

Connecting Values

Interim Report First Half-Year 2021





Key figures

Highlights of the first six months of 2021

- High order backlog underpins sales and earnings targets
- Medium-term „Double-digit“ earnings target already nearly achieved with a 9.5% EBIT margin
- Stable liquidity situation despite strategic working capital build-up

Masterflex at a glance

in EUR thousand	30.06.2021*	30.06.2020*	Change
Consolidated revenue	38,871	37,378	4.0%
EBITDA	6,070	4,665	30.1%
EBIT (operational)	3,680	2,460	49.6%
EBIT	3,680	2,249	63.6%
EBT	3,258	1,818	79.2%
Financial result	-422	-431	2.1%
Consolidated result	2,438	1,292	88.7%
Consolidated earnings per share (EUR)	0.25	0.13	92.3%
EBIT margin (operational)	9.5%	6.6%	
Net return on sales	6.3%	3.5%	
Employees (number)	557	637	-12.6%

	30.06.2021*	31.12.2020	Change
Consolidated equity	43,448	41,285	5.2%
Consolidated total assets	77,008	76,354	0.9%
Consolidated equity ratio	56.4%	54.1%	

* Unaudited



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Foreword by the Chairman of the Management Board

Dear shareholders,

The first half of 2021 was characterized by the tension between the global economic recovery and temporarily renewed concerns concerning the spread of the coronavirus. In Europe, the first quarter in particular was still marked by the effects of the pandemic, which led to renewed lockdowns in Germany, among other places, while some other regions of the world were already experiencing an economic upswing, favored by successful vaccinations. In the second quarter of 2021, the focus was increasingly on the economic recovery as vaccinations progressed and the incidence figures declined significantly.

This is also reflected in the business development of the Masterflex Group in the first two quarters. While we still recorded a 4.9% decline in revenue in the first quarter, which was already lower than expected, we achieved a 14.8% increase in revenue in the second quarter compared to the same quarter of the previous year. So, after being slowed down by the pandemic, we were able to get back on our growth track. In total, Masterflex closed the first half of 2021 with a year-on-year revenue increase of 4.0% - consolidated revenue rose from EUR 37.4 million in the same period of the previous year to EUR 38.9 million as of June 30, 2021. Our operating earnings before interest and taxes (operating EBIT) amounted to EUR 3.7 million in the first half of 2021, compared to EUR 2.5 million in the same period of the previous year. We thus achieved an operating EBIT margin of 9.5% in relation to Group turnover. For comparison: The previous year's figure was 6.6%. This clearly shows that we are progressing according to plan towards our medium-term goal of a double-digit EBIT margin from our "Back to Double Digit" program. Our efficiency measures and capacity adjustments, especially the closure of production in France and the Czech Republic, are having an effect. This can also be seen in the area of personnel productivity, which is reflected by a reduction in the personnel utilization rate (measured against total output) from 41.3% to 37.8%.

With a view to the individual customer sectors, a high level of demand momentum was particularly evident in the classic industrial sectors, such as mechanical engineering and the automotive industry, which were rather weak last year. The medical technology sector is holding steady at a high level after a strong performance in fiscal year 2020. The majority of hospitals are not yet at full capacity due to pandemic-related postponed operations, but this does not change the fact that the medical technology sector is and will remain one of the growth drivers of the future. The aviation industry, which is undergoing structural change due to the outbreak of the COVID-19 pandemic, is not yet at pre-crisis level. But encouraging signals are coming from this sector as well. In terms of our sales regions, at the end of June, we were well above the comparable figures from the previous year in Europe and Asia, while activities in the USA currently still have catch-up potential. The bottom line is that the order situation has brightened considerably compared to 2020. Overall, it is once again evident that our broad diversification across different regions and customer sectors is reflected in more stable sales development in times free of pandemics or similar external shocks. We can thus look back on good order intake and were able to increase our order backlog by around EUR 7 million compared to the year-end figure for 2020. Therefore, we are optimistic about the future.



Our development in the first half of 2021 shows that we have done our homework internally with regard to profitability and productivity, but without falling into lethargy with regard to further process improvements. Quite the opposite. Maintaining operational excellence is part of our strategic roadmap. We are continuously working on further optimizing our core processes, scaling our products, becoming more efficient and, in times of digitalization, further advancing our digital competences. After times of internal optimization, the focus is now increasingly on expansion. The goal is to offer the entire German product range abroad as well, which offers great potential in terms of future growth. We have built up world-leading material and process competence over decades. We are therefore confident that our digitalized production processes and cross-industry know-how will enable us to leverage the growth potential on a global level through regional expansion in all product groups and new developments. In the future, acquisitions are also a possibility to accelerate our growth. We have the flexibility to actively take advantage of opportunities that arise in the consolidation of the market. Now it is time to consider the next growth steps in order to tap new potential through selective acquisitions.



Dr. Andreas Bastin
Chief Executive Officer

Sustainability is also an integral part of our growth ambitions. Based on our sustainability-oriented Masterflex culture and our innovation strategy, we want to make a difference and make an active contribution to ecological and social change. We want to set standards not only in the essential core areas – Internationalization, Innovation, Digital Transformation and Operational Excellence – but also with regard to ESG criteria. We are currently developing concrete concepts for reducing our own carbon footprint, for new working concepts and we are expanding our governance guidelines and standards. This also includes the optimization of our compliance structures, which are being aligned with the latest legislative projects such as the Supply Chain Act. Masterflex stands for integrity and added value for its stakeholders worldwide.

