on 21 March 2017 and is fully paid up.

On the basis of the "2016 authorised capital" created by the shareholders in the 2016 annual general meeting, the Executive Board exercised the authorisation to increase the company's share capital by € 886,586.00 in exchange for cash contributions. This took place through the issuance of 886,586 new bearer shares with a dividend entitlement as of 1 January 2016. The new shares were issued with exclusion of subscription rights of existing shareholders within the framework of a non-public private placement and were subscribed at a price of € 6.70.

Subscribed capital in this financial year is now € 9,752,460.00, divided into 9,752,460 bearer shares in the form of no-par-value shares, with each representing € 1.00 of the share capital.

The company currently holds 134,126 treasury shares. The 134,126 treasury shares, representing 1.38% of the share capital, have been subtracted from subscribed capital.

The shares were acquired between September 2004 and July 2005 based on resolutions by the shareholders in the Annual General Meeting in accordance with § 71 (1) No. 8 of the German Stock Corporation Act (AktG). The company was authorised by the Annual General Meeting resolutions of 9 June 2004 and 8 June 2005 to acquire treasury shares representing a share in the share capital of up to € 450,000. At the date of the relevant Annual General Meetings, this represented 10% of the company's share capital of € 4,500,000. The acquired shares, together with the other treasury shares held by the company or attributable to it in accordance with § 71 a ff. of the German Stock Corporation Act (AktG), could not exceed 10% of the company’s share capital at any time. This authorisation may not be used for the purpose of trading in treasury shares.

Accordingly, Masterflex SE reports issued capital of € 9,752,460.00.

Authorisation to buy treasury shares
By resolution of the shareholders of 14 June 2016, the Executive Board has been authorised

a) with the approval of the Supervisory Board, to purchase treasury shares amounting to up to 10% of the company's existing share capital as of the date the resolution was adopted or as of the time the authorisation is exercised, if the latter value is lower. The acquired shares, together with the other treasury shares held by the company or attributable to it in accordance with § 71 d and 71 e of the German Stock Corporation Act (AktG), cannot exceed 10% of the company's share capital at any time. The authorisation took effect on 15 June 2016 and remains in effect through 14 June 2021. This authorisation may not be used for the purpose of trading in treasury shares.

b) Modes of acquisition
The acquisition is to be made (1) via the stock exchange or (2) via a public purchase offer directed to all shareholders of the company or via an invitation to all shareholders to submit offers to sell ("Public Offer").

   a. In purchasing treasury shares in the stock market, the purchase price per share (not including ancillary purchase costs) may not exceed or fall short of the stock market price of the company's shares by more than 10%. The relevant stock market price in terms of this authorisation shall be the unweighted arithmetic mean price of the company's shares in closing auctions in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) during the last three stock exchange days prior to acquisition of the shares.

   b. If treasury shares are purchased through a Public Offer to all shareholders of the company, the offered purchase price or the high and low ends of the range for the purchase price per share (not including ancillary purchase costs) may not exceed or fall short of the stock market price of the company's shares by more than 10%. The relevant stock market price in terms of (2) shall be the unweighted arithmetic mean price of the company's shares in closing auctions in Xetra trading on the Frankfurt Stock Exchange (or a comparable successor system) during the sixth through third stock exchange days prior to publication of the Public Offer.

      The volume of the purchase may be limited. If, in case of a Public Offer, the volume of offered shares exceeds the specified purchased volume, (i) the offer may be accepted in proportion to the number of shares tendered in each case (tender ratio), rather than in proportion to the ownership percentage of the tendering shareholders in the company (ownership ratios). The company may specify (ii) preferred acceptance of small numbers of shares which are offered for purchase or tendered, with up to 100 shares per shareholder, and (iii) rounding in accordance with commercial principles in order to avoid fractional shares. Any additional shareholder rights of tender are excluded in cases (i) through (iii).

c) Use of treasury shares
The Executive Board can sell the acquired treasury shares subject to compliance with the principle of equal treatment (§ 53a of the German Stock Corporation Act (AktG)). In particular, a sale via the stock exchange or by means of an invitation to all shareholders in proportion to their ownership ratio is sufficient.

The Executive Board is further authorised, with the approval of the Supervisory Board, to offer or grant the acquired treasury shares to third parties with exclusion of shareholders' subscription rights in the following cases:

a. in exchange for payment in cash, provided the agreed-upon price is not significantly lower than the stock market price of the company's shares at the time of the sale;

b. in connection with corporate mergers or the acquisition (even indirectly) of companies, parts of companies or equity interests in companies, including increasing existing shareholdings, or other assets which can be used as contributions in connection with such acquisition projects, including receivables from the company;

c. for the fulfilment of warrants or convertible rights granted by the company or a company in which the company holds a majority interest, directly or indirectly, in connection with the issuance of bonds, or the fulfilment of convertible obligations arising from bonds issued by the company or a company in which the company holds a majority interest, directly or indirectly;

d. as employee shares within the context of agreed-upon remuneration or special programmes to employees of the company and companies affiliated with the company (including corporate officers); this authorisation applies for the company's Supervisory Board insofar as treasury shares are offered, promised or transferred to members of the company's Executive Board;

e. for the execution of "scrip dividends" by selling shares in exchange for the transfer of shareholder dividend entitlements, in whole or in part.

d) However, the authorisation pursuant to (1) above only applies subject to the provision that the treasury shares sold with subscription rights excluded do not exceed 10% of share capital, both at the time the authorisation is issued and at the time the authorisation is utilised with subscription rights excluded. Shares are to be included in the above 10% limit that were sold or issued during the term of this authorisation based on other authorisations in direct or analogous application of § 186 (3) Sentence 4 of the Stock Corporation Act (AktG) with subscription rights excluded ("allocation"). If an exercised authorisation is renewed by the shareholders during the term of this authorisation, they are not counted towards this limit to the extent in which the renewed authorisation permits the issuance of shares with exclusion of subscription rights in direct or corresponding application of § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

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

The Executive Board is also authorised, with the approval of the Supervisory Board, to exclude shareholder subscription rights for fractional amounts in case of the sale of treasury shares in connection with an offer directed to all shareholders.

