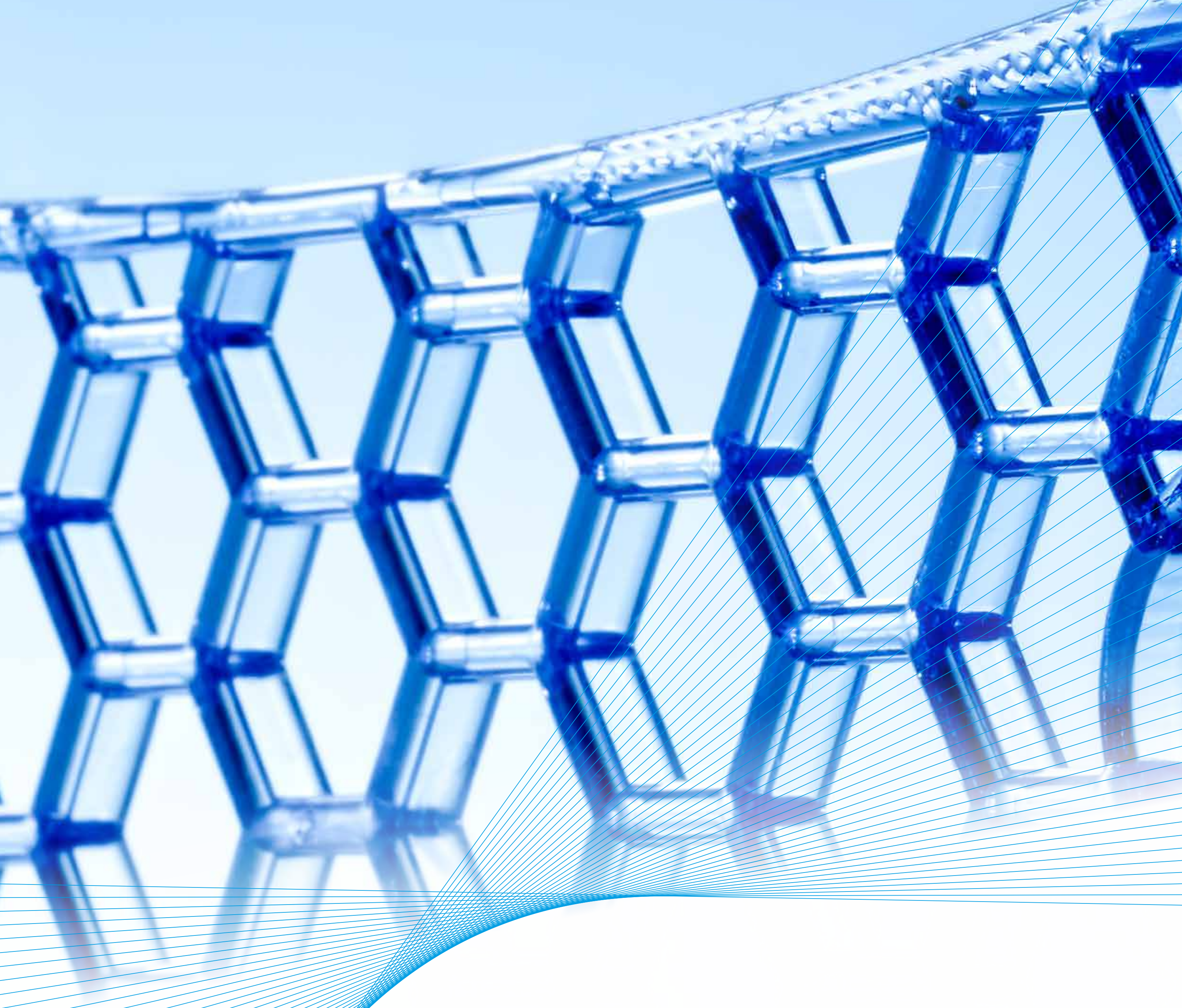
MASTERFLEX SE / TOP INNOVATOR 2020

INTERIM REPORT
FIRST HALF-YEAR 2020



CONNECTING VALUES

MASTERFLEX GROUP

HIGHLIGHTS OF THE FIRST SIX MONTHS 2020

- Continued significant profitability in both the second quarter and the first half of 2020 despite corona-related decline in revenue
- Liquidity further increased and net debt reduced
- Dividend payment of 7 cents per share at previous year‘s level

MASTERFLEX AT A GLANCE

in €k	30.06.2020*	30.06.2019*	Change
Consolidated revenue	37,378	41,940	-10.9%
EBITDA	4,665	5,617	-16.9%
EBIT (operative)	2,460	3,620	-32.0%
EBIT	2,249	3,533	-36.3%
EBT	1,818	3,050	-40.4%
Financial result	-431	-483	10.8%
Consolidated result	1,292	2,130	-39.3%
Consolidated earnings per share (€)	0.13	0.22	-40.9%
EBIT margin (operative)	6.6%	8.6%	
Net return on sales	3.5%	5.1%	
Employees (number)	637	678	-6.0%

in €k	30.06.2020*	31.12.2019	Change
Consolidated equity	42,254	42,015	0.6%
Consolidated balance sheet total	80,716	81,559	-1.0%
Consolidated equity ratio	52.3%	51.5%	

* unaudited

BRANDS

SPECIALISTS IN HIGH-TECH HOSES AND CONNECTION SYSTEMS

MASTERFLEX

Hoses and connection systems for all industrial applications
Spiral hoses – intelligent hose systems – connecting elements