Our Annual General Meeting on May 19, 2021, was once again held in virtual form due to the coronavirus. The nevertheless successful business development in fiscal year 2020 in the face of the pandemic enabled us to pay a dividend of EUR 0.08 per share for fiscal year 2020. This means that a total of around EUR 769,467 was distributed from the net retained profits of Masterflex SE. We would like to thank you for your participation and above all for the trust you have placed in us and look forward to meeting you again in person in the coming year in the usual manner.



Outlook for 2021

Looking ahead to the rest of the year, based on the current economic forecasts and the significant progress in vaccination, we assume that the massive investment backlog built up due to the pandemic will continue to dissolve in the course of the third quarter of 2021. We therefore confirm our annual forecast communicated in the presentation of the 2020 Annual Report and expect an above-average strong and profitable business development in the second half of the year. Specifically, we expect an increase in turnover of between 2% and 5% in fiscal year 2021. We expect EBIT to exceed the previous year's figure in absolute and percentage terms. Due to the spread of the delta variant and potential further mutations of the coronavirus, there is residual uncertainty regarding the development of the global economy. Should there be a renewed economic downturn in this context, turnover and operating profit may remain at the level of 2020 and, in extreme cases, even be lower. Irrespective of this, we are sticking to our medium-term goals, which envisage return-oriented growth above economic growth and the achievement of an EBIT margin of over 10%. We see the sustainable achievement of a double-digit EBIT margin as achievable from 2022 onwards – despite the current challenges.

We would like to thank our employees for their outstanding performance this year. We thank you, dear shareholders, for your trust, we look to the future with great confidence. Please stay with us on our journey!

Sincerely yours,

Dr. Andreas Bastin
Chief Executive Officer



Masterflex Share and Annual General Meeting

Share price performance in the first half of 2021

The development of the capital markets was also marked by challenges in the first half of 2021 as a result of the coronavirus pandemic. A resurgence of the virus occurred at the end of 2020, but this development was kept under control as the vaccination strategy progressed and further easing measures were taken. Global indices remained little affected by the impact of the coronavirus pandemic and showed steady growth in the first half of the year. The DAX opened at 13,890 points on January 4, and reached an interim high of 15,802 points on June 14. The low for the year was 13,310 points on January 28. On June 30, the DAX closed the first half of 2021 with a gain of 13.2% at 15,531 points compared to the closing value in 2020.

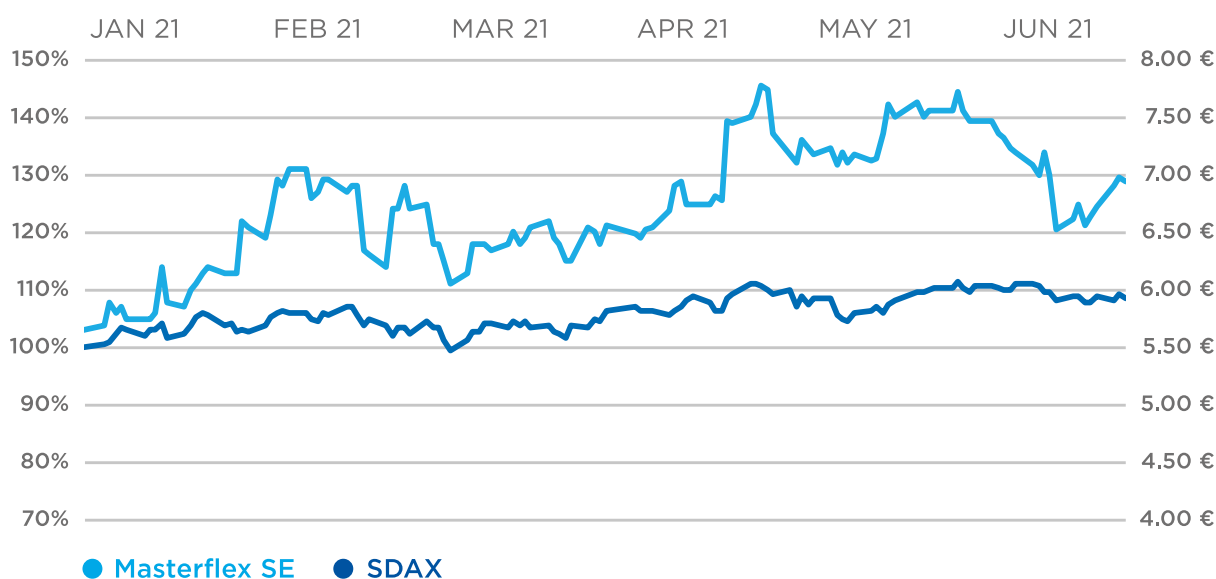
Masterflex shares recorded a price increase of 22.8% in the reporting period. The positive share price performance was boosted in particular by the significant improvement in the EBIT margin in the first quarter of 2021.

Masterflex shares opened the trading year 2021 at a Xetra price of EUR 5.70. The lowest price of the share certificates for the year was EUR 5.65 on January 4. With a solid business development in the first half of 2021, the quotation of the Masterflex share rose during the reporting period to EUR 7.82 on April 28. The securities of Masterflex SE exited trading on June 30, 2021, at a Xetra closing price of EUR 6.94. Thus, the Masterflex SE share outperformed the SDAX, which achieved a plus of 8.5% in the first half of the year.

