MASTERFLEX GROUP
Connecting Values

Annual Report 2022

GLOBAL MARKET LEADER 2023 / TOP INNOVATOR 2021

Key Figures

Masterflex at a glance

in EUR thousand	2022	2021	Change
Consolidated revenue	100,274	79,068	26.8%
EBITDA	16,436	10,670	54.0%
EBIT (operating)	11,395	5,763	97.7%
EBIT	11,385	5,344	113.0%
EBT	10,807	4,590	135.4%
Consolidated net income (share of shareholders of Masterflex SE)	7,777	3,282	137.0%
Consolidated equity	51,985	44,977	15.6%
Consolidated balance sheet total	90,218	79,286	13.7%
Consolidated equity ratio	57.6%	56.7%	
Employees (number)	629	585	0.0%
EBIT margin (operating)	11.4%	7.3%	
Net return on sales	7.8%	4.2%	
Consolidated earnings per share (EUR)	0.81	0.34	137.0%

Content

Interview with the Management Board

Dr. Andreas Bastin
Chairman of the Management Board

We are experiencing robust demand.

The 2022 fiscal year was challenging, but nevertheless very successful for Masterflex SE. As a Group, we successfully mastered the challenges that arose in particular from the short-term economic consequences due to the war in Ukraine in the form of sharply increased energy and material costs as well as impending supply bottlenecks. We are very proud that we were able to exceed the growth targets we had set in the outlook and the forecast for 2022, which was raised in the third quarter. At EUR 100.3 million in revenues, we have reached a new record level-measured against the current corporate structure. This applies in particular to the result. With an operating EBIT of EUR 11.4 million, Masterflex has set a new milestone in the company's history. We have not only met the target of a double-digit EBIT margin from our B2DD optimization programme, but have also consolidated and increased profitability as promised. Based on the successful business development, the Management Board proposes to increase the dividend per share for the 2022 financial year from EUR 0.12 to EUR 0.20. CEO Dr Andreas Bastin and CFO Mark Becks are confident about the future thanks to the continuing good order situation:

Mr. Bastin, Mr. Becks, how would you describe the 2022 fiscal year in retrospect from the perspective of the Management Board?

Andreas Bastin: It was a very intense year in all respects. We faced a multitude of challenges, starting with the demanding situation in the supply of raw materials, their volatile price development and the well-known issue of energy supply. In the course of the Corona pandemic, we had already gained relevant experience and were thus able to react flexibly to the constantly changing external framework conditions. The year 2022 was also very intensive in a positive sense on an operational basis. We had and still have an excellent order situation, which pushed us to our limits in terms of capacity and made corresponding capacity expansions necessary, such as the reopening of the plant in the Czech Republic. In this context, I would particularly like to thank the Group's employees, whose tireless efforts have enabled Masterflex to achieve a new record result.

Mark Becks: Against this backdrop, we are above all proud of what we have achieved. The company's development shows that the strategy at Masterflex is also working in times of crisis. With an EBIT margin of more than 11%, we are in double figures again, as promised in the context of our B2DD programme. We will build on this and aim to deliver accordingly in 2023.

EUR 100 million in consolidated revenue and EUR 11.4 million in EBIT are new records, even though the economy did not perform well. Where does the growth come from?

Andreas Bastin: We are experiencing robust demand from all sectors. On the sector side, classic industries such as mechanical engineering continue to stand out with high demand. Aviation also continues to develop very well. In addition, medical technology is once again providing growth impulses after the Corona dip in the previous year, and we were also able to make further gains in the food industry. We are therefore experiencing robust business across the board.

Mark Becks: Fortunately, we were able to grow across all subsidiaries in 2022, even in Asia, where the situation was very challenging due to the permanent lockdown in China. Our sales growth is based on volume growth due to high demand on the one hand, but also on price effects on the other. We also benefited from the strong US dollar, while from a regional perspective, our American business in particular stood out positively. On the earnings side, it is primarily the productivity gains as an effect of our B2DD programme that is having their full impact alongside the volume effects mentioned. In addition, we have grown further in the medical business. The aim now is to consolidate and expand the margin level achieved.

Masterflex significantly exceeded its own earnings forecast in 2022, which was raised after the third quarter. What was the decisive factor for this?

Mark Becks: This has to do with several interrelated factors. First and foremost, there is the continuing strong demand, which has led to higher call-offs from customers. Then there is the high order backlog. In combination with an almost optimal supply chain management, thanks to which we were able to produce and deliver, we were able to work off a large part of it and thus more than compensate for the usual seasonal effect, which is due to the lower number of invoicing days in the fourth quarter. Above all, the immense progress in productivity helped on the earnings side, which further strengthened the overall positive development. The development of results, especially in the fourth quarter, is all the more pleasing because we also successfully shouldered the relocation of APT to Düsseldorf thanks to the great commitment of all employees.

In view of the economic uncertainties, how would you describe the current order situation?

Andreas Bastin: Our level of incoming orders is robust at the moment. We have experienced a slight temporary slowdown, but this has not been entirely inconvenient as it has allowed us to reduce the very high order backlog somewhat. We had to confirm unusually long delivery times at times, so a certain normalization is good. What is decisive is that our order intake has not fallen off, but remains at a high-level, so that we can look forward to the current 2023 business year with confidence.

What are your expectations regarding supply chains and input prices for the 2023 fiscal year?

Mark Becks: The situation is now more relaxed than it was a few months ago. We see an improvement in availability in many areas, but there are still some areas where the supply situation is still tense or new bottlenecks are emerging. From our point of view, we cannot give the all-clear. With China's departure from the zero-covid policy, including nationwide lockdowns, it is to be expected that the situation in the supply chains will ease towards the second half of the year. This is also affecting prices in some cases, where we see a slight easing in some areas, but we are still far from pre-crisis levels. And some materials are also becoming more expensive. In other words, prices continue to rise, and for some special materials, we see marginal price decreases at best. In terms of energy prices, we hope that the government measures will work. The real test in this respect will come later in the year when gas storage facilities are empty after the winter and need to be refilled. The worry lines in this regard do not disappear.

What about new hose applications? What is is happening here at Masterflex?

Andreas Bastin: We are constantly working on new innovative hose solutions. For example, in 2022 we developed a new industrial hose with an innovative thermoplastic lining. The special feature here is that these hoses are moulded in one process step and are absolutely smooth on the inside. As a result, they have optimal flow properties, are ideally suited for highly abrasive applications, save energy and are easy to clean. Series production is planned until autumn 2023. Our subsidiary Novoplast Schlauchtechnik has also been granted a European patent for a novel process for manufacturing extruded hoses from the high-performance polymer PE-UHMW. Novoplast is thus the only company on the market that can and is allowed to produce and process hoses as endless rolls of ultra-high molecular weight polyethylene. The material is food compliant according to EU 1935/2004 or EU 10/2011 and FDA compliant. These hoses are thus suitable for the food and pharmaceutical industries, opening up new customer groups- and thus new growth potential- in sectors that are largely resistant to economic cycles.

How does Masterflex, as a plastics processing company, deal with climate and environmental protection?

Andreas Bastin: Plastics are and will remain significant in many application areas. In fact, they play an important role in solving major climate and environmental challenges. For example, we are active with our products in many future-oriented industries such as renewable energies, smart cities, lightweight construction and e-mobility. For us, plastic is not a disposable product, but a high-quality and recyclable raw material. With a high recycling rate, we actively contribute to lower CO2 emissions. On the product side, we have a holistic, revolutionary concept with AMPIUS. With AMPIUS, we digitize hoses and, in conjunction with the associated data platform with life cycle data generated over several years, we have the ideal digital information and control element that enables the transformation into a true circular economy. Climate and environmental protection is not a fad at Masterflex, but is actively practiced at all levels.

Mark Becks: The market in which we operate is naturally resource-intensive, so measures to save resources have long been part of our efforts to achieve the greatest possible efficiency. With our AMPIUS hose system, we have a digital information and control element at the center of our strategic sustainability efforts, which enables a consistent entry into the circular economy of hoses made of high-tech polymers.

Dr. Andreas Bastin, CEO (right)
Mark Becks, CFO (left)

What expectations do you have at regional level with a view to 2023?

Mark Becks: In general, the demand situation continues to be promising. We expect stable to growing demand in Europe and the USA. Now that China has abandoned its zero-covid policy and the country is returning to normality, we also expect stronger growth impulses from our activities in Asia. However, key external uncertainties remain, be it the further incalculable course of the Ukraine war or the recessionary tendencies as a result of the interest rate policy of the international central banks. What makes us confident, however, is that we are in a comfortable position: We are in the comfortable position that we are well diversified both regionally and in terms of sectors and can thus cushion any fluctuations well. We have started the 2023 business year with the necessary caution, but also with justified optimism due to the internal strength of the Group.

How do you see the final market overall, also against the background of possible inorganic growth steps?

Andreas Bastin: We have been experiencing an increase in M&A activity for some months now, especially from private equity-backed players. The multiples that are being paid or offered here clearly show that we are operating in an extremely attractive market. The hose market has a regional character. Acquisitions make sense for us when we improve regionally or technologically and when acquisitions are financially feasible. Our medium-term growth target of a turnover of EUR 200 million also takes acquisitions into account. We expressly adhere to this, without wanting to name specific targets at the moment.

Mark Becks: We have solid balance sheet ratios thanks to the successes of the past years and declining net debt, which helps us in discussions with banks and investors about financing acquisitions. I am convinced that we are prepared and able to act when opportunities for external growth arise.

What are your financial expectations for the 2023 fiscal year?

Andreas Bastin: In view of our comfortable order situation, we expect a continuation of successful business development. We have also created the conditions for a continuation of our growth course both with the expansion of capacities, for example, our clean room capacities, and with further product innovations for new industry solutions, for example in the pharmaceutical and food sectors. Accordingly, we expect revenue to increase to between EUR 103 and EUR 110 million in the 2023 financial year. We expect business to continue to develop very profitably, so we anticipate EBIT in the range of EUR 11 million to EUR 14 million.

What final message do you have for your shareholders?

Andreas Bastin: I would like to thank our shareholders, also on behalf of my Management Board colleague Mark Becks, for their trust in our work. We have not only fulfilled our promise by sustainably achieving a double-digit EBIT margin in the 2022 financial year, but also bringing forward our original revenue target of EUR 100 million in 2024 by two years. The B2DD project has thus been successfully completed. We now want to take Masterflex into the next growth phase, in which we will bundle organic and inorganic growth and transform our business model, which will ultimately also be reflected in an appropriate valuation of the Masterflex shares. The analysts who cover us give us price targets of between EUR 11 and EUR 15. This would also get closer to the valuation multiples we see in our industry for M&A transactions. Our job is to continue to deliver solidly to convince the market that 'back to double digit' also applies sustainably to our share price.

Whether sweet, salty, bitter, sour or even umami: food tubes lead to taste experiences.

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Report by the Supervisory Board

Dear shareholders,

2022 was a year of growth for the Masterflex Group. Despite a challenging market environment with global crisis, supply bottlenecks, increased raw material, energy and freight costs, we have demonstrated resilience and successfully mastered the year 2022. In the past financial year, the topics of the Supervisory Board‘s advice again focused on the strategic further development of the Masterflex Group. With the sustainable achievement of a two-digit EBIT margin, the B2DD project was successfully completed. This has laid a healthy and stable foundation for initiating the Company‘s next growth steps.

In fiscal year 2022, the Supervisory Board of Masterflex SE performed the duties incumbent upon it under the German Stock Corporation Act and the Company’s Articles of Association in full and regularly monitored and advised the Management Board. The regular written and oral reports of the Management Board on all issues of relevance to the Company and the Group relating to Company planning, business development, in particular the business and financial position, the risk situation, risk management and compliance, provided the basis for this.

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

A total of four Supervisory Board meetings were held in fiscal year 2022, each of which was attended by all Supervisory Board members and Management Board members. The following table shows the attendance in individualized form:

	March 24, 2022	May 14, 2022	September 06, 2022	December 13, 2022
Georg van Hall	x	x	x	x
Dr. Gerson Link	x	x	x	x
Jan van der Zouw	x	x	x	x

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

Main topics in 2022

At the Supervisory Board meeting held on March 24, 2022, that was held to approve the Annual Financial Statements, the Supervisory Board discussed in detail the Annual Financial Statements, the Consolidated Financial Statements, the Non-Financial Statement, and the Combined Management Report for fiscal year 2021. The Report by the Supervisory Board, the Corporate Governance Statement and the Corporate Governance Report were also reviewed. In addition, the Supervisory Board (Financial Expert) dealt intensively with the quality of the audit in the sense of a 360° approach and held discussions with the Management Board, the auditors and accounting staff.

With regard to the compensation of the Management Board, resolutions were adopted at the Supervisory Board meeting on March 24, 2022 to determine the variable compensation for 2021 and to set the targets for the bonus agreements with the Management Board members for the 2022 financial year. Furthermore, a resolution was adopted on the proposal to the Annual General Meeting for the adjustment of Supervisory Board compensation.

Following the Annual General Meeting on June 14, 2022, the second Supervisory Board meeting of Masterflex SE in the 2022 financial year took place. In addition to the follow-up to the Annual General Meeting, the current economic development of the company and compliance and risk management were the subject of the discussions.

In the Supervisory Board meeting on September 06, 2022, the Supervisory Board focused on the Management Board report on the current economic development and on compliance and risk management aspects. The agenda also included the dates for the Supervisory Board meetings and the 2023 Annual General Meeting.

At the last Supervisory Board meeting of the year, on December 13, 2022, the Management Board provided an outlook on the economic results in fiscal year 2022 and reported on the Group‘s strategic corporate planning. In this context, the current economic development and future market prospects in particular were examined in a variety of ways and the resulting scenarios were discussed intensively between the Management Board and the Supervisory Board. The planning was approved by the Supervisory Board as presented. The update of the Declaration of Conformity with the German Corporate Governance Code in the version dated April 28, 2022 was also approved by the Supervisory Board at this meeting.

Trusting cooperation with the Management Board

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

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

The Management Board reported in writing and verbally in meetings and discussions during the year, as well as in telephone conferences, on the preparation and content of the financial reports to be published quarterly and discussed these in detail with the Supervisory Board. In fiscal year 2022, the Supervisory Board approved all transactions requiring its consent after they had been examined in detail and discussed with the Management Board.

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

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

Supervisory Board committees

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

Corporate Governance

The Supervisory Board also dealt with the Company's Corporate Governance in the past financial year. Therefore, the implementation of the German Corporate Governance Code is a fixed component of the meetings of the Supervisory Board of Masterflex SE. The Supervisory Board and the Management Board intensively discussed the recommendations and suggestions of the Code in its current version dated April 28, 2022. On this basis, the Supervisory Board adopted the Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG) at its meeting on December 13, 2022, which has been made permanently available to our shareholders on the Company's website.

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

In the interests of good Corporate Governance, the Supervisory Board undertakes regular training. In fiscal year 2022, the focus of the training measures was on information about upcoming changes in legislation. In this context, the Supervisory Board dealt intensively with the EU Supply Chain Act 2023 and the EU Whistleblower Directive.

No conflicts of interest involving members of the Supervisory Board came to light in the past fiscal year.

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

The Annual Financial Statements for Masterflex SE prepared by the Management Board, the Consolidated Financial Statements, the Combined Management Report and the Remuneration Report for the Group and Masterflex SE for fiscal year 2022, including the accounting, were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Essen, which was appointed as auditor by the Annual General Meeting on June 14, 2022, and issued with an unqualified audit opinion. The auditor submitted the requested Declaration of Independence to the Supervisory Board before commencing with the audit.

The documents to be examined and the auditor's reports were available to each member of the Supervisory Board at the financial statements meeting on March 24, 2022, and had been forwarded to each member of the Supervisory Board in good time for preparation. The auditors took part in the discussion of the Annual Financial Statements and the Consolidated Financial Statements. They reported on the main results of the audits and were available to provide additional information. The Supervisory Board adopted the Annual Financial Statements and approved the Consolidated Financial Statements in a circular resolution on 30 March 2023 after detailed examination of the documents and taking the audit reports into account.

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

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

Gelsenkirchen, March 30, 2023
For the Supervisory Board

Georg van Hall
Chairman of the Supervisory Board

Corporate Governance Report – Declaration on Corporate Governance

The Management Board and Supervisory Board of Masterflex are committed to the principles of transparent and responsible corporate management and control. They attach great importance to the standards of good corporate governance in order to strengthen the confidence of investors, customers, employees and the public in Masterflex.

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

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

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

The term Corporate Governance Stands for responsible management and control of companies geared to long-term value creation. Key aspects of good corporate governance are efficient cooperation between the Management Board and the Supervisory Board, respect for shareholder interests, and openness and transparency in corporate communications.

Masterflex SE is a European Stock Corporation to which, according to the SE Regulation, the law governing stock corporations under German law also applies. Accordingly, the Management of the Company is carried out by the Management Board and the Supervisory Board. Corporate Governance has a high priority for Masterflex SE. From the very beginning, the Management Board and the Supervisory Board have worked closely together for the benefit of the Company and have maintained an intensive and continuous dialog about the Company's development.

The Code (German Corporate Governance Code in the currently valid version of April 28, 2022) represents essential legal regulations for the Management and supervision of German listed Stock Corporations and contains internationally and nationally recognized standards of good and responsible Corporate Governance (consisting of so-called recommendations and suggestions). The Code is intended to make the German Corporate Governance system transparent and comprehensible. The statutory provisions set out in the Code must be observed and complied with by the Company without exception. The Company may deviate from the recommendations contained in the Code. Such deviations are expressly provided for in the preamble to the Code and serve the best possible Corporate Governance through self-regulation and transparent explanation of the Code's contents.

The Declaration of Conformity from December is worded as follows:

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

The Management Board and Supervisory Board of Masterflex SE declare that the recommendations of the Code in the version of December 16, 2019, have been complied with to date with the exception of the deviations mentioned in the last Declaration of Conformity from December 2021 and that the recommendations of the Government Commission on the German Corporate Governance Code in the version of April 28, 2022, will be complied with in the future with the deviations mentioned below. The declaration is made permanently available to the shareholders of Masterflex SE on the website. All previously published Declarations of Conformity can also be found there.

Exceptions:

A.1 p.1 and A.3 p.2
Corporate planning and also corporate strategy take into account both financial and sustainability-related objectives. The complete identification of all related risks and opportunities associated with the global activities of Masterflex SE as well as the analysis and evaluation of the impact on the company's activities is still ongoing. This also includes the processes and systems for recording and processing sustainability-related data.

A.5
The Management Report contains information on compliance. This has long been a regular subject of internal reporting. However, the management report does not comment on the adequacy and effectiveness of these systems.

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

C.1 p. 2 and p.4
Despite its small size of only three members, the Supervisory Board is very diverse in terms of its competencies. In this respect, there is also competence and awareness of sustainability issues relevant to the company, without this being shown separately in a competence matrix.

D.2 p.1 - D.3 and D.10 Supervisory Board - Committees
With three members, the Supervisory Board of Masterflex SE has been deliberately kept small to date in order to be able to pass resolutions efficiently, quickly and flexibly through lean structures - as is the case throughout the Group. The composition of the Supervisory Board with recognized experts is an important basis for Masterflex SE to work together in continuous dialog to set the course for the Company's successful development. In view of this, the establishment of committees, which would also have to be staffed with at least three members of the Supervisory Board, makes no sense.

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

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

of this, comparisons were of course also made with regard to the development of remuneration, which is traditionally monitored with a sense of proportion. The remuneration of the Executive Board is therefore appropriate and customary.

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

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

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

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

Gelsenkirchen, December 2022
The Management Board and Supervisory Board

Disclosures on Corporate Governance Practices

Integrity management: integrated governance, risk management and compliance (iGRC) Governance

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

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

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

Risk management

Masterflex SE has set up a Group-wide risk management system that is constantly being further developed in order to be able to rely on an internal control system that is always effective throughout the Group. We consider risk management to be a core task of the members of the Management Board, senior executives and all employees. This allows for early identification, monitoring and control of risks without having to forego business opportunities. Risk management is described in detail in the 2022 Combined Management Report, section C "Opportunity and Risk Report."

Compliance

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

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

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

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

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

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

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

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

Management Board

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

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

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

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

Diversity concept on the Management Board

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

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

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

Remuneration system for the Management Board

In the 2022 financial year, the Supervisory Board revised the remuneration system for the Management Board members in accordance with the requirements of the Second Shareholder Directive Implementation Act (ARUG II) and the requirements of the GCGC. The remuneration system was approved at the Annual General Meeting on June 14, 2022.

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

Diversity within the Company

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

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

Supervisory Board

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

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

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

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

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

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

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

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

Members and mandates of the Supervisory Board

Member	Profession	Born	Member since	Appointed until the AGM that decides on the discharge for the fiscal year	Other mandates
Georg van Hall Chairman and financial expert	Certified Public Accountant	Oct. 14, 1957	August 11, 2009	2024	• None
Dr. Gerson Link Dr. Gerson Link Deputy Chairman and financial expert	Board Member, InnoTec TSS AG, Dusseldorf	Aug. 5, 1971	June 14, 2016	2024	• Waag & Zübert Value AG, Nuremberg • FABRI AG, Nuremberg **Group mandate at Innotec TSS AG:** • Rodenberg Türsysteme AG, Porta Westfalica (Chairman)
Jan van der Zouw	Multi Supervisory Board, formerly CEO of Eriks NV, Netherlands	June 20, 1954	June 14, 2016	2024	• Den Helder Airport CV, Den Helder/Netherlands (Chairman) • Aalberts Industries NV, Langebroek/Netherlands • UTT Procurement BV Zuidland, Netherlands

Composition of the Supervisory Board

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

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

Competence profile

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

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

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

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

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

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

Target agreement of the Supervisory Board

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

Internationality

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

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

Innovation

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

Diversity

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

Independence

The Supervisory Board is to comprise what it considers to be an appropriate number of independent members. Appropriate consideration is to be given to the interests of the owners. In accordance with the requirements of the German Corporate Governance Code, more than half of the shareholder representatives should be independent of the company and the Management Board. Criteria on the question of independence are defined in Section C.7 of the German Corporate Governance Code.