The Executive Board is further authorised, with the approval of the Supervisory Board, to redeem the treasury shares it acquires without any further shareholder resolution. It is also authorised, in connection with such redemptions, to redeem shares either with or without a share capital reduction. If shares are redeemed without a share capital reduction, the remaining shares will comprise a higher percentage of the share capital pursuant to § 8 (3) of the German Stock Corporation Act (AktG). In that case, the Executive Board is also authorised to adjust the number of shares in the company stated in the articles of association (§ 237 (3) No. 3 of the Stock Corporation Act (AktG)).

e) Further details
Further details concerning utilisation of the authorisation in each case are to be determined by the Executive Board. The above authorisations may be exercised once or multiple times, individually or together. The provisions of the German Securities Acquisition and Takeover Act (WpÜG) are to be observed if and to the extent applicable. In purchasing treasury shares, the Executive Board will comply with the statutory provisions for the hypothetical formation of reserves in the amount of the expenditures for these acquisitions (§ 71 (2) Sentence 2 of the German Stock Corporation Act (AktG)) in accordance with its duty.

Neither the Executive Board nor the Supervisory Board have exercised any of these authorisations.

Authorised capital

By resolution of the Annual General Meeting on 14 June 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the company’s share capital by up to € 4,432,937 through 14 June 2021 by issuing up to 4,432,937 bearer shares on one or more occasion in exchange for cash and/or non-cash contributions (2016 authorised capital). The Executive Board is authorised to determine the further content of the equity rights and the terms and conditions of the issue of these shares, subject to the approval of the Supervisory Board. The new shares are to be offered to shareholders for subscription. The new shares can also be acquired by a bank or a company that operates in accordance with § 53 (1) Sentence 1 or § 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

a) for fractional amounts;

b) for capital increases in exchange for non-cash contributions;
particularly:

   I. for granting shares in connection with corporate mergers or the acquisition of companies, parts of companies or equity interests in companies, including increasing existing shareholdings, or other assets which can be used as contributions in connection with such acquisition projects, including receivables from the company;

   II. for the acquisition of other assets or entitlements to the purchase of assets; as well as

   III. to carry out a so-called "scrip dividend," in which the shareholders are offered the option of contributing dividend claims to which they are entitled to the company as non-cash contributions (in whole or in part) in exchange for new shares;

c) in the case of cash contributions, if the issue amount of the shares is not significantly lower than the stock market price of the company's shares already listed on the date the issue price is finalised;

d) in order to grant the holders or creditors of bonds which have been or will be issued by the company or by a company in which the company holds a majority interest, directly or indirectly, which are associated with warrant or conversion rights to shares in the company or warrant or conversion obligations, a subscription right to new shares in the company to the extent to which they would be entitled as shareholders after exercising their warrants and/or conversion rights or after fulfilment of their warrant and/or conversion obligations.

The total shares issued with exclusion of subscription rights in exchange for cash and/or non-cash contributions must not exceed 20% of the share capital at the time the proposed authorisation takes effect or the existing share capital at the time the authorisation is exercised, if the latter value is lower. The exclusion of subscription rights for fractional amounts is not taken into account in this 20% limit. Shares are to be included in the above 20% limit that were sold or issued during the term of this authorisation based on other authorisations with subscription rights excluded ("allocation"). Issuing or establishing warrants or conversion rights or duties to shares in the company based on bonds issued by the company or by a company in which the company holds a majority interest, directly or indirectly, count as shares issued for these purposes if the bonds are issued based on such an authorisation during the term of this authorisation with subscription rights excluded. However, if another issued authorisation is renewed by the shareholders during the term of this authorisation, they are not counted towards this limit to the extent that the renewed authorisation permits the issuance of shares with subscription rights excluded.

The total shares issued with the exclusion of subscription rights in exchange for cash contributions pursuant to subsection c) must not exceed 10% of the share capital at the time the proposed authorisation takes effect or of the existing share capital at the time this authorisation is exercised, if the latter value is lower.

Shares are to be included in the above 10% limit that were sold or issued during the term of this authorisation as a result of other authorisations in direct or analogous application of § 186 (3) Sentence 4 of the Stock Corporation Act (AktG) with subscription rights excluded ("allocation"). Furthermore, those shares that are or are to be issued in order to service bonds with conversion or warrant rights or obligations count towards this limit, provided that these bonds were issued during the term of this authorisation with subscription rights excluded by the company or a company in which the company holds a majority interest, directly or indirectly, in accordance with § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG). However, if an exercised authorisation is renewed by the shareholders during the term of this authorisation, they are not counted towards this limit to the extent in which the renewed authorisation permits the issuance of shares with exclusion of subscription rights in direct or corresponding application of § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

On 15 March 2017, the Executive Board resolved, with the approval of the Supervisory Board, to make partial use of the 2016 authorised capital and increase the company's share capital with exclusion of the shareholders' subscription rights in accordance with §§ 203 (2), 186 (3) Sentence 4 of the German Stock Corporation Act (AktG) by € 886,586, from € 8,865,874 to € 9,752,460, by issuing 886,586 new bearer shares in exchange for cash contributions with a dividend entitlement as of 1 January 2016. This corresponds to an increase of the company's existing share capital of 10% at the time the authorisation took effect and at the time the company's 2016 authorised capital was utilised. The capital increase was then entered into the relevant commercial register on 21 March 2017 so that since that date the company's share capital totalled € 9,752,460. The 2016 authorised capital currently consists of € 3,546,351 due to the partial utilisation described.

By resolution of the Annual General Meeting on 27 June 2017, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the company's share capital by up to € 1,329,879 by 14 June 2021 by issuing up to 1,329,879 bearer shares on one or more occasion in exchange for cash and/or non-cash contributions (2017 authorised capital). The Executive Board is authorised to determine the further content of the equity rights and the terms and conditions of the issue of these shares, subject to the approval of the Supervisory Board. The new shares are to be offered to shareholders for subscription. The new shares can also be acquired by a bank or a company that operates in accordance with § 53 (1) Sentence 1 or § 53b (1) Sentence 1 or (7) of the German Banking Act (KWG) with the obligation to offer them to shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

a) for fractional amounts;

b) for capital increases in exchange for non-cash contributions;
particularly:

    IV. for granting shares in connection with corporate mergers or the acquisition of companies, parts of companies or equity interests in companies, including increasing existing shareholdings, or other assets which can be used as contributions in connection with such acquisition projects, including receivables from the company;

    V. for the acquisition of other assets or entitlements to the purchase of assets; as well as

VI. to carry out a so-called "scrip dividend," in which the shareholders are offered the option of contributing dividend claims to which they are entitled to the company as non-cash contributions (in whole or in part) in exchange for new shares;

c) in the case of cash contributions, if the issue amount of the shares is not significantly lower than the stock market price of the company's shares already listed on the date the issue price is finalised;

d) in order to grant the holders or creditors of bonds which have been or will be issued by the company or by a company in which the company holds a majority interest, directly or indirectly, which are associated with warrant or conversion rights to shares in the company or warrant or conversion obligations, a subscription right to new shares in the company to the extent to which they would be entitled as shareholders after exercising their warrants and/or conversion rights or after fulfilment of their warrant and/or conversion obligations.

