

QUARTERLY STATEMENT

CONNECTING VALUES

3/2019

MASTERFLEX AT A GLANCE

in €k	9M 2019*	9M 2018*	Change
Consolidated revenue	62,528	59,144	5.7%
EBITDA	8,290	7,666	8.1%
EBIT (operative)	5,251	5,206	0.9%
EBIT margin (operative)	8.4%	8.8%	
EBIT	5,136	5,068	1.3%
EBT	4,408	4,401	0.2%
Financial result	-728	-667	-9.1%
Consolidated earnings from continued business units**	3,104	3,108	-0.1%
Consolidated earnings from discontinued business units	0	-58	
Consolidated net income	3,121	3,121	0.0%
Consolidated earnings per share (€)			
from continued business units	0.32	0.33	-3.0%
from discontinued business units	0.00	-0.01	
from continued and discontinued business units	0.32	0.32	0.0%
Employees	678	655	3.5%

in €k	30.09.2019*	31.12.2018	Change
Consolidated equity	42,871	40,223	6.6%
Consolidated balance sheet total	82,412	75,173	9.6%
Consolidated equity ratio	52.0%	53.5%	

* unaudited

** without minority interests

MASTERFLEX SE: CONTINUATION OF GROWTH COURSE IN THE FIRST NINE MONTHS OF 2019

- **Revenue growth of 5.7% to EUR 62.5 million**
- **Stable earnings and positive cash flow development**
- **Successful implementation start of the “Back to Double Digit“ optimisation programme**
- **Outlook dampened by economic downturn in individual target sectors**

Gelsenkirchen, 8 November 2019 – The Masterflex Group continued its growth course in the first nine months of 2019, increasing revenue by 5.7% from EUR 59.1 million to EUR 62.5 million. Masterflex is thus at the upper end of its full-year forecast, which projects growth of between 3% and 6%. At the same time, some target sectors, such as automotive and mechanical engineering, showed clear signs of a downturn, which prevented even stronger growth and will at the same time have a dampening effect on the further development in the fourth quarter and probably also at the start of the new year. So far, these effects have been offset by the very good development in medical technology in particular.

At the level of the individual regions and subsidiaries, the revenue development is quite heterogeneous. The industrial hose activities in Europe, especially in Germany, have been hit harder by the difficult situation in some customer industries. On the other hand, the main growth drivers are the activities in Asia and in our so-called white customer industries (medicine, food, pharmaceuticals, bio). The US subsidiary also performed well, additionally benefiting from positive currency effects. In the case of the activities for the aviation industry, the positive trend reversal in revenue could not yet be achieved, even though order intake is already significantly more positive than in the previous quarters. Group-wide, the current developments in order intake confirm the previously discernible trends in the heterogeneous revenue development and suggest that demand in selected target industries will continue to cool down at least in part.

At EUR 5.3 million, operating EBIT was almost on a par with the previous year's figure of EUR 5.2 million. Accordingly, the operating EBIT margin was 8.4% after 8.8% in the previous year. The overall solid earnings performance was also reflected in the 8.1% increase in EBITDA from EUR 7.7 million to EUR 8.3 million. At EUR 3.1 million, consolidated net income for the first nine months was exactly at the same level as in the same period of the previous year. Cash flow developed very positively in the reporting period. Accordingly, cash flow from operating activities rose by EUR 1.7 million or 72.1% from EUR 2.4 million to EUR 4.1 million.

An isolated analysis of the third quarter shows a revenue growth of 5.8%, which was thus slightly above the dynamic of the first six months. The development of earnings in the third quarter and the entire nine-month period was largely analogous. Accordingly, EBIT of EUR 1.6 million and earnings after taxes of EUR 1.0 million in the third quarter were both on a par with the same period of the previous year.