MATZEN & TIMM

Vulcanised moulded parts and hoses for the aviation and aerospace sector and automobile industry
Special hoses – suction hoses – elastomer hoses – bellows

NOVOPLAST SCHLAUCHTECHNIK

Thermoplastic moulded parts and smooth hoses for industrial applications and medical technology
Pneumatic hoses – compressed air hoses – moulded hoses – medical hoses

FLEIMA-PLASTIC

Plastic injection-moulded parts and components for medical technology
Medical clamps – client-specific items – hose connectors – housing components

MASTERDUCT

Hose and connection systems for industrial applications as well as air conditioning and ventilation systems
Spiral hoses – smooth hoses – air conditioning and ventilation system hoses

APT

Hoses made of fluoroplastics with extremely high chemical resistance
Smooth hoses – shrink tubes

AMPIUS

The Masterflex Group is digitalising the hose and connection element business
Intelligent, network-compatible hoses and connection systems

CONTENT

FOREWORD BY THE CHAIRMAN OF THE EXECUTIVE BOARD

Dear shareholders,

Dr. Andreas Bastin
Chief Executive Officer

Despite the economic crisis triggered by the COVID-19 pandemic, the Masterflex Group successfully held its ground in the first half of 2020 by continuing to develop profitably in this environment, increasing its own liquidity and reducing net debt. On the revenue side, as expected, we were unfortunately unable to escape the crisis triggered by COVID-19 in many of our target industries, especially in the second quarter of 2020. One important pillar, however, continues to be our now focused direction towards future-oriented industries such as medical and laboratory technology or the food industry. While we still managed to compensate for the majority of the negative effects in the first quarter, the economic slump in the second quarter was too broad and deep. It led to a 19.0% drop in revenue in the months from April to June and thus to a 10.9% decline in revenue to EUR 37.4 million for the entire first half of 2020.

However, since we had anticipated this business development at an early stage and took consistent measures to counteract it, particularly on the cost side, we were able to significantly limit the negative effects on earnings and continue to develop profitably. In the first half of the year, we thus succeeded in achieving an operating EBIT of EUR 2.5 million. Even in the second quarter, which as expected was very poor in terms of revenue, we were able to generate a slightly positive operating EBIT and also “below the line” an almost balanced result. In addition to the rapid and consistent immediate measures to limit the effects of the COVID-19 pandemic, we benefited here from the fact that we have been in a very intensive improvement process since 2019 as part of the “Back to Double Digit” (B2DD) optimisation programme. The crisis – as drastic and negative as it is for everyone – has now once again proved to us very impressively that we have taken the right path with our B2DD optimisation programme. If revenue picks up again, we should then also benefit accordingly in terms of earnings.

The current economic crisis has also shown us that we can rely on the performance of our company and our team. A key strength was the high speed of adjustment. Agility was and is a central point of our strategic pillar of Operational Excellence. In the current situation, quick decisions, effective measures, a high level of security and good teamwork were required. We were able to achieve this.

We set ourselves the goal early on to see the pandemic and the subsequent economic crisis also as an opportunity to emerge from it even stronger in the end. We have already been able to create the basis with B2DD, and with the additional measures we have taken we have further strengthened our starting position and robustness. Despite the very challenging revenue development, we succeeded in remaining in the profit zone, even further increasing liquidity and reducing net debt. Sectors of the future such as medical technology and life sciences remain our focus. However, tougher cuts will also be among the most important decisions for the future. For example, we have decided to close our production facilities in both France and the Czech Republic and to concentrate on our sites in Germany. In the Czech Republic, we are strongly focused on the aviation industry as our most important customer sector. There, we also had to counteract the presumably long-term difficult situation of this target industry with our own optimisations. In addition, process simplification and economies of scale outweighed the slightly lower personnel costs, especially in the Czech Republic. Both locations will remain as sales offices.

According to our estimates, we have already seen the most pronounced revenue dip in the second quarter in the wake of the COVID-19 pandemic. The standstill in Chinese production had a strong impact on us with a loss of revenue of EUR 0.4 million in the first quarter. In the second quarter, the development in Europe was decisive, where we were able to keep almost all locations in production, but the development of demand in individual industries such as aviation, automotive and mechanical engineering was very difficult. In the third quarter, the challenges will mainly be in the aviation industry and in the USA – a region that has proven to be very robust in the first six months. At the same time, we expect to be able to operate in the fourth quarter of 2020 on a par with the previous year. Assuming an economic upturn in the fourth quarter, we expect a decline in revenue for the full year 2020 in the range of 10% to 15%. Operating EBIT should be between EUR 2.5 million and EUR 1.0 million.

As part of our B2DD optimisation programme launched in 2019, we have set ourselves the clear goal of achieving a double-digit EBIT margin. Our time horizon for reaching this goal is 2022, from which we have mathematically moved away with an achieved EBIT margin of 6.6% in the first half of the year – but as far as our actual performance is concerned, I believe we have improved further. We have critically reviewed the current development and the status of our implementation of the measures and can therefore confirm both the margin target and the time dimension. However, this is subject to the provision that the global economy can free itself from the grip of the COVID-19 pandemic from 2021.

Yours,

Dr. Andreas Bastin
Chief Executive Officer

Gelsenkirchen, 31 July 2020

SHARES AND ANNUAL GENERAL MEETING

MASTERFLEX SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2020 COMPARED WITH THE SDAX

SHARE PRICE PERFORMANCE

Masterflex shares opened the trading year 2020 at an Xetra price of EUR 4.44. The highest price in the reporting period was reached for the first time on 13 January at EUR 5.10 and the lowest price on 18 March at EUR 3.32. The Xetra closing price on 30 June 2020 was EUR 4.06, equivalent to a price performance of -8.6% in the first half of 2020. The relevant benchmark index, the SDAX, achieved a price increase of 9.6% in the same period.