The average daily trading volume on all German trading venues in the reporting period totaled 5,871 shares (previous year: 6,678 shares).

As of June 30, 2021, the market value of Masterflex SE amounted to EUR 67.7 million with 9,752,460 shares outstanding and a closing price of EUR 6.94. As of the 2020 reporting date, the market capitalization was EUR 55.1 million with the same number of shares and a closing price of EUR 5.65 (all figures based on Xetra prices).

Masterflex share price performance in the first half of 2021 compared to the SDAX





Shareholder structure

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

The shareholder structure* of Masterflex SE did not show any significant changes in the first half of 2021. The largest shareholder of Masterflex SE remains J.F. Müller & Sohn AG, who holds 20.0% of the shares. The characteristic of a shareholder structure characterized by family offices continues to be decisive. The management holds 6.6% of the shares. The free float is currently 44.8% (December 31, 2020: 41.8%).

Analyst research

The shares of Masterflex SE are listed in the Prime Standard of the Frankfurt Stock Exchange and are regularly analyzed and evaluated by renowned research houses. In the research of Metzler Research on April 1, 2021, analyst Alexander Neuberger again issues a buy recommendation and increased the price target to EUR 8.50 per share due to the clearly positive development of the Group EBIT in the first quarter of 2021. In addition, the experts at SMC Research, which specializes in small-cap shares, once again recommended Masterflex shares as a buy on May 14, 2021, citing a price target of EUR 9.60. Furthermore, Montega AG initiated coverage of the Masterflex share in the reporting period. Analyst Nikolas Bentlage rates the share as “buy” with a target price of EUR 9.50.

This results in further price potential of around 36.9% for the Masterflex share based on the closing price of EUR 6.94 on June 30, 2021.

Detailed information on the reports is available to interested investors at [Masterflexgroup.com](https://www.masterflexgroup.com) in the Investor Relations/Analyst Recommendations section.

Annual General Meeting 2021 and Dividend

The Annual General Meeting took place again in virtual form on May 19, 2021, due to the coronavirus pandemic. Masterflex SE continued its dividend policy in 2021. In accordance with the resolution of the Annual General Meeting, a dividend of 8 cents per share was distributed to the shareholders, thus exceeding the level of the previous year (7 cents per share). Thus, a total of around EUR 769,467 (previous year: EUR 673,283) was distributed from the net profit of Masterflex SE. The members of the Management Board and the Supervisory Board were also discharged by the shareholders for the past fiscal year. The presence was 56.2% of the share capital (2020: 53.3%).

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



Financial Calendar 2021

March 31	Publication of the consolidated financial statements 2020
April 12	Virtual Roadshow Paris, Metzler
May 12	Quarterly Report Q1/2021
May 19	Annual General Meeting
August 11	Half-year Report 2021
August 25 - 26	HIT Sixth Hamburg Investors Day
September 06 - 07	Analysts' Conference within the framework of the Autumn Conference, Frankfurt/Main
November 10	Quarterly Report Q3/2021

The financial calendar is published on the Company's website ([Masterflexgroup.com](https://www.masterflexgroup.com)) in the Investor Relations section.

Information on the Share

ISIN	DE0005492938
WKN	549293
Type of share	Ordinary bearer shares
Ticker symbol	MZX
Bloomberg symbol	MZX GR
Reuters symbol	MZXG.DE
Stock exchange segment	Prime Standard
Part of the following indices	CDAX Prime All Share Index Classic All Share Index Prime Industrial Index
Designated Sponsor	ICF Bank AG
Total number of shares (31.12.)	9,752,460



Interim Group Management Report for the first half of 2021

Business Development

The Masterflex Group started the first half of 2021 according to plan with strongly varying quarterly developments. The first quarter of 2021 was still influenced by the globally applicable lockdown regulations, while in the previous year's comparison only the Chinese market was initially affected by a strict shutdown.

The 4.9% decline in revenue in the first quarter of 2021 was lower than planned. Due to the continued progress with vaccinations, falling incidences and the associated significant easing of the global lockdown, demand dynamics picked up as expected in the second quarter of 2021 (revenue Q2/2021: EUR 19,359 thousand / + 14.8% compared to the same quarter of the previous year). In total, revenue increased by 4.0% in the first half of 2021. Nevertheless, the effects of the COVID-19 pandemic remain the driver of individual industry developments.

The strategic focus of the Masterflex Group on a variety of different industries confirms the stability of the business model in uncertain economic times. The increase in the order backlog by around EUR 7 million since the beginning of the year also underscores the focus on long-term growth markets.

The course of business in the first half of 2021 was also characterized by rising raw material prices, raw material shortages and strategic measures to secure growth opportunities and earnings targets in the second half of 2021. The reduction of the operating cash flow and the build-up of working capital were consequences of this development.