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

Age limit and duration of membership

The Articles of Association define the age limit and length of membership. Only persons who are not older than 70 years may be nominated for election to the Supervisory Board.

Implementation of the targets for the Supervisory Board

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

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

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

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

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

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

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

Shareholders, Annual General Meeting, Transparency

Shareholders and Annual General Meeting

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

Transparency

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

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

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

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

Accounting and auditing

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German law pursuant to § 315e (1) HGB. After preparation by the Management Board, the Consolidated Financial Statements are audited by the auditor and, in turn, reviewed and, if necessary, approved by the Supervisory Board. The Annual Financial Statements are prepared in accordance with German commercial law (HGB/AktG). After preparation by the Management Board, the Annual Financial Statements are audited by the auditor and, in turn, reviewed and, if necessary, approved by the Supervisory Board. This also applies to the combined management report. The interim reports are not reviewed by an auditor. In addition, monthly internal reporting is carried out in accordance with International Financial Reporting Standards (IFRS). For competitive reasons, all disclosures for the investees in the Consolidated Financial Statements are reported with the exception of the individualized statement of income.

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

Control variables and control system

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

The focus of managing the Company is on earnings and liquidity ratios. For information on the key performance indicators used to manage the Company, please refer to the comments in the Combined Management Report 2022 under section A "Management system."

Our hose systems offer customers holistic solutions in terms of efficiency and safety.

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Masterflex Share

Key figures of the Masterflex share

		2022	2021	2020	2019	2018
Number of shares (Dec. 31)	Shares	9,752,460	9,752,460	9,752,460	9,752,460	9,752,460
Number of treasury shares	Shares	134,126	134,126	134,126	134,126	134,126
Market capitalization* (Dec. 31)	EUR million	79.3	62.1	54.3	43.1	67.9
Opening price	EUR	6.42	5.70	4.62	7.00	8.92
Closing price	EUR	8.24	6.46	5.65	4.48	7.06
Highest price	EUR	9.50	7.82	6.40	7.26	9.56
Lowest price	EUR	5.42	5.65	3.12	4.34	7.00
Share performance	%	+27.6%	+14.3%	+26.1%	-37.6%	-20.9%
Dividend per share	EUR	0.20	0.12	0.08	0.07	0.07
Earnings per share	EUR	0,81	0.34	0.08	0.26	0.35
Free float	%	42.0%	42.0%	41.8%	32.6%	41.8%

All figures are based on Xetra prices
* excluding treasury shares

The stock market year 2022

The stock market year 2022 was one of the worst in historical terms. It was characterized by a large number of negative factors, which ultimately led to a significant correction in almost all asset classes. At the start of 2022, fears of an escalation in the conflict between Russia and Ukraine were already spreading, which finally became a certainty with Russia's invasion of Ukraine at the end of February 2022. In this environment, which was already burdened by the after-effects of the Corona pandemic, the European stock markets in particular, but also the leading stock markets in America and Asia, recorded significant price losses. The war in Ukraine had a negative impact on the economy in many respects. In particular, the shortage of key raw materials slowed economic development. This was exacerbated by uncertainty regarding energy supplies, particularly in Europe, as an additional core challenge, resulting in the highest inflation in 40 years. In the wake of this, the world's central banks moved to raise key interest rates significantly. The restrictive policy of the central banks and the resulting liquidity shortage led to a slump in all asset classes - from the share and bond markets to the precious metals sector.

In general, the development of the share markets in 2022 was characterized by high volatility due to the high level of uncertainty. In this environment, the DAX opened the 2022 share price year on January 3 at 15,947 points and by September had fallen by around 25% to its low for the year of 11,863 points. In the wake of the aggressive interest rate policy pursued by the US Federal Reserve in particular and the resulting economic slowdown, there were signs of a lower rise in inflation from the third quarter onwards and this also gave rise to hopes of a more defensive approach to the central banks' interest rate hike policy. Against this backdrop, the markets recovered significantly from their lows in the fourth quarter of 2022. Nevertheless, the DAX closed the 2022 share trading year with a loss of 12.3%.

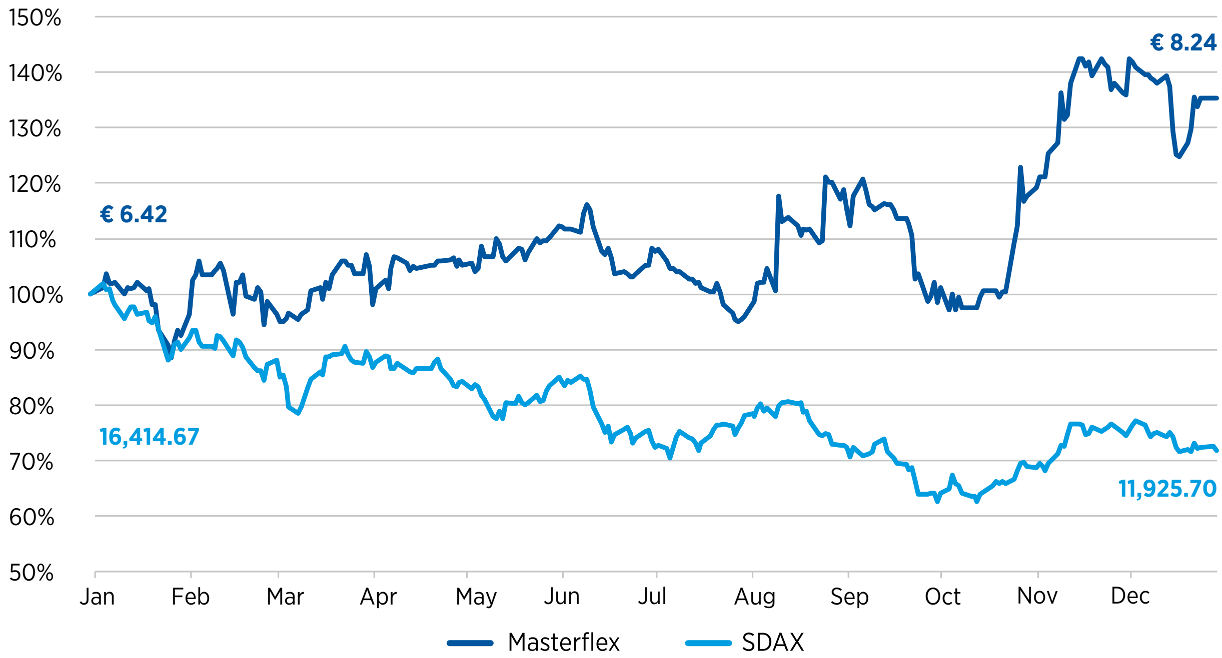
The Masterflex share price rose by 27.6% in the year under review. The decisive factor for the positive share price development was the extremely dynamic business development despite the challenging general conditions. Coupled with a robust order situation and the sustainable achievement of the double-digit EBIT margin envisaged in the course of the optimization program launched in 2019 (B2DD), Masterflex SE significantly raised its revenue and earnings forecast for 2022 in October 2022, which gave the share corresponding positive impetus.

The Masterflex share opened the reporting year on January 3, 2022, with a Xetra price of EUR 6.42. The lowest price for the year was marked at EUR 5.42 on January 25, 2022. Following the forecast increase on October 24, 2022, the Masterflex share price recorded a dynamic rise to its high for the year of EUR 9.50 on November 21. The Xetra closing price in 2022 was EUR 8.24, meaning that the Masterflex SE share, with a gain of 27.6%, significantly outperformed the SDAX, which slumped by 27.4% in 2022, and the DAX, which recorded a drop of 12.3%.

The average daily trading volume across all German trading venues totaled 4,355 shares in the reporting year (2021: 5,901 shares).

As of December 31, 2022, the stock market value of Masterflex SE amounted to EUR 79.3 million with 9,618,334 shares issued and a closing price of EUR 8.24. As of the reporting date 2021, the market capitalization was EUR 63.0 million with the same number of shares and a closing price of EUR 6.46 (all figures based on Xetra prices).

Masterflex share price performance in 2022 compared to the SDAX

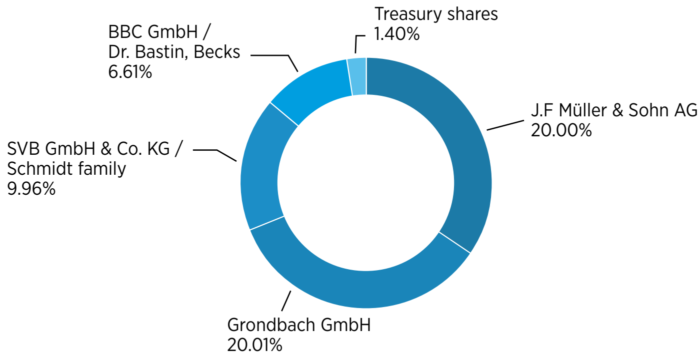


Shareholder structure

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

The largest shareholder of Masterflex SE is Grondbach GmbH, which increased its shareholding of 20.01%.The Second largest anchor shareholder is J.F. Müller & Sohn AG, whose shareholding remained constant at 20.00%. SVB GmbH & Co. KG is the third largest anchor shareholder with a share of 9.96%. The management also holds a significant position amounting to 6.61% of the share capital. The free float at the balance sheet date 2022 was 42.02% (December 31, 2021: 42.02%). Masterflex SE holds 1.40% of its own shares. The shareholder base of Masterflex SE is characterized by a high degree of stability and mainly by family offices with a long-term orientation, which, like the commitment of the management, documents the high level of confidence in the growth strategy of Masterflex SE.

Reportable shareholders (3% or more):



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

Analyst Research

Masterflex SE shares are listed in the Prime Standard of the Frankfurt Stock Exchange and are routinely analyzed and valuated by renowned research firms. The analysts at Metzler Research rate the Masterflex share as "buy" in their update of December 5, 2022. Analyst Alexander Neuberger sees a price target of EUR 11.00 per share. In addition, the experts at SMC Research, which specializes in small-cap stocks, reiterated their buy recommendation for Masterflex shares on November 10, 2022, with a target of EUR 13.00. Montega Research is the most optimistic with regard to the share price potential and raised its target price to EUR 15.00 on November 25, 2022, in response to the forecast increase and reiterated its previous buy recommendation.

The average analyst price target is EUR 13.00 per share, resulting in a price potential of around 58% for Masterflex shares based on the closing price of EUR 8.24 on December 30, 2022.

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

Annual General Meeting 2022

The Annual General Meeting was again held in virtual form on June 14, 2022. The shareholders expressed their confidence in the Management Board and Supervisory Board for the financial year 2021 with a large majority and approved practically all items on the agenda by a clear majority. Attendance was 60.7% of the capital stock (2021: 56.2%).

Dividend

Masterflex SE pursues a dividend policy based on continuity and continued this policy to do so in 2022. From the retained earnings of Masterflex SE as of December 31, 2021, amounting to EUR 13.1 million, a dividend at the level of the previous year of EUR 0.12 per no-par value share entitled to dividend (total EUR 1,154,200.08) was distributed to the shareholders. The remaining unappropriated profit of around EUR 11.9 million was carried forward to new account.

Capital market communication

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

2023 Financial Calendar

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

March 31	Publication of the Consolidated Financial Statements for 2022
May 9	Q1/2023 Announcement
June 7	Annual General Meeting
August 9	2023 Half-Year Report
August 23-24	HIT Hamburg Investors Day
November 8	Q3/2023 Announcement

Share Information

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

Combined Management Report

Combined Management Report of the Masterflex Group and Masterflex SE for fiscal year 2022

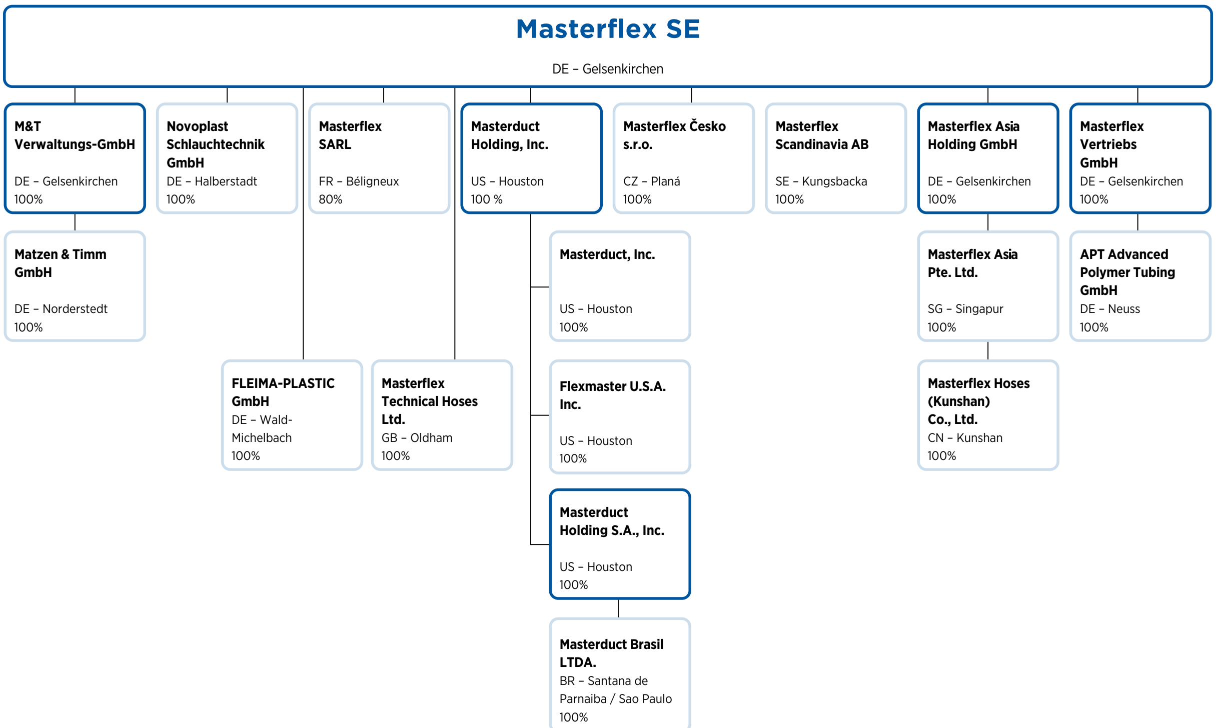
A. Principles of the Group

Organization and management structure

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

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

The structure of the Group:



Performance promise

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

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

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

The high-tech hose market

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

Market analysis special hoses

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

Dynamic growth in line with relevant industry development

The field of application of Masterflex special hoses is focused on critical and particularly demanding manufacturing and application areas that require technological knowledge, material expertise and precision.

The demand situation is therefore characterized both by the economic development of the markets relevant to Masterflex and by the development of hose solutions for new applications.

Medical Technology:

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

Life Science:

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

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

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

Renewable Energies:

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

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

Aviation:

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

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

Automotive and E-Mobility:

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

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

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

Process Industry and Robotics:

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

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

Semiconductor industry:

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

Predictive Maintenance:

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

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

Strategy

Profitable growth

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

Globalization and demographic change

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

Digital transformation

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

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

Sustainability

The increasingly evident scarcity of resources promotes sustainable use and consumption solutions at nearly all levels and areas of material use. The increasing consequences of climate change and the resulting need for action have far-reaching implications for the protection and regeneration of the environment in almost all respects. The use of plastics will presumably have to meet higher recycling and environmental compatibility requirements in the future.

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

The additional broad industry diversification stabilizes the business model and makes the Masterflex Group less vulnerable in times of economic crisis.

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

I. Internationalization

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

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

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

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

II. Innovation

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

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

III. Digital transformation

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

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

IV. Operational excellence

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

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

Control system

Internal control system

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

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

- sales revenue in comparison to actual, target (budget) and the previous year and
- EBIT at Group level and at Masterflex SE.

Research and development

As an award-winning TOP 100 innovator, the Research and Development (R&D) department is a key building block for the success of the Masterflex Group. By developing innovative products and processes, we are able to offer hoses and individual connection solutions that meet the requirements of our customers.

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

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

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

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

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

Digital transformation

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

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

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

Sustainability

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

Engineering Services

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

External ratings

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

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

B. Economic Report

Macroeconomic environment

The global economy has weakened significantly in the period 2022 to 3.2% (2021: 6.1%). This is due to the strong rise in energy prices, the high inflation rates worldwide, the associated tighter monetary policy of the central banks, and uncertainty factors such as the war in Ukraine. Despite extensive pandemic-related lockdowns in China, there has been a normalization of economic activity following the COVID-19 pandemic, which is reflected, among other things, in easing supply bottlenecks. The situation in the commodity markets has eased since the spring. Nevertheless, economic activity in the advanced economies in particular has slowed down despite considerable fiscal support measures. Price inflation reached historic highs during 2022, and in the summer and fall was higher in many countries than it has been for more than 50 years. In the G7 countries, it was 8% in October. Central banks in the advanced economies reacted to the sharp rise in inflation rather late, but then with a historically steep increase in key interest rates.

In China, the economic situation continued to be burdened by Corona and problems in the real estate sector. The Chinese economy grew by just 3.2% in 2022, compared with 8.2% in 2021. After recovering from the spring lockdowns in the third quarter, the Chinese economy was threatened with another economic slump as incidence rates rose again toward the end of the year. In December, however, the government decided to largely forego large-scale mobility restrictions and quarantine measures.

In the third quarter, overall economic production in the advanced economies increased by just under 0.5%, somewhat more strongly than in the two previous quarters. In the USA, construction investment declined and private consumption lost momentum. Thus, the 0.7% increase in the gross domestic product in the third quarter probably overstates the underlying trend in the US economy. In the eurozone, growth slowed to 0.3%, and in the United Kingdom and Japan, overall economic output actually decreased by 0.2% in each case in the third quarter.[1]

In Germany, the price-adjusted gross domestic product (GDP) increased by 1.9% in 2022 compared with 2021, according to calculations by the Federal Statistical Office (Destatis).[2] The inflation rate is expected to have been 7.9% in 2022 as a whole. In December, it was 8.6%, compared with over 10% in the previous months. One of the main causes of the high inflation rate is the start of the war in Ukraine. Since then, prices for energy and food have risen markedly.[3] Nevertheless, on the demand side, private consumer spending was the main growth driver in 2022. It increased by 4.6% year-on-year in price-adjusted terms, almost reaching the pre-crisis level of 2019.

Foreign trade also increased despite sharp price rises. Adjusted for prices, Germany exported 3.2% more goods and services than in the previous year. At the same time, price-adjusted imports increased by 6.7%. As a result, net exports dampened GDP growth overall. Construction investment decreased by 1.6% in 2022 after adjustment for prices. A lack of construction materials and increasing cancellations of commercial and private construction projects in the wake of high construction prices and rising construction interest rates had a negative impact. Equipment investment increased by 2.5% in 2022 after adjustment for prices. Employment in the labor market reached a record level in 2022, with an average of 45.6 million people in work. The increase in employment took place in particular among employees subject to social security contributions and in the service sectors.[4]

According to the OECD forecast, inflation will remain at an elevated level in 2023, but will weaken compared with 2022. Inflationary pressures increased significantly in the past year, mainly due to the war in Ukraine, pushing up prices for energy and food. Higher energy prices helped push up prices for a broad basket of goods and services. Tighter monetary policy and a slowdown in growth should help to dampen and gradually normalize inflation in 2023.[5]

The tighter monetary policy and higher real interest rates, persistently high energy prices, and weak growth in real household incomes are expected to continue to weigh on global economic growth in 2023. Global economic output is expected to grow by 2.2% overall in 2023. In the United

1) https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_97_2022-Q4_Welt.pdf
2) https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_020_811.html
3) https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_003_611.html
4) https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/01/PD23_020_811.htmlv
5) https://www.oecd.org/economic-outlook/november-2022/

States and the eurozone, growth is expected to slow further and increase by only 0.5%. The major emerging economies of Asia are expected to account for almost three-quarters of global GDP growth in 2023.[6)]

The German Bundesbank expects private consumption in Germany to decline from the winter half-year of 2022/23 due to high inflation. Business expectations among companies are also rather gloomy, albeit with slight signs of recovery. Industrial order intake increased slightly due to major orders, and the German labor market is robust.[7)]

Business performance

The fiscal year 2022 was an outstanding one in the history of Masterflex. revenue increased by 26.8% to EUR 100.3 million, so that the reveue target announced for 2024 was already achieved in 2022. On the EBIT side, we comfortably achieved the forecast double-digit EBIT margin of 11.4%. In this respect, the fiscal year 2022 can be described as a very successful one. Masterflex has moved into new dimensions of size (revenue greater than EUR 100 million, double-digit EBIT margin).

The biggest challenge in 2022 was dealing with the inflationary effects on the raw material, freight and energy side and, associated with this, the still disrupted supply chains. On the cost side, we were able to pass the effects on to customers in a very balanced way, which is also one reason for the increase in sales. With a few exceptions, we were also able to deliver at all times.

The successful implementation of the B2DD program launched in 2019 showed its full effect in fiscal 2022. With the achievement of the double-digit EBIT margin, this project has now been completed and transferred from project status to everyday operations.