RESEARCH

Masterflex was monitored and rated by SMC Research in the first half of 2020. In the current study dated 15 May 2020, SMC Research rated Masterflex shares as “buy” with a price target of EUR 6.00.

ANNUAL GENERAL MEETING

The Annual General Meeting of Masterflex SE took place in virtual form for the first time on 23 June 2020. The shareholders approved all items on the agenda with a large majority.

DIVIDEND

Masterflex SE continued its dividend policy in 2020. In accordance with the resolution of the Annual General Meeting, a dividend of 7 cents per share and thus at the previous year‘s level was distributed to shareholders.

INTERIM GROUP MANAGEMENT REPORT

BUSINESS DEVELOPMENT

In the first half of 2020, the business development of the Masterflex Group was significantly impacted by the effects of the COVID-19 pandemic. With the exception of China and France, all production sites and supply chains remained stable. However, demand in many target industries was significantly dampened. This was particularly true of the mechanical engineering and automotive industries, where an economic slowdown that was already apparent at the end of 2019 cumulated with the effects of the pandemic. In contrast to earlier economic phases, the aviation industry was also significantly negatively affected and no rapid recovery is expected.

Thanks to the now focused direction towards future-oriented target sectors such as medical and laboratory technology and the food industry, the company succeeded in keeping revenue development largely stable in the first three months. The loss of revenue of around EUR 0.4 million due to the temporary closure in China was compensated for. In the months from April to June, the effects of the pandemic in Europe were much more pronounced. By contrast, business in the USA was comparatively stable - partly due to the time lag in the effects of the corona pandemic. This revenue development, especially in the second quarter, had been expected.

The solid equity and liquidity position was extended by a purely precautionary covenant suspension related to the debt ratio until the end of Q3/2021.

ECONOMIC SITUATION

Results of operations

Consolidated sales revenues fell by 10.9% from EUR 41.9 million to EUR 37.4 million in the first half of 2020. The revenue development in the first quarter remained largely stable with a minus of 2.9%, while a minus of 19.0% was recorded in the second quarter. Nearly all locations and regions were affected by the decline in revenue. Exceptions were the subsidiary FLEIMA-PLASTIC thanks to its strong focus on medical technology and the US subsidiaries, whose environment in the second quarter was not yet affected by the COVID-19 pandemic to the same extent as Europe.

Despite the extremely challenging environment, the Masterflex Group generated consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 4.7 million in the first half of the year (previous year: EUR 5.6 million). After deducting depreciation and amortisation, earnings before interest and taxes (EBIT) amounted to EUR 2.2 million after EUR 3.5 million in the prior-year period. Operating EBIT (= EBIT before discontinued business units and non-operating income and expenses) stood at EUR 2.5 million in the reporting period (previous year: EUR 3.6 million). The non-operating effects resulted in particular from the closure of production in France.The weak sales development due to the COVID-19 pandemic was offset by numerous cost-cutting and efficiency-enhancing measures that already had their origin in the B2DD optimisation programme launched in 2019. These measures were then significantly intensified again with a downturn in the automotive and mechanical engineering business emerging at the end of 2019 and, in particular, with the outbreak of the pandemic. Against this background, it was possible to continue to develop clearly profitably in this period as well as in the entire first half of the year, despite the expected sharp decline in revenue in the second quarter.

An important area of action to optimise costs and increase efficiency was the purchase of materials, which was further optimised by bundling and corresponding price negotiations. Against this background, the cost of materials in the first half of 2020 fell by 18.2% from EUR 14.1 million to EUR 11.5 million. On the one hand, the decline was due to the lower total performance. On the other hand, the efficiency measures had an effect here. Accordingly, the cost of materials ratio (in relation to total performance) fell from 33.2% to 30.8%.

In the personnel area, various measures were also consistently implemented starting with the B2DD optimisation programme, which were then significantly intensified again in 2020 in the wake of the pandemic. The personnel reductions carried out as well as effects from the partially implemented short-time work led to a decrease in personnel expenses by 5.5% from EUR 16.3 million to EUR 15.4 million. This results in a personnel deployment ratio (in relation to total performance) of 41.3% after 38.6% in the same period of the previous year. In addition, the Group‘s total personnel costs were relieved by reimbursements from the public sector, reported under other operating income, in the amount of EUR 0.3 million as a result of the short-time work implemented.

Depreciation and amortisation increased in the first half of 2020 from EUR 2.1 million to EUR 2.4 million, mainly due to the application of IFRS 16.

Other expenses fell from EUR 7.0 million to EUR 6.3 million in the period under review. This was due in particular to the fact that there were no trade fair participations during the COVID-19 pandemic and travel activities were significantly reduced.

The financial result improved slightly from EUR -0.5 million to EUR -0.4 million. The reasons for this were a slightly lower credit volume and an improvement in the terms of the new syndicated loan signed in the second half of 2019.

Consolidated earnings after taxes after six months amounted to EUR 1.3 million, compared with EUR 2.1 million in the same period of the previous year. Earnings per share are calculated at EUR 0.13 (previous year: EUR 0.22).