The Masterflex Group has made a successful start to implementation with the “Back to Double Digit“ (B2DD) optimisation programme announced in September 2019, which aims at gradually bringing

the operating EBIT margin back into double figures by 2021 on a sustained basis. First measures and successes have already been implemented or achieved in improving personnel productivity, although the effects will only become apparent in the coming quarters. Further cost effects were also realised with the disposal of the heating hose business and the concentration on the supply of individual components, which will have an effect from the first quarter of 2020. Depending on the degree of economic slowdown in individual target sectors, it may become necessary to implement additional measures within the B2DD programme, especially in 2020, which were not planned in the scope to date. In the first nine months of the year, the B2DD programme has hardly generated any one-off costs. The total amount of these one-off charges is estimated at a maximum of EUR 1.0 million, distributed between 2019 and 2020.

Dr. Andreas Bastin, CEO of Masterflex Group: "The Group has done well so far this year, has continued to grow and has achieved the targets. At the same time, the challenges continue to increase. With our B2DD optimisation programme measures – which are already having first positive effects – we happen to be entering a phase in which the climate in key customer industries is deteriorating significantly. Accordingly, our measures and market effects can overlap or reinforce each other. If the economic and industry-specific outlook remains the same, we will take additional measures to avoid jeopardizing our return targets until 2021."

FURTHER INFORMATION ON THE EARNINGS POSITION

In the first three quarters of 2019, the cost of materials and personnel expenses developed largely in line with revenue growth. The slightly higher increase in cost of materials is due to the shortage that has occurred since 2018 and the resulting price increases for some raw materials. On the raw materials side, the situation has meanwhile eased considerably, on the one hand due to our own substitution measures and on the other due to a calming of the market. Accordingly, the cost of materials ratio even improved slightly in the third quarter. The overall increase in personnel costs, which was slightly disproportionately high in the third quarter, is due to the temporary staff increase to reduce the backlog of orders incurred at the turn of the year 2018/2019. Lowering effects from the most recent personnel measures will only have a delayed effect. The 28.2% increase in depreciation and amortisation was mainly caused by the first-time application of IFRS 16. The financial result, which rose by 9.3% to EUR -0.7 million, was slightly impacted by the one-off effect of the newly concluded syndicated loan agreement, while the positive effects will become visible over the term.

NET ASSETS AND FINANCIAL POSITION

As of 30 September 2019, the balance sheet total increased by 9.6% from EUR 75.2 million to EUR 82.4 million. Current assets rose due to higher inventories of raw materials, consumables and supplies as well as of finished goods. Both effects resulted from the overall growth in business volume and the special working capital management in response to the procurement market. The increase in trade receivables is mainly due to balance sheet date related factors.

Consolidated equity grew by 6.6% from EUR 40.2 million to EUR 42.9 million as of 30 September 2019. With an even stronger increase in the balance sheet total at the same time, the equity ratio in the Group decreased accordingly from 53.5% to 52.0%.

The Group's cash and cash equivalents were up from EUR 4.4 million to EUR 5.3 million in the first nine months. The main reason for this was the very good development of the cash flow from operating activities in the amount of EUR 4.1 million, supported by the stable earnings development.

FORECAST

Group revenue is expected to grow by 3.0% to 6.0% in 2019 as a whole, corresponding to a range of EUR 79.5 million to EUR 81.8 million. At the same time, operating EBIT is expected to improve slightly compared to the previous year. The prerequisite for achieving these targets is that the economic climate and developments in key target sectors such as automotive and mechanical engineering do not deteriorate beyond the extent already apparent in the nine-month period and the third quarter of 2019.

CONSOLIDATED BALANCE SHEET

Assets in €k	30.09.2019*	31.12.2018
NON-CURRENT ASSETS		
Intangible assets	13,104	12,529
Concessions, industrial property rights	1,871	887
Development costs	1,201	947
Goodwill	9,187	9,187
Advance Payments	845	1,508
Property, plant and equipment	33,361	31,892
Land and buildings	16,653	16,542
Technical equipment and machinery	11,854	11,782
Other equipment, operating and office equipment	3,599	2,787
Advance payments and assets under construction	1,255	781
Financial assets	93	98
Non-current financial instruments	93	98
Other assets	33	29
Deferred taxes	320	511
	46,911	45,059
CURRENT ASSETS		
Inventories	19,535	16,662
Raw materials, consumables and supplies	10,319	8,050
Unfinished goods and services	698	581
Finished goods and products	8,508	8,025
Advance payments	10	6
Receivables and other assets	10,496	8,217
Trade receivables	9,750	7,490
Other assets	746	725
Other financial assets	0	2
Income tax assets	186	865
Cash in hand and bank balances	5,284	4,370
	35,501	30,114
Total assets	82,412	75,173

