



MASTERFLEX SE

# INTERIM REPORT

CONNECTING VALUES

FIRST HALF-YEAR

# 2019

## HIGHLIGHTS OF THE FIRST SIX MONTHS 2019

- Revenue growth of 5.7% with catch-up effects in the first quarter and slightly increasing momentum in the second quarter
- Broadly stable development with significant increases in medical technology and a slowdown in automotive
- Scheduled preparations for the optimisation programme which will be presented at the beginning of September 2019
- Another dividend payment of 0.7 cents per share

## MASTERFLEX AT A GLANCE

in €k	30.06.2019*	30.06.2018*	Change
Consolidated revenue	41,940	39,693	5.7%
EBITDA	5,617	5,235	7.3%
EBIT (operative)	3,620	3,602	0.5%
EBIT	3,533	3,464	2.0%
EBT	3,050	3,028	0.7%
Financial result	-483	-436	-10.8%
Consolidated earnings from continued business units**	2,121	2,108	0.6%
Consolidated earnings from discontinued business units	0	-58	
Consolidated net income (Interests of shareholders of Masterflex SE)	2,130	2,058	3.5%
Consolidated earnings per share (€)			
from continued business units	0.22	0.22	0%
from discontinued business units	0.00	-0.01	
from continued and discontinued business units	0.22	0.21	4.8%
EBIT margin (operative)	8.6%	9.1%	
Employees (number)	678	648	4.6%

in €k	30.06.2019*	31.12.2018	Change
Consolidated equity	41,491	40,223	3.2%
Consolidated balance sheet total	79,397	75,173	5.6%
Consolidated equity ratio	52.3%	53.5%	

\* unaudited

\*\* without non-controlling interests

## BRANDS

### SPECIALISTS IN HIGH-TECH HOSES AND CONNECTION SYSTEMS



#### **MASTERFLEX**

##### **Hoses and connection systems for all industrial applications**

Spiral hoses – heated hoses – intelligent hose systems – connecting elements



#### **MATZEN & TIMM**

##### **Vulcanised moulded parts and hoses for the aviation and aerospace sector and automobile industry**

Special hoses – suction hoses – elastomer hoses – bellows



#### **NOVOPLAST** SCHLAUCHTECHNIK

##### **Thermoplastic moulded parts and smooth hoses for industrial applications and medical technology**

Pneumatic hoses – compressed air hoses – moulded hoses – medical hoses



#### **FLEIMA-PLASTIC**

##### **Plastic injection-moulded parts and components for medical technology**

Medical clamps – client-specific items – hose connectors – housing components



#### **MASTERDUCT**

##### **Hose and connection systems for industrial applications as well as air conditioning and ventilation systems**

Spiral hoses – smooth hoses – air conditioning and ventilation system hoses



#### **APT**

##### **Hoses made of fluoroplastics with extremely high chemical resistance**

Smooth hoses – shrink tubes



#### **AMPIUS**

##### **The Masterflex Group is digitalising the hose and connection element business**

Intelligent, network-compatible hoses and connection systems

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## **FINANCIAL CALENDAR 2019, IMPRINT 25**

## FOREWORD BY THE CHAIRMAN OF THE EXECUTIVE BOARD

*Dear shareholders,*

In the first half of 2019, we were able to grow again and increase our revenues by 5.7% to EUR 41.9 million – with a simultaneously stable operating EBIT of EUR 3.6 million. At the same time, we succeeded in solving the problems, which slowed us down in the past fiscal year, as far as possible by processing the increased order backlogs, which arose in 2018, accordingly. On a quarterly basis, we have slightly gained momentum, so that overall we are still within our revenue forecast of 3.0% to 6.0% growth for 2019 as a whole. We are therefore well on the way to closing the tenth year in succession with a revenue increase.

In the first six months of 2019, we also succeeded in finding a balance in a very central task: on the one hand, to further develop our operating business and consistently exploit our growth opportunities, such as those offered by medical technology. And on the other hand, to develop and advance our announced optimisation programme in parallel – without affecting our operational development in this phase. At the beginning of September, we will present in detail the concrete measures and the expected effects with the objective of achieving a double-digit EBIT margin again on a sustained basis.