Net assets

The balance sheet total decreased slightly as of 30 June 2020 compared to 31 December 2019 from EUR 81.6 million to EUR 80.7 million. Non-current assets declined from EUR 47.4 million to EUR 46.0 million. This was due to the first-time amortisation of the ERP project capitalised in 2019, which is reported under concessions and industrial property rights within intangible assets. Current assets rose slightly from EUR 34.2 million to EUR 34.7 million. A lower level of inventories due to targeted stockpiling was offset by an increase in trade receivables, which rose from EUR 7.4 million to EUR 8.0 million, partly due to reporting date factors.

Financial position

Consolidated equity (including non-controlling interests) rose slightly from EUR 42.0 million to EUR 42.3 million as of 30 June 2020. The main factors here were the positive earnings development and currency effects as well as, in the opposite direction, the payment of a dividend in the first half of 2020 of 7 cents per share and thus at the level of the previous year.

Non-current liabilities decreased from EUR 28.4 million to EUR 26.9 million, while current liabilities increased disproportionately less from EUR 11.1 million to EUR 11.6 million. Overall, net debt was reduced from EUR 23.9 million to EUR 22.3 million.

Cash flow from operating activities improved very significantly in the reporting period from EUR 0.8 million to EUR 4.1 million. On the basis of a satisfactory profit development in this environment, working capital in particular was further optimised. The most important factor was the reduction of inventories. The cash flow from investing activities was deliberately reduced from EUR -2.3 million to EUR -1.1 million. In the course of the Corona crisis, investments were reduced to the absolutely necessary level, which was possible without restriction due to the investments made in previous years. The repayment of financial liabilities and a higher utilisation of a short-term tranche from the then syndicated loan agreement in the previous year resulted in a cash outflow from financing activities of EUR 1.9 million (previous year: cash inflow of EUR 0.7 million). Masterflex succeeded in reducing its net debt overall in the period under review. The dividend payment to shareholders remained unchanged at EUR 0.7 million.

Overall, the Masterflex Group has a very good liquidity position of EUR 7.8 million as of 30 June 2020. This corresponds to a significant increase in liquidity compared with the previous year (EUR 3.4 million) and the balance sheet date of 31 December 2019 (EUR 6.9 million).

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

The COVID-19 pandemic had direct effects on revenue in the first half of 2020 in the form of temporary site closures in China and France. For example, the Masterflex Group lost revenue of EUR 0.4 million in the first quarter due to the closure in China. This shortfall was already partially offset in the second quarter. In addition, the pandemic affected almost all target industries due to significantly more subdued demand overall and thus lower revenue. However, it is not possible to precisely define the proportion of the revenue shortfall that is attributable to the COVID-19 pandemic. It is likely to be significantly higher than the reported 10.9% decline in revenue.

The Masterflex Group has implemented a series of cost-cutting measures to limit the negative effects of the COVID-19 pandemic. Some of these measures already had their origins in the B2DD optimisation programme launched in 2019 and their effects cannot therefore be defined without overlap. In the course of the Corona crisis, the Masterflex Group implemented short-time work at some of its German sites. This led to savings in personnel expenses of EUR 0.2 million. In addition, the public sector reimbursed EUR 0.3 million. The reduction in travel activities, the omission of trade fair participations in the wake of the pandemic and further savings in other operating expenses resulted in cost reductions of around EUR 0.5 million. The savings on the materials side, triggered by bundling volumes and corresponding price negotiations, cannot be differentiated by general efficiency effects and the effect of the corona measures.

Despite the distortions caused by the pandemic, there were no impairments within intangible assets. The Masterflex Group has not utilised any government corona assistance loans. In fact, debt was even reduced slightly. There are no plans to draw on these government assistance loans in the future either.

EMPLOYEES

The number of employees fell from an average of 678 in the first half of 2019 to 637 in the reporting period. The workforce reduction primarily related to Masterflex SE, where the temporary increase in the workforce in 2019 was reduced again and optimisation measures and efficiency enhancements were implemented.

RESEARCH AND DEVELOPMENT

In the first half of 2020, Novoplast achieved market-ready processing of ultra-high molecular weight polyethylene (UHMW-PE) and filed a patent for it in January 2020. The first samples have already been sold in the medical sector. Broad marketing is planned after the end of the corona crisis.

At Matzen & Timm, the focus was on 3D printing for small series and prototype production of molded parts for rapid response to customer projects. Compared to conventional production methods, this can significantly improve time availability, manufacturing costs and responsiveness.

FLEIMA-PLASTIC dealt with the (ultrasonic) welding of a cassette used in ophthalmology for age-related diseases. Thanks to this cassette, patients can leave the operating room after only a few minutes, which enables clinics to increase the number of daily operations.

Another project dealt with the development of a handle to control wires, catching baskets and slings for minimally invasive surgery – an area in which a heart-lung machine can be dispensed with in most cases due to the small incisions and the recovery time of patients can be reduced considerably.

APT developed 3/8“ tubes that can be used to aspirate air samples for analysis. This application requires highest purity over the entire length. Another focus was the validation of high-purity PFA tubes for use in stereolitography.

In the automotive sector, special sealing products with a new geometry were developed for the manufacture of carbon lightweight components for electrified vehicles in order to optimise the battery range. Here, high temperature resistance, an anti-adhesive and smooth surface as well as sustainable sealing functionality are essential. This solution requires the interaction of high-quality fluoropolymers and fluoroelastomers as well as state-of-the-art production know-how.

After the internal rollout of the data loggers at the Gelsenkirchen location, the focus of the AMPIUS brand was on offering the advantages to other locations of the Group. For the first time, data from several locations is now flowing into one database, which in future will allow the development of more extensive, cross-location know-how. At the same time, intelligent, sensor-equipped hose systems, which provide live information on their own condition, will be further developed and widely used. The benefits for customers and for the Masterflex Group itself are constantly increasing from development stage to development stage.