Results of Operations of the Group

1.1 Revenue development and incoming orders

Masterflex closed the first half of 2021 with a 4.0% increase in revenue compared to the same period of the previous year. Consolidated sales revenues amounted to EUR 38,871 thousand in the first half of 2021, compared to EUR 37,378 thousand in the first six months of 2020. In particular, the demand dynamics in the traditional industrial sectors (mechanical engineering, automotive) increased in the first half of 2021, but the COVID-19 related special boom in the medical technology sector flattened out slightly. No growth impulses came from the core business in medical technology relevant before COVID-19 – due to pandemic-related postponements of operations – as the healthcare system has not yet returned to its pre-pandemic level. Medical technology contributed a stable 17% to revenue (previous year: 20%) despite the shift in the focus of demand. The aviation industry has been facing a structural change since the outbreak of the COVID-19 pandemic, so the revenue development is not fully comparable with the same period last year.

As a result, revenue in the reporting period at the Masterflex companies in Europe and Asia was significantly above the comparable period of the previous year. The activities in the USA were slightly below the previous year's level in the first half of 2021.



1.2 Development of earnings

Operating earnings before interest and taxes (EBIT before non-operating income and expenses) amounted to EUR 3,680 thousand in the first half of 2021, compared to EUR 2,460 thousand in the same period of the previous year. This equates to an operating EBIT margin based on revenue of 9.5% (previous year: 6.6%).

The inventory increase of EUR 459 thousand (previous year: inventory reduction of EUR 56 thousand) was a consequence of the sales increases in the first half of 2021 as well as the high order backlog as of June 30, 2021.

The price increases on the raw materials market led to a nominal and relative increase in the cost of materials. The cost of materials ratio (measured against total operating revenue) was 31.8% as of June 30, 2021 (06/20: 30.8%).

The consistent adjustment of the personnel structure to the individual industry perspectives, in particular the closure of partial production capacities in France and the Czech Republic, showed its full effect in the first half of 2021. In addition, FLEIMA-PLASTIC GmbH made use of short-time work to a small extent in the first six months of 2021. Consequently, personnel costs decreased both nominally and relatively. In the first half year, the personnel deployment ratio (measured against total output) was 37.8% after 41.3% in the same period of the previous year.

Due to the investments in 2018 and 2019, depreciation and amortization remained at a comparable level in the first half of 2021 and amounted to EUR 2,390 thousand (06/20: EUR 2,416 thousand).

Other expenses were slightly below the previous year's figure (EUR 6,295 thousand) at EUR 6,206 thousand. This item continued to be affected by reduced travel, freight and trade fair costs during the COVID-19 pandemic.

The rescheduling of the syndicated loan in fiscal year 2019 was also reflected in a virtually constant financial result in the first half of 2021 (06/21: EUR -422 thousand, 06/20: EUR -431 thousand).

The Group result amounted to EUR 2,438 thousand at the end of six months (06/20: EUR 1,292 thousand). Consequently, earnings per share amounted to EUR 0.25 as of June 30, 2021, compared to EUR 0.13 in the same period of the previous year.



Net Assets of the Group

The increase in working capital in the first half of 2021 led to an increase in total assets of EUR 654 thousand to EUR 77,008 thousand. In total, working capital increased by EUR 3,435 thousand, of which EUR 1,213 thousand was attributable to the increase in inventories and EUR 2,703 thousand to the increase in receivables. Trade payables increased by EUR 481 thousand in the first six months of 2021.

Non-current assets decreased due to depreciation and amortization.

Cash and cash equivalents of the Masterflex Group remained at a high level of EUR 7,364 thousand as of June 30, 2021, compared to EUR 9,217 thousand as of December 31, 2020, due to the positive earnings development.

Due to the positive earnings situation of the Masterflex Group, equity increased by EUR 2,163 thousand to EUR 43,448 thousand in the first six months of 2021. This corresponds to an equity ratio of 56.4% after 54.1% as of December 31, 2020.

Following the restructuring of financing in fiscal year 2019 by taking out a syndicated loan, this loan will be repaid in accordance with the contract, resulting in a continuous decrease in non-current liabilities.

Financial Position of the Group

Cash and cash equivalents of Masterflex Group amounted to EUR 7,364 thousand as of June 30, 2021 (12/20: EUR 9,217 thousand). Net debt as of June 30, 2021, was thus EUR 18,287 thousand (12/20: EUR 18,152 thousand). The ratio of net debt to EBITDA was 2.0 at the end of the first half of 2021 (12/20: 2.3). This ratio represents a measure of the Group's gearing and is an indicator of how quickly debt can be reduced.

As of June 30, 2021, non-current and current financial liabilities decreased by EUR 1,718 thousand to EUR 25,651 thousand. The decrease in financial liabilities is attributable to the contractual repayment of the syndicated loan rescheduled in 2019.

The development of cash flow in the first half of 2021 was significantly influenced by the strategic build-up of working capital. Consequently, cash flow from operating activities decreased by EUR 2,984 thousand to EUR 1,135 thousand as of June 30, 2021. The cash flow from investing activities was also in balance in the first six months of 2021. Here, the Masterflex Group benefits from the comprehensive investment program in 2018 and 2019. The payment of the dividend shaped the development of cash flow from financing activities. Masterflex paid a dividend of EUR 0.08 per share for fiscal year 2020.



Immediate effects of the COVID-19 pandemic on the results of operations, net assets, and financial position

The COVID-19 pandemic continued to dominate the management of business operations. Production capacities were individually aligned and planned to the respective industry cycles. Monitoring and analyzing the relevant sector developments was a key element of operational management. Where necessary, instruments such as short-time working were taken into account. In the first half of 2021, this only affected FLEIMA-Plastic GmbH to a minor extent.