6) https://www.oecd.org/economic-outlook/november-2022/
7) https://www.bundesbank.de/resource/blob/895890/21ca496375acb5acea78bae3f00f2760/mL/2022-12-monatsbericht-data.pdf

Situation

Results of operations of the Group

	2022		2021		Change	
	in EUR thousand	%	in EUR thousand	%	in EUR thousand	%
Revenue	100,274	99.1	79,068	100.0	21,206	26.8
Changes in inventories	738	0.7	-131	-0.2	869	-663.4
Other own work capitalized	200	0.2	158	0.2	42	26.6
Total output	**101,212**	**100.0**	**79,095**	**100.0**	**22,117**	**28.0**
Other operating income	714	0.7	1,004	1.3	-290	-28.9
Operating performance	**101,926**	**100.7**	**80,099**	**101.3**	**21,827**	**27.3**
Cost of materials	-34,657	-34.2	-25,398	-32.1	-9,259	36.5
Personnel expenses	-33,719	-33.3	-30,476	-38.5	-3,243	10.6
Depreciation and amortization	-5,041	-5.0	-4,906	-6.2	-135	2.8
Other operating expenses	-16,686	-16.5	-13,277	-16.8	-3,409	25.7
Other taxes	-428	-0.4	-279	-0.4	-149	53.4
Operating expenses	**-90,531**	**-89.4**	**-74,336**	**-94.0**	**-16,195**	**21.8**
EBIT (operational)	**11,395**	**11.3**	**5,763**	**7.3**	**5,632**	**97.7**
Non-operating effects	-10		-420		410	
EBIT	**11,385**		**5,343**		**6,042**	
Financial result	-578		-753		175	
Earnings before income taxes	**10,807**		**4,590**		**6,217**	
Income taxes	-2,980		-1,289		-1,691	
Consolidated annual result	**7,827**		**3,301**		**4,526**	
Thereof:						
Non-controlling interests	50		19		31	
Shares of shareholders of Masterflex SE	7,777		3,282		4,495	

1.1 Revenue development and incoming orders

Consolidated revenue amounted to EUR 100,274 thousand in fiscal year 2022, compared to EUR 79,068 thousand in the previous year. This corresponds to an increase in sales of 26.8%.

The order backlog, which was at an unusually high level of EUR 22.9 million on December 31, 2021, was also able to maintain this level on December 31, 2022, and amounted to EUR 22.8 million.

All companies were on a growth course in fiscal 2022. In particular, the American companies as a whole and Matzen & Timm GmbH grew faster than the Group average of 26.8%. As in the previous year, the share of medical technology remained stable at 17%.

Growth was higher than the previous year at almost all subsidiaries. Particularly strong growth was recorded by the companies that primarily supply the mechanical engineering, automotive, aerospace and heating/ventilation/air conditioning sectors.

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

1.2 Development of earnings

Operating earnings before interest and taxes (EBIT before non-operating income and expenses) increased significantly in fiscal year 2022 to EUR 11,395 thousand, compared to EUR 5,763 thousand in 2021. This equates to an operating EBIT margin in relation to Group revenue of 11.4% based on total operating performance (2020: 7.3%).

The development of earnings is derived as follows:

In fiscal 2022, the increase in inventories due to the good order situation amounted to EUR 738 thousand (2021: reduction by EUR 131 thousand). Capitalization of other own work was slightly above the previous year‘s level and amounted to EUR 200 thousand in the reporting year (2021: EUR 158 thousand).

Other operating income decreased in the course of business in 2022 from EUR 1,004 thousand (in 2021) to EUR 714 thousand. This decrease is mainly due to special effects in 2021 (reversal of provisions in the amount of EUR 131 thousand and income relating to other periods in the amount of EUR 150 thousand), which did not recur in 2022.

Cost of materials of EUR 34,657 thousand is reported for fiscal year 2022, which corresponds to a cost of materials ratio (cost of materials in relation to total output) of 34.2%. In the previous year, the cost of materials amounted to EUR 25,398 thousand, corresponding to a cost of materials ratio of 32.1%. The significant increase in the cost of materials is attributable on the one hand to volume increases, but primarily to price increases for raw materials, some of which were severe. Raw material price increases were partly offset by price increases at customers and material savings in production.

Personnel expenses increased nominally from EUR 30,476 thousand to EUR 33,719 thousand. In relative terms, the ratio of personnel expenses to total operating performance decreased from 38.5% in the previous year to 33.3% in the fiscal year 2022. The increase in personnel expenses is attributable to the increase in personnel, particularly in production (including the resumption of production in the Czech Republic), annual wage and salary increases, and higher bonuses and management bonuses due to the very successful development of the Masterflex Group.

In 2022, Masterflex also invested in production expansions as well as in the expansion of climate protection activities. This led to a slight increase in depreciation and amortization. In fiscal year 2022, depreciation and amortization amounted to EUR 5,041 thousand, compared to EUR 4,906 thousand in the previous year.

Other operating expenses increased significantly in the course of business in 2022 from EUR 13,277 thousand in the previous year to EUR 16,686 thousand in 2022. In line with the revenue development and due to inflationary effects, energy, freight and export costs increased compared to the previous year's figures, in some cases drastically. In addition, the relocation of APT Polymer Tubing GmbH in December 2022 had a negative impact on earnings.

In total, operating EBIT in fiscal year 2022 thus amounted to EUR 11.395 thousand (previous year: EUR 5,763 thousand). Taking into account the almost negligible non-operating effects of on balance EUR 10 thousand, EBIT came to EUR 11,385 thousand, compared with EUR 5,343 thousand in the previous year. The non-operating effects mainly include restructuring expenses and income for the activities in the aerospace industry. The operating EBIT margin (based on sales) was therefore 11.4%, significantly higher than in 2021 (7.3%) and also in 2019 (6.3%).

Due to the repayment of financial liabilities in accordance with the contract and improved financial ratios (debt-equity ratio) and thus lower interest rates, the financial result improved by EUR 175 thousand (2022: EUR -578 thousand; 2021: EUR -753 thousand). Income tax expense increased from EUR 1,289 thousand to EUR 2,980 thousand due to the significant improvement in earnings.

The consolidated result amounted to EUR 7,827 thousand in fiscal year 2022 after EUR 3,301 thousand the previous year. Taking the non-controlling interests in a Group company into account, the shareholders of Masterflex SE account for EUR 7,777 thousand (previous year: EUR 3,282 thousand). The non-controlling interests include the ownership of the subsidiary in France (Masterflex SE: 80%).

Earnings per share increased from EUR 0.34 in the previous year to EUR 0.81 in the fiscal year 2022.

1.3 Comparison of the actual with the forecast business development

The forecast issued in the Annual Report 2021 for the 2022 financial year and the forecast increase communicated in the fall of 2022 were exceeded in terms of sales and EBIT. The forecast for 2022 published in the Annual Report 2021 assumed sales growth to be between EUR 83.0 million and EUR 87.0 million and EBIT in a range of EUR 8.3 million to EUR 9.0 million. The forecast, which was revised upwards in the fall, assumed sales growth to be between EUR 92.0 million and EUR 96.0 million and operating EBIT of between EUR 9.3 million and EUR 10.5 million. Both forecasts were exceeded in the final quarter due to the continuing good order situation.

All in all, we can speak of an extremely successful financial year.

Net assets of the Group

2.1 Asset structure

	December 31, 2022		December 31, 2021		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Intangible assets	13,207	14.6	13,106	16.6	101	0.8
Property, plant and equipment	35,929	39.8	31,254	39.4	4,675	15.0
Financial assets	87	0.1	112	0.1	-25	-22.3
Other assets	252	0.3	34	0.0	218	641.2
Deferred taxes	44	0.0	33	0.0	11	33.3
Non-current assets	**49,519**	**54.8**	**44,539**	**56.1**	**4,980**	**11.2**
Inventories	21,274	23.6	17,243	21.8	4,031	23.4
Receivables and other assets	9,679	10.8	7,954	10.1	1,725	21.7
Current assets	**30,953**	**34.4**	**25,197**	**31.9**	**5,756**	**22.8**
Cash and cash equivalents	**9,746**	**10.8**	**9,550**	**12.0**	**196**	**2.1**
	90,218	**100.0**	**79,286**	**100.0**	**10,932**	**13.8**

Total assets increased from EUR 79,286 thousand as of December 31, 2021 to EUR 90,218 thousand as of the reporting date. The increase on the assets side of the balance sheet is primarily due to the change in working capital and property, plant and equipment.

Non-current assets amounted to EUR 49,519 thousand as of December 31, 2022 (2021: EUR 44,539 thousand). The increase is mainly due to the increase in property, plant and equipment by EUR 4,675 thousand. This reflects the IFRS 16 effect from the capitalisation of a right of use from the new conclusion of a new lease agreement at APT Polymer Tubing GmbH. Intangible assets (2022: EUR 13,207 thousand; 2021: EUR 13,106 thousand) include goodwill amounting to EUR 9,187 thousand, which was confirmed in the impairment test.

The increase in working capital led to an increase in current assets of EUR 5,756 thousand to EUR 30,953 thousand. This includes an increase in inventories to EUR 21,274 thousand (2021: EUR 17,243 thousand) and in trade receivables from EUR 6,971 thousand as of December 31, 2021 to EUR 8,767 thousand as of December 31, 2022.

Cash and cash equivalents increased to EUR 9,746 thousand (2021: EUR 9,550 thousand). Please refer to the comments in section B “Financial position of the Group”, (3.3) “Liquidity position”.

2.2 Capital structure

	December 31, 2022		December 31, 2021		Change	
	EUR thousand	%	EUR thousand	%	EUR thousand	%
Group equity	51,613	57.2	44,655	56.3	6,958	15.6
Non-controlling interests	372	0.4	322	0.4	50	15.5
Equity	**51,985**	**57.6**	**44,977**	**56.7**	**7,008**	**15.6**
Provisions	347	0.4	257	0.3	90	35.0
Financial liabilities	24,091	26.7	23,013	29.0	1,078	4.7
Other liabilities	661	0.7	834	1.1	-173	-20.6
Deferred taxes	989	1.1	823	1.0	166	20.2
Non-current liabilities	**26,088**	**28.9**	**24,927**	**31.4**	**1,161**	**4.7**
Provisions	145	0.2	120	0.2	25	20.8
Financial liabilities	2,495	2.8	2,455	3.1	40	1.6
Other liabilities/ Income tax liabilities	9,505	10.5	6,807	8.6	2,699	39.7
Current liabilities	**12,145**	**13.5**	**9,382**	**11.9**	**2,764**	**29.5**
	90,218	**100.0**	**79,286**	**100.0**	**10,932**	**13.8**

The equity of the Masterflex Group increased by EUR 7,008 thousand to EUR 51,985 thousand as of December 31, 2022. The absolute increase in equity is mainly due to the increase in consolidated net income of EUR 7,777 thousand. The dividend payment of EUR 1,154 thousand reduced equity (previous year: EUR 770 thousand).

Despite a simultaneous increase in total assets, the equity ratio (equity in relation to total assets) also increased from 56.7% to 57.6% as of the reporting date. For further details, please refer to the Consolidated Statement of Changes in Equity in fiscal year 2022 (p. <?> of the Annual Report 2022).

Non-current financial liabilities increased by EUR 2,525 thousand due to the increase in finance lease liabilities (new lease agreement at APT Polymer Tubing GmbH). In the opposite direction, liabilities to banks decreased by EUR 1,447 thousand, so that non-current financial liabilities increased in fiscal year 2022 to EUR 24,091 thousand (previous year: EUR 23,013 thousand). Liabilities to banks were repaid in accordance with the terms of the agreement.

Current liabilities increased in total from EUR 9,382 thousand in the previous year to EUR 12,145 thousand as of the reporting date. This increase is related to the increase in income tax liabilities (+ EUR 1,484 thousand), the increase in trade payables (+ EUR 332 thousand) and other current liabilities (+ EUR 882 thousand), particularly due to our significant business expansion in the 2022 financial year.

Financial position of the Group

3.1 Principles and objectives of financial management

The short- to medium-term financial management targets were achieved in 2022. These were in particular:

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

Equity amounted to EUR 51,985 thousand as of December 31, 2022, compared to EUR 44,977 thousand in the previous year. Despite the simultaneous significant increase in total assets, the equity ratio also increased to 57.6% as of the reporting date (2021: 56.7%).

The gearing ratio (net debt/EBITDA) improved to 1.0 as of December 31, 2022, compared to 1.5 in the previous year, due to the significantly better EBITDA (EBIT plus depreciation) and simultaneously lower net debt (sum of non-current and current financial liabilities less cash and cash equivalents).

3.2 Financing analysis

The Masterflex Group's cash and cash equivalents amounted to EUR 9,746 thousand as of December 31, 2022 (previous year: EUR 9,550 thousand). Net debt as of the reporting date was thus EUR 16,840 thousand (previous year: EUR 15,918 thousand). This means the ratio of net debt to EBITDA at the end of the year was 1.0 (previous year: 1.5). This ratio is a measure of the Group's gearing and is an indicator of how quickly debt can be reduced.

As of December 31, 2022, non-current and current financial liabilities increased by EUR 1,119 thousand to EUR 26,586 thousand despite the repayments of the syndicated loan rescheduled in 2019 in accordance with the agreement. The main reason for this is a significant increase in liabilities from finance leases due to the conclusion of a long-term rental agreement.

In addition to the non-current and current tranches of the syndicated loan, financial liabilities also include lease liabilities amounting to EUR 5,189 thousand (previous year: EUR 2,626 thousand). There were no other liabilities to banks at the end of 2022.

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

3.3 Liquidity position

Cash and bank balances amounted to EUR 9,746 thousand as of December 31, 2022 (2021: EUR 9,550 thousand).

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

- Positive earnings before interest, taxes, depreciation and amortization (EBITDA) of EUR 16.4 million
- Increase in trade accounts payable of EUR 0.3 million

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

- Investments in property, plant and equipment and intangible assets of EUR 5.9 million
- Increase in inventories of EUR 4.0 million
- Net loan repayments of EUR 1.5 million
- Increase in trade accounts receivable and other assets of EUR 1.8 million
- Dividend payment of EUR 1.2 million
- Payment for income taxes of EUR 1.4 million
- Interest payments in the amount of EUR 0.4 million

The cash flow statement, which shows the reconciliation of cash and bank balances in the past fiscal year, can be found on page 89 of the 2022 Annual Report.

The solvency of the Masterflex Group was ensured at all times in 2022. In addition, Masterflex SE had a free, unused credit line – in compliance with defined covenants – in essence from the syndicated loan agreement in the amount of EUR 8.6 million at the end of 2022.

Overall statement on the economic situation

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

- the revenue forecast being significantly exceeded,
- the improved earnings situation in both nominal and relative terms,
- Group financing secured in the medium term,
- the stability of the Group's equity and
- a significantly improved ratio of net debt to EBITDA of 1.0 compared to the previous year,

as very stable and as a very good starting position for the further development of the Company.

Earnings, asset and financial positions of Masterflex SE

In addition to the reporting on the Masterflex Group, we explain the development of Masterflex SE in fiscal year 2022 below.

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

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

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

Revenue and earnings of Masterflex SE

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

	2022		2021		Change	
	in EUR thousand	in %	in EUR thousand	in %	in EUR thousand	in %
Revenue	23,458	97.9	20,100	99.6	3,358	16.7
Changes in inventories	441	1.8	50	0.2	391	782.0
Other own work capitalized	61	0.3	50	0.2	11	22.0
Total output	23,960	100.0	20,200	100.0	3,760	18.6
Other operating income	66	0.3	95	0.5	-29	-30.5
Operating performance	24,026	100.3	20,295	100.5	3,731	18.4
Cost of materials	-8,496	-35.5	-7,231	-35.8	-1,265	17.5
Personnel expenses	-10,344	-43.2	-9,868	-48.9	-476	4.8
Depreciation	-1,292	-5.4	-1,232	-6.1	-60	4.9
Other operating expenses	-5,655	-23.6	-4,790	-23.7	-865	18.1
Other taxes	-223	-0.9	-69	-0.3	-154	223.2
Operating expenses	-26,010	-108.6	-23,190	-114.8	-2,820	12.2
Operating result (EBIT)	-1,984	-8.3	-2,895	-14.3	911	-31.5
Financial result	7,244		6,871		373	
Non-operating effects	-234		-35		-199	
Neutral result	8		-66		74	
Earnings before income taxes	5,034		3,875		1,159	
Income taxes	-1,558		-232		-1,326	
Net income	3,476		3,643		-167	

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

Masterflex SE‘s revenue increased by 16.7% compared to the previous year and, at EUR 23,458 thousand, was EUR 3,358 thousand above the previous year. This means that the revenue forecast, which was based on revenue growth of between 4% and 8%, was significantly exceeded at the level of the individual companies. The main growth drivers were price increases due to steadily rising raw material, energy and freight costs, as well as growth in the traditional industrial sectors such as mechanical engineering, the food industry and the plastics industry, and increased demand from subsidiaries.

The increase in inventories in the fiscal year amounted to EUR 441 thousand compared to EUR 50 thousand in 2021. The capitalization of other own work is in a steady state and, at EUR 61 thousand in fiscal 2022, was slightly above the previous year's level of EUR 50 thousand.

The total output (i.e. the sum of sales, changes in inventories and other own work capitalized) of Masterflex SE thus increased from EUR 20,200 thousand in 2021 to EUR 23,960 thousand in 2022.

At EUR 66 thousand, other operating income in the fiscal year was down on the previous year's figure of EUR 95 thousand.

As a result, the operating performance (as the sum of total operating performance plus other operating income) increased by EUR 3,731 thousand to EUR 24,026 thousand in fiscal year 2022.

Due to the significant growth in revenue, , in particular, the sharp increases in raw material prices, the cost of materials also increased nominally and amounted to EUR 8,496 thousand in fiscal year 2022 (2021: EUR 7,231 thousand). The material usage ratio (cost of materials as a % of total output) improved slightly to 35.5% (2020: 35.8%) despite increases in raw material prices and material shortages. The process optimization measures aimed at saving materials as part of the B2DD program, supplier management in purchasing, and price increases on the sales side in the wake of the drastic rise in raw material prices all had a positive impact here.

Personnel expenses amounted to EUR 10,344 thousand in fiscal year 2022, compared with EUR 9,868 thousand euros in the previous year. In percentage terms, the personnel employment ratio (personnel expenses as a % of total operating performance) improved significantly to 43.2%, compared to 48.9% in the previous year. The process efficiency programs from the B2DD program enabled the revenue increases to be largely realized with the core team.

Other operating expenses include, among other things, expenses for freight, packaging, and energy, which increased in line with the development of sales and due to price increases, some of which were drastic. As a result, other operating expenses increased from EUR 4,790 thousand to EUR 5,655 thousand in fiscal year 2022. In addition to the volume-related increase in these expenses, inflationary effects for freight and energy are the main reason for this increase.

Growth-related investments at the Gelsenkirchen site are reflected in slightly higher depreciation and amortization. Depreciation amounted to EUR 1,292 thousand in 2022, compared with EUR 1,232 thousand in the previous year.

Other taxes increased to EUR 223 thousand in 2022 (previous year: EUR 69 thousand) due to an additional property tax payment.

In summary, the operating result (EBIT) in fiscal 2022 was EUR -1,984 thousand (2021: EUR -2,895 thousand). As forecast, EBIT was thus higher than in the previous year in both absolute and percentage terms.

The financial result mainly includes income from investments and profit transfers from subsidiaries. These increased by EUR 373 thousand to EUR 7,244 thousand in 2022.

In 2022, the non-operating effects include provisions for labor law litigation and consulting costs for lean management amounting to EUR 234 thousand (previous year: EUR 35 thousand).

Overall, earnings before income taxes improved from EUR 3,875 thousand in the previous year to EUR 5,034 thousand in fiscal year 2022.

The net profit generated by Masterflex SE in the fiscal year 2022 amounted to EUR 3,476 thousand (2021: EUR 3,643 thousand). Taking into account the profit carried forward remaining after distribution in the amount of EUR 11,940 thousand, the unappropriated profit amounted to EUR 15,416 thousand.

Development of the net assets and financial position of Masterflex SE

	December 31, 2022		December 31, 2021		Change	
Asset structure	**in EUR thousand**	**in %**	**in EUR thousand**	**in %**	**in EUR thousand**	**in %**
Intangible assets	3,290	3.8	3,193	3.8	97	3.0
Property, plant and equipment	13,101	15.2	13,604	16.2	-503	-3.7
Financial assets	52,573	61.1	52,335	62.2	238	0.5
Non-current assets	**68,964**	**80.1**	**69,132**	**82.2**	**-168**	**-0.2**
Inventories	4,073	4.7	3,504	4.1	569	16.2
Receivables and other asset	11,876	13.8	9,668	11.5	2,208	22.8
Prepaid expenses	216	0.3	238	0.3	-22	-9.2
Current assets	**16,165**	**18.8**	**13,410**	**15.9**	**2,755**	**20.5**
Cash and cash equivalents	**978**	**1.1**	**1,594**	**1.9**	**-616**	**-38.6**
Total assets	**86,107**	**100.0**	**84,136**	**100.0**	**1,971**	**2.3**

Total assets of Masterflex SE increased by EUR 1,971 thousand to EUR 86,107 thousand as of December 31, 2022. The increase in total assets is exclusively attributable to changes in current assets.

Non-current assets amounted to EUR 68,964 thousand as of the reporting date, EUR 168 thousand lower than in the previous year. The change in this item is mainly due to the depreciation-related reduction in property, plant and equipment (2022: EUR 13,101 thousand; 2021: EUR 13,604 thousand).

In contrast, current assets increased by EUR 2,755 thousand to EUR 16,165 thousand as of December 31, 2022. The increase in inventories (2022: EUR 4,073 thousand; 2021: EUR 3,504 thousand) and receivables and other assets (2022: EUR 11,876 thousand; 2021: EUR 9,668 thousand) was related to the increase in sales. Prepaid expenses were slightly below the level of the previous year.

Cash and cash equivalents amounted to EUR 978 thousand as of December 31, 2022, down EUR 616 thousand on the figure for the same period of the previous year.

Equity increased by EUR 2,321 thousand to EUR 55,270 thousand as of the balance sheet date due to the increase in retained earnings. Despite the simultaneous increase in total assets, the equity ratio also increased to 64.2%, compared with 62.9% in the previous year. The unappropriated profit comprises the net profit of Masterflex SE of EUR 3,476 thousand plus the profit carried forward of EUR 13,095 thousand less the dividend of EUR 0.12 per dividend-bearing share or EUR 1,154 thousand paid in June 2022.

As of December 31, 2022, there were distribution-restricted amounts totaling EUR 1,396 thousand, which are exclusively attributable to the capitalization of internally generated intangible assets (less deferred tax liabilities thereon).

The long-term syndicated loan was repaid in accordance with the agreement. As a result, non-current borrowings decreased from EUR 21,500 thousand in the previous year to EUR 20,000 thousand as of the reporting date. The repayment portion of the syndicated loan due within one year is reported under current liabilities to banks. In total, current liabilities to banks amounted to EUR 1,501 thousand as of December 31, 2022, as in the previous year.