As part of process optimisation, it has been possible for the first time to establish continuous process monitoring in spiral hose production using state-of-the-art sensor and camera technology. The quality data generated in this way flows into a database and accelerates the optimisation of the AI algorithms. Thanks to the digitisation of employee knowledge in combination with the continuous acquisition of machine and quality data, which are evaluated in the AI, it is not too far to a self-regulating system.

OPPORTUNITY AND RISK REPORT

The management system for identifying opportunities and risks as well as the measures for limiting risks were described in detail in the combined management report 2019. In addition, the material opportunities and risks that arise for the Masterflex Group in the course of its business activities were also explained there. Compared with this opportunity and risk situation, there were no changes in the first half of 2020.

FORECAST REPORT

The Masterflex Group expects a gradual improvement in the business environment at the end of the third quarter at the earliest, or not until the fourth quarter. Overall, Masterflex remains cautiously optimistic for 2020. The Group is very robustly positioned for the challenges ahead. Liquid assets currently amounting to EUR 7.8 million and a positive exchange of information with the syndicate banks also contribute to this. On this basis, the Group's solid equity and liquidity position has been extended by a purely precautionary covenant suspension related to the debt ratio until the end of Q3/2021. Masterflex expects that there will be little or no need to increase its debt over the course of the year. Only in the positive case of a very rapid economic recovery could higher liquidity requirements be necessary in the short term to temporarily increase working capital in line with demand. Masterflex will not apply for a KfW Corona assistance loan as things stand at present. However, the instrument of short-time work remains an option in order to be able to react quickly and flexibly to fluctuations in demand and production. In the current corona crisis, Masterflex has target industries with growing demand as well as others with a currently weak environment. This offsetting is a reasonable starting point for coming out of the crisis in good shape. Due to the difficult situation in the aviation industry and the dampened outlook for the future, Masterflex has decided to close the production site in the Czech Republic, which is geared towards this industry, in order to generate economies of scale and efficiency gains at the German production site.

The financial forecast for the fiscal year 2020 assumes a U-shaped course of the COVID-19 effects on the economy. It is assumed that there will be an upturn at the end of the year almost at the planned level, especially in Europe, but with a slight delay also in the USA. Under this premise, Masterflex expects a decline in revenue of between 10% and 15% for the year as a whole. This means that the sharp decline in the second quarter will be followed by a similarly difficult third quarter. Initial improvements are expected in the fourth quarter. The operating EBIT 2020 is expected to be between EUR 2.5 million and EUR 1.0 million. Non-operating charges of up to EUR 0.5 million to EUR 1.0 million may also result from the closure of production in the Czech Republic. The Masterflex Group continues to adhere to its medium-term forecast, which envisages organic revenue growth to EUR 100 million by 2023/2024 and a sustained double-digit EBIT margin from 2022 onwards.

Despite the possibility of a significant decline in revenue in 2020 as a result of the effects of the pandemic, liquidity for the coming quarters is also secured under these scenarios. Lower investment volume, short-time work, reduction of working capital, lower tax payments and strict spending discipline will largely offset the potential loss of liquidity due to the decline in revenue.

CONSOLIDATED BALANCE SHEET

Assets in €k	30.06.2020*	31.12.2019
NON-CURRENT ASSETS		
Intangible assets	**13,194**	**13,115**
Concessions, industrial property rights	2,032	2,209
Development costs	1,529	1,381
Goodwill	9,187	9,187
Advance payments	446	338
Property, plant and equipment	**32,349**	**33,776**
Land and buildings	17,525	18,318
Technical equipment and machinery	11,616	12,227
Other equipment, operating and office equipment	2,812	3,029
Advance payments and assets under construction	396	202
Financial assets	**76**	**65**
Investment securities	76	65
Other assets	**105**	**27**
Deferred taxes	**296**	**398**
	46,020	**47,381**
CURRENT ASSETS		
Inventories	**17,584**	**18,623**
Raw materials, consumables and supplies	9,008	9,757
Unfinished goods and services	575	630
Finished goods and products	7,965	8,218
Advance payments	36	18
Receivables and other assets	**9,060**	**8,127**
Trade receivables	8,001	7,359
Other assets	1,059	768
Other financial assets	0	0
Income tax assets	**293**	**520**
Cash in hand and bank balances	**7,759**	**6,908**
	34,696	**34,178**
Total assets	**80,716**	**81,559**

* unaudited

CONSOLIDATED BALANCE SHEET

Equity and liabilities in €k	**30.06.2020***	**31.12.2019**
EQUITY		
Consolidated equity	**41,860**	**42,633**
Issued capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	2,640	3,048
Reserve for the market valuation of financial instruments	-631	-642
Hedging instruments	-93	-90
Currency differences	-980	-607
Non-controlling interests	**394**	**-618**
Total equity	**42,254**	**42,015**
NON-CURRENT LIABILITIES		
Provisions	**78**	**164**
Financial liabilities	**24,856**	**26,304**
Other liabilities	**1,022**	**1,006**
Deferred taxes	**907**	**926**
	26,863	**28,400**
CURRENT LIABILITIES		
Financial liabilities	**5,180**	**4,545**
Income tax liabilities	**268**	**185**
Other liabilities	**6,151**	**6,414**
Trade payables	2,011	2,249
Other liabilities	4,140	4,165
	11,599	**11,144**
Total equity and liabilities	**80,716**	**81,559**