Despite all our successes, the earnings development in the first half of 2019 showed just how important and right it is for us to consistently drive forward the operational excellence and thus the agility of our company and the optimisation of our process landscapes. With an operating EBIT of EUR 3.6 million, we have once again demonstrated solid profitability and thus also developed in line with our full-year earnings forecast, which foresees a slight increase for 2019 compared with 2018. However, this level is not our medium- and long-term objective. Rather, it remains our goal to achieve a sustained double-digit return level across all subsidiaries, as already demonstrated by some of our subsidiaries and as demonstrated by many of our companies in the past. However, extensive measures are still required to achieve this goal. This relates in particular to the increase in personnel productivity, as the development of the revenue-personnel ratio at a small number of companies has been unsatisfactory for some time. This applies above all to the Gelsenkirchen site. In particular, the increase in personnel costs by around EUR 1.2 million in the first half of 2019 underlines the urgent need for action. With a special focus on this area, we must and will consequently counteract this as part of our optimisation programme.

The first half of 2019 has also shown that we are confronted with a certain heterogeneity in the development of our subsidiaries. On the one hand, this is due to the prevailing target markets: While the medical technology segment is developing excellently, the automotive segment is showing weaknesses that



**Dr. Andreas Bastin**

Chief Executive Officer

will presumably intensify in the further course of the year. On the other hand, it is repeatedly apparent that process quality varies greatly in individual sub-segments of our Group. Here, we see corresponding optimisation potential, in particular at Masterflex in Gelsenkirchen.

Despite or precisely because of these challenges, we can be quite satisfied with the good revenue development in the first half of 2019. Here, our geographical and customer sector-based multi-pillar strategy has once again proven its worth. We also succeeded in combining the intact operating development with the intensive preparatory work for our optimisation programme. However, we also see that the current development confirms us all the more in approaching these optimisations from a position of strength. At the same time, uncertainties are increasing in key target industries such as automotive and mechanical engineering, and the general economic mood is continuing to deteriorate. This reminds us to pay particular attention to the further development.

Despite these growing uncertainties, we are sticking to our full-year forecast. This is based on very stable incoming orders in the vast majority of areas of our Group. In the first half of 2019, we were able to show a book-to-bill ratio of at least 1.0 or even above for almost all subsidiaries, which for us is a clear indication of further growth – albeit certainly under difficult economic conditions.

Gelsenkirchen, 31 July 2019

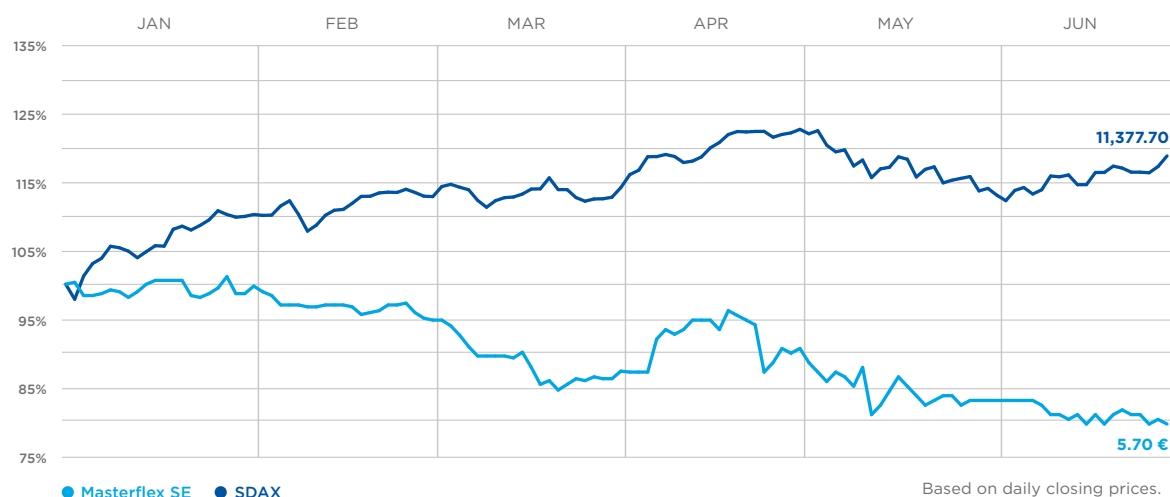


**Dr. Andreas Bastin**  
Chief Executive Officer



## SHARES AND ANNUAL GENERAL MEETING

### MASTERFLEX SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2019 COMPARED WITH THE SDAX



### SHARE PRICE PERFORMANCE

Masterflex shares opened the 2019 trading year with a Xetra price of EUR 7.00. The high for the period under review was reached on 28 January at EUR 7.26 and the low for the first time on 17 June at EUR 5.70. The Xetra closing price on 28 June 2019 was also EUR 5.70, equivalent to a price performance of -18.6% in the first half of 2019. The relevant benchmark index, the SDAX, recorded a significant gain of 19.6% in the same period.