Liabilities to affiliated companies decreased by EUR 450 thousand as of December 31, 2022 due to loan repayments and amounted to EUR 4,555 EUR 5,005 thousand).

Capital structure	December 31, 2022 in EUR thousand	December 31, 2022 in %	December 31, 2021 in EUR thousand	December 31, 2021 in %	Change in EUR thousand	Change in %
Issued capital	9,618	11.2	9,618	11.4	0	0.0
Capital reserve	26,120	30.3	26,120	31.0	0	0.0
Retained earnings	4,115	4.8	4,115	4.9	0	0.0
Unappropriated profit	15,416	17.9	13,095	15.6	2,321	17.7
Equity	**55,270**	**64.2**	**52,949**	**62.9**	**2,321**	**4.4**
Liabilities to banks	20,000	23.2	21,500	25.6	-1,500	-7.0
Other provisions	347	0.4	257	0.3	90	35.0
Deferred tax liabilities	634	0.7	510	0.6	124	24.3
Non-current liabilities	**20,981**	**24.3**	**22,267**	**26.5**	**-1,286**	**-5.8**
Provisions for taxes	1,239	1.4	2	0.0	1,237	61,850.0
Other provisions	1,711	2.0	1,361	1.6	350	25.7
Liabilities to banks	1,501	1.8	1,501	1.8	0	0.0
Trade payables	614	0.7	822	1.0	-208	-25.3
Liabilities to affiliated companies	4,555	5.3	5,005	5.9	-450	-9.0
Other liabilities	236	0.3	229	0.3	7	3.1
Current borrowings	**9,856**	**11.5**	**8,920**	**10.6**	**936**	**10.5**
Total liabilities and shareholders' equity	**86,107**	**100.0**	**84,136**	**100.0**	**1,971**	**2.3**

Financial position of Masterflex SE

Cash and cash equivalents decreased to EUR 978 thousand as of December 31, 2022, compared with EUR 1,594 thousand in the previous year. No cash and cash equivalents are pledged. The change in cash and cash equivalents is shown in the following cash flow statement:

in EUR thousand		2022	2021
	Adjusted net profit	3,710	3,678
-	Non-operating expenses	-234	-35
=	Net income	3,476	3,643
+	Depreciation of property, plant and equipment	953	909
+	Amortization of intangible assets	339	323
-/+	Write-ups / write-downs of financial assets	25	-48
+	Increase in non-current provisions	90	92
-/+	Other non-cash income / expenses	0	-53
=	Cash flow according to DVFA/SG	4,883	4,866
+	Loss from the disposal of fixed assets	1	68
+/-	Increase / decrease in medium- and short-term provisions	432	367
-	Increase in inventories, trade receivables and other assets	-10,772	-7,780
+	Increase in trade payables and other liabilities	-98	1,423
-	Income from loans of financial assets	-345	-365
+	Interest expenses	583	808
-	Other investment income	-273	-3,466
+	Income tax expense	1,558	232
-	Income tax payments	-403	-208
=	Subtotal	-9,317	-8,921

	in EUR thousand	2022	2021
=	Cash flow from operating activities	-4,434	-4,055
+	Proceeds from disposals of non-current assets	0	0
-	Cash outflows for investments in intangible assets	-436	-339
-	Payments made for investments in property, plant and equipment	-451	-796
+	Proceeds from the repayment of financial assets	7,491	7,110
- / +	Payments from / for investments in financial assets	608	-521
+	Dividends received	273	3,466
=	Cash flow from investing activities	7,485	8,920
-	Disbursements to company owners	-1,154	-770
+	Proceeds from the issue of bonds and the raising of (financial) loans	0	0
-	Payments for the redemption of bonds and (financial) loans	-1,500	-1,536
-/+	Cash outflows / inflows from repayment / issuance of loans to affiliated companies (net)	-599	-2,149
-	Interest paid	-414	-624
=	Cash flow from financing activities	-3,667	-5,079
	Cash-effective changes in cash and cash equivalents	-616	-214
+	Cash and cash equivalents at the beginning of the fiscal year	1,594	1,808
=	Cash and cash equivalents at the end of the fiscal year	978	1,594
	Composition of cash and cash equivalents at the end of the fiscal year		
+	Cash and cash equivalents	978	1,594

Composition of cash and cash equivalents

Cash and cash equivalents include liabilities to banks and cash equivalents which are not due in the short term.

Proposed appropriation of earnings

The Management Board and the Supervisory Board propose to the Annual General Meeting to distribute an amount of EUR 1,923,666.80 from the net retained profits as of December 31, 2022, of Masterflex SE in the amount of EUR 15,416,271.74 to the shareholders as a dividend on the 9,618,334 issued shares of the share capital as of December 31, 2022, and to carry forward the remaining amount of EUR 13,492,604.94 to new account.

The distribution will be made on the basis of the shares carrying dividend rights at the time of the Annual General Meeting. In accordance with Section 58 (4) sentence 2 AktG, the shareholders' entitlement to the dividend is due on the third business day following the resolution by the Annual General Meeting, i.e. on June 13, 2022.

Non-Financial Statement

The Combined Non-Financial Report and Non-Financial Group Report in accordance with the CSR Directive Implementation Act will be submitted in a separate Sustainability Report 2022, which will be published on the Company website at www.masterflexgroup.com/investor-relations/financial-reports-of-masterflex-se.

C.Opportunity and Risk Report

Opportunity and risk management system for value-oriented corporate management

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

In all the business we enter into as an internationally operating Company, we are exposed to numerous uncertainties and changes. Taking advantage of the opportunities arising from these changes is the basis for the entrepreneurial success of the Masterflex Group. We must consciously take certain risks in order to seize opportunities in the market and thus to be able to realize entrepreneurial success in the future. Existing risks that could jeopardize the success of the Masterflex Group are systematically identified, monitored and controlled as part of risk management. This applies to the same extent to the opportunities and risks presented for Masterflex SE, which are of direct and indirect significance via its subsidiaries, as they have a direct impact on the earnings, asset and financial positions of Masterflex SE due to low-profit distribution and transfers and loss transfers. In doing so, we strive to optimize identified risks to an acceptable, bearable level and not to minimize them, as otherwise opportunities would remain unconsidered. To this end, we make use of insurance and contractual arrangements, among other means.

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

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

Opportunity management

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

Individual opportunities

Opportunities arising from a positive market development

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

Opportunities arising from research and development

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

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

Opportunities arising from increased efficiency

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

Opportunities arising from internationalization

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

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

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

Opportunities arising from digitalization

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

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

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

Opportunities arising from personnel management

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

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

The risk management system

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

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

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

The design of the accounting-related ICS results from the organization of our accounting and financial reporting processes. One of the core functions of these processes is to manage the Group and its operating units. The starting points are the targets developed by the Management Board. From these and from the monthly forecast planning on operating performance, a rolling medium-term plan is drawn up.

We identify financial reporting risks at the level of the individual areas using quantitative, qualitative and process-related criteria. The ICS is based on our generally binding guidelines and ethical values. In an annual regular process, we assess whether the necessary control measures were actually implemented and carried out correctly.

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

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

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

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

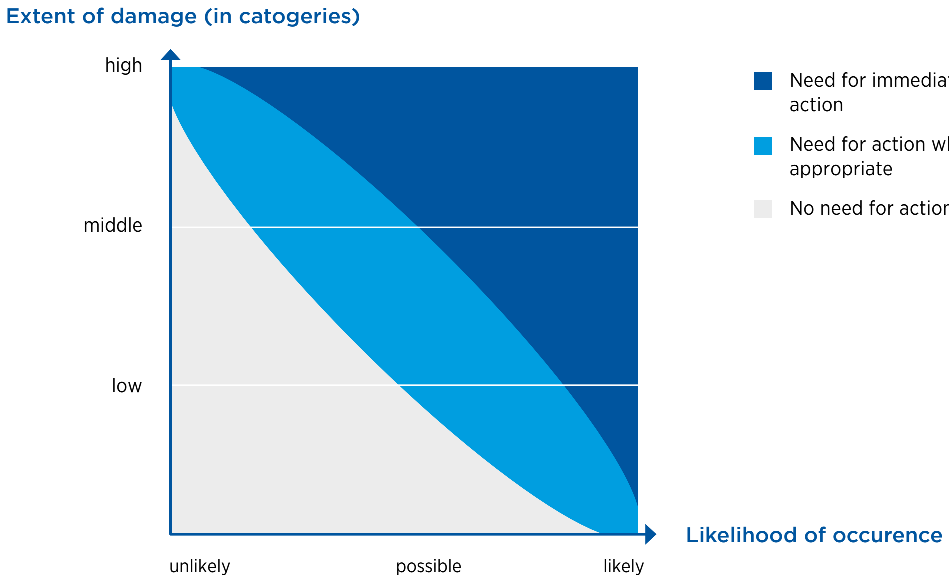
With regard to the criterion of the probability of occurrence of a risk, we distinguish between the categories "unlikely" (probability less than 30%), "possible" (probability between 30% and 59%) and "probable" (probability of 60% or more).

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

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

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

The following graphic illustrates these relationships.



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

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

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

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

Individual risks

IT risks

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

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

Regulatory risks

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

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

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

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

Acquisitions and divestments

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

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

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

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

Financial risks

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

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

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

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

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

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

The financial ratios were complied with on the basis of both current and planned business development. For example, the contractually prescribed upper limit for the “gearing” ratio (calculated in accordance with the syndicated loan agreement at Group level) was a value of 3.0 in 2022. In contrast, Masterflex SE achieved a gearing ratio of 1.6 initially in 2022. As of the balance sheet date December 31, 2022, this ratio was 1.0.

The lower limit of the second ratio, “equity ratio” (calculated according to the requirements of the syndicated loan agreement by adjusting the balance sheet equity by certain assets), was a value of 37.5% in 2022. In contrast, Masterflex SE achieved an equity ratio of initially 54.3% until the balance sheet date 2022 of 55.6% and was thus always significantly above the prescribed lower limits. Thus, the covenants could only not be met in the event of a significant deterioration in future results.

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

Economic, political and social risks

The global economy, the financial markets and the political environment are characterized by extreme uncertainty. Global economic prospects are being shaped in particular by the further course of the war in Ukraine and a possible geographical expansion of the conflict as well as the economic aftermath. Bottlenecks in gas and raw material supplies, high energy, material and commodity prices, and the associated high inflation rates pose major challenges for national economies. The impact of the numerous influencing factors mentioned on the overall economy and society cannot be predicted at present.

The war in Ukraine has led to economic relations with Russia and Belarus being broken off, at least temporarily. However, this will only lead to minor sales losses at Masterflex. However, cost increases in the energy sector as well as in the course of raw material procurement in the context of international sanctions will continue to be the consequence. Despite the efforts of numerous economies and companies to free themselves from dependence on fossil raw materials, the consequences of a lack of gas and crude oil supplies from Russia are not yet foreseeable. The same applies to the consequences of a widening war. Other geopolitical uncertainties include China‘s threats of war against Taiwan. A China-Taiwan conflict represents a major risk on the supplier side. Numerous industries would have to establish alternative supply lines in the event of a warlike conflict. There is also the risk of a further intensification of existing trade conflicts between the USA and China and Europe and China.

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

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

Procurement market risks

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

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

Personnel risks

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

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

Production risks

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

A possible production stop or restrictions in production at individual plants could still result from the further course of the corona pandemic if several employees or suppliers were affected or raw materials could no longer be procured to the required extent.

Based on past experience and current global risk reporting, we consider the probability of occurrence of a catastrophe to be low in principle, but still possible in view of the infection incidence of the corona pandemic. Overall, we classify the remaining risk as low.

Risks associated with deteriorating efficiency

A number of efficiency measures, as well as the rigorous implementation of the “Back to Double Digit” (B2DD) optimization program launched in 2019, again generated savings in fiscal year 2022 that will be instrumental in helping us address the corona pandemic. Significant cost optimizations resulted in particular in the area of personnel productivity as well as in the use of materials and other operating expenses. If we do not succeed in further developing and implementing these efficiency measures on a sustainable basis, the general cost increases will cancel out the effects of the measures already implemented.

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

Sales market risks

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

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

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

Due to our broad customer and sector diversification, we consider this risk to be low, as the loss of individual customers would have only a limited impact on our earnings, asset and financial positions.

Technology and quality risks

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

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

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

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

Tax risks

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

Legal risks

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

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

Other individual risks

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

Summary and overall statement on the current risk situation of the Group's and the Masterflex SE

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

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

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

As of now, the Ukraine war will not have a serious impact on the development of Masterflex. However, this could change with a dramatic intensification and expansion of the war. The revenue risk has increased due to the supply situation on the raw materials side and the associated price increases. The Group is countering this by reducing expenditures to the minimum necessary for operations and making costs more flexible. However, it is difficult to make a conclusive risk assessment at the present time. In principle, the Management Board remains convinced of the effectiveness of its opportunity and risk management and the measures taken.

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

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

The organization of the compliance system

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

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

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

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

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

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

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

In the reporting year, training courses were held on compliance and principles of conduct, anti-corruption, data protection and data security, as well as other relevant compliance topics aimed at ensuring lawful and ethically sound, responsible action.

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

D. Forecast report

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

Outlook

Economy 2023

The global economy cooled sharply in 2022, while inflation reached very high levels in a short period of time. The cost-of-living crisis, tightening financial conditions in most regions, Russia‘s invasion of Ukraine, and the ongoing COVID-19 pandemic in China cloud the outlook for 2023. On the positive side, however, there is a stronger stimulus from pent-up demand in many economies and a possibly faster decline in inflation. Overall, the current year is likely to remain a difficult one for the global economy, according to the IMF. However, the deceleration in global growth is forecast to bottom out in 2023 and reverse towards the end of the current year.[8)]

In particular, the globally very robust labour markets support the economic development. Nevertheless, there are still major risk factors, for example, the escalation of the Russian war in Ukraine due to the use of nuclear weapons.

The IMF expects the global economy to grow by 2.9% in 2023. The economists have thus reduced their forecast by 0.2% compared to their October 2022 estimate. Compared to the growth rate of 3.4% in 2022 and 6.0% in 2021, the global recovery tendencies after the Corona crisis are only continuing at a slower pace.[9)] The Global inflation is expected to moderate somewhat compared to 2022, with 6.6% in 2023 and 4.3% in 2024. The key here will be for central banks to maintain

8) https://www.fuw.ch/globale-wachstumsprognose-fuer-2023-bleibt-gleich-864098813886
9) https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx S. 3

their tight stance in order to restore price stability. There are already signs that the restrictive monetary policy is slowing inflation. However, the full effect will probably not be felt until 2024.[10)]

At its meeting in early February 2023, the US Federal Reserve raised the key interest rate by 0.25 basis points to a range of 4.50% to 4.75%. The key interest rate is to reach a level of 5.0% by the end of 2023. The pace of interest rate hikes is thus likely to be discontinued significantly in the current year compared to 2022.[11)]

According to its winter forecast, the Institute for the World Economy (IfW) is moderately optimistic about the German economy. The outlook for the German economy has brightened somewhat as a result of lower energy prices. Growth of 0.3% is expected for 2023 as a whole. Previously, a decline of 0.7% had been forecast. Inflation is expected to be 5.4% in 2023 (previous forecast: 8.7%).[12)] The main reason for the more optimistic outlook is that consumer spending will be less burdened as a result of comparatively lower increases in energy prices. Non-energy-intensive industrial production is likely to be supported by high order backlogs and easing supply chain problems. Equipment investment is expected to increase by 2.2% and 4.9% in 2023 and 2024, respectively, after 2.9% in 2022.[13)]

Anticipated development of the industries of relevance to Masterflex

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

Medical Technology:

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

Masterflex hose systems are currently used in intensive care medicine, among other areas. We assume that the technological requirements for hose solutions in medical technology will continue to increase in the short term beyond this area of application. The prerequisite for this is a functioning healthcare system without pandemic influences in basic medical care. We anticipate a heterogeneous but strongly growing development of this industry in fiscal year 2023.

Life Science:

In society's perception, health as a fundamental value increasingly stands for the aspect of quality of life. This is also benefiting the food industry, under which we also group products from the pharmaceutical, laboratory and biotech industries. The trend toward greater health awareness is irreversible and, in our estimation, will also be reflected in a further increase in demand in fiscal year 2023.

10) https://www.imf.org/-/media/Files/Publications/WEO/2023/Update/January/English/text.ashx S. 2
11) https://www.fitchratings.com/research/sovereigns/global-interest-rates-rising-faster-than-expected-pivot-unlikely-in-2023-10-11-2022
12) https://www.ifw-kiel.de/de/publikationen/medieninformationen/2022/winterprognose-ifw-kiel-wirtschaft-im-naechsten-jahr-mit-kleinem-plus-und-grossen-risiken/
13) https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_98_2022-Q4_Deutschland_DE.pdf

E-Mobility, Automotive, Aviation:

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

Against this backdrop, the long-term growth trend in the mobility sector is unbroken. However, fiscal year 2023 will still be affected by supply chain bottlenecks and rising raw material and energy prices. We expect moderate growth in e-mobility and the automotive sector, and even strong growth in the aviation industry due to the high order backlog.

Renewable Energies:

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

Process Industry & Robotics:

According to its forecast of December 2022, the VDMA expects a slight real decline in production of 2% for 2023. Measured against previous declines in growth, this is a moderate drop in production and significantly less than would have been expected in the tense macroeconomic environment. According to the VDMA survey, almost half of the companies surveyed in the sector (48%) are optimistic or cautiously optimistic about the current year. However, production in the machinery and plant engineering sector continues to be hampered by difficulties in the supply chains and material bottlenecks. Order intake and order coverage nevertheless remain at a satisfactory level.

Semiconductor Industry:

The development of digital infrastructures will be one of the key growth drivers in the coming years. Connectivity requires the use of semiconductors. In light of this, we expect to see a continuously increasing demand situation for Masterflex products in semiconductor production. In fiscal year 2023, we expect demand to increase despite possible raw material bottlenecks.

Predictive Maintenance:

Predictive maintenance using intelligent hose systems is becoming a sustainable future market. Growth in these products will be gradually expanded and underpinned by new product developments. We expect a further increase in demand in this area in fiscal year 2023.

Expected development of the Masterflex Group

In the 2023 financial year, the Masterflex Group will continue to focus on the structural improvement and further development of the business and continue the diversified growth strategy. In particular, the Group has created the conditions for a continuation of the previous growth course through the expansion of capacities such as the expansion of clean room capacities in medical technology and with product innovations for new industry solutions in the areas of pharmaceuticals and food as well as innovations in digitalization. The aim continues to be growth above economic growth as well as the expansion of the return target of a double-digit EBIT margin achieved in 2022.

The outlook for the global economy has brightened with a view to 2023. The International Monetary Fund (IMF) has raised its growth forecast for the global economy from the previous 2.7% of October 2022 to the current 2.9%. The more optimistic view compared with the autumn 2022 forecast is mainly due to the high resilience of numerous economies and China‘s departure from its zero-covid strategy, which the IMF says paves the way for a recovery in the global economic situation. For 2024, the IMF forecasts a slight acceleration in global growth to 3.1%.

This environment offers fundamentally good growth prospects due to the extensive area of application of Masterflex hose solutions, both in terms of the broadly diversified structure of customer industries and in terms of regional coverage. Thanks to the successfully implemented B2DD program, the Masterflex Group has also once again achieved a double-digit EBIT margin and has the goal of consolidating and expanding the level of returns achieved.

Despite the generally encouraging economic outlook, there are still various challenges and uncertainties for the economy which limit the quality of the forecast. First and foremost, among these are the geopolitical upheavals in connection with the war in Ukraine and the ongoing tensions between the USA and China. Depending on further developments, these external factors have an impact on supply chains and thus on the availability and price development of raw materials as well as on energy supply, which cannot be reliably forecast. Overall, the supply situation on the raw materials side remains critical in terms of both prices and availability.

Against the background that the Masterflex Group has been able to manage these uncertainties well so far and assuming that there will be no deterioration in the aforementioned uncertainty factors in the 2023 financial year, the Management of the Masterflex Group expects to generate revenue in a range of EUR 103 million to EUR 110 million. In terms of EBIT, the Management Board anticipates a range between EUR 11 million and EUR 14 million.

Expected development of Masterflex SE

Masterflex SE expects sustainable growth in its core markets, also in fiscal year 2022, analogous to the business development of the Masterflex Group. In principle, we consider the economic growth forecasts of the IMF to be realistic. Considering the existing geopolitical uncertainties and the uncertainties regarding raw materials‘ availability and price development, we expect revenue growth of between 2% and 6% for Masterflex SE in the 2023 financial year. EBIT will thus be above the previous year in absolute and percentage terms.

Summary statement on the anticipated development of the Group

In summary, the Management Board sees the Masterflex Group on a good path, to meet the long-term growth targets. Especially as the Group has succeeded in achieving the medium-term target of EUR 100 million in revenue, originally planned for 2024, two years earlier in the 2022 financial year.

Masterflex is active in forward-looking industries such as renewable energies, smart cities, lightweight construction, or e-mobility with a broad range of products and solutions thanks to constant innovations and is increasingly tapping into new revenue potential in areas such as medical technology, and the pharmaceutical and food industries. Increasing digitization and further internationalization, coupled with a mix of organic and inorganic growth, form the strategic basis for long-term growth. Therefore, the Management therefore once again confirms the long-term planning of EUR 200 million in revenue by 2030 with an EBIT that we sustainably see in a double-digit range in relation to revenue.