The total shares issued with exclusion of subscription rights in exchange for cash and/or non-cash contributions must not exceed 20% of the share capital at the time the proposed authorisation takes effect or the existing share capital at the time the authorisation is exercised, if the latter value is lower. The exclusion of subscription rights for fractional amounts is not taken into account in this 20% limit. Shares are to be included in the above 20% limit that were sold or issued during the term of this authorisation based on other authorisations with subscription rights excluded ("allocation"). Issuing or establishing warrants or conversion rights or duties to shares in the company based on bonds issued by the company or by a company in which the company holds a majority interest, directly or indirectly, count as shares issued for these purposes if the bonds are issued based on such an authorisation during the term of this authorisation with subscription rights excluded. However, if another issued authorisation is renewed by the shareholders during the term of this authorisation, they are not counted towards this limit to the extent that the renewed authorisation permits the issuance of shares with subscription rights excluded.

The total shares issued with the exclusion of subscription rights in exchange for cash contributions pursuant to subsection c) must not exceed 10% of the share capital at the time the proposed authorisation takes effect or if this value is less, of the existing share capital at the time this authorisation is exercised.

Shares are to be included in the above 10% limit that were sold or issued during the term of this authorisation as a result of other authorisations in direct or analogous application of § 186 (3) Sentence 4 of the Stock Corporation Act (AktG) with subscription rights excluded ("allocation"). Furthermore, those shares that are or are to be issued in order to service bonds with conversion or warrant rights or obligations count towards this limit, provided that these bonds were issued during the term of this authorisation with subscription rights excluded by the company or a company in which the company holds a majority interest, directly or indirectly, in accordance with § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG). However, if an exercised authorisation is renewed by the shareholders during the term of this authorisation, they are not counted towards this limit to the extent in which the renewed authorisation permits the issuance of shares with exclusion of subscription rights in direct or corresponding application of § 186 (3) Sentence 4 of the German Stock Corporation Act (AktG).

The Executive Board is authorised to amend the wording of § 4 of the articles of association following the full or partial implementation of the share capital increase to reflect the extent to which 2017 authorised capital has been utilised and, if the 2017 authorised capital is not fully utilised by 14 June 2021, after the authorisation period expires.

The Executive Board has not yet made use of the above authorisation.

Contingent capital

The company's shareholders authorised the Executive Board on 24 June 2014, with the approval of the Supervisory Board, to issue registered or bearer warrants and/or convertible bonds, once or multiple times, with a total nominal value of up to € 45,000,000.00 through 23 June 2019.

The shareholders have a legal right of subscription to these bonds. However, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights to the bonds in the following cases:

(i) for fractional amounts;

(ii) for the issuance of bonds and debentures in exchange for cash contributions if the issue price is significantly lower than the theoretical market value of the bonds and debentures determined in accordance with accepted actuarial principles and the bonds and debentures entitle and/or obligate the holders to purchase shares amounting in aggregate to no more than 10% of the share capital; or

(iii) for the issuance of bonds and debentures in exchange for non-cash contributions if the value of the non-cash contribution is not unduly low compared to the theoretical market value of the bonds and debentures in accordance with accepted actuarial principles.

The sum of shares which are issued on the basis of the issuance of bonds and debentures with subscription rights excluded must not exceed 20% of the share capital of the company in total.

Holders and/or creditors of warrants and convertible bonds may be granted options and/or conversion rights, or may assume corresponding obligations, for a total of up to 4,432,937 new bearer shares in the company, representing a total of up to € 4,432,937.00 of the share capital. To satisfy these rights and obligations, the share capital of the company was conditionally increased by resolution of the General Meeting of 24 June 2014.

The Executive Board has, thus far, not made use of the authorisation to issue warrants and convertible bonds which was issued on 24 June 2014.

Capital reserve

The capital reserve amounts to € 26,120,308.31.

This amount results from the premium from the capital increase adopted on 6 May 2000, for 900,000 shares in all. The shares were placed on the Frankfurt Stock Exchange on 16 June 2000 at an issue price of € 25.00 per share. The premium was transferred to the capital reserve prior to deducting the bank's commission and amounted to € 21,600,000.00.

The capital increase entered on 6 December 2010 raised the capital reserve by € 8,731,748.00 relative to its position in the financial year 2009. The shares were placed at a price of € 3.00 per share. The increase results from the premium from the issued shares. The capital reserve was reduced by the difference between the par (i.e. mathematical) value of the shares and the cost of own shares, in the amount of € 303,923.13.

The Executive Board resolved on 18 March 2014 to withdraw a sum in the amount of € 8,961,056.76 from the capital reserve to cover the loss carry-forward in the amount of € 12,239,696.73, of which € 8,961,056.76 was left after subtracting the net profit from the financial year 2013, so that the retained losses for 31 December 2013 were reduced to € 0.00.

The capital increase entered on 21 March 2017 raised the capital reserve by € 5,053,540.20 relative to its position in the financial year 2016. The shares were placed at a price of € 6.70 per share. The increase results from the premium from the issued shares.

Earnings reserves

In addition to the other earnings reserves, in the amount of € 438,049.13, the option in accordance with article 67 (6) of the Introductory Act to the German Commercial Code was exercised in the financial year 2010 and a sum in the amount of € 3,677,000.00 was transferred to other earnings reserves.

This results in total earnings reserves in the amount of € 4,115,049.13.

Net profit/retained earnings

The net profit earned by Masterflex SE in the financial year 2017 amounted to € 4,488 thousand (previous year: €1,560 thousand). Including the profit carry-forward in the amount of € 5,195 thousand, retained earnings amounted to € 9,683 thousand.

As at 31 December 2017, the amounts excluded from distribution by Masterflex SE amounted to € 1,120,812.83 in total of which € 559,257.00 was allocated to deferred tax assets and € 561,555.83 for capitalisation of development costs.

Provisions

The content and development of other provisions are evident from the statement below.