### RESEARCH

In the first half of 2019, Masterflex continued to be monitored and rated by the analysts at Bankhaus Lampe, DZ Bank and SMC Research. In their current studies within the first six months of 2019, DZ Bank and Bankhaus Lampe rated Masterflex shares as “Hold” with a price target of EUR 6.50 and EUR 7.00 respectively. SMC Research gave the rating “Buy” with a target price of EUR 9.10.

### ANNUAL GENERAL MEETING

67.45% of the voting capital attended the Annual General Meeting on 28 May 2019 in Gelsenkirchen. The shareholders approved all items on the agenda with a large majority.

### DIVIDEND

Masterflex SE continued its dividend policy in 2019. In accordance with the resolution of the Annual General Meeting, a dividend of 7 cents per share and thus at the previous year's level was distributed to shareholders.

# INTERIM GROUP MANAGEMENT REPORT

## **BUSINESS DEVELOPMENT**

The Masterflex Group developed positively in the first half of 2019 and overall in line with its own revenue and earnings forecasts. During the course of the year, revenue momentum grew slightly on a quarterly basis. The increased order backlog created in 2018 was successfully processed in the reporting period and new sales successes were achieved. Thanks to the broad geographical and sector-specific positioning of the Group, slight revenue declines at the Gelsenkirchen site and in the automotive sector were successfully offset. Growth was achieved particularly in Asia (Singapore and China), the USA and Great Britain as well as in medical technology.

## **ECONOMIC SITUATION**

### **Results of operations**

Group revenues improved in the first half of 2019 by 5.7% from EUR 39.7 million to EUR 41.9 million. Thereby, the revenue growth of the first quarter of 5.4% could be slightly raised to 5.9% in the second quarter.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 7.3% compared to the same period of the previous year from EUR 5.2 million to EUR 5.6 million. After deduction of depreciation and amortisation, earnings before interest and taxes (EBIT) amounted to EUR 3.5 million, which is thus at the level of the previous year. The same applies to operating EBIT (= EBIT before discontinued business units and non-operating income and expenses), which amounted to EUR 3.6 million in the reporting period. The positive revenue development was contrasted by higher raw material prices, wage and salary increases and the measures taken in 2018 to increase the workforce, particularly at the Gelsenkirchen site.

Against this background, the cost of materials rose by 10.6% in the first half of 2019 from EUR 12.7 million to EUR 14.1 million. Accordingly, the cost of materials ratio (in relation to total operating performance) increased from 31.7% to 33.2%.

The rise in personnel as well as wage and salary increases led to an increase in personnel expenses of 7.7% to EUR 16.3 million. This results in a personnel expenditure ratio (in relation to total operating performance) of 38.6% after 37.9% in the same period of the previous year.

Depreciation increased from EUR 1.6 million to EUR 2.1 million in the first half of 2019. In addition to the ERP project, the first-time application of IFRS 16, the new standard for lease accounting, had a particular impact here (EUR +0.3 million).

The corresponding opposite effect resulted from the application of IFRS 16 to other expenses, which fell from EUR 7.3 million to EUR 7.0 million in the reporting period.



The financial result amounted to EUR -0.5 million after EUR -0.4 million in the same period of the previous year. This was due to an increased credit volume and, to a lesser extent, the application of IFRS 16.

At EUR 2.1 million, consolidated earnings after taxes reached the previous year's level. The same applies to earnings per share (from continued business units) of EUR 0.22.

### Net assets

Total assets increased from EUR 75.2 million as of 31 December 2018 to EUR 79.4 million as of 30 June 2019. Non-current assets climbed from EUR 45.1 million to EUR 46.3 million. This was due in particular to the ERP project, which led to an increase in concessions and industrial property rights from EUR 0.9 million to EUR 1.9 million within intangible assets. Current assets rose from EUR 30.1 million to EUR 33.1 million. On the one hand, inventories increased from EUR 16.7 million to EUR 18.9 million as a result of targeted stockpiling. On the other hand, trade receivables went up due to balance sheet date related factors from EUR 7.5 million to EUR 9.8 million.

### Financial position

Consolidated equity rose from EUR 40.2 million to EUR 41.5 million as of 30 June 2019. The main factors influencing equity were the positive earnings development and the payment of a dividend of 7 cents per share in the first half of 2019.

Non-current liabilities rose slightly from EUR 20.9 million to EUR 21.2 million and current liabilities increased from EUR 14.1 million to EUR 16.7 million. This was due in particular to the rise in current financial liabilities, which is directly related to the increase in current assets.