E. Takeover-relevant information

Other disclosures pursuant to Sections 289a and 315a HGB

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

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

The Company is aware of two cases of direct or indirect shareholdings in the capital exceeding 10% of the voting rights as of December 31, 2022:

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

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

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

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

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

Purchase of treasury shares

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

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

- Use of treasury shares
  - The Management Board may sell the acquired treasury shares in compliance with the principle of equal treatment (Art. 53a AktG). In particular, a sale via the stock exchange or by means of an offer addressed to all shareholders in proportion to their shareholdings is sufficient for this purpose.
  - The Management Board is further authorized, with the approval of the Supervisory Board, to offer or grant the acquired treasury shares to third parties excluding shareholders' subscription rights in the following cases:
    - against cash payment if the agreed price is not significantly lower than the stock market price of shares in the Company at the time of the sale;
    - in the context of business combinations or in the context of the (also indirect) acquisition of companies, parts of companies or equity interests in companies, including the increase of existing shareholdings, or of other assets eligible for contribution in connection with such an acquisition project, including receivables from the Company;
    - to fulfill conversion or option rights granted by the Company or a Company in which the Company holds a direct or indirect majority interest when issuing bonds, or to fulfill conversion obligations arising from bonds issued by the Company or a Company in which the Company holds a direct or indirect majority interest;
    - as employee shares within the framework of the agreed remuneration or of separate programs to employees of the Company and its affiliated companies (including members of executive bodies); insofar as treasury shares are to be offered or promised as well as transferred to members of the Management Board of the Company, this authorization shall apply to the Supervisory Board of the Company;
    - to carry out a so-called scrip dividend by selling in return for the full or partial transfer of shareholders' dividend entitlements.
- However, the authorization pursuant to item (1) above shall only apply subject to the proviso that the treasury shares sold subject to the exclusion of subscription rights do not exceed 10% of the share capital, i.e. neither 10% of the share capital existing at the time the authorization is granted nor 10% of the capital stock existing at the time the authorization to exclude subscription rights is exercised. Shares sold or issued during the term of this authorization on the basis of other authorizations in direct or corresponding application of Section 186 (3) sentence 4 AktG with exclusion of subscription rights shall be counted towards the aforementioned 10% limit ("counting"). However, if another authorization exercised is renewed by the Annual General Meeting during the term of this authorization, the offsetting shall cease to apply to the extent that the renewed authorization permits the issue of shares with exclusion of subscription rights in direct or corresponding application of Section 186 (3) sentence 4 AktG.

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

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

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

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

The Management Board and Supervisory Board did not make use of these authorizations in 2022.

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

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

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

Authorized capital

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

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

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

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

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

- for fractional amounts;
- in the case of capital increases against contributions in kind, in particular
  - to grant shares in connection with business combinations or in connection with the acquisition of companies, parts of companies or equity interests in companies, including the increase of existing shareholdings, or other assets eligible for contribution in connection with such an acquisition project, including receivables from the Company,
  - for the acquisition of other assets or claims to the acquisition of assets, and
  - to implement a so-called scrip dividend, whereby shareholders are offered the option of contributing their dividend entitlements (in whole or in part) to the Company as contributions in kind in return for the granting of new shares;
- in the case of cash contributions, if the issue price of the shares is not significantly lower than the stock market price of the shares of the Company already listed at the time the issue price is finally fixed;
- in order to grant holders or creditors of bonds carrying option or conversion rights to shares in the Company or corresponding option or conversion obligations, which were or are issued by the Company or a Company in which the Company holds a direct or indirect majority interest, subscription rights to new shares in the Company to the extent to which they would be entitled as shareholders after exercising their option or conversion rights or after fulfillment of option or conversion obligations.

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

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

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

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

Contingent capital

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

- for fractional amounts resulting from the subscription right relationship;

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

  - provided that the bonds are issued against contributions in kind and the value of the contribution in kind is not unreasonably low compared to the theoretical market value of the bonds determined in accordance with recognized principles of financial mathematics.

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

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

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

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

To safeguard their independence, the members of the Executive Board are entitled to a severance payment in the event of a change of control within the meaning of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG), subject to strict conditions (please refer to the Compensation Report).

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

Gelsenkirchen, March 30, 2023

Dr. Andreas Bastin
CEO

Mark Becks
CFO

Consolidated financial statements

Consolidated statement of financial position

Assets in EUR thousand	Notes	December 31, 2022	December 31, 2021
Non-current assets			
Intangible assets	**3.24**	**13,207**	**13,106**
Concessions, industrial property rights	3	1,473	1,786
Development services	3	2,030	1,721
Goodwill	3.24	9,187	9,187
Advance payments	3	517	412
Property, plant and equipment	**3**	**35,929**	**31,254**
Land and buildings		20,461	17,079
Technical equipment and machinery		11,827	10,697
Other equipment, operating and office equipment		2,870	2,920
Advance payments and assets under construction		771	558
Financial assets	**3**	**87**	**112**
Investment securities		87	112
Other assets	**5**	**252**	**34**
Deferred taxes	**26**	**44**	**33**
		49,519	**44,539**
Current assets			
Inventories	**4**	**21,274**	**17,243**
Raw materials, consumables and supplies		12,363	9,458
Work in progress		480	465
Finished products and goods		8,382	7,320
Advance payments		49	0
Receivables and other assets	**5.6**	**9,642**	**7,631**
Trade receivables	6	8,767	6,971
Other assets	5	875	660
Income tax assets	**7**	**37**	**323**
Cash in hand and bank balances	**8**	**9,746**	**9,550**
		40,699	**34,747**
Total assets		**90,218**	**79,286**

Equity and liabilities in EUR thousand	Notes	December 31, 2022	December 31, 2021
Equity			
Group equity	**9**	**51,613**	**44,655**
Issued capital		9,618	9,618
Capital reserve		31,306	31,306
Retained earnings		11,339	4,654
Reserve for the market valuation of financial instruments		-620	-595
Hedging instruments		172	25
Currency differences		-202	-353
Non-controlling interests	**10**	**372**	**322**
Total equity		**51,985**	**44,977**
Non-current liabilities			
Provisions	**11**	**347**	**257**
Financial liabilities	**12.17**	**24,091**	**23,013**
Other liabilities	**14**	**661**	**834**
Deferred taxes	**26**	**989**	**823**
		26,088	**24,927**
Current liabilities			
Provisions	**11**	**145**	**120**
Financial liabilities	**12.17**	**2,495**	**2,455**
Income tax liabilities	**13**	**1,879**	**395**
Other liabilities	**14.15**	**7,626**	**6,412**
Trade payables	15	2,368	2,036
Other liabilities	14	5,258	4,376
		12,145	**9,382**
Total equity and liabilities		**90,218**	**79,286**

Consolidated statement of income

		Notes	2022 EUR thousand	2021 EUR thousand
1.	Revenue	18	100,274	79,068
2.	Increase/decrease in finished goods and work in progress		738	-131
3.	Other own work capitalized		200	158
4.	Other income	19	1,094	1,004
	Operating performance		**102,306**	**80,099**
5.	Cost of materials	20	-34,657	-25,398
6.	Personnel expenses	23	-33,953	-30,721
7.	Depreciation and amortization		-5,041	-4,906
8.	Other expenses	21	-17,271	-13,730
9.	Financial result	25		
	Finance expenses		-597	-759
	Other financial result		20	5
10.	**Earnings before income taxes**		**10,807**	**4,590**
11.	Income taxes	26	-2,980	-1,289
12.	**Consolidated result**		**7,827**	**3,301**
	thereof: non-controlling interests		50	19
	of which: attributable to shareholders of Masterflex SE		**7,777**	**3,282**
	Earnings per share (undiluted and diluted)	**27**	**0.81**	**0.34**

Consolidated statement of comprehensive income

			2022	2021
		Notes	EUR thousand	EUR thousand
	Consolidated result		**7,827**	**3,301**
	Other result			
	Items that are subsequently reclassified to profit or loss if certain conditions are met			
1.	Currency gains/losses from the translation of foreign financial statements	9	213	860
2.	Changes in the fair value of financial instruments		-25	48
3.	Hedging transactions		209	249
4.	Income taxes		-62	4
5.	**Other comprehensive income after taxes**		**335**	**1,161**
6.	**Comprehensive income**		**8,162**	**4,462**
	Comprehensive income:		**8,162**	**4,462**
	thereof: non-controlling interests		50	19
	of which: attributable to shareholders of Masterflex SE		**8,112**	**4,443**

Consolidated statement of changes in equity

Consolidated Statement of Changes in Equity	Subscribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of financial instruments	Reserve for hedging transactions	Exchange rate differences	Shares held by the shareholders of Masterflex SE	Non-controlling interests	Equity
in EUR thousand									
Notes	**9**	**9**	**9**	**9**	**9**	**9**		**10**	
Equity as of January 1, 2021	**9,618**	**31,306**	**2,142**	**-643**	**-224**	**-1,217**	**40,982**	**303**	**41,285**
Distributions	0	0	-770	0	0	0	-770	0	-770
Other changes	0	0	0	0	0	0	0	0	0
Comprehensive income	**0**	**0**	**3,282**	**48**	**249**	**864**	**4,443**	**19**	**4,462**
Consolidated result	0	0	3,282	0	0	0	3,282	19	3,301
Other comprehensive income after income taxes	0	0	0	48	249	864	1,161	0	1,161
Changes in the fair value of financial instruments	0	0	0	48	0	0	48	0	48
Changes in the fair value of hedging instruments	0	0	0	0	249	0	249	0	249
Currency gains/losses from the translation of foreign financial statements	0	0	0	0	0	860	860	0	860
Income taxes attributable to other comprehensive income	0	0	0	0	0	4	4	0	4
Equity as of December 31, 2021	**9,618**	**31,306**	**4,654**	**-595**	**25**	**-353**	**44,655**	**322**	**44,977**
Distributions	0	0	-1,154	0	0	0	-1,154	0	-1,154
Other changes	0	0	0	0	0	0	0	0	0
Overall result	**0**	**0**	**7,839**	**-25**	**147**	**151**	**8,112**	**50**	**8,162**
Group result	0	0	7,777	0	0	0	7,777	50	7,827
Other comprehensive income after income taxes	0	0	62	-25	147	151	335	0	335
Changes in the fair value of financial instruments	0	0	0	-25	0	0	-25	0	-25
Changes in the fair value of hedging instruments	0	0	0	0	209	0	209	0	209
Currency gains/losses from the translation of foreign financial statements	0	0	62	0	0	151	213	0	213
Income taxes attributable to other comprehensive income	0	0	0	0	-62	0	-62	0	-62
Equity as of December 31, 2022	**9,618**	**31,306**	**11,339**	**-620**	**172**	**-202**	**51,613**	**372**	**51,985**

Consolidated cash flow statement

in EUR thousand	2022	2021
Result for the period before taxes, interest expense and financial income	11,335	5,325
Income taxes	-1,446	-783
Amortization of intangible assets	474	519
Depreciation of property, plant and equipment	4,567	4,387
Write-ups on land and buildings	-269	0
Increase in provisions	115	212
Other non-cash expenses / income and profit / loss from the disposal of non-current assets	264	-140
Increase / decrease in inventories	-4,031	-1,725
Increase / decrease in trade receivables and other assets not attributable to investing or financing activities	-1,931	-1,020
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	1,036	37
Cash flow from operating activities	**10,114**	**6,812**
Cash outflows for investments in intangible assets	-575	-451
Payments for investments in property, plant and equipment	-5,294	-3,015
Cash flow from investing activities	**-5,869**	**-3,466**
Payments to shareholders and minority interests (dividends, purchases of treasury shares)	-1,154	-770
Interest and dividend income	20	5
Interest payments	-414	-691
Payments for lease liabilities	-1,152	-1,108
Payments for the repayment of loans	-1,500	-1,536
Cash flow from financing activities	**-4,200**	**-4,100**
Cash-effective changes in cash and cash equivalents	**45**	**-754**
Effect of exchange rate changes and other changes in the value of cash and cash equivalents	151	1,087
Cash and cash equivalents at the beginning of the period	**9,550**	**9,217**
Cash and cash equivalents at the end of the period	**9,746**	**9,550**

Notes to the consolidated financial statements 2022

1. Principles of financial reporting

Principles of presentation

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

These Consolidated Financial Statements have been prepared in accordance with Section 315e (1) of the German Commercial Code (HGB) ("Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS)") and the related Interpretations issued by the International Accounting Standards Board (IASB), as adopted by the EU as of December 31, 2022, in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards and the supplementary provisions of commercial law.

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

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

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

The Management Board of Masterflex SE approved these financial statements for publication on March 30, 2023. They were adopted by the Supervisory Board on March 30, 2023.

2. Accounting principles

Scope of consolidation

The Consolidated Financial Statements of Masterflex SE include all domestic and foreign subsidiaries that it controls, where Masterflex SE has power over the investee, is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of those returns through its power over the investee. They are deconsolidated at the time when the controlling influence ends.

As of December 31, 2022, in addition to Masterflex SE, the scope of consolidation includes 8 domestic subsidiaries (previous year: 8) and 11 foreign subsidiaries (previous year: 11). The subsidiaries shown in the following overview are fully included in the Consolidated Financial Statements as of December 31, 2022:

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

* = Subgroup

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

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

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

Consolidation

The consolidated financial statements of Masterflex SE are based on the financial statements of the consolidated subsidiaries prepared in accordance with uniform Group accounting policies. The accounting and valuation methods of subsidiaries are changed where necessary in order to ensure uniform accounting and valuation throughout the Group.

Intragroup receivables, liabilities, expenses and income from transactions between Group companies, as well as intragroup profits from internal deliveries and services of inventories and intangible assets and property, plant and equipment, are eliminated - with the exception of expenses and income between continuing and discontinued operations. Deferred taxes are calculated on consolidation transactions recognised in profit or loss.

Capital consolidation is carried out in accordance with IFRS 3 by offsetting the carrying amounts of the investments against the pro rata equity of the subsidiaries measured at fair value. The equity of the acquired subsidiaries is determined as of the acquisition date, taking into account the fair values of the assets, liabilities and contingent liabilities, deferred taxes and any goodwill on that date.

Currency conversion

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

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

All financial statements of companies that have a functional currency different from the reporting currency are translated into the reporting currency of Masterflex's Consolidated Financial Statements. The assets and liabilities of the consolidated companies are translated at the average rates on the reporting date. The income statements of these companies are translated at moving average exchange rates for the year. If the average rate is not a reasonable approximation of the actual transaction rates, translation takes place at the respective transaction rates. Resulting translation differences are recognised in other comprehensive income and transferred to a separate item in equity and carried forward. As at 31 December 2022, these currency differences amounted to EUR -202 thousand (previous year: EUR -353 thousand).
In the event of the disposal of a foreign business operation, all translation differences accumulated in equity that are attributable to Masterflex SE from the business operation are reclassified to the income statement.

Goodwill as well as hidden reserves and hidden charges from the acquisition of foreign subsidiaries whose functional currency differs from the reporting currency and adjustments from the fair value measurement that were identified in the course of the purchase price allocation are translated as assets of these companies at the closing rate.

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

in €	Balance sheet date Dec. 31, 2022	Balance sheet date Dec. 31, 2021	Annual average exchange rate 2022	Annual average exchange rate 2021
1 British pound (GBP)	1.1275	1.1901	1.1727	1.1633
1 US dollar (USD)	0.9376	0.8829	0.9497	0.8455
1 Brazilian real (BRL)	0.1773	0.1585	0.1838	0.1568
1 Czech crown (CZK)	0.0415	0.0402	0.0407	0.0390
1 Swedish krona (SEK)	0.0899	0.0976	0.0941	0.0986
1 Singapore dollar (SGD)	0.6993	0.6545	0.6891	0.6293
1 Renminbi (CNY)	0.1359	0.1390	0.1413	0.1311

Intangible assets

Intangible assets include both internally generated and acquired assets. Internally generated intangible assets include own work capitalised and are recognised at the cost of production incurred after the date on which technological and economic feasibility was established but up to the date of completion. In these cases, the capitalised production costs include all costs directly and indirectly attributable to the development process as well as necessary parts of the development-related overheads. Acquired intangible assets include concessions, licenses, industrial property rights and similar rights and assets as well as technologies. Acquired intangible assets are capitalized at acquisition cost.

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

Goodwill

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

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

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

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

Property, plant and equipment

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

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

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

Useful lives

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

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

Financial assets

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

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

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

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

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

Leasing

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

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

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

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

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

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

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

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

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

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

Deferred taxes

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. The majority of inventories are valued using the FIFO (First In – First Out) method. Production cost includes direct costs, production and material overheads, depreciation and production-related administrative expenses, but no borrowing costs. Net realizable value is determined as the estimated selling price less costs to complete and costs to sell. Previously recognised impairment losses are reversed if the reasons for impairment no longer apply. A write-up is made up to a maximum of the amortised historical acquisition or production costs. Payments on account are reported without the VAT portion.

Receivables and other assets

Receivables and other assets are initially measured at the transaction price in accordance with IFRS 15 and subsequently measured at amortised cost, which is a reasonable estimate of fair value due to the short maturities. If there is objective evidence of impairment, an impairment loss is recognized. Such indications of impairment include, for example, a deterioration in the credit rating of a debtor and the associated payment stagnation or impending insolvency. Any necessary impairment losses are based on the past loss of receivables and the expected risk of default. Receivables comprise financial receivables, trade receivables and other receivables.

Cash and bank balances

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

Subscribed capital/issued capital

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

Provisions

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

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

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

Liabilities

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

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

Financial instruments

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

Non-derivative financial instruments are recognized as of the settlement date in the case of regular way purchases or sales. Foreign currency receivables and liabilities are measured at the respective closing rates.
Financial derivatives are recognized on the basis of financial mathematical models, in particular according to Black Scholes, with correspondingly derived valuation factors (Level 2) for initial measurement and, using the same valuation method, also for subsequent measurement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

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

Cash flow hedges

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

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

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

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

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

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

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

Revenue recognition

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

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

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, as the requirements for capitalisation under IAS 23 are not met.

Research and development

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

Government grants

Government grants are recognized according to IAS 20 at fair value when the Group meets the necessary conditions to receive the grant. Government grants are recognized over the period in which the related costs for which they were awarded are incurred. Government grants related to capital expenditures are recognized as deferred income and amortized through profit or loss over their useful lives. Performance-related government grants are presented separately as ‘other income.’

Estimates

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

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

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

a. Development services

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

b. Goodwill

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

c. Deferred taxes

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

d. Provisions and contingent liabilities

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

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

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

New accounting standards

No use has been made of the option of early adoption of new standards, revisions of standards and interpretations that had already been adopted by December 31, 2022, and endorsed by the European Union by the time the Consolidated Financial Statements were authorized for issue.

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

• IFRS 3	Amendments to update a reference to the framework concept
• IAS 16	Amendments prohibiting the deduction from the cost of an item of property, plant and equipment of revenue arising from the disposal of items produced while the item of property, plant and equipment is in the location and condition necessary for it to be used in the manner intended by management
• IAS 37	Changes in costs to be included in determining whether a contract is onerous, Whether a contract is onerous to include
	as well as the amendment within the scope of the annual "Improvement" project Cycle 2018-2020 in relation to improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

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

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

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

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

For the preparation of the IFRS consolidated financial statements as at 31 December 2022, the following accounting standards and interpretations as well as amendments to existing standards had already been published, but their application was not yet mandatory:

Standard/ Interpretation		Obligation to apply as of
• **IFRS 17**	Accounting for insurance contracts	Jan. 1, 2023
• **IAS 1**	Amendments relating to the disclosure of accounting policies Valuation Methods	Jan. 1, 2023
• **IAS 8**	Changes in accounting estimates	Jan. 1, 2023
• **IAS 12**	Changes in deferred taxes on leases and asset retirement obligations and decommissioning liabilities	Jan. 1, 2023
• **IFRS 17**	Amendments relating to the first-time application of IFRS 17 and IFRS 9	Jan. 1, 2023

IFRS 17 governs the accounting treatment of insurance contracts. It replaces the previously applicable transitional standard IFRS 4. The scope of application includes insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Under IFRS 17, insurance contracts are generally measured using the general model. Under this model, the settlement value and the contractual service margin are determined for a group of insurance contracts upon initial recognition. Depending on what changes in the underlying parameters relate to, either the underwriting result or the underwriting financial income/expense is affected in the course of subsequent measurement, or there may initially be an adjustment to the contractual service margin that only affects the income statement in later periods.

The amendments to IAS 1 and IFRS Guidance Document 2 are intended to assist preparers in deciding which accounting policies to disclose in the financial statements. An entity is now required to disclose material information relating to accounting policies rather than its significant accounting policies.

The amendments to IAS 8 are intended to help distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimate is replaced by a definition of an accounting estimate. According to the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty". Entities develop accounting estimates when accounting policies require items in the financial statements to be measured in a way that involves measurement uncertainty. A change in an accounting estimate resulting from new information or new developments is not a correction of an error.

The amendment to IAS 12 narrows the scope of the initial recognition exemption, according to which no deferred tax assets or liabilities are to be recognised at the time of addition of an asset or liability. If deductible and taxable temporary differences of the same amount arise simultaneously in a transaction, they no longer fall under the exemption, so that deferred tax assets and liabilities must be recognised.

The amendment affects entities applying IFRS 17 and IFRS 9 simultaneously for the first time. The amendment applies to financial assets for which comparative information is presented on first-time adoption of IFRS 17 and IFRS 9, but which have not been restated for IFRS 9. The amendment permits an entity to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had previously been applied to that financial asset.

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

Standard/ Interpretation		Application obligation from
• **IAS 1**	Amendments relating to the classification of liabilities	Jan. 1, 2024
• **IAS 16**	Amendments to clarify the subsequent measurement of Sale and leaseback transactions by a seller-lessee	Jan. 1, 2024
• **IAS 1**	Amendments relating to the classification of debt with ancillary conditions	Jan. 1, 2024
• **IFRS 10, IAS 28**	Changes relating to the disposal or contribution of assets between an investor and an associate or joint venture*	Jan. 1, 2024

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

The Masterflex Group does not plan to apply any of the above regulations early. These amendments will have no or no material impact on the presentation of the Group‘s net assets, financial position and results of operations.

Notes to the Consolidated Statement of Financial Position: Assets

3. Fixed assets

The development of fixed assets is shown separately in a consolidated fixed assets movement schedule, which is part of the notes (see appendix). In the financial year, a write-up of EUR 269 thousand was made due to the resumption of production at the Czech location. As collateral for liabilities to banks, there are land charges amounting to EUR 14,708 thousand (previous year: EUR 14,577 thousand) and assignments of production equipment amounting to EUR 11,150 thousand (previous year: EUR 9,760 thousand).