Provisions have developed as follows:

	01.01.2017 €	Utilisation €	Reversal €	Addition €	31.12.2017 €
Provisions for taxes					
Trade tax	61,048.03	61,048.03	0.00	68,065.00	68,065.00
Corporate income tax	10,596.00	10,596.00	0.00	0.00	0.00
Solidarity mark-up	584.46	584.46	0.00	0.00	0.00
	72,228.49	**72,228.49**	**0.00**	**68,065.00**	**68,065.00**
Other provisions					
Outstanding invoices	1,103,175.55	77,204.45	2,295.55	172,447.02	1,196,122.57
Employee bonuses/commissions	662,341.00	470,757.00	0.00	546,740.00	738,324.00
Bonuses to customers	99,000.00	97,618.03	1,381.97	108,350.00	108,350.00
Financial statements and auditing	94,800.00	94,800.00	0.00	104,950.00	104,950.00
Warranties	38,350.00	38,050.00	0.00	40,300.00	40,300.00
Professional association	22,000.00	22,000.00	0.00	29,650.00	29,650.00
Vacation	21,800.00	20,600.00	1,200.00	20,600.00	20,600.00
Recordkeeping costs	12,900.00	12,800.00	100.00	12,800.00	12,800.00
Overtime	3,850.00	3,850.00	0.00	6,400.00	6,400.00
Publication costs	3,000.00	3,000.00	0.00	3,000.00	3,000.00
	2,061,216.55	**840,979.48**	**4,977.52**	**1,045,237.02**	**2,260,496.57**
	2,133,445.04	**913,207.97**	**4,977.52**	**1,113,302.02**	**2,328,561.57**

Accounts payable

The "Statement of Accounts Payable" below contains further disclosures.

Statement of Accounts Payable – Additional Disclosures for C. Accounts Payable:

2 0 1 7	Total	Residual terms: Less than one year – General	* from taxes ** from social security	1-5 years	More than 5 years	Thereof, secured by liens and similar rights	Type of security
	€	€	€	€	€	€k	
1. Liabilities to banks	26,003,705.93	7,503,705.93	0.00	18,500,000.00	0.00	30,288	Universal assignment of financial assets: € 17,619 thousand; Transfer by way of security: € 12,669 thousand; (the figures are carrying amounts.)
(previous year)	(23,504,678.82)	(2,504,678.82)	(0.00)	(21,000,000.00)	(0.00)	(27,674)	
2. Trade payables	564,751.00	564,751.00	0.00	0.00	0.00	0	Reservation of ownership
(previous year)	(1,024,081.00)	(1,024,081.00)	(0.00)	(0.00)	(0.00)	(0)	
3. Accounts payable to affiliated companies	3,455,351.72	3,455,351.72	0.00	0.00	0.00	0	None
(previous year)	(2,519,394.55)	(2,519,394.55)	(0.00)	(0.00)	(0.00)	(0)	
4. Other liabilities	264,091.18	264,091.18	*241,913.59	0.00	0.00	0	None
(previous year)	(105,311.91)	(105,311.91)	(*99,649.55)	(0.00)	(0.00)	(0)	
			**3,502.31				
			(**10.00)				
	30,287,899.83	**11,787,899.83**	**245,415.90**	**18,500,000.00**	**0.00**	**30,288**	
(Previous year)	**(27,153,466.28)**	**(6,153,466.28)**	**(99,659.55)**	**(21,000,000.00)**	**(0.00)**	**(27,674)**	

The "accounts payable to affiliated companies" item includes trade payables and financial liabilities.

As of 31 December 2017, the company held at least 20% of shares in the following companies:

Company	Book value of capital		Equity interest	2017 net income		
Masterduct Holding Inc. Houston, Texas, USA	USD	2,318,849	100 %	USD	0	
- Flexmaster U.S.A. Inc. Houston, Texas, USA	USD	7,427,393	100 %	USD	804,860	
- Masterduct Inc. Houston, Texas, USA	USD	5,799,783	100 %	USD	766,419	
- Masterduct Holding S.A. Inc. Houston, Texas, USA	USD	-51,442	100 %	USD	0	
- Masterduct Brazil LTDA. Santana de Parnaiba, Brazil	BRL	1,402,179	100 %	BRL	-413,738	
Masterflex S.A.R.L. Beligneux, France	EUR	1,433,041	80 %	EUR	228,079	
Masterflex Technical Hoses Ltd. Oldham, England	GBP	464,821	100 %	GBP	373,583	
FLEIMA-PLASTIC GmbH Wald-Michelbach	EUR	978,062	100 %	EUR	0	*
Novoplast Schlauchtechnik GmbH Halberstadt	EUR	5,928,075	100 %	EUR	0	*
Masterflex Handelsgesellschaft mbH Gelsenkirchen	EUR	767,034	100 %	EUR	40,639	
Masterflex Scandinavia AB Kungsbacka, Sweden	SEK	100,000	100 %	SEK	-55,967	
M + T Verwaltungs GmbH Gelsenkirchen	EUR	9,972,596	100 %	EUR	0	*
- Matzen und Timm GmbH Norderstedt	EUR	1,480,328	100 %	EUR	0	*

Company	Book value of capital		Equity interest	2017 net income	
Masterflex Vertriebs GmbH Gelsenkirchen	EUR	-2,346,096	100 %	EUR	-302,943
Masterflex Cesko s.r.o. Plana, Czech Republic	CZK	48,917,812	100 %	CZK	1,580,572
Masterflex Asia Holding GmbH Gelsenkirchen	EUR	544,701	80 %	EUR	2,591
- Masterflex Asia Pte. Ltd. Singapore, Republic of Singapore	EUR	-4,373,019	100 %	EUR	-659,958
- Masterflex Hoses (Kunshan) Co. Ltd Kunshan, Jiangsu, P.R. China	CNY	1,134,987	100 %	CNY	-865,479

* Profit and loss transfer agreement and/or exemption in accordance with § 264 (3) of the German Commercial Code

€ 3,222 thousand in income was transferred to Masterflex SE in 2017 based on the profit and loss transfer agreements between Masterflex SE and M + T Verwaltungs GmbH, Novoplast Schlauchtechnik GmbH and FLEIMA-PLASTIC GmbH.

Subscribed capital in all companies in which Masterflex SE holds shares is fully paid in.

Notes to the Income Statement

Revenue

Revenue in the amount of € 19,927 thousand was earned in the financial year in the High-Tech Hose Systems segment (previous year: € 18,900 thousand). Pursuant to § 285 No. 4 of the German Commercial Code, this revenue was earned in the following geographical markets:

	2017 €k	**2016 €k**
Germany	13,054	12,542
Europe	4,713	4,544
Other	2,160	1,814
Total	**19,927**	**18,900**

Other operating income

Other operating income, in the amount of € 2,663 thousand, includes income from write-ups in the amount of € 2,456 thousand, income from clearing transactions with affiliated companies in the amount of € 135 thousand, grants from the Federal Employment Agency in the amount of € 40 thousand, insurance indemnities in the amount of € 9 thousand, income from the reversal of provisions in the amount of € 5 thousand and income from the reduction in individual allowances in the amount of € 2 thousand.