* unaudited

CONSOLIDATED INCOME STATEMENT OF FIRST HALF-YEAR

in €k	01.01.–30.06.2020*	01.01.–30.06.2019*
1. Revenue	37,378	41,940
2. Increase or decrease in inventories of finished and unfinished goods	-56	324
3. Other own work capitalised	51	131
4. Other income	552	668
Operating performance	**37,925**	**43,063**
5. Cost of materials	-11,519	-14,079
6. Personnel expenses	-15,446	-16,349
7. Depreciation and amortisation	-2,416	-2,084
8. Other expenses	-6,295	-7,018
9. Financial result		
Financial expenses	-435	-486
Other financial result	4	3
10. Earnings before taxes	1,818	3,050
11. Income taxes	**-527**	**-929**
12. Consolidated result	**1,291**	**2,121**
thereof: non-controlling interests	-1	-9
thereof: share of shareholders of Masterflex SE	**1,292**	**2,130**
Earnings per share (undiluted and diluted) in €	**0.13**	**0.22**

* unaudited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF FIRST HALF-YEAR

in €k	01.01.–30.06.2020*	01.01.–30.06.2019*
Consolidated result	**1,291**	**2,121**
Other income		
Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled		
1. Currency gains/losses from the translation of foreign financial statements	-404	-120
2. Changes in the fair value of financial instruments	11	-10
3. Hedging transactions	-3	-32
4. Income taxes	31	13
5. Other income after taxes	**-365**	**-149**
6. Comprehensive income	**926**	**1,972**
Comprehensive income	**926**	**1,972**
thereof: non-controlling interests	-1	-9
thereof: share of shareholders of Masterflex SE	**927**	**1,981**

* unaudited

CONSOLIDATED INCOME STATEMENT OF SECOND QUARTER

in €k	01.04.-30.06.2020*	01.04.-30.06.2019*
1. Revenue	16,868	20,817
2. Increase or decrease in inventories of finished and unfinished goods	-155	98
3. Other own work capitalised	12	82
4. Other income	404	244
Operating performance	**17,129**	**21,241**
5. Cost of materials	-5,366	-6,990
6. Personnel expenses	-7,301	-8,211
7. Depreciation and amortisation	-1,206	-1,181
8. Other expenses	-2,975	-3,387
9. Financial result		
Financial expenses	-242	-142
Other financial result	3	2
10. Earnings before taxes	**42**	**1,332**
11. Income taxes	-48	-471
12. Consolidated result	**-6**	**861**
thereof: non-controlling interests	13	-22
thereof: share of shareholders of Masterflex SE	**-19**	**883**
Earnings per share (undiluted and diluted) in €	**-0.01**	**0.09**

* unaudited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF SECOND QUARTER

in €k	01.04.–30.06.2020*	01.04.–30.06.2019*
Consolidated result	**-6**	**861**
Other income		
Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled		
1. Currency gains/losses from the translation of foreign financial statements	-236	-579
2. Changes in the fair value of financial instruments	19	-13
3. Hedging transactions	-17	-32
4. Income taxes	19	28
5. Other income after taxes	**-215**	**-596**
6. Comprehensive income	**-221**	**265**
Comprehensive income	**-221**	**265**
thereof: non-controlling interests	13	-22
thereof: share of shareholders of Masterflex SE	**-234**	**287**

* unaudited

CONSOLIDATED CASH FLOW STATEMENT

in €k	01.01.–30.06.2020*	01.01.–30.06.2019*
Result for the period before taxes, interest expenses and financial income	2,250	3,542
Income tax expenses	-251	-458
Depreciation and amortisation on property, plant and equipment and intangible assets	2,416	2,084
Decrease in provisions	-86	-480
Other non-cash income and gains from the disposal of non-current assets	-52	-140
Decrease/increase in inventories	1,039	-2,279
Increase in trade receivables and other assets not attributable to investing or financing activities	-1,042	-1,640
Decrease/increase in trade payables and other liabilities not attributable to investing or financing activities	-155	161
Cash flow from operating activities	**4,119**	**790**
Payments for investments in non-current assets	-1,110	-2,345
Cash flow from investing activities	**-1,110**	**-2,345**
Dividends to Masterflex shareholders	-687	-704
Interest and dividend income	12	3
Interest payments	-359	-479
Proceeds from borrowings	500	4,000
Payments for the repayment of loans	-1,341	-2,170
Cash flow from financing activities	**-1,875**	**650**
Cash-effective changes in cash and cash equivalents	**1,134**	**-905**
Changes in cash and cash equivalents due to exchange rates and other changes in value	-283	-76
Cash and cash equivalents at the beginning of the period	**6,908**	**4,370**
Cash and cash equivalents at the end of the period	**7,759**	**3,389**