* unaudited

CONSOLIDATED BALANCE SHEET

Equity and liabilities in €k	30.09.2019*	31.12.2018
SHAREHOLDERS' EQUITY		
Consolidated equity	43,415	40,720
Subscribed capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	3,636	1,189
Reserve for the market valuation of financial instruments	-614	-609
Hedging instruments	-143	-31
Exchange differences	-388	-753
Minority interests	-544	-497
Total equity	42,871	40,223
NON-CURRENT LIABILITIES		
Provisions	105	209
Financial liabilities	25,401	18,856
Other liabilities	1,135	956
Deferred taxes	1,210	861
	27,851	20,882
CURRENT LIABILITIES		
Provisions	260	632
Financial liabilities	4,664	7,643
Income tax liabilities	318	249
Other liabilities	6,448	5,544
Trade payables	1,956	2,101
Other liabilities	4,492	3,443
	11,690	14,068
Total equity and liabilities	82,412	75,173

* unaudited

CONSOLIDATED INCOME STATEMENT (9M 2019)

Continued business units in €k	01.01.-30.09.2019*	01.01.-30.09.2018*
1. Revenue	62,528	59,144
2. Increase or decrease in inventories of finished and unfinished goods	655	446
3. Other own work capitalised	183	310
Total operating performance	63,366	59,900
4. Other income	791	370
Operating revenue	64,157	60,270
5. Cost of materials	-20,783	-19,074
6. Personnel expenses	-24,665	-22,933
7. Depreciation and amortisation	-3,154	-2,460
8. Other expenses	-10,419	-10,735
9. Financial result		
Financial expenses	-731	-669
Other financial result	3	2
10. Earnings before taxes	4,408	4,401
11. Income tax expenses	-1,304	-1,293
12. Earnings after taxes from continued business units	3,104	3,108
Discontinued business units in €k		
13. Earnings after taxes from discontinued business units	0	-58
14. Consolidated net income	3,104	3,050
thereof minority interests	-17	-71
 thereof attributable to shareholders of Masterflex SE	3,121	3,121
Earnings per share (diluted and non-diluted)		
from continued business units	0.32	0.33
from discontinued business units	0.00	-0.01
from continued and discontinued business units	0.32	0.32

* unaudited

CONSOLIDATED INCOME STATEMENT (Q3 2019)

Continued business units in €k	01.07.-30.09.2019*	01.07.-30.09.2018*
1. Revenue	20,588	19,451
2. Increase or decrease in inventories of finished and unfinished goods	331	229
3. Other own work capitalised	52	116
Total operating performance	20,971	19,796
4. Other income	123	131
Operating revenue	21,094	19,927
5. Cost of materials	-6,704	-6,350
6. Personnel expenses	-8,316	-7,752
7. Depreciation and amortisation	-1,070	-827
8. Other expenses	-3,401	-3,394
9. Financial result		
Financial expenses	-245	-229
Other financial result	0	-2
10. Earnings before taxes	1,358	1,373
11. Income tax expenses	-375	-373
12. Earnings after taxes from continued business units	983	1,000
Discontinued business units in €k		
13. Earnings after taxes from discontinued business units	0	0
14. Consolidated net income	983	1,000
thereof minority interests	-8	-63
 thereof attributable to shareholders of Masterflex SE	991	1,063
Earnings per share (diluted and non-diluted)		
from continued business units	0.10	0.11
from discontinued business units	0.00	0.00
from continued and discontinued business units	0.10	0.11