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

a) Intangible assets

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

The accumulated acquisition and production costs as well as the additions, disposals, transfers and currency translation differences break down as follows:

in EUR thousand	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Balance on Jan. 1, 2021	**2,224**	**4,381**	**15,090**	**21,695**
Additions	299	152	0	451
Disposals	69	0	0	69
Transfers	-48	48	0	0
Exchange rate differences	0	2	0	2
Balance on Dec. 31, 2021	**2,406**	**4,583**	**15,090**	**22,079**
Additions	415	160	0	575
Disposals	0	0	0	0
Transfers	-41	41	0	0
Exchange rate differences	0	0	0	0
Balance on Dec. 31, 2022	**2,780**	**4,784**	**15,090**	**22,654**

Current depreciation and accumulated amortization break down as follows:

in EUR thousand	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Balance on Jan. 1, 2021	**595**	**1,955**	**5,903**	**8,453**
Depreciation and amortization in the fiscal year	136	342	0	478
Disposals	5	307	0	312
Balance on Dec. 31, 20121	**595**	**1,955**	**5,903**	**8,453**
Depreciation and amortization in the fiscal year	102	372	0	474
Disposals	0	0	0	0
Exchange rate differences	0	0	0	0
Balance on Dec. 31, 2022	**731**	**2,813**	**5,903**	**9,447**

The carrying amounts break down as follows:

in EUR thousand	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
Balance on Dec. 31, 2021	1,777	2,142	9,187	13,106
Balance on Dec. 31, 2022	2,049	1,971	9,187	13,207

b) Financial assets

Financial assets are composed as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Securities held as fixed assets	87	112

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

In fiscal year 2022 EUR 25 thousand was recognised directly in equity (see Note 9).

Cost, unrealized gains, unrealized losses and fair values of available-for-sale securities as of December 31, 2022, are as follows:

in EUR thousand	Acquisition costs	Unrealized losses	Market value
	707	620	87

Income from securities amounted to EUR 1 thousand (previous year: EUR 0 thousand).

4. Inventories

Inventories break down as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Raw materials and supplies	12,363	9,458
Work in progress	480	465
Finished products and goods	8,382	7,320
Prepayments made	49	0
Total inventories	**21,274**	**17,243**

Inventories amounting to EUR 34,287 thousand (previous year: EUR 25,085 thousand) were recorded in the cost of materials (cf. section 20).

Raw materials and supplies increased by EUR 2,905 thousand to EUR 12,363 thousand. Work in progress increased by EUR 15 thousand to EUR 480 thousand. Finished goods and merchandise increased by EUR 1,062 thousand to EUR 8,382 thousand and advance payments made increased by EUR 49 thousand to EUR 49 thousand.

Write-downs of inventories to net realisable value were made in the amount of EUR 155 thousand).

5. Receivables and other assets

Receivables and other assets break down as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Trade receivables	8,767	6,971
Other assets	883	658
Other financial assets	245	36
Total receivables and other assets	**9,895**	**7,665**

Other assets amounting to EUR 27 thousand (previous year: EUR 18 thousand) have a remaining term of more than one year.

Other assets break down as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Accruals and deferrals	401	316
Creditors with debit balances	155	105
Receivables from health insurance funds	98	67
Deposits	50	51
Receivables from tax authorities	56	32
Receivables from personnel	49	27
Bonus receivables	18	0
Other	55	60
Total other assets	**882**	**658**

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

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

Receivables from tax authorities primarily include sales tax receivables.

6. Trade receivables

The valuation of trade receivables is as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Current cost of trade receivables	8,923	7,101
Impairments	-156	-130
Trade receivables	**8,767**	**6,971**

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

Total impairment losses on trade receivables amount to EUR 156 thousand (previous year: EUR 130 thousand).

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

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

2022 in EUR thousand		
Carrying amount		**8,767**
1. of which neither impaired nor overdue as of the balance sheet date		**7,009**
2. of which not impaired, but past due as of the balance sheet date		**1,758**
less than 30 days	1,220	
30 to 59 days	275	
60 to 89 days	69	
90 to 119 days	173	
120 days or more	21	

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

7. Income tax assets

Income tax assets as of the reporting date amounted to EUR 37 thousand (previous year: EUR 323 thousand). All income tax refund claims are due within one year.

8. Cash and bank balances

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

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Cash and bank balances	9,746	9,550

The effective interest rate of short-term bank deposits amounted to 0.00%.

Notes to the Consolidated Statement of Financial Position: Equity and liabilities

9. Total equity

Capital management

The strategic orientation of the Masterflex Group sets the framework for optimizing capital management. The sustainable increase in the Company's value in the interest of shareholders, customers and employees is to be achieved by continuously improving earnings through growth and improving the efficiency of our business processes. This requires balancing business and financial risks with the financial flexibility of the Masterflex Group, which is represented by intensive communication with the financial market and here in particular with the banks.

The Articles of Association do not impose any external capital requirements on Masterflex SE.

For an explanation of the development of equity, please refer to the Consolidated Statement of Changes in Equity.

Subscribed capital/issued capital

The subscribed capital of Masterflex SE most recently increased by EUR 886,586.00 from EUR 8,865,874.00 to EUR 9,752,460.00 as a result of a capital increase on March 21, 2017, and is fully paid up. The subscribed capital is divided into 9,752,460 ordinary bearer shares in the form of no-par value shares, each with an arithmetical share in the share capital of EUR 1.00 per share.

No treasury shares were sold or newly acquired during fiscal year 2022. As of the balance sheet date, Masterflex SE held 134,126 treasury shares (previous year: 134,126).

The 134,126 no-par value bearer shares have a notional value of EUR 134,126. They represent 1.38% of the share capital of Masterflex SE. The shares were acquired in the period from September 2004 to July 2005. The Company was authorized by the relevant resolutions of the Annual Stockholders' Meetings in 2004 and 2005 to acquire treasury shares up to a maximum proportionate amount of the share capital attributable to these shares of EUR 450,000.00. This was 10% of the Company's share capital of EUR 4,500,000.00 at the time of the Annual General Meeting. The shares acquired – together with other treasury shares held by the Company or attributable to it in accordance with Sections 71 a ff. of the German Stock Corporation Act (AktG) – were not permitted to exceed 10% of the Company's share capital at any time. The authorization was not to be used for the purpose of trading in treasury shares.

Accordingly, Masterflex SE has subscribed capital of EUR 9,752,460 and issued capital of EUR 9,618,334.00.

Authorization to acquire treasury shares

By resolution of the Annual General Meeting on May 19, 2021, the Management Board was authorized, with effect from May 20, 2021, until May 19, 2026, with the approval of the Supervisory Board, to acquire treasury shares up to a maximum of 10% of the Company's share capital existing at the time the resolution is adopted by the Annual General Meeting or – if this value is lower – at the time the authorization is exercised. The authorisation may not be used for the purpose of trading in own shares.

The Management Board and Supervisory Board have not made use of these authorizations.

Authorized capital

By resolution of the Annual General Meeting on May 19, 2021, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to EUR 4,876,230 by May 15, 2026, with the approval of the Supervisory Board, by issuing up to 4,876,230 no-par value bearer shares on one or more occasions against cash contributions and/or contributions in kind (Authorized Capital 2021).

The Management Board is authorized to amend the wording of Art. 4 of the Articles of Association after the full or partial implementation of the share capital increase in accordance with the respective utilization of the Authorized Capital 2021 and, if the Authorized Capital 2021 has not been utilized or not fully utilized by May 15, 2026, it is to be adjusted after the expiry of the authorization period. The Management Board is authorised, with the consent of the Supervisory Board, to determine the further content of the share rights and the conditions of the share issue.

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

Conditional capital

On May 28, 2019, the Annual General Meeting of the Company authorized the Management Board, with the approval of the Supervisory Board, to issue bearer or registered bonds with warrants and/or convertible bonds on one or more occasions up until May 27, 2024, for a total nominal amount of up to EUR 60,000,000.00.

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

Capital reserve

The capital reserve amounted to EUR 31,306 thousand as of the balance sheet date (previous year: EUR 31,306 thousand).

As a result of the capital increase registered on March 21, 2017, the capital reserve increased by EUR 5,053,540.20 compared to fiscal year 2016. The shares were placed at a price of EUR 6.70 each. The increase resulted from the premium on the shares issued.

Retained earnings

The development of retained earnings is shown in the Consolidated Statement of Changes in Equity.

Reserve for fair value measurement of financial instruments

In accordance with IFRS 9, current investment securities were classified as FVOCI (measured at fair value through other comprehensive income). As of the balance sheet date, these securities were measured at fair value. This resulted in unrealised gains for one security, which, after taking into account income tax effects, were recognised in other comprehensive income and transferred to the item “Reserve for the market valuation of financial instruments” in equity.

Hedging reserve

The currency forwards designated for hedging purposes are measured at fair value with no effect on profit or loss and are recognized in the item "Hedging reserves" with no effect on profit or loss.

Currency differences

The currency differences recognised in equity result from the translation of foreign subsidiaries and are as follows:

in EUR thousand	Currency differences from the translation of foreign financial statements	Currency differences according to IAS 21.17	Currency differences according to IAS 21.19	Total
Balance on Dec. 31, 2020	-931	-381	95	-1,217
Change 2021	855	9	0	864
Balance on Dec. 31, 2021	-76	-372	95	-353
Change 2022	151	0	0	151
Balance on Dec. 31, 2022	75	-372	95	-202

Taxes relating to items recognized directly in equity were also recognized directly in equity in accordance with IAS 12.61 and included in the changes in currency differences presented above.

In accordance with IAS 21.17/21.19/21.32 in conjunction with IAS 21.37, the changes in fair value amounting to EUR 0 thousand (previous year: EUR 9 thousand), which are recognized directly in equity, are fixed when the foreign currency obligation is settled. The currency differences offset in equity are not reversed through profit or loss until the date of disposal of the economically independent sub-unit.

10. Non-controlling interests

As of December 31, 2022, there were non-controlling interests in companies of the Masterflex Group amounting to EUR 372 thousand (previous year: EUR 322 thousand). These relate to Masterflex S.A.R.L. based in Béligneux, France, which has been part of the Masterflex Group since 1992 and is the sales subsidiary for France.

The non-controlling interests accounted for total income of EUR 50 thousand in the reporting year (previous year: EUR 19 thousand).

11. Provisions

Provisions are composed as follows:

in EUR thousand	Balance on Jan. 1, 2022	Utilization	Reversal	Addition	Balance on Dec. 31, 2022
Royalties	257	78	7	175	347
Warranties	120	120	0	145	145
Total	**377**	**198**	**7**	**320**	**492**

a) Non-current provisions

Non-current provisions relate to the performance-related components of Management Board remuneration amounting to EUR 347 thousand (previous year: EUR 257 thousand), which will not be paid out until the third year after the reference year.

b) Current provisions

Warranty provisions were recognized for the warranty claims known up to the balance sheet date in the amount of the expected expenses.

12. Financial liabilities

Financial liabilities as of December 31, 2022, consisted of:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Liabilities to banks	19,952	21,399
Lease liabilities	4,139	1,614
Long-term financial liabilities	**24,091**	**23,013**
Liabilities to banks	1,445	1,443
Lease liabilities	1,050	1,012
Current financial liabilities	**2,495**	**2,455**
Total financial liabilities	**26,586**	**25,468**

Liabilities to banks

The breakdown of liabilities to banks by maturity is as follows:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Liabilities with a remaining term of up to 1 year	1,445	1,443
Liabilities with a remaining term of between 1 and 5 years	19,952	21,399
Total liabilities to banks	**21,397**	**22,842**

If the financial liabilities relate to current financial liabilities, the fair values correspond to the carrying amounts. If the financial liabilities relate to the syndicated loan agreement, the effective interest method is applied.

The syndicated loan agreement concluded in August 2019 has a volume of EUR 34.9 million and a term until September 2024. Utilization amounted to EUR 21.5 million as of the reporting date. Due to the use of the effective interest method, there is a difference of EUR 103 thousand between the utilized loan amount of EUR 21,500 thousand and the liabilities to banks measured at amortized cost of EUR 21,397 thousand as of December 31, 2022.

For accounting purposes, the syndicated loan agreement was reduced by the directly attributable transaction costs of EUR 292 thousand upon initial recognition. Subsequent measurement is at amortized cost using the effective interest method. The difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is distributed over the term in line with the effective interest rate and recognized in net interest income.

The receivables of the banking consortium under the syndicated loan agreement are secured by assets with a carrying amount of EUR 41,918 thousand (previous year: EUR 37,688 thousand) from the companies of the Masterflex Group.

Of this amount, EUR 14,708 thousand relates to land charges, EUR 11,150 thousand to other non-current assets, EUR 11,570 thousand to inventories and EUR 4,490 thousand to current receivables.

The fair value of liabilities to banks corresponds to the carrying amounts stated.

Liabilities to banks in the euro zone were subject to interest rates of between 1.25% and 3.45% (previous year: 1.25% and 1.40%), depending on the term and purpose of the financing. Please refer to section C. of the combined Management Report for information on the terms and conditions of the loan agreement.

As of December 31, 2023, there were bank lines (cash credit lines) of EUR 8,609 thousand. Of this amount, bank lines amounting to EUR 8,609 thousand were unused.

Lease liabilities

The outstanding lease payments have the following maturities:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Liabilities with a remaining term of up to 1 year	1,050	1,614
Liabilities with a remaining term of between of up to 1 year	4,139	1,012
Total lease liabilities	**5,189**	**2,626**

More detailed explanations of the lease liabilities are provided in Note 17.

13. Income tax liabilities

Income tax liabilities relate to current taxes and amounted to EUR 1,879 thousand as of the balance sheet date (previous year: EUR 395 thousand).

14. Other liabilities

The details of other liabilities are shown in the following table:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Trade accounts payable	2,368	2,036
Contractual liabilities	471	307
Other liabilities	5,448	4,903
Total other liabilities	**8,287**	**7,246**

The disclosure of contract liabilities results from advance payments received from contracts with customers that are serviced and invoiced in the short term through the delivery of finished products by the Group.

Other liabilities include the following items:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Bonuses, severance payments, commissions	2,406	1,545
Accruals and deferrals	699	742
Liabilities from taxes	611	475
Outstanding invoices	437	536
Acquisition costs	327	262
Holiday	223	126
Liabilities towards employees	213	383
Accounts receivable with credit balances	174	243
Bonuses to customers	155	426
Social security	128	98
Professional association	75	67
Total	**5,448**	**4,903**

Accruals and deferrals almost exclusively include government grants used to promote investment.

The following amounts were recognized as liabilities as of December 31:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Grants	457	483
Allowances	242	259
Total	**699**	**742**

Reversals affecting income were as follows in the individual years:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Reversal of grants	26	29
Reversal of allowances	17	19
Total	**43**	**48**

The grants received mainly relate to subsidies for the expansion of operating facilities and for technical equipment and machinery in the years 1995 to 2011. The subsidies were granted for the acquisition of machinery and operating and office equipment. The necessary proof of use has been provided in full.

The item "Other liabilities" includes liabilities amounting to EUR 661 thousand (previous year: EUR 834 thousand) that are not due until one year after the balance sheet date.

15. Trade payables

The following trade payables existed as of the balance sheet date December 31:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Trade accounts payable	2,368	2,036

The fair values correspond to the carrying amounts reported. Trade payables in the amount of EUR 2,368 thousand (previous year: EUR 2,036 thousand) are due within one year.

16. Financial instruments

This section provides a summary overview of the Masterflex Group's financial instruments.

The following overview summarizes the carrying amounts of the financial instruments included in the Consolidated Financial Statements according to the IFRS measurement categories:

in EUR thousand	Dec. 31, 2022	Dec. 31, 2021
Financial assets		
Measured at amortized cost	18,995	16,863
Measured at fair value through other comprehensive income (hedging relationship)	245	36
Measured at fair value without effect on profit or loss	87	112
Financial liabilities		
Measured at amortized cost	34,176	31,972
Measured at fair value through other comprehensive income (hedging relationship)	0	0

The carrying amounts and fair values of current and non-current financial assets as of the reporting date are as follows:

	Dec. 31, 2022						
	Total	AC		FVPL		FVOCI	
in EUR thousand	CA*	CA*	FV*	CA*	FV*	CA*	FV*
Assets							
Financial assets	87			0	0	87	87
Cash and cash equivalents	9,746	9,746	9,746	0	0	0	0
Trade receivables	8,767	8,767	8,767	0	0	0	0
Other financial assets	245	0	0	0	0	245	245
Other assets	482	482	482	0	0	0	0
Total assets	**19,327**	**18,995**	**18,995**	**0**	**0**	**332**	**332**
Liabilities							
Liabilities to banks	21,397	21,397	21,397	0	0		
Lease liabilities	5,189	5,189	5,189	0	0		
Other financial liabilities	0	0	0	0	0	0	0
Trade accounts payable	2,368	2,368	2,368	0	0		
Other liabilities	5,222	5,222	5,222	0	0		
Total liabilities and shareholders' equity	**34,176**	**34,176**	**34,176**	**0**	**0**	**0**	**0**

* CA = Carrying amount, FV = Fair value

	Dec. 31, 2021						
	Total	AC		FVPL		FVOCI	
in EUR thousand	CA*	CA*	FV*	CA*	FV*	CA*	FV
Assets							
Financial assets	112			0	0	112	112
Cash and cash equivalents	9,550	9,550	9,550	0	0	0	0
Trade receivables	6,971	6,971	6,971	0	0	0	0
Other assets	342	342	342	0	0	0	0
Total assets	**17,011**	**16,863**	**16,863**	**0**	**0**	**148**	**148**
Liabilities							
Liabilities to banks	22,842	22,842	22,842	0	0		
Lease liabilities	2,626	2,626	2,626	0	0		
Other financial liabilities	0	0	0	0	0	0	0
Trade accounts payable	2,036	2,036	2,036	0	0		
Other liabilities	4,468	4,468	4,468	0	0		
Total liabilities and shareholders' equity	**31,972**	**31,972**	**31,972**	**0**	**0**	**0**	**0**

The Masterflex Group does not hold any cash collateral and does not perform any offsetting in the statement of financial position. Derivative financial instruments, balances and liabilities to banks are reported gross in the Consolidated Statement of Financial Position.

The Masterflex Group has pledged financial assets in the amount of EUR 4,490 thousand (current receivables) as collateral for financial liabilities. The Masterflex Group does not hold any collateral with regard to financial assets.

The Masterflex Group distinguishes between recoverable, non-performing and irrecoverable financial assets. For recoverable financial assets, the impairment is based on the expected 12-month credit loss. For non-performing financial assets, an impairment loss is recognized in the amount of the expected credit loss until final maturity. Uncollectible receivables are recognized as disposals. A receivable is considered to be non-performing (definition of default) if a due date of more than 90 days or a deterioration in the creditworthiness of the customer indicates that a debtor will not meet its payment obligations to the Masterflex Group.

The following overview summarizes the credit quality and maximum default risk of the financial assets measured at amortized cost by the aforementioned categories:

Dec. 31, 2022 in EUR thousand	Credit quality	Treatment	Gross carrying amount	Value adjustment	Net carrying amount
Other assets	collectible	12-month ECL*	883	0	0
	non-performing	lifetime ECL*	0	0	0
Trade receivables	collectible	lifetime ECL* simplified approach	8,385	0	8,385
	non-performing	lifetime ECL*	538	156	382
			8,923	**156**	**8,767**
Cash and cash equivalents	collectible	12-month ECL*	9,746	0	9,746
	non-performing	lifetime ECL*	0	0	0
			9,746	**0**	**9,746**

* ECL = Expected Credit Loss

Dec. 31, 2021 in EUR thousand	Credit quality	Treatment	Gross carrying amount	Value adjustment	Net carrying amount
Other assets	collectible	12-month ECL*	658	0	0
	non-performing	lifetime ECL*	0	0	0
			658	**0**	**0**
Trade receivables	collectible	lifetime ECL* simplified approach	6,668	0	6,668
	non-performing	lifetime ECL*	433	130	303
			7,101	**130**	**6,971**
Cash and cash equivalents	collectible	12-month ECL*	9,550	0	9,550
	non-performing	lifetime ECL*	0	0	0
			9,550	**0**	**9,550**

The Masterflex Group recognizes valuation allowances for loans and other receivables taking into account past events and expectations regarding the future development of credit risk. The methods used to measure the allowance have not changed compared to the previous year.

Due to the slight deterioration in the credit rating of customers, the value adjustments increased from EUR 130 thousand in the previous year to 156 thousand euros in the 2022 financial year.

Cash and cash equivalents are cash on hand and bank balances. The Masterflex Group deposits cash and cash equivalents exclusively with banks with the highest credit ratings and default probabilities close to zero. For reasons of materiality, the valuation allowance was not recognized. In the event of a significant increase in the probability of default, the Group companies are instructed to withdraw cash and cash equivalents immediately. For this reason, cash and cash equivalents are no longer included in the recoverable category (12-month ECL).

In accordance with the simplified approach under IFRS 9.5.5.15, allowances for trade accounts receivable are consistently measured at the expected credit loss until final maturity.

In determining the allowance, receivables are divided into risk categories and assigned different impairment rates. Receivables are written off if a debtor is in serious financial difficulties and there is no prospect of recovery.

The subsidiaries included in the consolidated financial statements of Masterflex SE determine the default risk according to individual approaches, taking into account country and business unit-specific risks. In doing so, the companies use, among other means, data from Schufa, historical default rates and customer-specific future-related credit risk analyses. The Masterflex Group does not have any significant holdings of overdue assets.

In the case of trade accounts receivable, the expected credit loss model was reviewed with regard to the assessment of future economic conditions in the course of the geopolitical uncertainties (Ukraine war). The focus here was in particular on the past and expected payment behavior of our customers. Our trade accounts receivable mainly comprise outstanding invoices for products supplied. In the course of the review, we did not become aware of any matters in connection with our receivables portfolio that showed signs of impairment to a significant extent. We continuously monitor our trade accounts receivable for possible deterioration due to the the geopolitical uncertainties.