Cash flow from operating activities improved in the reporting period from EUR -0.1 million to EUR 0.8 million. The rise in inventories was offset by lower income taxes and increased depreciation due to the application of IFRS 16. At EUR 2.3 million, cash flow from investing activities remained at the previous year's level. Cash flow from financing activities increased from EUR 0.5 million to EUR 0.7 million. The utilisation of a short-term tranche from the syndicated loan agreement is reflected in a corresponding inflow of funds totalling EUR 4.0 million (EUR +1.0 million). On the other hand, payments for repayments increased by EUR 0.9 million compared with the previous year's period.

## EMPLOYEES

The number of employees rose from an average of 648 in the first half of 2018 to 678 in the reporting period. The increase in the number of employees mainly related to Masterflex SE in order to process the increased order backlog created in 2018.

## RESEARCH AND DEVELOPMENT

In the first half of 2019, a new microbe- and hydrolysis-resistant suction and conveying hose made of polyurethane was launched under the Masterflex brand. This hose was specially developed for use in waste disposal and cleaning technology: the Master-PUR H Streetmaster Pro. The innovative external folding ensures significantly improved compressibility and greater flexibility. The product has already proven its worth, particularly in China, and has led to first revenue contributions. Since April 2019, production has been carried out on site.

Under the AMPIUS brand, a hose system was developed and presented at the HMI trade show, which is now equipped with a digital interface as standard. In addition to clear product identification, an app now makes it possible to call up data on wear, pressure, internal and external temperature and flow rate, among other things, in the future. Such intelligent components with life-cycle tracking functions are playing an increasingly important role in the industrial sector.

At Matzen & Timm, the focus was on a noise-reducing hose that is currently being used in helicopters and is also to be qualified for aircraft in the future. Three hose variants have already passed the demanding acoustic tests. Currently, the best design is being further optimised with a focus on weight reduction and simplification of the manufacturing process. In addition, a new cuff construction was developed for a customer in the aviation sector that enables the installation of ventilation hoses on the pipes without an additional clamp. The first hoses with the so-called “quick connection” cuffs have already successfully passed several tests.

## OPPORTUNITY AND RISK REPORT

The management system for identifying opportunities and risks and the measures for limiting risks were described in detail in the 2018 combined management report. In addition, the key opportunities and risks arising for the Masterflex Group in the course of its business activities were also explained there. There were no changes to this opportunity and risk situation in the first half of 2019.

## FORECAST REPORT

Masterflex Group is sticking to its forecast for the 2019 financial year. Group revenue is thus expected to grow by 3.0% to 6.0%, which corresponds to a range of EUR 79.5 million to EUR 81.8 million. In addition, the quality of earnings is to be further improved, equivalent to a slight increase in operating EBIT and the operating EBIT margin compared with 2018.

The outlook for the further business development in 2019 will increasingly be influenced by macroeconomic and customer sector-specific developments. While the economic mood is likely to continue to deteriorate, the Masterflex Group also anticipates increasing uncertainty in key target industries such as automotive and mechanical engineering.

## CONSOLIDATED BALANCE SHEET

Assets in €k	30.06.2019*	31.12.2018
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>12,951</b>	<b>12,529</b>
Concessions, industrial property rights	1,878	887
Development costs	1,133	947
Goodwill	9,187	9,187
Advance payments	753	1,508
<b>Property, plant and equipment</b>	<b>32,823</b>	<b>31,892</b>
Land and buildings	16,481	16,542
Technical equipment and machinery	12,035	11,782
Other equipment, operating and office equipment	3,277	2,787
Advance payments and assets under construction	1,030	781
<b>Financial assets</b>	<b>88</b>	<b>98</b>
Non-current financial instruments	88	98
<b>Other assets</b>	<b>33</b>	<b>29</b>
<b>Deferred taxes</b>	<b>374</b>	<b>511</b>
	<b>46,269</b>	<b>45,059</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>	<b>18,941</b>	<b>16,662</b>
Raw materials, consumables and supplies	10,022	8,050
Unfinished goods and services	645	581
Finished goods and products	8,248	8,025
Advance payments	26	6
<b>Receivables and other assets</b>	<b>10,619</b>	<b>8,217</b>
Trade receivables	9,829	7,490
Other assets	790	725
Other financial assets	0	2
<b>Income tax assets</b>	<b>179</b>	<b>865</b>
<b>Cash in hand and bank balances</b>	<b>3,389</b>	<b>4,370</b>
	<b>33,128</b>	<b>30,114</b>
<b>Total assets</b>	<b>79,397</b>	<b>75,173</b>