Depreciation and amortisation
This item consists exclusively of scheduled depreciation and amortisation.

Income from other securities and loans
Income from other securities and loans, in a total amount of € 526 thousand, includes € 523 thousand in interest income from affiliated companies.

Prior-period income and expenses
The prior-period income and expenses includes in the "other operating income" and "other operating expenses" items are of minor importance.

Income taxes
Income taxes amount to € 156 thousand and relate to current tax expense.

Deferred tax assets decreased by € 834 thousand (previous year: € 412 thousand).

Other financial commitments and guarantees

No guarantees pursuant to § 251 of the German Commercial Code existed as of 31 December 2017.

Other financial commitments consist primarily of lease agreements.

Other financial commitments are comprised as follows:

Lease objects	**< 1 year €k**	**1-5 years €k**	**> 5 years €k**
Vehicle leases	83	94	0
Copiers and fax machines	20	48	0
Production space and warehouses	20	0	0
Server rental and maintenance	44	73	0

Derivative financial instruments
Effective 30 September 2016, Masterflex SE entered into a derivative financial instrument for hedging against varying interest payments from variable-rate loans (interest cap). The term of the interest cap agreement runs through 30 June 2021.

The interest cap agreement had a nominal value of € 13.300 thousand on the balance sheet date (previous year: € 13.300 thousand), and a market value of € 18 thousand (previous year:

€ 37 thousand). The fair value of the interest cap agreement was determined using the Black-Scholes method.

Other Disclosures

Corporate officers

In accordance with the articles of association, the company's Executive Board must consist of at least one member. The Executive Board currently has two members, specifically:

1. Dr.-Ing. Andreas Bastin,
   Chief Executive Officer
   Member of the Advisory Board of Montanhydraulik GmbH, Holzwickede

2. Mr. Mark Becks,
   Chief Financial Officer

Compensation for Executive Board members is comprised of performance-based and non-performance-based components. The non-performance-based component is comprised of the fixed compensation, in-kind remuneration and private annuity insurance premiums, while the performance-based component is broken down into an immediate bonus and a long-term incentive which is paid out in the third year after the year of receipt. A review of the total amount and the parameters takes place on a regular basis after the passage of two years.

In-kind remuneration included in the non-performance-based component of Executive Board remuneration largely consists of insurance premiums for a disability insurance policy, whole life insurance and private use of a company car.

Disclosure of the remuneration for the Executive Board takes place in individualised form as is recommended in the German Corporate Governance Code and the standardised reference tables (as amended). The essential characteristic of these reference tables is the separate classification of the granted subsidies (Table 1) and the actual inflow (Table 2). For grants, the target values will also be specified (payment with 100% achievement of objectives) as well as the achievable minimum and maximum values.

Table 1: Compensation of the Executive Board (grant consideration)

(All disclosures in €k)

	Dr. Andreas Bastin Chief Executive Officer since 1 April 2008				Mark Becks Chief Financial Officer since 1 June 2009			
	2016	2017	2017	2017	2016	2017	2017	2017
	Initial value	Initial value	Minimum	Maximum	Initial value	Initial value	Minimum	Maximum
Fixed remuneration	342	357	357	357	237	247	247	247
Fringe benefits	31	42	42	42	41	38	38	38
Total	373	399	399	399	278	285	285	285
Annual variable remuneration								
Bonus	137	142	0	158	75	94	0	106
Multi-annual var. remuneration								
Bonus 2017 - 2019		73	0	82		49	0	54
Bonus 2016 - 2018	71		0	82	38		0	54
Total compensation	581	614	399	721	391	428	285	499

Table 2: Compensation of the Executive Board (inflow consideration)

(All disclosures in €k)

	Dr. Andreas Bastin Chief Executive Officer since 1 April 2008				Mark Becks Chief Financial Officer since 1 June 2009			
	2016	2017	2017	2017	2016	2017	2017	2017
	Initial value	Initial value	Minimum	Maximum	Initial value	Initial value	Minimum	Maximum
Fixed remuneration	342	357	357	357	237	247	247	247
Fringe benefits	31	42	42	42	41	38	38	38
Total	373	399	399	399	278	285	285	285
Annual variable remuneration								
Bonus	111	141	0	158	60	76	0	106
Multi-annual var. remuneration								
Bonus 2017 - 2019		62	0	82		34	0	54
Bonus 2016 - 2018	29		0	82	16		0	54
Total compensation	513	602	399	721	354	395	285	499

In accordance with the articles of association, the Supervisory Board presently consists of three members:

1. Georg van Hall, auditor and accountant
   Chairman of the Supervisory Board

2. Dr. Gerson Link, Chief Executive Officer of InnoTec TSS AG
   Vice Chairman
   Chairman of the Supervisory Board of Rodenberg Türsysteme AG, Porta Westfalica
   Member of the Supervisory Board of Waag & Zübert Value AG, Nuremberg

3. Jan van der Zouw
   Chairman of the Advisory Board of Europart Holding GmbH, Hagen-Haspe
   Chairman of the Supervisory Board of Den Helder Airport CV, Den Helder/Netherlands
   Member of the Supervisory Board of Aalberts Industries NV, Langbroek/Netherlands
   Chairman of the Supervisory Board of Van Wijnen Holding NV Baarn/Netherlands
   Member of the Supervisory Board of HGG Group BV Wieringerwerf/Netherlands
   Chairman of the Advisory Board of VIBA NV Zoetermeer/Netherlands
   Chairman of the Advisory Board of LievenseCSO Infra B.V. Breda/Netherlands

The members of the Supervisory Board can be reached at the address of the company's management. All members of the Supervisory Board receive fixed compensation for each full year of service in the Supervisory Board, aside from reimbursement of their expenditures, and an attendance allowance of € 0.5 thousand for each meeting in which they take part.

By resolution of the shareholders at the Annual General Meeting of 16 June 2015, § 15 (1) of the articles of association, relating to remuneration of the Supervisory Board, was revised: in addition to reimbursement of his or her expenditures, each member of the Supervisory Board receives fixed annual compensation, payable at the end of each financial year. The Chairman's fixed compensation amounts to € 30 thousand per year, that of the Vice Chairman of the Supervisory Board amounts to € 25 thousand per year and that of a simple member of the Supervisory Board amounts to € 20 thousand per year. Supervisory Board members who serve on the Supervisory Board for only part of a financial year receive compensation in accordance with the length of their service.

Total remuneration to the Supervisory Board amounted to € 81 thousand.