Net results of financial instruments

Net results in 2022 broken down by measurement category:

in EUR thousand	Interest result	Operating result	Other result	Net results 2022
Financial assets				
Measured at amortized cost	0	-26	0	-26
Measured at fair value through profit or loss	0	0	0	0
Measured at fair value without effect on profit or loss	0	0	-25	-25
Measured at fair value through other comprehensive income (hedging relationship)	0	0	245	245
Financial liabilities				
Measured at amortized cost	-597	0	0	-597
Measured at fair value without effect on profit or loss (hedging relationship)	0	0	0	0
Total	**-597**	**0**	**0**	**-597**

Net results in 2021 broken down by measurement category:

in EUR thousand	Interest result	Operating result	Other result	Net results 2021
Financial assets				
Measured at amortized cost	0	-5	0	-5
Measured at fair value through profit or loss	0	0	0	0
Measured at fair value without effect on profit or loss	0	0	48	48
Measured at fair value through other comprehensive income (hedging relationship)	0	0	36	36
Financial liabilities				
Measured at amortized cost	-759	0	0	-759
Measured at fair value without effect on profit or loss (hedging relationship)	0	0	-224	-224
Total	**-759**	**0**	**-224**	**-983**

Derivative financial instruments

The Group had entered into a fixed forward exchange contract to hedge highly probable transactions (sales of products) and this was accounted for as a hedging relationship. The agreement had a maturity date of 15 March 2022. As the hedging relationship was deemed to be substantially fully effective, EUR 17 thousand were recognised in other comprehensive income as changes in the value of the hedging instrument due to the termination of the forward exchange contract.

The Group has entered into another fixed forward exchange contract to hedge highly probable transactions (sales of products) and this is accounted for as a hedging relationship. The agreement has a maturity date of March 11, 2027. The fair value of the derivative contracted for a total of USD 4,800 thousand amounts to EUR 245 thousand as of the balance sheet date and was recognized under other liabilities. As the hedging relationship was essentially classified as fully effective, EUR 266 thousand were recognized in other comprehensive income as changes in the value of the hedging instrument.

As of December 31, 2022, the amount recognized in the reserve for hedging instruments is EUR 245 thousand less deferred taxes thereon in the amount of EUR 73 thousand.

The fair value of the forward exchange contracts was determined externally on the basis of a Black-Scholes valuation. The forward exchange contracts were assigned to Level 2 and the measurement category “Financial assets (debt instruments) measured at fair value through other comprehensive income.”

17. Leases

As lessees, contracts were primarily concluded for real estate and vehicles. Lease agreements are negotiated on an individual basis and each has different agreements, on renewal, termination or purchase options, for example.

Contracts for the lease of land and buildings have terms of 6 years on average. The payments agreed for these contracts are in many cases adjusted annually. Lease agreements for objects other than land and buildings generally have terms of an average of 3 years.

As a rule, contracts for the rental of vehicles include an early return right and an extension option.

For details on lease liabilities, please refer to Notes 12 and 29. Rights of use are recognized in property, plant and equipment.

In addition, the following amounts were recognized in the income statement in connection with leases in fiscal year 2022:

in EUR thousand	2022	2021
Interest expense from the accrual of interest on lease liabilities	92	73
Expenses for short-term leases with a term of more than one and not more than 12 months	49	46
Expenses for leases with underlying assets of low value (excluding short-term leases)	162	150
Total	**303**	**269**

Cash outflows in connection with lessee activities amounted to EUR 1,455 thousand in 2022 (previous year: EUR 1,376 thousand).

Notes to the Consolidated Statement of Income

18. Revenue

Revenue is recognized in accordance with IFRS 15. Contracts with customers are not aggregated, as there is either a master agreement that governs the relationship with customers and is usually renegotiated annually, or customers order on a case-by-case basis and on request.

In the customers' purchase orders, the contractual performance obligation with the corresponding consideration/transaction price is specified on an item-by-item basis and the consideration is thus allocated to the individual performance obligations. Customer bonuses are calculated on the basis of the sales volume expected with the customer up until the end of the fiscal year and deferred until payment to the customer.

Revenue from the supply of high-tech hoses and connection systems is recognized on a time proportion basis, as the criteria for time proportionate revenue recognition of IFRS 15.35 are not met. The transfer of control of high-tech hoses and connection systems supplied to customers is recognized at the time of delivery of these goods to the customer in accordance with the terms of delivery, as most of the indicators listed in IFRS 15.38 are met at this time. Standard industry terms of payment without significant financing components are used. Variable consideration is regularly not available. Contracts with customers only contain functional guarantees related to the intended use.

Revenues from development services for customers, which are recognized either on a period or point in time basis, did not arise either in fiscal year 2021 or in fiscal year 2022.

Sales revenues include sales of high-tech hoses and connection systems less sales deductions and were all recognized on a time-related basis in fiscal year 2022.

As of December 31, 2022, there were trade receivables of EUR 8,767 thousand (previous year: EUR 6,971 thousand). Contract assets from contracts with customers did not exist as of December 31, 2021, nor as of December 31, 2022.

In fiscal year 2022, impairment losses amounting to EUR 156 thousand were recognized on receivables from contracts with customers.

19. Other income

Other income breaks down as follows:

in EUR thousand	2022	2021
Exchange rate gains from currency translation	321	407
Revenues from non-typical ancillary revenues	269	0
Other income unrelated to the accounting period	159	131
Income from the reversal of provisions	135	179
Other income unrelated to the accounting period	73	150
Allowances	45	49
Expenditure subsidy from public authorities	24	13
Insurance compensation	9	13
Income from the reversal of valuation allowances on receivables	4	1
Other	55	61
Total	**1,094**	**1,004**

The non-operating ancillary revenues relate to a large number of individual cases from the operating business, for example sales to employees, merchandising and scrap proceeds.

20. Cost of materials

Cost of materials breaks down as follows:

in EUR thousand	2022	2021
Cost of raw materials, supplies and merchandise	34,287	25,085
Expenses for services purchased	370	313
Total	**34,657**	**25,398**

21. Other expenses

Other expenses break down as follows:

in EUR thousand	2022	2021
Selling expenses	6,623	5,266
Operating expenses	3,242	2,733
Administrative expenses	3,143	2,611
Room operating costs	2,615	2,210
Insurance	507	405
Expenses from exchange rate differences	418	167
Warranties	10	11
Expenses for valuation allowances	103	26
Other	182	22
Other taxes	428	279
Total	**17,271**	**13,730**

22. Research and development costs

Development costs eligible for capitalization were recognized under the item "Intangible assets." Research and non-capitalizable development costs were expensed as incurred. Research and development expenses of EUR 600 thousand (previous year: EUR 411 thousand) were incurred in fiscal year 2022.

23. Personnel expenses

Personnel expenses increased in 2022 by EUR 3,232 thousand to EUR 33,953 thousand (previous year: EUR 30,721 thousand). Personnel expenses include wages and salaries in the amount of EUR 28,241 thousand (previous year: EUR 25,716 thousand) as well as social security contributions and pension expenses in the amount of EUR 5,712 thousand (previous year: EUR 5,005 thousand).

The Company's pension plans are defined contribution plans. In the case of defined contribution plans, the Company does not enter into any further obligations beyond the payment of contributions to funds. The expenses are included in current personnel expenses; no provision is formed. The expenses for this amount to EUR 455 thousand (previous year: EUR 307 thousand). The employer's pension insurance benefits are not included in these benefits.

24. Impairment of assets

In accordance with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill and internally generated intangible assets whose production has not yet been completed are subject to regular impairment tests.

Goodwill and internally generated intangible assets whose production has not yet been completed are tested annually for possible impairment. If events or changes in circumstances indicate a possible impairment, the impairment test must also be performed more frequently.

As part of the impairment test, the Masterflex Group compares the residual carrying amounts of the individual cash-generating units ("CGUs") with their respective recoverable amounts, i.e. the higher of their fair value less costs to sell and their value in use.

Where the carrying amount of a cash-generating unit exceeds its recoverable amount, an impairment loss is recognized for the difference.

The recoverable amount is determined by calculating the value in use using the discounted cash flow method. The cash flows used to determine the value in use were determined on the basis of management's medium-term planning. These 5-year plans, in particular for the development of sales and earnings, are based on past experience and expectations of future market developments, taking into account strategic and operational measures already initiated to manage the business on the basis of management's best estimate of future developments.

The cost of capital is calculated as the weighted average cost of equity and debt (WACC = Weighted Average Cost of Capital). The cost of equity is derived from a peer group analysis of the relevant market and thus from available capital market information.

In order to take account of the different risk/return profiles of our main areas of activity, we calculate individual cost of capital rates for our companies (CGUs). The weighted average cost of capital, so-called WACC before taxes, which have been applied to discount the cash flows, range between 6.84% and 7.74% (previous year: 5.60% and 6.89%). For a presentation per CGU, please refer to the table below. In extrapolating future cash flows beyond the detailed planning period of five years, a growth rate of 1.0% was used for the CGUs, as in the previous year.

As in the previous year, the acquisitions of subsidiaries in previous years and the successive share purchases and disposals resulted in the following goodwill, which has been allocated to the following CGUs. In addition to the amortized cost of goodwill for each CGU, the following table also shows their individual cost of capital:

	EUR thousand	WACC 2022	WACC 2021
APT Advanced Polymer Tubing GmbH	5,929	7.74	6.37
Flexmaster USA, Inc.	1,488	7.47	6.89
FLEIMA-PLASTIC Ltd.	1,075	6.84	5.60
Novoplast Schlauchtechnik GmbH	462	6.94	6.06
Matzen & Timm GmbH	233	7.18	6.20
Total	**9,187**		

In the fiscal years 2021 and 2022, the impairment test of goodwill did not reveal any need for impairment. An increase in the discount rate of 1 percentage point would not have led to any impairment of goodwill.

25. Financial result

The financial result breaks down as follows:

in EUR thousand	2022	2021
Other interest and similar income	20	5
Interest and similar expenses	-597	-759
Total	**-577**	**-754**

The interest income results from the short-term area.

26. Income tax

The income tax expense in the income statement is composed as follows:

in EUR thousand	2022	2021
Income tax expense	-2,878	-1,102
Deferred taxes		
from time differences	-75	-53
from loss carryforwards	-27	-134
Total deferred taxes	-103	-187
Total income tax expense	**-2,980**	**-1,289**

The following reconciliation of income taxes for fiscal year 2022 is based on the overall tax rate of 30.0% (previous year: 30.0%) and reconciles to the effective tax rate of 27.6% (previous year: 28.1%):

in EUR thousand	2022	2021
Earnings before income taxes	10,807	4,590
Expected tax expense 30.0%	-3,242	-1,377
Change in deferred tax assets on loss carryforwards or utilization of loss carryforwards in the fiscal year/unutilized losses	23	-5
Tax refunds/payments of arrears for previous years	0	-29
Effects of non-deductible expenses and tax-exempt income	-136	-80
Tax effect on tax rate differences	411	222
Other	-36	-20
Total tax expense	**-2,980**	**-1,289**

The initial figure (earnings before income taxes) corresponds to the consolidated net income for the year plus income taxes and deferred taxes as reported in the income statement.

Deferred taxes result from loss carryforwards and the individual Consolidated Statement of Financial Position items as follows:

	Dec. 31, 2022		Dec. 31, 2021	
in EUR thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carryforwards	25	0	52	0
Fixed assets	356	1,267	345	1,248
Financial assets	0	73	0	11
Inventories	29	0	15	0
Receivables	17	219	17	135
Other assets	43	22	43	21
Provisions	8	0	8	0
Liabilities	205	47	193	48
Before netting	**683**	**1,628**	**673**	**1,463**
Balancing	-639	-639	-640	-640
Consolidated Statement of Financial Position	**33**	**978**	**33**	**823**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred taxes relate to income taxes levied by the same tax authority.

The recoverability of deferred tax assets on loss carryforwards was tested on the basis of a five-year plan taking the minimum taxation into account. The recoverability is given due to the positive earnings expectations derived on the basis of medium-term planning. In addition, parts of the loss carryforwards have arisen as a result of expenses in connection with the refinancing and the capital increase. There is sufficient certainty that these loss carryforwards will be realized.

As of December 31, 2022, Masterflex recognized deferred tax assets in the amount of EUR 25 thousand (previous year: EUR 52 thousand) on tax loss carryforwards.

For foreign companies, the tax rates vary between 19% and 30%.

No deferred tax assets were recognized for tax loss carryforwards amounting to EUR 9,558 thousand (previous year: EUR 10,550 thousand), as their utilization is not sufficiently certain. The loss carryforwards of the German companies can be carried forward indefinitely. The use of loss carryforwards of foreign companies is generally limited in terms of time.

No deferred tax liabilities were recognised on temporary differences in connection with affiliated companies amounting to EUR 10,117 thousand (previous year: EUR 10,217 thousand), as it is not probable that these temporary differences will be eliminated in the foreseeable future and the Masterflex Group is able to control the elimination.

Other comprehensive income includes taxes amounting to EUR -62 thousand (previous year: EUR 4 thousand) attributable to exchange rate differences in accordance with IAS 21, which were charged or credited directly to equity.

27. Earnings per share

Earnings per share are calculated as follows:

	2022	2021
Result of the fiscal year (EUR thousand)	7,777	3,282
Weighted average of shares issued	9,618,334	9,618,334
Earnings per share (EUR)	**0.81**	**0.34**

There were no dilutive effects for either fiscal year 2022 or the previous year.

28. Appropriation of earnings

The Annual Financial Statements of Masterflex SE prepared in accordance with the German Commercial Code (HGB) show net retained earnings of EUR 15,416 as of December 31, 2022.

The Management Board and Supervisory Board propose to the Annual General Meeting to distribute to the shareholders as a dividend from the net retained earnings as of December 31, 2022, of Masterflex SE in the amount of EUR 15,416,271.74 an amount of EUR 1,923,666.80 on the 9,618,334 issued shares of the share capital as of December 31, 2022, and to carry forward the remaining amount of EUR 13,492,604.94 to new account. This corresponds to a dividend of EUR 0.20 per share.

As at 31 December 2022, Masterflex SE has amounts blocked from distribution totalling EUR 1,396 thousand, of which EUR 1,396 thousand is attributable to the capitalisation of development costs.

29. Financial risk management

Besides identifying, assessing and monitoring risks in the course of business operations and in particular from the resulting financial transactions, risks are managed by the Management Board in close cooperation with the Group companies. Particular attention is paid to hedging certain risks, such as currency, interest rate, price, default and liquidity risks.

In addition to primary financial instruments, various derivative financial instruments can be used, including forward exchange transactions, currency option transactions and interest rate swaps. Derivative financial instruments are used exclusively to hedge existing or planned underlying transactions and serve to reduce foreign currency, interest rate and commodity price risks and are used on a case-by-case basis in consultation with the Management Board of Masterflex SE.

Management of currency risks

The international nature of the Group's operations gives rise to cash flows in various currencies, in particular in US dollars. Foreign currency positions include currency risks from highly probable future business transactions, foreign currency receivables and payables as well as from firmly contracted purchase or sales contracts in foreign currencies. Orders in emerging markets are generally invoiced in US dollars or euros.

The sensitivity analysis based on the outstanding monetary items denominated in US dollars assuming a ten percent change in the US dollar against the euro results in an impact of around EUR 339 thousand on equity.

As of December 31, 2022, the Group held the following instruments to hedge against changes in foreign exchange rates and interest rates:

	Maturity		
	1-6 months	7-12 months	More than a year
Exchange rate risk			
Forward exchange transactions			
Net risk in USD thousand	480	480	3,040
Average EUR:USD forward rate	1.1817	1.1817	1.1817

Management of interest rate risks

Due to the international orientation of our business activities, Masterflex procures and invests liquidity on the international money and capital markets in various currencies.

The resulting financial liabilities and cash investments are partly exposed to interest rate risk. Derivative financial instruments can be used on a case-by-case basis to hedge the interest rate risk with the aim of minimizing the interest rate volatility and financing costs of the underlying transactions.

The sensitivity analysis was determined using the interest rate risk exposure as of the balance sheet date. For floating-rate liabilities, the analysis is prepared on the assumption that the amount of the liability outstanding on the balance sheet date was outstanding for the entire year.

Based on a fluctuation in the interest rate of 100 basis points, the sensitivity analysis results in an increase/decrease in cash and cash equivalents of approximately EUR 226 thousand.

Management of default risks

At Masterflex, the risks of customer receivables are monitored and assessed on a decentralized basis, and default is also limited in some cases through the use of trade credit insurance.

As of the balance sheet date, there were trade accounts receivable from a large number of domestic and foreign customers from various industries. The default risk was negligible.

The risk management of loans to subsidiaries as well as of shares is carried out by means of a Group-wide controlling system with fully consolidated planning accounts, monthly Consolidated Financial Statements and regular discussions of the course of business.

The maximum default risk results from the carrying amounts of the financial receivables recognized in the Consolidated Statement of Financial Position.

Liquidity risk management

Group liquidity management to reduce liquidity risks includes safeguarding cash and cash equivalents, the availability of sufficient credit lines, and the ability to close out market positions.

The table shows the contractually agreed repayments of financial liabilities:

2022 in EUR thousand	Carrying amount	2023	2024	2025	2026	2027	≥ 2028
Trade payables	2,368	2,368	0	0	0	0	0
Liabilities to banks	21,397	1,501	19,896	0	0	0	0
Lease liabilities	5,189	1,050	1,004	558	521	337	1,719
Other liabilities	4,750	4,750	0	0	0	0	0
Total	**33,740**	**9,669**	**20,900**	**558**	**521**	**337**	**1,719**

2021 in EUR thousand	Carrying amount	2022	2023	2024	2025	2026	≥ 2027
Trade payables	2,036	2,036	0	0	0	0	0
Liabilities to banks	22,842	1,501	1,500	19,841	0	0	0
Lease liabilities	2,626	1,012	828	403	189	194	0
Other liabilities	4,161	4,161	0	0	0	0	0
Total	**31,665**	**8,710**	**2,328**	**20,244**	**189**	**194**	**0**

The table contains only the contractually agreed payments from the financial liabilities up to the reporting date without planned figures for future new liabilities. Financial liabilities repayable at any time are presented as due within one year. Payments under operating leases are reported under financial liabilities.

The accruals and deferrals reported under “Other liabilities” in the amount of EUR 699 thousand (previous year: EUR 742 thousand) do not affect payments. For this reason, the reversal is not shown in the table.

30. Other financial obligations

With the exception of the collateral referred to in Notes 3, 12 and 16, there were no contingent liabilities arising from warranty agreements, guarantees and other contingent liabilities as of the balance sheet date.

31. Segment reporting

The Masterflex Group is managed as a single-segment Company. It is managed on the basis of the information at Group level that the full Management Board, as the chief operating decision maker, receives to measure performance and allocate resources for the entire Masterflex Group (so-called “management approach”).

Following the disposal of business units in previous years, Masterflex SE reports only one operating segment, the core business unit (HTS).

In its sole High-tech Hose Systems (HTS) segment, which represents the core business of the Masterflex Group, activities focus on the development and production of technically sophisticated high-tech hose systems, molded parts and injection-molded elements made of innovative specialty plastics for industrial and medical applications. The products of this segment are used in a wide variety of industrial sectors, such as the chemical industry, the food industry, automotive engineering and medical technology.

The segment is managed on the basis of both sales and earnings (earnings before interest and income taxes (EBIT)).

Segment assets include operating assets such as property, plant and equipment, intangible assets including goodwill, inventories, receivables, other assets and cash. Tax receivables, deferred tax assets and financial assets are not part of the segment assets to be reported under IFRS 8.

According to IFRS 8, liabilities are only to be included in segment reporting if they are used regularly and reported for company management purposes. Masterflex SE does not use this indicator and therefore does not disclose it.

Segment information:

in EUR thousand	2022	2021
Sales revenue from third parties outside the Group	100,274	79,068
EBIT	11,385	5,344
Investments in property, plant and equipment and intangible assets	9,631	4,484
Scheduled depreciation	5,042	4,906
Assets	90,218	79,286

The geographical distribution of revenue is reported at Group level. The basis of calculation is the location of the customer's registered office. This results in a geographical distribution of sales as follows:

in EUR thousand	2022	2021
Germany	43,432	36,386
Rest of Europe	19,902	16,616
Third countries	36,940	26,066
Total	**100,274**	**79,068**

No sales > 10% of Group revenue were generated with any customer in fiscal year 2022.

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

Reconciliation to Group after-tax result in EUR thousand	2022	2021
EBIT	**11,385**	**5,344**
Interest income/income from investments	20	5
Interest expense, etc.	-597	-759
EBT	**10,807**	**4,590**
Taxes on income and earnings	-2,878	-1,102
Deferred taxes	-103	-187
Earnings after taxes	**7,827**	**3,301**

Rounding differences possible

In accordance with IFRS 8, the geographical breakdown of non-current assets must be disclosed. Non-current assets include property, plant and equipment and intangible assets. In accordance with IFRS 8, deferred taxes and financial assets are not included in the non-current assets to be presented.

Non-current assets in EUR thousand	2022	2021
Germany	43,906	38,876
Rest of Europe	856	664
Third countries	4,402	4,838
Total	**49,164**	**44,378**

Segment assets reconcile to Group assets as follows:

in EUR thousand	2022	2021
Segment assets	90,050	78,818
Deferred tax assets	44	33
Tax receivables	37	323
Financial assets	87	112
Group assets	**90,218**	**79,286**

32. Cash flow statement

The Consolidated Statement of Cash Flows has been prepared in accordance with IAS 7. A distinction is made between cash flows from operating, investing and financing activities. The liquidity shown in the Consolidated Statement of Cash Flows corresponds to the Consolidated Statement of Financial Position item “Cash and bank balances.”

The Consolidated Statement of Cash Flows is prepared using the indirect method in respect of cash flows from operating activities and the direct method in respect of cash flows from investing and financing activities.

Liabilities from financing activities developed as follows from January 1 to December 31, 2022:

Figures in EUR thousand	As of Dec. 31, 2021	Cash-effective	Non-cash (accrued interest)	Non-cash (lease liability)	Non-cash items (foreign exchange trans-actions)	As of Dec. 31, 2022
Current financial debt	2.455	2	0	38	0	2.495
Non-current financial debt	23.013	-1.447	0	2.525	0	24.091
Total liabilities from financing activities	**25.468**	**-1.445**	**0**	**2.563**	**0**	**26.586**

33. Related party disclosures

Business transactions between Masterflex SE and its consolidated subsidiaries are conducted at arm's length and have been eliminated in consolidation.