\* unaudited

## CONSOLIDATED BALANCE SHEET

Equity and liabilities in €k	30.06.2019*	31.12.2018
<b>SHAREHOLDERS' EQUITY</b>		
<b>Consolidated equity</b>	<b>42,027</b>	<b>40,720</b>
Subscribed capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	2,645	1,189
Reserve for the market valuation of financial instruments	-619	-609
Hedging instruments	-63	-31
Exchange differences	-860	-753
<b>Non-controlling interests</b>	<b>-536</b>	<b>-497</b>
<b>Total equity</b>	<b>41,491</b>	<b>40,223</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	105	209
Financial liabilities	18,937	18,856
Other liabilities	1,014	956
Deferred taxes	1,107	861
	<b>21,163</b>	<b>20,882</b>
<b>CURRENT LIABILITIES</b>		
Provisions	256	632
Financial liabilities	10,762	7,643
Income tax liabilities	295	249
Other liabilities	5,430	5,544
Trade payables	2,108	2,101
Other liabilities	3,322	3,443
	<b>16,743</b>	<b>14,068</b>
<b>Total equity and liabilities</b>	<b>79,397</b>	<b>75,173</b>

\* unaudited

## CONSOLIDATED INCOME STATEMENT OF FIRST HALF-YEAR

Continued business units in €k	01.01.-30.06.2019*	01.01.-30.06.2018*
1. Revenue	41,940	39,693
2. Increase or decrease in inventories of finished and unfinished goods	324	217
3. Other own work capitalised	131	194
<b>Total operating performance</b>	<b>42,395</b>	<b>40,104</b>
4. Other income	668	239
<b>Operating revenue</b>	<b>43,063</b>	<b>40,343</b>
5. Cost of materials	-14,079	-12,724
6. Staff costs	-16,349	-15,181
7. Depreciation	-2,084	-1,633
8. Other expenses	-7,018	-7,341
9. Financial result		
Financial expenses	-486	-440
Other financial result	3	4
<b>10. Earnings before taxes</b>	<b>3,050</b>	<b>3,028</b>
11. Income tax expenses	-929	-920
<b>12. Earnings after taxes from continued business units</b>	<b>2,121</b>	<b>2,108</b>
<b>Discontinued business units in €k</b>		
<b>13. Earnings after taxes from discontinued business units</b>	<b>0</b>	<b>-58</b>
<b>14. Consolidated net income</b>	<b>2,121</b>	<b>2,050</b>
of which: non-controlling interests	-9	-8
<b>of which: interests attributable to shareholders of Masterflex SE</b>	<b>2,130</b>	<b>2,058</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	0.22	0.22
from discontinued business units	0.00	-0.01
from continued and discontinued business units	0.22	0.21

\* unaudited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF FIRST HALF-YEAR

in €k	01.01.-30.06.2019*	01.01.-30.06.2018*
<b>Consolidated net income</b>	<b>2,121</b>	<b>2,050</b>
<b>Other result</b>		
<b>Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled</b>		
1. Exchange gains/losses on the translation of foreign financial statements	-120	83
2. Changes in fair values of financial instruments	-10	20
3. Hedging instruments	-32	0
4. Income taxes	13	-11
<b>5. Other result after taxes</b>	<b>-149</b>	<b>92</b>
<b>6. Comprehensive income</b>	<b>1,972</b>	<b>2,142</b>
<b>Comprehensive income</b>	<b>1,972</b>	<b>2,142</b>
of which: non-controlling interests	-9	-8
<b>of which: interests attributable to shareholders of Masterflex SE</b>	<b>1,981</b>	<b>2,150</b>

\* unaudited



## CONSOLIDATED INCOME STATEMENT OF SECOND QUARTER

Continued business units in €k	01.04.-30.06.2019*	01.04.-30.06.2018*
1. Revenue	20,817	19,657
2. Increase or decrease in inventories of finished and unfinished goods	98	438
3. Other own work capitalised	82	145
<b>Total operating performance</b>	<b>20,997</b>	<b>20,240</b>
4. Other income	244	141
<b>Operating revenue</b>	<b>21,241</b>	<b>20,381</b>
5. Cost of materials	-6,990	-6,756
6. Staff costs	-8,211	-7,694
7. Depreciation	-1,181	-826
8. Other expenses	-3,387	-3,604
9. Financial result		
Financial expenses	-142	-220
Other financial result	2	3
<b>10. Earnings before taxes</b>	<b>1,332</b>	<b>1,284</b>
11. Income tax expenses	-471	-368
<b>12. Earnings after taxes from continued business units</b>	<b>861</b>	<b>916</b>
<b>Discontinued business units in €k</b>		
<b>13. Earnings after taxes from discontinued business units</b>	<b>0</b>	<b>-48</b>
<b>14. Consolidated net income</b>	<b>861</b>	<b>868</b>
of which: non-controlling interests	-22	0
<b>of which: interests attributable to shareholders of Masterflex SE</b>	<b>883</b>	<b>868</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	0.09	0.09
from discontinued business units	0.00	-0.01
from continued and discontinued business units	0.09	0.08