* unaudited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €k	Subscribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of financial instruments	Reserve for hedging transactions	Exchange differences	Shares of shareholders of Masterflex SE	Non-controlling interests	Equity
Equity as af 31.12.2018	**9,618**	**31,306**	**1,189**	**-609**	**-31**	**-753**	**40,720**	**-497**	**40,223**
Distributions	0	0	-674	0	0	0	-674	-30	-704
Comprehensive income	**0**	**0**	**2,130**	**-10**	**-32**	**-107**	**1,981**	**-9**	**1,972**
Consolidated result	0	0	2,130	0	0	0	2,130	-9	2,121
Other income after income taxes	0	0	0	-10	-32	-107	-149	0	-149
Changes in the fair value of financial instruments	0	0	0	-10	-32	0	-42	0	-42
Currency gains/ losses from the translation of foreign financial statements	0	0	0	0	0	-120	-120	0	-120
Income taxes on other comprehensive income	0	0	0	0	0	13	13	0	13
Equity as of 30.06.2019	**9,618**	**31,306**	**2,645**	**-619**	**-63**	**-860**	**42,027**	**-536**	**41,491**
Equity as of 31.12.2019	**9,618**	**31,306**	**3,048**	**-642**	**-90**	**-607**	**42,633**	**-618**	**42,015**
Distributions	0	0	-674	0	0	0	-674	-13	-687
Other changes*	0	0	-1,026	0	0	0	-1,026	1,026	0
Comprehensive income	**0**	**0**	**1,292**	**11**	**-3**	**-373**	**927**	**-1**	**926**
Consolidated result	0	0	1,292	0	0	0	1,292	-1	1,291
Other income after income taxes	0	0	0	11	-3	-373	-365	0	-365
Changes in the fair value of financial instruments	0	0	0	11	-3	0	8	0	8
Exchange gains/ losses from the translation of foreign financial statements	0	0	0	0	0	-404	-404	0	-404
Income taxes on other comprehensive income	0	0	0	0	0	31	31	0	31
Equity as of 30.06.2020	**9,618**	**31,306**	**2,640**	**-631**	**-93**	**-980**	**41,860**	**394**	**42,254**

* Effect of the acquisition of a 20% interest in Masterflex Asia Holding GmbH

CONSOLIDATED NOTES

1. ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB), and is consistent with the material accounting principles of the Company presented here. The same accounting, valuation and consolidation methods were applied as for the consolidated financial statements for the financial year ended 31 December 2019.

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

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

2. BASIS OF CONSOLIDATION

Compared to 31 December 2019, the scope of consolidation has changed. In a contract dated 26 June 2020, the remaining 20% of the share capital of Masterflex Asia Holding GmbH was acquired by Masterflex SE for EUR 48 thousand plus incidental acquisition costs. The shares in the share capital correspond to the voting rights. No adjustments had to be made in the course of the purchase price allocation at the time of the successive acquisition of shares.

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

* = Partially consolidated

3. FINANCIAL INSTRUMENTS

The accounting of forward transactions is explained in the Annual Report 2019 in the notes to the consolidated financial statements under point 16.

The market value of the forward exchange transaction concluded for a total of USD 2,700 thousand was EUR -133 thousand on the balance sheet date and was recorded under other liabilities. The change in the forward component was recorded in other comprehensive income as a change in the value of the hedging instrument. The fair value of the forward exchange transaction is calculated on the basis of the interest rate difference between the Euro zone and the USA compared to the contracted forward exchange rate.

As of 30 June 2020, the amount recorded in the reserve for hedging instruments is EUR 133 thousand less deferred taxes on this amount.

An interest cap of EUR 32 thousand was concluded to hedge against varying interest payments from variable-interest loans. This transaction is carried at a fair value of EUR 0 thousand (previous year: EUR 0 thousand).

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

4. DIVIDEND

On 23 June 2020, the Annual General Meeting of Masterflex SE approved the payment of a dividend of EUR 0.07 per share. The total distribution of EUR 673,283.38 was made on 26 June 2020.

5. SEGMENT REPORTING

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

Compared with the consolidated financial statements as of 31 December 2019, there have been no changes in the basis of segmentation. The Masterflex Group has one operating segment, the core business unit high-tech hose systems (HTS).

SEGMENT REPORTING 30 JUNE 2020

in €k	High-tech hose systems
Revenues with non-Group third parties	37,378
EBIT	2,249
Investments in property, plant and equipment and intangible assets	1,110
Depreciation	2,416
Assets	80,716

SEGMENT REPORTING 30 JUNE 2019

in €k	High-tech hose systems
Revenues with non-Group third parties	41,940
EBIT	3,533
Investments in property, plant and equipment and intangible assets	2,345
Depreciation	2,084
Assets	79,397

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

Reconciliation to consolidated earnings after taxes in €k	30.06.2020	30.06.2019
EBIT	**2,249**	**3,533**
Interest income/investment income	4	3
Interest expenses and similar expenses	-435	-486
EBT	**1,818**	**3,050**
Taxes on income and earnings	-440	-541
Deferred taxes	-87	-388
Earnings after taxes	**1,291**	**2,121**

6. EARNINGS PER SHARE

Undiluted earnings per share are calculated in accordance with IAS 33 by dividing the consolidated result by the weighted average number of shares outstanding during the reporting period. As of June 30, 2020, undiluted earnings per share amounted to EUR 0.13 with a weighted average number of shares outstanding of 9,618,334.

As there is no stock option program, diluted earnings are not calculated.

7. TREASURY SHARES

As of 30 June 2020, Masterflex SE held 134,126 treasury shares.

8. EMPLOYEES

The number of employees in the period under review was 637 and thus 6.0 percent below the previous year's figure of 678.

9. INCOME TAXES

Income tax expense was calculated in the half-year financial report on the basis of the estimated effective tax rate for Masterflex SE for the full year 2020, which was based on the earnings before taxes for the reporting period. The effective tax rate is based on current earnings and tax planning.

10. CASH FLOW STATEMENT

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

11. RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

These relationships are explained in the Annual Report 2019 in the notes to the consolidated financial statements under point 33.

12. SPECIFIC CHARACTERISTICS OF THE FINANCIAL YEAR IN CONNECTION WITH COVID-19

Due to the decline in demand, short-time work has been applied for at some Group companies in order to avoid dismissals of qualified employees as far as possible. In this context, other income includes reimbursements of social security contributions from the Federal Employment Agency amounting to EUR 136 thousand.