The structural measures and the associated adjustments to personnel capacities in fiscal year 2020 showed their full effect in the course of fiscal year 2021. No further measures are currently planned due to the COVID-19 pandemic.

Goodwill was confirmed in the course of the impairment tests.

Employees

The number of employees fell from an average of 613 in the financial year 2020 to 557 in the first half of 2021. The workforce reduction was related to the adjustments to the staff structure initiated in fiscal year 2020 as part of the B2DD program and other measures to align with individual industry developments during the COVID-19 pandemic.

Research and development

As an excellent TOP 100 innovator, Research and Development (R&D) is a key element in the success of the Masterflex Group. By developing innovative products and processes, we are able to offer hoses and individual connection solutions that meet the most demanding requirements. Due to the high level of innovation expertise, Masterflex products cannot be easily substituted by other products.

Expansion of the product portfolio for medical technology: important projects in the first half of 2021

Disruption in dental medicine

The development of a new type of hybrid microprofile in conjunction with the customized production of an injection molding tool made it possible to replace existing subassemblies in dental medicine. In addition to the implementation of the articles, the companies of the Masterflex Group have taken on extensive engineering services in the development of articles and assemblies, such as material consulting, interface considerations, development of manufacturing concepts as well as flow simulation and also process validations. The disruptive medical product is a finalist for the coveted Swiss Medtech Award 2021, which will be presented in September.

Hybrid multilumen hose

The Masterflex Group developed a 3-lumen hose with centrally located stainless steel wire to optimize microsurgery and cryosurgery technology. This hose system meets the requirements for disinfection specifications in combination with the highest functionality and lighting. In addition to the design services of the tool set, Masterflex also contributed comprehensive consulting services for the selection of the appropriate plastic to the project.



Gas tight hoses

There are high demands on the tightness of hoses against a wide range of gases, particularly in medical technology. The Masterflex Group has developed the necessary technical basis for the realization of these requirements and is continuing to expand this in the course of the year. The aim is to massively improve the rate of gas tightness, permeation, e.g. for oxygen.

Efficiency improvements in the operating room

Besides the requirements for hygiene and sterile work equipment, efficiency is also becoming increasingly important in the healthcare sector. For a variety of medical application areas, it is necessary to remove fatty tissue, which can be administered to the patient again after reprocessing. The Masterflex Group optimized this process with newly developed and sterile injection-molded components: In the future, as many vital stromal vascular cells as possible can be removed in the sterile operating theater (point-of-care) during just one operation on the same patient and then be administered to the patient again in the form of lipid-free microtissue during particularly difficult procedures.

Industrialization of medical manufacturing processes

Patients with severe corneal damage or chronic dry eyes have been increasingly treated with so-called autologous serum eye drops for about 20 years. This is an autologous blood therapy in which serum is extracted from the patient's blood that has been proven to have a healing effect. The therapeutic effect is based on proteins and various growth factors present in the serum. In order for the patient to be able to drip the serum into his eyes, special medical devices are required that allow the serum to be filled into individual application containers sterily, quickly and easily.

To make this manufacturing process more efficient, the Masterflex Group developed devices and tools for separating the patient's own blood. This significantly improves the qualitative standards as well as the manufacturing processes for these special application areas.

Sustainability: important projects in the first half of 2021

Expansion of materials expertise

Masterflex has succeeded in replacing existing Teflon fabric hoses with a PE-Ultra in the product area of the life science industry. With this innovation, the coefficients of sliding friction (CoF) and abrasion resistance have been sustainably improved for polyolefins. This material can be used in the life science industry as well as in other application areas. Through the continuous expansion of its material expertise, the Masterflex Group is expanding its diversity in the sustainable use of different plastics.

Contribution to sustainable infrastructure

The Masterflex Group developed a weatherproof and UV-resistant water drainage system made of fully fluorinated PFA to equip the Allianz Arena. This system is used underneath the roof membrane structure and helps to improve the climate balance of the Allianz Arena.

Optimization of manufacturing processes

The manufacturing process of ventilation hoses during aircraft loading and unloading was considered mature for a long time and was limited to a hose length of 37 meters. With a fundamental redesign of the manufacturing process using the existing machinery and involving the various competencies within the Masterflex Group, it has been possible to increase the hose length to 50 meters. The extension of the hose is the prerequisite for the end customers to be able to open up further areas of application with the same hose system.



Opportunity and Risk Report

The management system for identifying opportunities and risks as well as the measures for limiting risks were described in detail in the combined 2020 Management Report. In addition, the main opportunities and risks arising for the Masterflex Group in the course of its business activities were also explained there. There have been no changes to this opportunity and risk situation in the first half of 2021.

Forecast Report

The following statements on the future business development of the Masterflex Group and on the key underlying assumptions concerning the economic development of markets and industries are based on our estimates which we currently regard as realistic according to the information we have available. However, these are subject to significantly greater uncertainties than in previous years as a result of the current economic environment and thus include the unavoidable risk that forecast developments will not actually occur, either in terms of general trends or to the extent predicted.

Outlook

Expected development of the Masterflex Group

Due to the wide range of applications for Masterflex hoses in various industries, the Masterflex Group also benefited from different trends in the relevant sectors during the coronavirus pandemic. With this product market strategy, the Masterflex Group was able to balance out economic fluctuations to some extent and also take advantage of special economic situations in individual sectors such as medical technology and life science.