\* unaudited

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF SECOND QUARTER

in €k	01.04.-30.06.2019*	01.04.-30.06.2018*
<b>Consolidated net income</b>	<b>861</b>	<b>868</b>
<b>Other result</b>		
<b>Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled</b>		
1. Exchange gains/losses on the translation of foreign financial statements	-579	426
2. Changes in fair values of financial instruments	-13	9
3. Hedging instruments	-32	0
4. Income taxes	28	-25
<b>5. Other result after taxes</b>	<b>-596</b>	<b>410</b>
<b>6. Comprehensive income</b>	<b>265</b>	<b>1,278</b>
<b>Comprehensive income</b>	<b>265</b>	<b>1,278</b>
of which: non-controlling interests	-22	0
<b>of which: interests attributable to shareholders of Masterflex SE</b>	<b>287</b>	<b>1,278</b>

\* unaudited

## CONSOLIDATED CASH FLOW STATEMENT

in €k	01.01.-30.06.2019*	01.01.-30.06.2018*
Result for the period before taxes, interest expenses and financial income	3,542	3,504
Income tax expenses	-458	-1,093
Depreciation on property, plant and equipment and intangible assets	2,084	1,633
Decrease in provisions	-480	-978
Other non-cash income and gains from the disposal of non-current assets	-140	-248
Increase in inventories	-2,279	-1,000
Increase in trade receivables and other assets not attributable to investing or financing activities	-1,640	-1,725
Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	161	-241
<b>Cash flow from operating activities</b>	<b>790</b>	<b>-148</b>
Proceeds from the disposal of non-current assets	0	0
Payments for investments in non-current assets	-2,345	-2,280
Payments for the acquisition of consolidated companies	0	0
<b>Cash flow from investing activities</b>	<b>-2,345</b>	<b>-2,280</b>
Proceeds from capital increases	0	0
Dividends to Masterflex shareholders	-704	-673
Interest and dividend income	3	4
Interest payments	-479	-619
Proceeds from raising loans	4,000	3,000
Payments for the repayment of loans	-2,170	-1,250
<b>Cash flow from financing activities</b>	<b>650</b>	<b>462</b>
<b>Cash-effective changes in cash and cash equivalents</b>	<b>-905</b>	<b>-1,966</b>
Exchange-rate related and other value changes in cash and cash equivalents	-76	72
Change in the basis of consolidation	0	0
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,370</b>	<b>5,336</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,389</b>	<b>3,442</b>

\* unaudited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €k	Sub- scribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of finan- cial instru- ments	Reserve for hedging instru- ments	Ex- change differen- ces	Interests attributa- ble to share- holders of Masterflex SE	Non- cont- rolling interests	Equity
<b>Notes</b>									
<b>Equity as at 31.12.2017</b>	<b>9,618</b>	<b>31,306</b>	<b>-1,511</b>	<b>-629</b>	<b>0</b>	<b>-1,048</b>	<b>37,736</b>	<b>-340</b>	<b>37,396</b>
Distributions	0	0	-673	0	0	0	-673	0	-673
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>2,104</b>	<b>20</b>	<b>0</b>	<b>72</b>	<b>2,196</b>	<b>-54</b>	<b>2,142</b>
Consolidated net income	0	0	2,104	0	0	0	2,104	-54	2,050
Other income after income taxes	0	0	0	20	0	72	92	0	92
Changes in the fair value of financial instruments	0	0	0	20	0	0	20	0	20
Exchange gains/ losses on the translation of foreign financial statements	0	0	0	0	0	83	83	0	83
Income taxes on other comprehensive income	0	0	0	0	0	-11	-11	0	-11
<b>Equity as at 30.06.2018</b>	<b>9,618</b>	<b>31,306</b>	<b>-80</b>	<b>-609</b>	<b>0</b>	<b>-976</b>	<b>39,259</b>	<b>-394</b>	<b>38,865</b>
<b>Equity as at 31.12.2018</b>	<b>9,618</b>	<b>31,306</b>	<b>1,189</b>	<b>-609</b>	<b>-31</b>	<b>-753</b>	<b>40,720</b>	<b>-497</b>	<b>40,223</b>
Distributions	0	0	-674	0	0	0	-674	-30	-704
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>2,130</b>	<b>-10</b>	<b>-32</b>	<b>-107</b>	<b>1,981</b>	<b>-9</b>	<b>1,972</b>
Consolidated net income	0	0	2,130	0	0	0	2,130	-9	2,121
Other income after income taxes	0	0	0	-10	-32	-107	-149	0	-149
Changes in the fair value of financial instruments	0	0	0	-10	-32	0	-42	0	-42
Exchange gains/ losses from the translation of foreign financial statements	0	0	0	0	0	-120	-120	0	-120
Income taxes on other comprehensive income	0	0	0	0	0	13	13	0	13
<b>Equity as at 30.06.2019</b>	<b>9,618</b>	<b>31,306</b>	<b>2,645</b>	<b>-619</b>	<b>-63</b>	<b>-860</b>	<b>42,027</b>	<b>-536</b>	<b>41,491</b>