As a precautionary measure, it was agreed with the banks not to apply individual financial key figures until the end of Q3/2021. This is a reaction to the anticipated COVID-19-related decline in earnings and the resulting increased financial risk from the non-compliance with financial key figures agreed in the syndicated loan agreement.

The regulations of IAS 36 require that an impairment test of goodwill must be performed if certain indicators (“triggering events”) exist. Due to the COVID-19 pandemic, it can be assumed that triggering events have occurred. The impairment test was based on the updated cash and earnings planning. These correspond, in particular for the current and the next financial year, to management‘s current estimates, with particular consideration of the COVID-19 pandemic. The impairment test carried out as of 30 June 2020 confirmed the recoverability of all goodwill allocated to the CGUs.

In addition to the impairment tests for goodwill, development costs and deferred taxes were also tested for impairment in light of the impact of the COVID-19 pandemic. In the process, the respective plans for expected income and usable taxable income were validated. The uncertainties resulting from the current COVID-19 pandemic were adequately taken into account. In addition, the carrying amounts of provisions and contingent liabilities were reviewed in view of the need for additional balance sheet risk provisioning due to the COVID-19 pandemic. The reviews did not reveal any need for value adjustments in this regard.

13. EVENTS AFTER THE BALANCE SHEET DATE

After careful consideration, the Executive Board has decided to close the production site in the Czech Republic. This may result in non-operating charges in the range of EUR 0.5 million to EUR 1.0 million.

14. AUDITOR’S REVIEW OF THE INTERIM REPORT

The interim financial statements and the interim management report were neither audited in accordance with section 317 HGB nor reviewed by an auditor.

15. RESPONSIBILITY STATEMENT

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

31 July 2020

Dr. Andreas Bastin
Chief Executive Officer

Mark Becks
Chief Financial Officer

FINANCIAL CALENDAR 2020

1 to 3 September	Fall Conference
11 November	Statement on Q3/2020

The financial calendar is published on the Company's website (www.masterflexgroup.com/investor-relations/news-events) and is regularly updated there.

IMPRINT

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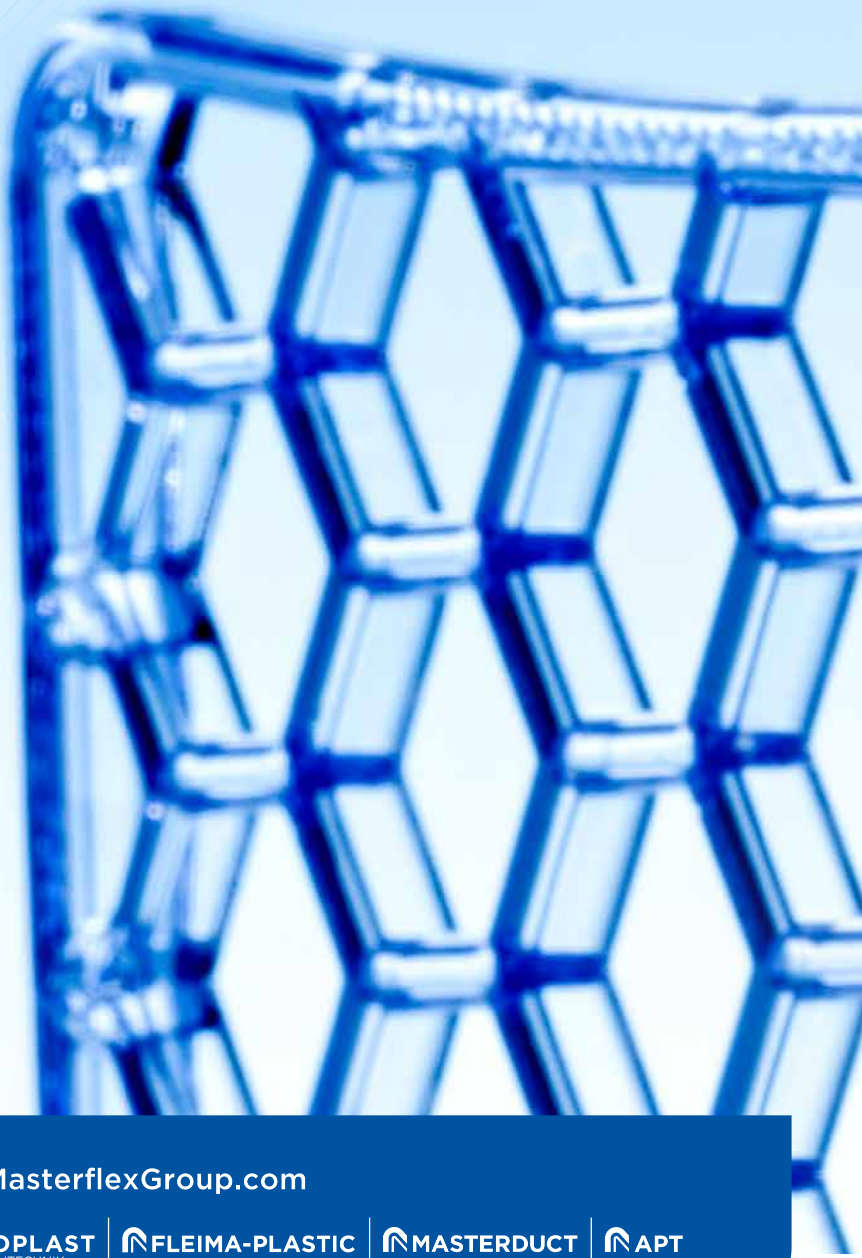

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