* unaudited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (9M AND Q3 2019)

in €k	01.01.-30.09.2019*	01.01.-30.09.2018*
Consolidated net income	3,104	3,050
Other result		
Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled		
1. Exchange gains/losses on the translation of foreign financial statements	403	-6
2. Changes in fair values of financial instruments	-5	18
3. Hedging instruments	-112	0
4. Income taxes	-38	-15
5. Other result after taxes	248	-3
6. Comprehensive income	3,352	3,047
Comprehensive income	3,352	3,047
thereof minority interests	-17	-71
thereof attributable to shareholders of Masterflex SE	3,369	3,118

in €k	01.07.-30.09.2019*	01.07.-30.09.2018*
Consolidated net income	983	1,000
Other result		
Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled		
1. Exchange gains/losses on the translation of foreign financial statements	523	-89
2. Changes in fair values of financial instruments	5	-2
3. Hedging instruments	-80	0
4. Income taxes	-51	-4
5. Other result after taxes	397	-95
6. Comprehensive income	1,380	905
Comprehensive income	1,380	905
thereof minority interests	-8	-63
thereof attributable to shareholders of Masterflex SE	1,388	968

* unaudited

CONSOLIDATED CASH FLOW STATEMENT

in €k	01.01.-30.09.2019*	01.01.-30.09.2018*
Result for the period before taxes, interest expenses and financial income	5,153	5,124
Income tax expenses	-647	-1,359
Depreciation and amortisation on property, plant and equipment and intangible assets	3,154	2,460
Decrease in provisions	-476	-363
Other non-cash income and gains from the disposal of non-current assets	-200	-382
Increase in inventories	-2,873	-1,004
Increase in trade receivables and other assets not attributable to investing or financing activities	-1,470	-1,330
Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	1,430	-780
Cash flow from operating activities	4,071	2,366
Payments for investments in non-current assets	-3,490	-3,089
Cash flow from investing activities	-3,490	-3,089
Payments to shareholders and minority interests	-704	-673
Interest and dividend income	3	4
Interest payments	-673	-786
Proceeds from raising loans	4,090	3,000
Payments for the repayment of loans	-2,779	-1,875
Cash flow from financing activities	-63	-330
Cash-effective changes in cash and cash equivalents	518	-1,053
Exchange-rate related and other value changes in cash and cash equivalents	396	-21
Cash and cash equivalents at the beginning of the period	4,370	5,336
Cash and cash equivalents at the end of the period	5,284	4,262

* unaudited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €k	Sub- scribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of finan- cial instru- ments	Reserve for hedging instru- ments	Ex- change diffe- rences	Interests attributable to share- holders of Masterflex SE	Non- controlling interests	Equity
Equity as at 31.12.2017	9,618	31,306	-1,511	-629	0	-1,048	37,736	-340	37,396
Distributions	0	0	-673	0	0	0	-673	0	-673
Other changes	0	0	0	0	0	0	0	0	0
Comprehensive income	0	0	3,121	18	0	-21	3,118	-72	3,046
Consolidated net income	0	0	3,121	0	0	0	3,121	-72	3,049
Other income after income taxes	0	0	0	18	0	-21	-3	0	-3
Changes in the fair value of financial instruments	0	0	0	18	0	0	18	0	18
Exchange gains/ losses on the translation of foreign financial statements	0	0	0	0	0	-6	-6	0	-6
Income taxes on other comprehensive income	0	0	0	0	0	-15	-15	0	-15
Equity as at 30.09.2018	9,618	31,306	937	-611	0	-1,069	40,181	-412	39,769
Equity as at 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	3,121	-5	-112	365	3,369	-17	3,352
Consolidated net income	0	0	3,121	0	0	0	3,121	-17	3,104
Other income after income taxes	0	0	0	-5	-112	365	248	0	248
Changes in the fair value of financial instruments	0	0	0	-5	-112	0	-117	0	-117
Exchange gains/ losses on the translation of foreign financial statements	0	0	0	0	0	403	403	0	403
Income taxes on other comprehensive income	0	0	0	0	0	-38	-38	0	-38
Equity as at 30.09.2019	9,618	31,306	3,636	-614	-143	-388	43,415	-544	42,871