# CONSOLIDATED NOTES

## **1. ACCOUNTING PRINCIPLES**

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB) and is consistent with the material accounting principles of the Company presented here. The accounting, valuation and consolidation methods described in the 2018 financial year were extended in the reporting period by the accounting standards adopted by the EU and mandatory from 1 January 2019, in particular IFRS 16 "Leases".

IFRS 16 introduces requirements for the recognition of leases in the balance sheet, which lead to far-reaching changes on the part of the lessee. A lessee recognises a right of use (right of use asset), which represents his right to use the underlying asset, and a liability from the lease, which represents his obligation to make lease payments. There are exceptions for current and low-value assets.

As a result of the introduction of IFRS 16, all operating leases were revised in accordance with the regulations effective from 1 January 2019. This system change had a significant impact on the Masterflex Group.

The Group has recognised new assets and liabilities for its operating leases. In addition, the nature of the expenses associated with these leases has changed as IFRS 16 replaces the straight-line expenses for operating leases with a depreciation expense for rights of use (right of use assets) and interest expenses for lease liabilities.

In the Masterflex balance sheet, the new regulation leads to an increase in assets (assets from rights of use) in non-current assets, but at the same time, financial liabilities also rise in the amount of EUR 999 thousand.

All other changes to accounting standards had no or no material impact on this interim report.

In accordance with IAS 34, a shortened scope of reporting has been chosen compared to the consolidated financial statements.

## 2. BASIS OF CONSOLIDATION

There have been no changes in the basis of consolidation compared to 31 December 2018.

Company name	Company headquarters		Equity interest held by Masterflex (%)
Masterflex SARL	France	Béligneux	80
Masterflex Technical Hoses Ltd.	Great Britain	Oldham	100
Masterduct Holding, Inc.*	United States	Houston	100
· Flexmaster USA, Inc.	United States	Houston	100*
· Masterduct, Inc.	United States	Houston	100*
· Masterduct Holding S.A., Inc.	United States	Houston	100*
· Masterduct Brasil LTDA.	Brazil	Santana de Parnaíba	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	80
· Masterflex Asia Pte. Ltd.	Singapore	Singapore	100*
· Masterflex Hoses (Kunshan) Co., Ltd.	People's Republic of China	Kunshan	100*

\* = Partially consolidated



### **3. FINANCIAL INSTRUMENTS**

The accounting of forward transactions is explained under no. 16 of the consolidated notes in the Annual Report 2018.

The market value of the forward exchange transaction concluded for a total of USD 3,300 thousand amounted to EUR -90 thousand on the balance sheet date and was recorded under other liabilities. The change in the forward component was recognised in other income as a change in the value of the hedging instrument. The fair value of the forward exchange transaction is calculated on the basis of the interest rate difference between the Euro zone and the USA compared with the contracted forward exchange rate.

As of 30 June 2019, the amount recorded in the reserve for hedging instruments was EUR 90 thousand less related deferred taxes.

The accounting of forward transactions includes the fair value of EUR 0 thousand (previous year: EUR 7 thousand). The derivative financial instruments were concluded to hedge against varying interest payments from variable-interest loans (interest cap) amounting to EUR 32 thousand.

The change in the fair value of EUR 2 thousand (previous year: EUR 11 thousand) is recognised through profit or loss in interest income.

The market value of the liabilities to banks corresponds to the stated book values. The fair value of the other financial instruments corresponds to the carrying amount.

### **4. DIVIDEND**

On 28 May 2019, the Annual General Meeting of Masterflex SE approved the payment of a dividend of EUR 0.07 per share. The distribution of a total of EUR 673,283.38 was made on 3 June 2019.

## 5. SEGMENT REPORTING

The Masterflex Group classifies its operating segments in accordance with the criteria of IFRS 8. Management is based on the information received by the overall Executive Board as the chief operating decision maker to measure performance and allocate resources for the Masterflex Group as a whole (the so-called management approach).