The key management personnel remuneration required to be disclosed in accordance with IAS 24 includes the remuneration of the Management Board and the Supervisory Board.

The remuneration of the Management Board is performance-related in its entirety and consisted of three components in the fiscal year: non-performance-related remuneration, performance-related remuneration, long-term incentive component.

In the past financial year, the total remuneration for the Management Board and Supervisory Board according to IFRS amounted to EUR 1,271 thousand (previous year: EUR 1,081 thousand). The remuneration of the Supervisory Board amounted to EUR 106 thousand (previous year: EUR 81 thousand) and consisted exclusively of short-term components.

The following table shows the individual components of Management Board remuneration according to IFRS:

in EUR thousand	2022	2021
Basic remuneration	680	680
Remuneration in kind and fringe benefits	**88**	**87**
Total short-term non-performance-related remuneration	**768**	**767**
Short-term performance-related remuneration	322	158
Total short-term remuneration	**1,090**	**925**
Long-term performance-related remuneration	75	75
Total long-term remuneration	**75**	**75**
Total remuneration (according to IFRS)	**1,165**	**1,000**

The total remuneration of the Management Board and Supervisory Board according to the German Commercial Code (HGB) amounted to EUR 1,374 thousand (previous year: EUR 1,348 thousand). Of this amount, EUR 1,268 thousand (previous year: EUR 1,267 thousand) was paid to the Management Board and EUR 106 thousand (previous year: EUR 81 thousand) to the Supervisory Board. The Management Board remuneration consisted of short-term non-performance-related remuneration of EUR 768 thousand (previous year: EUR 767 thousand), short-term performance-related remuneration of EUR 325 thousand (previous year: EUR 325 thousand) and long-term performance-related remuneration of EUR 175 thousand (previous year: EUR 175 thousand). The remuneration for the Supervisory Board members included attendance fees of EUR 6 thousand (previous year: EUR 6 thousand).

34. Declaration of the German Corporate Governance Code

In December 2022, the Management Board and Supervisory Board of Masterflex SE again issued a Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders on the Company's website at www.MasterflexGroup.com/de/Investor-Relations/Corporate-Governance/.

35. Number of employees

The number of employees in the reporting period breaks down by operating function as follows:

	2022	2021
Production	406	365
Sales	93	95
Management	96	90
Technology	34	35
Employees in the Group	**629**	**585**
thereof trainees	14	14

36. Auditor's fees

In fiscal year 2022, the expense (provision) for the auditor of the Consolidated Financial Statements BDO AG, Wirtschaftsprüfungsgesellschaft, amounted to EUR 160 thousand and comprises the fees for the audit of the Consolidated Financial Statements as well as the audit of the statutory financial statements of Masterflex SE and its domestic subsidiaries.

37. Exemption of subsidiaries pursuant to Section 264 (3) HGB

The following subsidiaries make partial use of the option under section 264 (3) of the HGB:

- Novoplast Schlauchtechnik GmbH
- Matzen & Timm GmbH
- M&T Verwaltungs GmbH
- FLEIMA-PLASTIC Ltd.

38. Events after the balance sheet date

There have been no significant events of particular importance for the results of operations, net assets and financial position of the Masterflex Group since the reporting date of 31 December 2022.

The Ukraine crisis will not have any serious impact on the development of the Masterflex Group at the present time. However, this could be dramatically exacerbated by a dramatic intensification and expansion of the war.

39. Publication of the Consolidated Financial Statements

These Consolidated Financial Statements were authorized for publication by the Management Board on March 30 and are to be published on March 31, 2023.

40. Shareholdings

The list of Masterflex SE's complete shareholdings is published in the Federal Gazette.

Gelsenkirchen, March 30, 2023
The Management Board

Dr. Andreas Bastin
(Chairman of the Management Board)

Mark Becks
(CFO)

Consolidated statement of changes in non-current assets 2022

in EUR thousand	AK/HK Jan. 1, 2022	Additions	Disposals	Transfers	Exchange rate diffe-rences	AK/ HK Dec. 31, 2022
Intangible assets						
Licenses, industrial property rights and similar rights and assets as well as licen-ses to such rights and assets	4,512	29	0	41	0	4,582
Development work	2,065	400	0	0	0	2,465
Goodwill	15,090	0	0	0	0	15,090
Prepayments made	412	146	0	-41	0	517
Total	**22,079**	**575**	**0**	**0**	**0**	**22,654**
Property, plant and equipment						
Land, land rights and buildings, including buildings on third-party land	31,676	4,166	478	739	195	36,298
- thereof rights of use from IFRS 16	4,583	3,573	398	0	54	7,812
Technical equipment and machinery	35,539	780	117	2,106	288	38,596
Other equipment, operating and office equipment	12,603	1,022	239	24	35	13,445
- thereof rights of use from IFRS 16	992	189	39	0	2	1,144
Advance payments and assets under construction	558	3,088	6	-2,869	0	771
Total	**80,376**	**9,056**	**840**	**0**	**518**	**89,110**
Financial assets						
Securities held as fixed assets	733	0	0	0	0	733
Other loans	0	0	0	0	0	0
Total	**733**	**0**	**0**	**0**	**0**	**733**
	103,188	**9,631**	**840**	**0**	**518**	**112,497**

Consolidated statement of changes in non-current assets 2022

in EUR thousand	Accumulated depreciation Jan. 1, 2022	Depreciation in the fiscal year	Disposals	Write-ups	Changes in fair value recognized directly in equity	Exchange rate differences	Accumulated depreciation Dec. 31, 2022	Book value as at Dec. 31, 2022	Book value as at Dec. 31, 2021
Intangible assets									
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,726	383	0	0	0	0	3,109	1,473	1,786
Development work	344	91	0	0	0	0	435	2,030	1,721
Goodwill	5,903	0	0	0	0	0	5,903	9,187	9,187
Prepayments made	0	0	0	0	0	0	0	517	412
Total	**8,973**	**474**	**0**	**0**	**0**	**0**	**9,447**	**13,207**	**13,106**
Property, plant and equipment									
Land, land rights and buildings, including buildings on third-party land	14,597	1,775	372	269	0	106	15,837	20,461	17,079
- thereof rights of use from IFRS 16	2,473	998	306	0	0	-11	3,154	4,658	2,110
Technical equipment and machinery	24,842	1,729	87	0	0	285	26,769	11,827	10,697
Other equipment, operating and office equipment	9,683	1,063	228	0	0	57	10,575	2,870	2,920
- thereof rights of use from IFRS 16	585	246	39	0	0	2	794	350	407
Advance payments and assets under construction	0	0	0		0	0	0	771	558
Total	**49,122**	**4,567**	**687**	**269**	**0**	**448**	**53,181**	**35,929**	**31,254**
Financial assets									
Securities held as fixed assets	621	0	0	0	25	0	646	87	112
Other loans	0	0	0	0	0	0	0	0	0
Total	**621**	**0**	**0**	0	**25**	**0**	**646**	**87**	**112**
	58,716	**5,041**	**687**	**269**	**25**	**448**	**63,274**	**49,223**	**44,472**

Consolidated statement of changes in non-current assets 2021

in EUR thousand	AK/HK 01.01.21	Recognition of rights of use from first-time application of IFRS 16	Additions	Disposals	Repos-tings	Exchange rate diffe-rences	AK/ HK 31.12.21
Intangible assets							
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	4,380	0	79	0	51	2	4,512
Development work	1,892	0	290	69	-48	0	2,065
Goodwill	15,090	0	0	0	0	0	15,090
Prepayments made	333	0	82	0	-3	0	412
Total	21,695	0	451	69	0	2	22,079
Property, plant and equipment							
Land, land rights and buildings, including buildings on third-party land	30,065	0	690	166	680	407	31,676
- thereof rights of use from IFRS 16	3,861	0	617	117	0	222	4,583
Technical equipment and machinery	33,856	0	688	48	452	591	35,539
Other equipment, operating and office equipment	11,579	0	1,129	373	134	134	12,603
- thereof rights of use from IFRS 16	781	0	401	195	0	5	992
Advance payments and assets under construction	297	0	1,526	1	-1,266	2	558
Total	75,797	0	4,033	588	0	1,134	80,376
Financial assets							
Securities held as fixed assets	733	0	0	0	0	0	733
Other loans	0	0	0	0	0	0	0
Total	733	0	0	0	0	0	733
	98,225	**0**	**4,484**	**657**	**0**	**1,136**	**103,188**

Consolidated statement of changes in non-current assets 2021

in EUR thousand	Accumulated depreciation Jan. 1, 2021	Depreciation in the fiscal year	Disposals	Changes in fair value recognized directly in equity	Exchange rate differences	Accumulated depreciation Dec. 31, 2021	Book value as at Dec. 31, 2021	Book value as at Dec. 31, 2020
Intangible Assets								
Licenses, industrial property rights and similar rights and assets as well as licenses to such rights and assets	2,293	432	0	0	1	2,726	1,786	2,087
Development work	257	87	0	0	0	344	1,721	1,635
Goodwill	5,903	0	0	0	0	5,903	9,187	9,187
Prepayments made	0	0	0	0	0	0	412	333
Total	**8,453**	**519**	**0**	**0**	**1**	**8,973**	**13,106**	**13,242**
Property, plant and equipment								
Land, land rights and buildings, including buildings on third-party land	12,765	1,595	13	0	250	14,597	17,079	17,300
- thereof rights of use from IFRS 16	1,523	889	0	0	61	2,473	2,110	2,338
Technical equipment and machinery	22,761	1,704	48	0	425	24,842	10,697	11,095
Other equipment, operating and office equipment	8,837	1,088	370	0	128	9,683	2,920	2,742
- thereof rights of use from IFRS 16	487	290	195	0	3	585	407	294
Advance payments and assets under construction	0	0	0	0	0	0	558	297
Total	**44,363**	**4,387**	**431**	**0**	**803**	**49,122**	**31,254**	**31,434**
Financial assets								
Securities held as fixed assets	669	0	0	-48	0	621	112	64
Other loans	0	0	0	0	0	0	0	0
Total	**669**	**0**	**0**	**-48**	**0**	**621**	**112**	**64**
	53,485	**4,906**	**431**	**-48**	**804**	**58,716**	**44,472**	**44,740**

Other information

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the earnings, asset and financial positions of the Group and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Gelsenkirchen, March 30, 2023

The Management Board

Dr. Andreas Bastin
(Chairman of the Management Board)

Mark Becks
(CFO)

Independent auditor’s report

To Masterflex SE, Gelsenkirchen

Report on the audit of the consolidated financial statements and the combined management report

Audit judgments

We have audited the Consolidated Financial Statements of Masterflex SE, Gelsenkirchen, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of December 31, 2022, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the fiscal year from January 1, 2022, to December 31, 2022, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

We have also audited the Combined Management Report (Combined Management Report of the Company and the Group) of Masterflex SE for the fiscal year from January 1, 2022, to December 31, 2022. In accordance with German legal requirements, we have not audited the content of the components of the Combined Management Report mentioned under “OTHER INFORMATION.”

In our opinion, based on the findings of our audit

- the accompanying Consolidated Financial Statements comply in all material respects with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and give a true and fair view of the asset and financial positions of the Group as of December 31, 2022, and of its earnings situation for the fiscal year from January 1, 2022, to December 31, 2022, in accordance with these requirements; and

- the accompanying Combined Management Report as a whole provides a fair view of the Group’s position. In all material respects, this Combined Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Our audit opinion on the Combined Management Report does not cover the content of the parts of the Combined Management Report mentioned under “OTHER INFORMATION.”

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the Consolidated Financial Statements and the Combined Management Report.

Basis for the audit judgments

We conducted our audit of the Consolidated Financial Statements and the Combined Management Report in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on Auditing of Financial Statements (No. 537/2014; herein-after “EU-APrVO”) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under those provisions and standards is further described in the section “AUDITOR’S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT” in our auditor's report. We are independent of the Group companies in accordance with European law and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements.

In addition, we declare pursuant to Article 10 (2) (f) EU-Audit Regulation that we have not performed any prohibited non-audit services in accordance with Article 5 (1) EU-Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements and the Combined Management Report.

Key audit matter in the audit of the consolidated financial statements

Key audit matters are those matters which, in our professional judgment, were of the greatest importance in our audit of the Consolidated Financial Statements for the fiscal year from January 1, 2022, to December 31, 2022. These matters were considered in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

We have identified the following matter as key audit matters to be reported in our audit opinion:

Recoverability of goodwill

Facts

Goodwill amounting to EUR 9,187 thousand (previous year: EUR 9,187 thousand) is reported under the balance sheet item "Goodwill" in the Consolidated Financial Statements of Masterflex SE, representing approx. 10% of the consolidated balance sheet total. The goodwill has been allocated to cash-generating units.

Cash-generating units with goodwill are tested for impairment by the company as of December 31 of each fiscal year and whenever there are indications of impairment. The recoverable amount based on the value in use is determined using a valuation model based on the discounted cash flow method. If the carrying amount of a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the difference between the carrying amount and the recoverable amount.

The assessment of the recoverability of goodwill is complex and requires a number of estimates and judgments by the legal representatives, particularly with regard to the amount of future cash surpluses, the growth rate for forecasting cash flows beyond the detailed planning period and the discount rate to be used. Due to the significance of the amount of goodwill for the Consolidated Financial Statements of Masterflex SE and the significant uncertainties associated with its measurement, this is a particularly important audit matter.

Masterflex SE's disclosures on goodwill are included in Note 2 Goodwill, Note 3a) and Note 24 to the consolidated financial statements.

Audit response and findings

As part of our audit, we assessed the appropriateness of the key assumptions and discretionary parameters as well as the method of calculating the impairment tests by involving our valuation specialists. We have obtained an understanding of the planning system and process and of the significant assumptions made by the management in the planning. We have compared the forecast of future cash surpluses in the detailed planning period with the multi-year plan approved by the Supervisory Board. We verified the assumptions underlying the planning and the growth rates assumed in the forecast of cash flows beyond the detailed planning period by comparing them with current industry-specific market expectations. In addition, we critically examined the discount rates applied on the basis of the weighted average cost of capital of a peer group. Our audit also included the sensitivity analyses performed by Masterflex SE.

Overall, we were able to assure ourselves that the assumptions made by the legal representatives in performing the impairment test and the valuation parameters used are comprehensible and lie within a reasonable range.

Other information

The legal representatives or the Supervisory Board are responsible for the other information. The other information comprises:

- the Non-Financial Declaration referred to in the section “ECONOMIC REPORT” of the Combined Management Report.
- the Declaration on Corporate Governance contained in the section “CORPORATE GOVERNANCE REPORT” of the Combined Management Report.
- the other parts of the Management Report, with the exception of the audited Consolidated Financial Statements and Combined Management Report and our auditor’s report.

Our audit opinions on the Consolidated Financial Statements and the Combined Management Report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, evaluate whether the other information

- is materially inconsistent with the Consolidated Financial Statements, the Combined Management Report, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there has been a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the supervisory board for the consolidated financial statements and the combined management report

Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB) and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to a going concern. Furthermore, they are responsible for preparing the financial statements on a going concern basis unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, the management is responsible for the preparation of the Combined Management Report that as a whole provides a suitable view of the Group's position and is consistent in all material respects with the Consolidated Financial Statements, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, the management is responsible for the arrangements and measures (systems) that it determines are necessary to enable the preparation of the Combined Management Report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the statements made in the Combined Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and the Combined Management Report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Combined Management Report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the Consolidated Financial Statements and with our audit findings, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinions on the Consolidated Financial Statements and on the Combined Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the German Commercial Code (HGB) and the EU-APrVO and in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with

ISA will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these Consolidated Financial Statements and the Combined Management Report.

During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Combined Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or override of internal controls.

- obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of the arrangements and actions relevant to the audit of the Combined Management Report in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of the going concern basis of accounting used by the legal representatives in making those risk assessments and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Combined Management Report or, if these disclosures are inappropriate, to modify our respective audit opinions. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or conditions can result in the Group being unable to continue as a going concern.

- assess the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the asset, financial and earnings positions of the Group in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e para. 1 of the German Commercial Code (HGB).

- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and on the Combined Management Report. We are responsible for directing, supervising and performing the audit of the Consolidated Financial Statements and are solely responsible for our audit opinions.

- assess the consistency of the Combined Management Report with the Consolidated Financial Statements, its legality and the overall presentation of the Group’s position.
- perform audit procedures on the forward-looking statements made by the management in the Combined Management Report. In particular, based on sufficient appropriate audit evidence, we reproduce the significant assumptions made by the management regarding the forward-looking statements and evaluate the appropriateness of the information derived from these assumptions. We do not express an independent opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and, where relevant, the actions taken or safeguards implemented to address independence threats.

From the matters we discussed with those responsible for governance, we determine those matters that were of the greatest significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless laws or other regulations preclude public disclosure of the matter.

Other statutory and legal requirements

Report on the audit of the electronic reproductions of the consolidated financial statements and the management report prepared for the purpose of disclosure in accordance with section 317 (3A) HGB

Audit opinion

Pursuant to Section 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance review to determine whether the financial statements contained in the attached file “529900F7WN69SXTGTM29-2022-12-31-de.xhtml” and prepared for disclosure purposes of the Consolidated Financial Statements and the Combined Management Report (hereinafter also referred to as the “ESEF Documents”) comply in all material respects with the electronic reporting format requirements (“ESEF Format”) pursuant to Section 328 (1) of the German Commercial Code (HGB). In accordance with German legal requirements, this audit extends only to the conversion of the information in the Consolidated Financial Statements and the Combined Management Report into the ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the Consolidated Financial Statements and the Combined Management Report included in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Section 328 (1) of the German Commercial Code (HGB). We report on this audit opinion and on our audit opinions contained in the preceding “REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE ACCOMPANYING COMBINED MANAGEMENT REPORT” for the fiscal year from January 1, 2022 to December 31, 2022. In addition, we do not express any opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the Consolidated Financial Statements and the Combined Management Report contained in the above-mentioned attached file in accordance with Section 317 (3a) of the German Commercial Code (HGB) and in compliance with the draft IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility thereafter is further described in the section “Auditor’s Responsibility for the Audit of the ESEF Documents.” Our auditing practice has applied the quality assurance system requirements of the IDW Quality Assurance Standard: Requirements for Quality Assurance in the Auditing Practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company’s management is responsible for the preparation of the ESEF documents containing the electronic reproductions of the Consolidated Financial Statements and the Combined Management Report in accordance with Section 328 (1) sentence 4 no. 1 of the German Commercial Code (HGB) and for the mark-up of the Consolidated Financial Statements in accordance with Section 328 (1) sentence 4 no. 2 of the German Commercial Code (HGB).

Furthermore, the management is responsible for the internal controls they deem necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB) regarding the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the accounting process.

Auditor’s Responsibility for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Section 328 (1) of the German Commercial Code (HGB). During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore, we

- identify and assess the risks of material non-compliance with the requirements of Section 328 (1) of the German Commercial Code (HGB), whether due to fraud or error, plan and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

- obtain an understanding of internal control relevant to the audit of ESEF documents in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

- assess the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, regarding the technical specification for that file.
- assess whether the ESEF documents provide a consistent XHTML representation of the audited Consolidated Financial Statements and the audited Combined Management Report.
- assess whether the markup of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable on the reporting date, provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Other disclosures pursuant to article 10 EU APRVO

We were elected auditors by the Annual General Meeting on June 14, 2022. We were appointed by the Supervisory Board on December 21, 2022. We have served as auditors of the Consolidated Financial Statements of Masterflex SE since fiscal year 2020.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee pursuant to Article 11 EU-APrVO (audit report).

Other matters — Use of the audit opinion

Our audit opinion should always be read in conjunction with the audited Consolidated Financial Statements and the audited Combined Management Report and the audited ESEF documents. The Consolidated Financial Statements and the Combined Management Report converted to the ESEF format — including the versions to be entered in the register of companies — are merely electronic reproductions of the audited Consolidated Financial Statements and the audited Combined Management Report and do not replace them. In particular, the ESEF opinion and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Auditor responsible

The auditor responsible for the audit is Dr. Marcus Falk.

Essen, March 30, 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

gez. Fritz Certified Public Accountant	**gez. Dr. Falk** Certified Public Accountant

Glossary

Gross Domestic Product (GDP)	The total value of all goods and services produced by an economy for the market within a reporting period.
Cashflow	The flow of financial resources generated from the current period, adjusted for non-cash expenses and income. It shows the company's self-financing capability or earning power.
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBIT	Earnings before interest and taxes
EBT	Earnings before taxes
Extrusion	Procedure for the processing of plastics. The raw materials in granular form are crushed and heated in a so-called extruder until they are plasticised – i.e. moldable – so that they can be processed further.
FEP	Fluorinated ethylene propylene: fully fluorinated plastics with very high chemical resistance.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
PFA, PTFE	Perfluoroalkoxy (PFA) and polytetrafluoroethylene (PTFE): two fluorinated plastics with very high chemical resistance.
Stage-Gate-Prozess	Model for the optimisation of innovation and development processes. Thus, objectives that were not or insufficiently included in such processes should also be taken into account. These could be about: focusing and prioritising, parallel developments at a faster pace, using cross-divisional teams or market orientation.
Working Capital	Current assets less current liabilities.

Imprint

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Forward-looking statements

This annual report contains forward-looking statements. These statements are based on the current expectations, presumptions and forecasts of the Management Board and the information currently available to it. The forward-looking statements are not to be understood as guarantees of the future developments and results mentioned therein. Rather, the future developments and results are dependent on a large number of factors; they involve various risks and imponderables and are based on assumptions that may prove to be incorrect. We assume no obligation to update the forward-looking statements made in this report.

MASTERFLEX GROUP
Connecting Values

WirtschaftsWoche
GLOBAL MARKET LEADER
Champion
2023
MASTERFLEX GROUP
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