Members of the Supervisory Board have not received any additional remuneration in the reporting year and/or benefits for services provided personally, in particular, consulting and brokerage services. No credit or advances were granted to Supervisory Board members, as in previous years, nor were any contingent liabilities in their favour entered into.

Disclosures concerning voting shares in the company
Changes in shareholders in the financial year 2017 are presented below:

1. LBBW Asset Management Investmentgesellschaft mbH of Stuttgart, Germany, notified us on 27 February 2017 pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in Masterflex SE of Gelsenkirchen, Germany, had fallen below the threshold of 3% of voting rights and amounted on that date to 2.91% of voting rights (i.e. 257,781 voting rights).

2. Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, of Tübingen, Germany, notified us on 27 February 2017 pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in Masterflex SE of Gelsenkirchen, Germany, had fallen below the threshold of 3% of voting rights and amounted on that date to 2.91% of voting rights (i.e. 257,781 voting rights).

3. Grondbach GmbH, Germany, notified us on 8 March 2017 pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in Masterflex SE of Gelsenkirchen, Germany, had exceeded the threshold of 3% of voting rights and amounted on that date to 3.0003% of voting rights (i.e. 320,000 voting rights).

4. Grondbach GmbH, Germany, notified us on 21 March 2017 pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in Masterflex SE of Gelsenkirchen, Germany, had exceeded the threshold of 5% of voting rights on 16 March 2017 and amounted on that date to 5.3659% of voting rights (i.e. 475,732 voting rights).

5. Handels- und Beteiligungsgesellschaft Martin Müller mbH of Hamburg, Germany, notified us on 23 March 2017 pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its share of voting rights in Masterflex SE of Gelsenkirchen, Germany, had exceeded the threshold of 10% of voting rights on 21 March 2017 and amounted on that date to 11.86% of voting rights (i.e. 1,156,586 voting rights). Of these, 9.09% of voting rights are attributable to J.F. Müller & Sohn AG in accordance with § 22 (1) Sentence 1 of the German Securities Trading Act (WpHG).

   It also states as follows:

   "With respect to the goals pursued with acquisition of the voting rights, we hereby state that

   - the investment serves to implement strategic goals;
   - we do not have any specific plans to acquire additional voting rights at the moment, but further acquisitions cannot be ruled out;
   - we do not seek to exercise influence over the composition of executive, management and supervisory bodies through the exercise of our voting rights, and we support the current Executive Board and Supervisory Board;
   - we do not seek a substantial change in the capital structure of Masterflex SE, particularly with respect to the ratio of equity and debt financing and with respect to dividend policy.

With respect to the origin of the funds used to acquire the voting rights, we hereby state that this acquisition was made using our own funds."

Audit and advisory fees

€ 85 thousand in expenses accrued in the financial year 2017 for the audit of the 2017 consolidated financial statements and separate financial statements. € 1 thousand is incurred for non-audit services in connection with the review of the tax assessment for previous years.

Disclosures concerning the number of employees

The following persons were employed in the financial year 2017:

	31.03.2017	30.06.2017	30.09.2017	31.12.2017
Commercial employees	87	79	79	80
Industrial employees	59	62	59	61
	146	**141**	**138**	**141**

The average number of employees during the year was 142. The average number of temporary workers was 6.

Events after the balance sheet date

No events or developments of particular significance to the net assets, financial position and results of operations of the Masterflex Group have occurred since the balance sheet date.

Disclosures concerning the Corporate Governance Code (CGC)

In December 2017, the declaration of conformity in accordance with § 161 of the German Stock Corporation Act (AktG) was again submitted by the Executive Board and Supervisory Board of Masterflex SE and made permanently available to shareholders via the company's website, www.MasterflexGroup.com/investor-relations/Corporate-Governance.

Consolidated financial statements

Masterflex SE, as parent company, is exempt from the duty to prepare consolidated financial statements in accordance with the provisions of the German Commercial Code since the company prepares alternative consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS; § 315e of the German Commercial Code). The consolidated financial statements were prepared with due regard for all Standards and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect as of 31 December 2017, as applicable within the EU, and include all directly and indirectly affiliated companies. The consolidated financial statements are published in the electronic Federal Gazette (*Bundesanzeiger*).

Proposal for the appropriation of net retained earnings

The Executive Board and the Supervisory Board propose to the Annual General Meeting that, of the retained earnings of Masterflex SE as of 31 December 2017, amounting to € 9,682,741.44, € 673,283.38 in the form of 9,618,334 shares of the share capital as of 31 December 2017 be paid as a dividend to shareholders and the remaining amount of € 9,009,458.06 carried forward to a new account.

This corresponds to a dividend of € 0.07 per share.

This distribution is made based on the shares with a dividend entitlement on the banking day following the Annual General Meeting.

Gelsenkirchen, 14 March 2018

Masterflex SE

Dr. Andreas Bastin	Mark Becks
(Chief Executive Officer)	(Chief Financial Officer)