Besides safeguarding our revenue expectations by focusing on different industries, we continue to work consistently on the implementation of cost-saving potential as part of the "Back to Double Digit (B2DD)" program. The structural and efficiency improvements initiated in 2019 and 2020 in the area of personnel productivity and to reduce the use of materials will only show their full effect successively and over time. However, countervailing effects, such as the current shortage of raw materials, must also be taken into account here.

Sustainable earnings effects from these measures were already visible in fiscal year 2021, as among other things the necessary one-time expenses under the B2DD program were already almost fully recognized in previous years.

In our estimation, a sustained immunization program and generally positive economic sentiment will lead to a release of the investment brake in the third quarter of 2021. For example, IFW Kiel recently increased its economic forecast for 2021. According to the economic experts, Germany's gross domestic product is expected to rise by 3.9% in 2021 (previously +3.7%). The VDMA also increased its production forecast from previously + 4% to + 7% for fiscal year 2021.



Against this backdrop, we anticipate an above-average and profitable business performance in the second half of 2021. In this scenario, which we consider realistic, we expect sales to increase by 2 to 5% on a full-year basis. EBIT will thus be higher year-on-year in absolute and percentage terms.

Should the delta variant or further mutations of the COVID-19 virus slow down the development of the global economy, sales and operating profit will remain at the level of 2020 and in an extreme case may even be lower.

The Masterflex Group continues to adhere to its general objective of return-oriented growth above economic growth on the basis of its diversified growth strategy and the still intact market drivers and existing market potential – as well as the medium-term achievement of the return target of an EBIT margin of over 10%. Even the continuing high economic uncertainties for 2021 as a result of the ongoing coronavirus pandemic and the resulting difficulty in our own forecast for 2021 do not change this. Despite all the current challenges, we consider the sustainable achievement of a double-digit EBIT margin by 2022 to be achievable.

Gelsenkirchen, July 31, 2021

Dr. Andreas Bastin
Chief Executive Officer

Mark Becks
Chief Financial Officer



Interim Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets in €k	30.06.2021*	31.12.2020
Non-current assets		
Intangible assets	13,187	13,242
Concessions, industrial property rights	1,881	2,087
Development costs	1,732	1,635
Goodwill	9,187	9,187
Advance payments	387	333
Property, plant and equipment	30,296	31,434
Land and buildings	16,585	17,300
Technical equipment and machinery	10,473	11,095
Other equipment, operating and office equipment	2,580	2,742
Advance payments and assets under construction	658	297
Financial assets	92	64
Investment securities	92	64
Other assets	21	21
Deferred taxes	116	213
	43,712	44,974
Current Assets		
Inventories	16,731	15,518
Raw materials, consumables and supplies	8,399	7,723
Unfinished goods and services	1,122	715
Finished goods and products	7,207	7,075
Advance payments	3	5
Receivables and other assets	9,116	6,228
Trade receivables	8,261	5,558
Other assets	855	670
Income tax assets	85	417
Cash in hand and bank balances	7,364	9,217
	33,296	31,380
Total assets	77,008	76,354

* unaudited



Consolidated Statement of Financial Position

Equity and liabilities in €k	30.06.2021*	31.12.2020
Equity		
Consolidated equity	43,111	40,982
Issued capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	3,810	2,142
Reserve for the market valuation of financial instruments	-616	-643
Hedging instruments	-129	-224
Currency differences	-878	-1,217
Non-controlling interests	337	303
Total equity	43,448	41,285
Non-current liabilities		
Provisions	165	165
Financial liabilities	23,728	24,922
Other liabilities	865	1,172
Deferred taxes	874	696
	25,632	26,955
Current liabilities		
Provisions	289	325
Financial liabilities	1,923	2,447
Income tax liabilities	158	149
Other liabilities	5,558	5,193
Trade payables	2,128	1,647
Other liabilities	3,430	3,546
	7,928	8,114
Total equity and liabilities	77,008	76,354

* unaudited



Consolidated Statement of Income for the First Half-Year

	01.01–30.06.21*	01.01–30.06.20*
	€k	€k
1. Revenue	38,871	37,378
2. Increase or decrease in inventories of finished and unfinished goods	459	-56
3. Other own work capitalised	52	51
4. Other income	297	552
Operating performance	39,679	37,925
5. Cost of materials	-12,535	-11,519
6. Personnel expenses	-14,868	-15,446
7. Depreciation and amortisation	-2,390	-2,416
8. Other expenses	-6,206	-6,295
9. Financial result		
Financial expenses	-425	-435
Other financial result	3	4
10. Earnings before taxes	3,258	1,818
11. Income taxes	-786	-527
12. Consolidated result	2,472	1,291
thereof: non-controlling interests	34	-1
thereof: share of shareholders of Masterflex SE	2,438	1,292
Earnings per share (undiluted and diluted) in €	0.25	0.13

* unaudited



Consolidated Statement of Comprehensive Income for the First Half-Year

	01.01–30.06.21*	01.01–30.06.20*
	€k	€k
Consolidated result	2,472	1,291
Other income		
Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled		
1. Currency gains/losses from the translation of foreign financial statements	367	-404
2. Changes in the fair value of financial instruments	27	11
3. Hedging transactions	95	-3
4. Income taxes	-28	31
5. Other income after taxes	461	-365
6. Comprehensive income	2,933	926
Comprehensive income	2,933	926
thereof: non-controlling interests	34	-1
thereof: share of shareholders of Masterflex SE	2,899	927