Compared with the consolidated financial statements as of 31 December 2018, there have been no changes in the segmentation basis. The Masterflex Group has one operating segment, which is the core business unit high-tech hose systems (HTHS).

### SEGMENT REPORTING 30 JUNE 2019

in €k	HTHS	Continued business units	Discontinued business units	Group
Revenues with non-Group third parties	41,940	41,940	0	41,940
EBIT	3,533	3,533	0	3,533
Investments in property, plant and equipment and intangible assets	2,345	2,345	0	2,345
Depreciation	2,084	2,084	0	2,084
Assets	79,397	79,397	0	79,397

### SEGMENT REPORTING 30 JUNE 2018

in €k	HTHS	Continued business units	Discontinued business units	Group
Revenues with non-Group third parties	39,693	39,693	0	39,693
EBIT	3,464	3,464	-15	3,449
Investments in property, plant and equipment and intangible assets	2,280	2,280	0	2,280
Depreciation	1,633	1,633	0	1,633
Assets	74,648	74,648	0	74,648

The reconciliation of operating EBIT from continued business units to earnings after taxes breaks down as follows:

Reconciliation to consolidated earnings after taxes in €k	30.06.2019	30.06.2018
<b>EBIT from continued business units</b>	<b>3,533</b>	<b>3,464</b>
Interest income/investment income	3	4
Interest expenses and similar expenses	-486	-440
<b>EBT from continued business units</b>	<b>3,050</b>	<b>3,028</b>
Taxes on income and earnings	-541	-472
Deferred taxes	-388	-448
<b>Earnings after taxes from continued business units</b>	<b>2,121</b>	<b>2,108</b>

Rounding differences possible

## **6. EARNINGS PER SHARE**

Non-diluted earnings per share are calculated in accordance with IAS 33 by dividing consolidated net income by the weighted average number of shares outstanding during the reporting period. As of 30 June 2019, non-diluted earnings per share from continued business units amounted to EUR 0.22 and from continued and discontinued business units to EUR 0.22 with a weighted average number of shares of 9,618,334.

Since there is no stock option plan, diluted earnings are not calculated.

## **7. TREASURY SHARES**

As of 30 June 2019, Masterflex SE held 134,126 treasury shares.

## **8. EMPLOYEES**

The number of employees in the reporting period was 678 and thus 4.6% higher than in the same period of the previous year with 648 employees.

## **9. INCOME TAXES**

The income tax expense was calculated in the half-year financial report on the basis of the estimated effective tax rate for Masterflex SE for the full year 2019, which was related to earnings before taxes for the reporting period. The effective tax rate is based on current earnings and tax planning.

## **10. CASH FLOW STATEMENT**

The consolidated cash flow statement has been prepared in accordance with IAS 7 ("Cash Flow Statements"). A distinction is made between cash flows from operating, investing and financing activities. The liquidity shown in the cash flow statement corresponds to the balance sheet item "cash in hand and bank balances".

## 11. RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

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The relationships are explained in the consolidated notes to the Annual Report 2018 under no. 33.

## 12. AUDITOR'S REVIEW OF THE INTERIM REPORT

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The interim financial statements and the interim management report were neither audited in accordance with § 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

## 13. RESPONSIBILITY STATEMENT

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To the best of our knowledge, we assure that, in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's earnings position, net assets and financial position, and that the interim group management report provides a true and fair view of the business performance, including the results of operations, and the position of the Group, and that the principal opportunities and risks associated with the expected development of the Group in the remaining financial year are described.

31 July 2019



**Dr. Andreas Bastin**  
Chief Executive Officer



**Mark Becks**  
Chief Financial Officer

## FINANCIAL CALENDAR 2019

<b>3 September</b>	Fall Conference in Frankfurt
<b>8 November</b>	Statement on Q3/2019
<b>25 to 27 November</b>	Analysts' conference at the Eigenkapitalforum in Frankfurt

The financial calendar was published on the Company's website ([www.Masterflexgroup.com/investor-relations/financial-calendar](http://www.Masterflexgroup.com/investor-relations/financial-calendar)) and is regularly updated there.

## IMPRINT

Masterflex SE  
Willy-Brandt-Allee 300  
45891 Gelsenkirchen  
Germany

### CONTACT

Tel.: +49 209 97077 0  
Fax: +49 209 97077 33  
info@MasterflexGroup.com  
[www.MasterflexGroup.com](http://www.MasterflexGroup.com)

### EDITING

Better Orange IR & HV AG  
[www.better-orange.de](http://www.better-orange.de)

### LAYOUT

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