Masterflex SE, Gelsenkirchen

Statement of Changes in Non-Current Assets in the Financial Year 2017

	Historical costs					Accumulated amortisation					Carrying amounts	
	01.01.2017	Additions	Reclassifications	Disposals	31.12.2017	01.01.2017	Additions	Disposals	Write-ups	31.12.2017	31.12.2017	31. Dez. 2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. INTANGIBLE ASSETS												
1. Self-created industrial property rights and similar rights and assets	453,893.23	217,943.55	0.00	21,060.03	650,776.75	59,199.54	30,021.38	0.00	0.00	89,220.92	561,555.83	394,693.69
2. Purchased conessions, industrial property rights and similar rights and assets and licenses to such rights and assets	727,023.65	76,944.53	88,110.00	0.00	892,078.18	442,997.90	70,323.28	0.00	0.00	513,321.18	378,757.00	284,025.75
3. Advance payments	290,994.21	269,190.60	-86,778.30	0.00	473,406.51	0.00	0.00	0.00	0.00	0.00	473,406.51	290,994.21
	1,471,911.09	564,078.68	1,331.70	21,060.03	2,016,261.44	502,197.44	100,344.66	0.00	0.00	602,542.10	1,413,719.34	969,713.65
II. PROPERTY, PLANT AND EQUIPMENT												
1. Land, leasehold rights an buildings, including buildings on unowned land	10,567,241.65	284,768.51	275,432.22	0.00	11,127,442.38	560,728.62	268,865.75	0.00	0.00	829,594.37	10,297,848.01	10,006,513.03
2. Technical equipment and machinery	5,822,481.19	50,930.76	1,269,629.70	0.00	7,143,041.65	4,594,149.19	177,990.46	0.00	0.00	4,772,139.65	2,370,902.00	1,228,332.00
3. Other assets, operating and office equipment	1,942,134.84	327,121.44	45,508.48	81,170.49	2,233,594.27	1,271,271.84	156,410.43	81,015.00	0.00	1,346,667.27	886,927.00	670,863.00
4. Advance payments and construction in progress	610,311.87	1,722,684.27	-1,591,902.10	0.00	741,094.04	0.00	0.00	0.00	0.00	0.00	741,094.04	610,311.87
	18,942,169.55	2,385,504.98	-1,331.70	81,170.49	21,245,172.34	6,426,149.65	603,266.64	81,015.00	0.00	6,948,401.29	14,296,771.05	12,516,019.90
III. FINANCIAL ASSETS												
1. Shares in affiliated companies	41,099,859.28	80,685.25	0.00	2.00	41,180,542.53	9,374,652.19	0.00	2.00	0.00	9,374,650.19	31,805,892.34	31,725,207.09
2. Loans to affiliated companies	10,417,763.18	15,029,765.14	0.00	3,793,311.61	21,654,216.71	0.00	0.00	0.00	0.00	0.00	21,654,216.71	10,417,763.18
3. Non-current financial instruments	799,427.38	0.00	0.00	12,928.99	786,498.39	708,121.38	0.00	0.00	0.00	708,121.38	78,377.01	91,306.00
4. Other loans	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	52,317,049.84	15,110,450.39	0.00	3,806,242.60	63,621,257.63	10,082,773.57	0.00	2.00	0.00	10,082,771.57	53,538,486.06	42,234,276.27
	72,731,130.48	18,060,034.05	0.00	3,908,473.12	86,882,691.41	17,011,120.66	703,611.30	81,017.00	0.00	17,633,714.96	69,248,976.45	55,720,009.82

AUDIT REPORT OF THE INDEPENDENT AUDITOR

relating to Masterflex SE, Gelsenkirchen

Report on the Audit of the Separate Financial Statements and Combined Management Report

Audit opinions

We have audited the separate financial statements of Masterflex SE – comprising the balance sheet as at 31 December 2017 and profit and loss statement for the financial year from 1 January to 31 December 2017 and the notes to the separate financial statements, including presentation of the accounting policies. We have also audited the management report of Masterflex SE, which is combined with the consolidated management report (combined management report), for the financial year from 1 January to 31 December 2017.

In our opinion, based on the findings obtained during the audit,

- the attached separate financial statements conform in all material aspects to provisions of German commercial law in effect for corporations and give a true and fair view of the financial position and results of the Company as at 31 December 2017 and its results of operations for the financial year from 1 January to 31 December 2017; and

- give an accurate picture of the position of the Company in the attached combined management report. In all material aspects, this combined management report is consistent with the separate financial statements, corresponds to the German statutory regulations and accurately represents the opportunities and risks of future development. Our judgment as to the combined management report does not extend to the content of the components of the combined management report which are mentioned in the annex.

In accordance with § 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the propriety of the separate financial statements and the combined management report.

Basis for the audit report

We have carried out our audit of the separate financial statements and the combined management report in compliance with § 317 of the German Commercial Code and the EU Audit Regulation (Regulation No. 537/2014; "the EU Audit Regulation") in observance of the German principles governing the proper conduct of audit promulgated by the Institute of Auditors (IDW). Our responsibility according to these regulations and principles is described in more detail in the "Responsibility of the auditor for the audit of the separate financial statements and the combined management report" section of our audit remarks. We are independent from the Company in accordance with the provisions under European law and German commercial and professional law and have fulfilled our other German professional duties pursuant to these requirements. Moreover, in accordance with Article 10 (2) Letter f) of the EU Audit Regulation, we declare that we have not provided any non-audit services in accordance with Article 5 (1) of the Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions of the separate financial statements and combined management report.

Key audit matters in auditing the separate financial statements

Key audit matters are such matters which, to the best of our knowledge, were the most significant in our audit of the separate financial statements for the financial year from 1 January to 31 December 2017. These matters were taken into consideration in the context of our audit of the separate financial statements as a whole and in the formation of our audit report; we will not issue a separate audit report on these matters.

Below, we present the key audit matters from our perspective:
Measurement of financial assets

We have structured our presentation of these key audit matters as follows:
1. Facts and discussion
2. Audit procedure
3. Reference to more detailed information

Measurement of financial assets

1. The separate financial statements of Masterflex SE show financial assets in the amount of € 53,538 thousand (previous year: € 42,234 thousand). These are largely comprised of shares in affiliated companies (in the financial year: € 31,806 thousand; previous year: € 31,725 thousand) and other loans to affiliated companies in the amount of € 21,654 thousand (previous year: € 10,418 thousand). Accordingly, financial assets represent a significant item on the assets side of the balance sheet. Assessment of the value of Masterflex SE's financial assets is subject to the company's discretion and is largely performed based on forecasts as to subsidiaries' future earnings. These forecasts are based on a five-year projection and are highly dependent on the estimation of future cash flows and capital costs.

2. We have assessed the value of financial assets based on the projections of the individual subsidiaries. In this context, we convinced ourselves as to the adequacy of Masterflex SE's forecasting process by evaluating the procedure for preparation of the forecasts and conducting discussions in this regard with the persons responsible for forecasting. We also performed a critical analysis as to the accuracy of the company's forecasts with due regard for deviations of results from estimates, which were presented by the company. Explanations from the management of the individual units were assessed with regard to comprehensibility and consistency with the forecasting assumptions.

3. The company's disclosures with regard to financial assets and their value are included in the notes, in the sections titled "Accounting Policies" and "Non-current Assets".

Other information

The legal representatives are responsible for other information. Other information consists of:

- the insurance of the legal representatives;

- the Corporate Governance report in accordance with Section 3.10 of the German Corporate Governance Code;

- non-financial reporting in accordance with §§ 315b to 315c of the German Commercial Code;

- the Corporate Governance statement in accordance with § 315d (5) in conjunction with § 289f (1) of the German Commercial Code;

- other parts of the Masterflex SE annual report not required by law to be audited for the financial year ending 31 December 2017.

Our auditor's opinion does not include this additional information and we have made no assessment in this regard.

Our responsibility within the context of our audit of the separate financial statements is to read the additional information with a critical eye and take into account any discrepancies between the additional information and the separate financial statements or the findings we made over the course of the audit, as well as material false statements. If we find based on our activity that the additional information contains material false statements, we are obligated to report those circumstances. We have nothing to report in this regard.