* unaudited



Consolidated Statement of Income for the Second Quarter

	01.04-30.06.21*	01.04-30.06.20*
	€k	€k
1. Revenue	19,359	16,868
2. Increase or decrease in inventories of finished and unfinished goods	74	-155
3. Other own work capitalised	35	12
4. Other income	162	404
Operating performance	19,630	17,129
5. Cost of materials	-6,165	-5,366
6. Personnel expenses	-7,440	-7,301
7. Depreciation and amortisation	-1,191	-1,206
8. Other expenses	-3,359	-2,975
9. Financial result		
Financial expenses	-216	-242
Other financial result	2	3
10. Earnings before taxes	1,261	42
11. Income taxes	-299	-48
12. Consolidated result	962	-6
thereof: non-controlling interests	18	13
thereof: share of shareholders of Masterflex SE	944	-19
Earnings per share (undiluted and diluted) in €	0.09	-0.01

* unaudited



Consolidated Statement of Comprehensive Income for the Second Quarter

	01.04–30.06.21*	01.04–30.06.20*
	€k	€k
Consolidated result	962	-6
Other income		
Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled		
1. Currency gains/losses from the translation of foreign financial statements	116	-236
2. Changes in the fair value of financial instruments	22	19
3. Hedging transactions	-7	-17
4. Income taxes	-19	19
5. Other income after taxes	112	-215
6. Comprehensive income	1,074	-221
Comprehensive income	1,074	-221
thereof: non-controlling interests	18	13
thereof: share of shareholders of Masterflex SE	1,056	-234

* unaudited



Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of finan- cial inst- ruments	Reserve for hedging trans- actions	Ex- change- differen- ces	Shares of sharehold- ers of Masterflex SE	Non- cont- rolling inter- ests	Equity
in €k									
Equity as af 31.12.2020	9,618	31,306	2,142	-643	-224	-1,217	40,982	303	41,285
Distributions	0	0	-770	0	0	0	-770	0	-770
Comprehensive income	0	0	2,438	27	95	339	2,899	34	2,933
Consolidated result	0	0	2,438	0	0	0	2,438	34	2,472
Other income after income taxes	0	0	0	27	95	339	461	0	461
Changes in the fair value of financial instruments	0	0	0	27	95	0	122	0	122
Currency gains/los- ses from the trans- lation of foreign financial statements	0	0	0	0	0	367	367	0	367
Income taxes on other comprehensi- ve income	0	0	0	0	0	-28	-28	0	-28
Equity as of 30.06.2021	9,618	31,306	3,810	-616	-129	-878	43,111	337	43,448
Equity as of 31.12.2019	9,618	31,306	3,048	-642	-90	-607	42,633	-618	42,015
Distributions	0	0	-674	0	0	0	-674	-13	-687
Other changes	0	0	-1,026	0	0	0	-1,026	1,026	0
Comprehensive income	0	0	1,292	11	-3	-373	927	-1	926
Consolidated result	0	0	1,292	0	0	0	1,292	-1	1,291
Other income after income taxes	0	0	0	11	-3	-373	-365	0	-365
Changes in the fair value of financial instruments	0	0	0	11	-3	0	8	0	8
Exchange gains/los- ses from the trans- lation of foreign financial statements	0	0	0	0	0	-404	-404	0	-404
Income taxes on other comprehensi- ve income	0	0	0	0	0	31	31	0	31
Equity as of 30.06.2020	9,618	31,306	2,640	-631	-93	-980	41,860	394	42,254



Consolidated Statement of Cash Flows

in €k	30.06.2021*	30.06.2020*
Result for the period before taxes, interest expenses and financial income	3,646	2,250
Income tax expenses	-399	-251
Depreciation and amortisation on property, plant and equipment and intangible assets	2,390	2,416
Decrease in provisions	-36	-86
Other non-cash income and gains from the disposal of non-current assets	-18	-52
Decrease/increase in inventories	-1,213	1,039
Increase in trade receivables and other assets not attributable to investing or financing activities	-2,899	-1,042
Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	-336	-155
Cash flow from operating activities	1,135	4,119
Payments for investments in non-current assets	-1,146	-1,110
Cash flow from investing activities	-1,146	-1,110
Dividends to Masterflex shareholders	-769	-687
Interest and dividend income	3	12
Interest payments	-372	-359
Proceeds from borrowings	0	500
Payments for the repayment of loans	-1,137	-1,341
Cash flow from financing activities	-2,275	-1,875
Cash-effective changes in cash and cash equivalents	-2,286	1,134
Changes in cash and cash equivalents due to exchange rates and other changes in value	433	-283
Cash and cash equivalents at the beginning of the period	9,217	6,908
Cash and cash equivalents at the end of the period	7,364	7,759

* unaudited



Notes to the Consolidated Financial Statements

1. Accounting principles

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and complies with the Company's main accounting policies as presented here. The same accounting, valuation and consolidation methods have been applied as for the consolidated financial statements for the fiscal year ended December 31, 2020.

All other changes in accounting policies had either no or no material impact on this interim report.