Responsibility of the legal representatives and the supervisory body for the separate financial statements and combined management report

The legal representatives are responsible for the preparation of the separate financial statements which comply with the provisions of German commercial law in effect for corporations in all material respects, and to ensure that the separate financial statements provide a true and fair view of the company's assets, financial position and results of operations in accordance with German generally accepted accounting principles. In addition, the legal representatives are responsible for the internal controls which they have identified as necessary in accordance with German generally accepted accounting principles in order to enable the preparation of separate financial statements which are free of intentional or unintentional, material misrepresentations.

When preparing the separate financial statements, the legal representatives are responsible for assessing the company's ability to continue the business activity. In addition, they have the responsibility to indicate facts in connection with the continuation of the business activity, if relevant. In addition, they are responsible for recognising the continuation of business activities on the basis of the accounting principle, unless such is opposed by legal or factual circumstances.

Furthermore, the legal representatives are responsible for compiling the combined management report, which provides a true picture of the company's situation as a whole and is in line with the separate financial statements in all material respects, German statutory provisions and the opportunities and risks of future development. Moreover, the legal representatives are responsible for the provisions and measures (systems) which they deem necessary to enable the creation of a combined management report in accordance with German statutory provisions and to provide sufficient appropriate evidence for the statements in the consolidated management report.

The Supervisory Board is responsible for monitoring the company's accounting process used for the preparation of the separate financial statements and combined management report.

Responsibility of the auditor for auditing the separate financial statements and the combined management report

Our objective is to obtain sufficient certainty as to whether the separate financial statements as a whole are free of material – intentional or unintentional – misrepresentations and whether the combined management report as a whole gives a true picture of the company's position and corresponds with the separate financial statements as well as the findings obtained during the audit, in accordance with German statutory provisions and the opportunities and risks of future development, and to issue a report which contains our audit opinion on the separate financial statements and the combined management report.

Sufficient certainty provides a high level of certainty, but no guarantee that an audit carried out in accordance with § 317 of the German Commercial Code and the EU Audit Regulation, in compliance with the German principles established by the Institute of Auditors (IDW), will always reveal a material misrepresentation. Misrepresentations may result from violations or inaccuracies and are considered material if it could be reasonably expected that they could individually or collectively influence the economic decisions taken by the addressees on the basis of these separate financial statements and the combined management report.

During the audit, we exercise our professional judgement and maintain a critical stance. In addition, we

- identify and audit the risks of material – intentional or non-intentional – misrepresentations in the separate financial statements and in the combined management report; plan and conduct audit activities, in response to these risks and the auditing evidence obtained, which are sufficient and appropriate in order to serve as the basis for our audit opinions. The risk that material misrepresentations are not revealed is higher for violations than for inaccuracies, as violations may include fraudulent interaction, falsifications, intended incompleteness, misleading representations, or derogation of internal controls;

- gain an understanding of the internal control system for auditing the separate financial statements and the relevant precautions and measures for auditing the combined management report in order to plan auditing activities which are appropriate under the given circumstances, but not with the aim of giving an audit opinion on the effectiveness of these systems;

- assess the appropriateness of the accounting methods applied by the legal representatives and the viability of the estimated values and related information presented by the legal representatives;

- draw conclusions on the appropriateness of the accounting principles applied by the legal representatives for the continuation of the business activity and, on the basis of the audit evidence, of whether there is significant uncertainty in connection with events or circumstances which may raise significant doubts about the company's ability to continue its business. If we come to the conclusion that there is a significant uncertainty, we are obliged to draw attention to the relevant information in the separate financial statements and the combined management report in the audit report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the evidence that has been obtained up until the date of our auditor's report. However, future events or circumstances may cause the company to no longer be able to continue its business activities;

- assess the overall presentation, structure and content of the separate financial statements, including the disclosures, and determine whether the separate financial statements represent the underlying business transactions and events in such a way that the separate financial statements, in compliance with German generally accepted accounting principles, provide an accurate picture of the actual circumstances of the company's assets, financial position and results of operations;

- assess the conformity of the combined management report with the separate financial statements, its legal equivalent and the picture it has given of the company's position;

- conduct audits on the forward-looking statements presented by the legal representatives in the combined management report. On the basis of sufficient suitable audit evidence, we take into consideration in particular the important assumptions based on the future-oriented statements from the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not give a stand-alone examination of the future-oriented statements and the underlying assumptions. There is a significant unavoidable risk that future events will be substantially different from the future-oriented statements.

We will discuss with the person responsible for monitoring, amongst other things, the planned scope and schedule of the audit as well as significant audit findings including any deficiencies in the internal control system which we determine during our audit.

We will issue a statement to the person responsible for monitoring that we have complied with the relevant independence requirements and discuss with him or her all the relationships and other issues that can reasonably be assumed to have an impact on our independence and the protective measures to this end.

We will determine from the issues that we have discussed with those responsible for monitoring, those aspects that were the most significant in the audit of the separate financial statements for the current reporting period and therefore the most important matters to audit. We will describe these matters in the audit report, unless laws or other legal regulations exclude the public disclosure of said matters.

Other Statutory and Regulatory Requirements

Other disclosures in accordance with Article 10 EU Audit Regulation

We were chosen as auditors by the Annual General Meeting on 27 June 2017. We were appointed by the Supervisory Board on 6 November 2017. We have been acting continuously as auditors of Masterflex SE since the financial year 2010.

We declare that the audit opinions in this audit report are consistent with the additional report to the Supervisory Board in accordance with Article 11 of the EU Audit Regulation (audit report).

Responsible Auditor

The auditor responsible for the audit is Alexandra Sievers.

Dusseldorf, 14 March 2018

Baker Tilly GmbH & Co. KG
(formerly Baker Tilly GmbH)
Wirtschaftsprüfungsgesellschaft (Dusseldorf)

Thomas Gloth	Alexandra Sievers
Auditor	*Auditor*

Financial Calendar 2018

29 March	Financials press conference, presentation of the 2017 Annual Report, Dusseldorf
11 May	Communication on Q1/2018
14/15 May	Analysts' conference within the framework of the Spring Conference, Frankfurt/Main
26 June	Annual General Meeting, Gelsenkirchen
10 August	2018 Half-year Report
9 November	Communication on Q3/2018
26-28 November	German Equity Forum, Frankfurt

Imprint

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Forecasts
These separate financial statements contain a number of forecasts and estimates which are based on present expectations, anticipations and predictions on the part of the Executive Board and the information it currently has. Such estimates should not be construed as a warranty that the future developments and results therein stated will in fact materialise since these hinge on a host of factors, and encompass a variety of risks and imponderables while resting on assumptions that might be inappropriate. We therefore oncur no obligation to update any forecasts or estimates herein made.