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

2. Scope of consolidation

There have been no changes in the scope of consolidation compared to December 31, 2020

Company name	Company headquarters		Share of Masterflex in %
Masterflex SARL	France	Béligneux	80
Masterflex Technical Hoses Ltd.	Great Britain	Oldham	100
Masterduct Holding, Inc.*	United States	Houston	100
· Flexmaster U.S.A, 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	Planá	100
M & T Verwaltungs GmbH*	Germany	Gelsenkirchen	100
· Matzen & Timm GmbH	Germany	Norderstedt	100*
Masterflex Scandinavia AB	Sweden	Kungsbacka	100
Masterflex Vertriebs GmbH*	Germany	Gelsenkirchen	100
· APT Advanced Polymer Tubing GmbH	Germany	Neuss	100*
Masterflex Asia Holding GmbH*	Germany	Gelsenkirchen	100
· Masterflex Asia Pte. Ltd.	Singapore	Singapur	100*
· Masterflex Hoses (Kunshan) Co., Ltd.	People's Republic of China	Kunshan	100*

* = Partially consolidated



3. Financial instruments

The accounting treatment of investment securities measured at fair value and forward exchange transactions is explained in the Notes to the Consolidated Financial Statements in the 2020 Annual Report under items 3b and 16.

The fair value of investment securities amounted to EUR 92 thousand. In the first half of the year, increases in market value amounting to EUR 27 thousand were recognized directly in equity. The securities held as fixed assets are to be allocated to Level 1 as input factors with quoted prices in active markets for identical assets.

The fair value of the forward exchange transactions concluded for a total of USD 4,962 thousand amounted to EUR -185 thousand on the balance sheet date and was recognized under other financial liabilities. The change in the forward component was recognized in other comprehensive income as a change in the value of the hedging instrument and amounted to EUR 134 thousand before netting with deferred taxes. 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 to the contracted forward exchange rate. The forward exchange transaction was assigned to Level 2.

As of June 30, 2021, the amount recognized in the hedging instruments reserve is EUR 185 thousand less deferred taxes thereon.

There were no reclassifications between Level 1 and Level 2 in the reporting quarter.

For trade receivables, other current financial assets and cash and cash equivalents measured at amortized cost, the carrying amount corresponds to the fair value.

For trade payables and other current liabilities, the carrying amount corresponds to the fair value. The fair value of liabilities to banks corresponds to the carrying amount stated.

4. Dividend

The Annual General Meeting of Masterflex SE approved the payment of a dividend of EUR 0.08 per share on May 19, 2021. The distribution of a total of EUR 769,466.72 was made on May 24, 2021.

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 entire Management Board as the chief operating decision maker for measuring performance and allocating resources for the entire Masterflex Group (the so-called management approach).

There have been no changes in the segmentation basis compared to the consolidated financial statements as of December 31, 2020. The Masterflex Group reports on one operating segment, the core business unit High-tech Hose Systems (HTS).



Segment Reporting June 30, 2021

in €k	High-tech Hose Systems
Sales revenue from third parties	38,871
EBIT	3,680
Investments in property, plant and equipment and intangible assets	1,146
Depreciation and amortization	2,390
Assets	77,008

Segment Reporting June 30, 2020

in €k	High-tech Hose Systems
Sales revenue from third parties	37,378
EBIT	2,249
Investments in property, plant and equipment and intangible assets	1,110
Depreciation and amortization	2,416
Assets	80,716

The reconciliation of operating EBIT to earnings after taxes is as follows:

Reconciliation to the Group's earnings after taxes in €k	30.06.2021	30.06.2020
EBIT	3,680	2,249
Interest income/income from investments	3	4
Interest and similar expenses	-425	-435
EBT	3,258	1,818
Taxes on income and earnings	-480	-440
Deferred taxes	-306	-87
Earnings after taxes	2,472	1,291

6. Earnings per share

Undiluted 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 June 30, 2021, undiluted earnings per share amounted to EUR 0.25 with a weighted average number of shares outstanding of 9,618,334.

As there is no stock option program, no diluted earnings have been calculated.

7. Treasury shares

As of June 30, 2021, Masterflex SE held 134,126 treasury shares.

8. Employees

The number of employees in the reporting period was 557, down 12.6 percent on the previous year's figure of 637 employees.



9. Income taxes

Income tax expense has been determined in the half-year financial report on the basis of the estimated effective tax rate for Masterflex SE for the full year 2021, which was based on the pre-tax result for the reporting period. The effective tax rate is based on current earnings and tax planning.

10. Cash flow statement

The Consolidated Statement of Cash Flows 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 statement of cash flows corresponds to the balance sheet item "Cash and bank balances."

11. Relationships with related companies and persons

The relationships are explained in the Notes to the Consolidated Financial Statements in the 2020 Annual Report under Note 33.

12. Special aspects of the fiscal year in connection with COVID-19

After the challenges posed by the COVID 19 pandemic, business continued to recover in the first half of the year. The waiver agreed with the banks to suspend the leverage ratio until the end of Q3/2021 was terminated early on 30 June 2021.

Beyond the uncertainties relating to SARS-CoV-2, no significant events and developments of particular importance for the results of operations, net assets and financial position of the Masterflex Group have taken place since the reporting date, December 31, 2020.

13. Auditor's review of the interim report

The interim financial statements and the interim Management Report have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

14. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we assure that the interim consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and profit or loss, and the interim Group Management Report provides a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

July 31, 2021

Dr. Andreas Bastin
Chief Executive Officer

Mark Becks
Chief Financial Officer



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