Quarterly financial report 3/2013

MASTERFLEX GROUP
Connecting Values

Masterflex at a glance

Highlights in the first nine months

Strategic development
A new generation of spiral hoses launched
Internationalisation process advanced
Internal process optimisation driven onwards

	30. Sep. 2013
Consolidated revenue (k€)	44,153
EBITDA (k€)	6,563
EBIT (k€)	4,655
EBT (k€)	3,515
Consolidated earnings from continued business units (k€)*	2,246
Consolidated earnings from discontinued business units (k€)	–29
Consolidated net income/loss (k€)	2,087
Earnings per share (€)	
from continued business units	0.24
from discontinued business units	0.00
from continued and discontinued business units	0.24
EBIT margin	10.5 %
Employees	529
	30. Sep. 2013
Consolidated equity (k€)	22,423
Consolidated total assets (k€)	55,469
Consolidated equity ratio	40.4 %

* without minority interests

Only the german version is legally binding.

Operating trends
Demand continued to pick up markedly over the course of the year
Stable results of operations in accordance with planning
Equity ratio over 40 percent

30. Sep. 2012	Change
42,025	5.1 %
7,854	–16.4 %
5,907	–21.2 %
4,699	–25.2 %
3,081	–27.1 %
–215	
2,733	–23.6 %
0.33	–27.3 %
–0.02	
0.31	–22.6 %
14.1 %	
497	6.4 %
31. Dec. 2012	**Change**
20,524	9.3 %
52,435	5.8 %
39.1 %	

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Dear Shareholders,

To put it informally, business is buzzing. Although this language may not be everyone's cup of tea, these three words do encapsulate the development of our business in the last quarter: From July to September, our revenue increased by 10.3 percent to € 15.2 million. Looking back, we have never before in this decade had such high turnover with high-tech hoses and connector systems in a single quarter. Happily, this means that our business became increasingly lively in 2013 after a weak start. Today, we can report revenue growth of 5.1 percent year-on-year on the basis of nine months of 2013. Our activities in Asia and America made an important contribution to this growth. Our internationalisation strategy is taking effect.

Dr. Andreas Bastin, Chief Executive Officer

Speaking of internationalisation, the first stage of the establishment of our sales organisations in China and Singapore is now complete. This can be seen in the staff cost ratio, which has passed its peak and declined slightly to 37.2 percent for the first time since our expansion into Asia began in 2011. Now our task is to bring all processes into an optimum steady state. At that time our EBIT margin (currently 10.5 percent) will again move towards our long-term profitability goal of 13 to 14 percent. My colleague Mark Becks and I can assure you that as the Executive Board as well as shareholders, we have a great interest in this happening sooner rather than later!

Our business model and our strategy are correct. We are growing, and doing so internationally above all. As technology leader for high-tech hoses, our expertise in materials and processing methods enables us to regularly launch new products that can meet our customers' demands. A recent example is the Master-PUR Perfomance®, which we brought into the market in early September.

This remarkable product that took years to develop due to the technical sophistication of the production process is the result of our customers requesting a hose that is seamless smooth on the inside as well as a cavity-free surface and has a high abrasion life. After the market launch in September this year, we are now eagerly awaiting our customers' evaluation based on current field tests. The initial responses have been extremely promising. Since our business is generally associated with smaller revenue volumes per order, the success of this world first product will only gradually make its presence felt in our revenue account – a typical characteristic of business with high-tech hoses.

So today, after three quarters of 2013, I can sum up our progress with a metaphor: We are on an exciting world voyage with the destination of becoming the global market leader in all specialist markets for connector systems in the medium term. We are going in the right direction. Now we need to hold course and not slacken the pace of our efforts, so that we arrive at our destination in the near future with solid, sustainable income. Accompany us on our voyage, dear shareholders!

Gelsenkirchen, 4 November 2013

Ihr
Andreas Bastin

Dr. Andreas Bastin
Chief Executive Officer

Interim Management Report

Group structure and business activities

The Masterflex Group, with its parent company Masterflex SE, Gelsenkirchen (referred to below as Masterflex Group or Masterflex), is a supplier of high-tech hoses and connector systems. The internationally active group with its roots in Germany is a specialist in the development and manufacture of high-quality connector systems made from high-tech plastics and fabrics.

The main production sites of the international Masterflex Group with 13 operating subsidiaries are Gelsenkirchen, Halberstadt, Norderstedt and Houston (USA). In addition, Masterflex has different locations in Europe, America and Asia through our subsidiary branches or sales partners.

Masterflex shares have been traded on the Frankfurt Stock Exchange since 2000.

Market and competition

The global market for high-tech hoses and connector systems comprises many rather regionally oriented specialist markets, which are mostly served by SMEs. Customers come primarily from the manufacturing sector including industrial applications (B2B market). Due to the scarcity of expertise in production, processing and application of the demanding polymers and many diverse fields of use, it is a promising market worldwide.

Our regional markets around the world are subject to quite different economic influences. While our future markets in America and Asia continue to grow dynamically, economic development in Europe remains subdued.

Masterflex's internationalisation strategy is suited to this continental divergence, in that it successively spreads the traditional sales focus of the Masterflex Group to several continents.

Business development in the first nine months of 2013
Economically, 2013 kept growing stronger after a not-so-easy start. This general trend is not the case in every market we serve but is reflected in our revenue: After a decline in the first quarter (– 1.2 percent) and a much better second quarter (+ 6.4 percent), consolidated revenue was again much livelier in the third quarter at + 10.3 percent. Overall, consolidated revenue increased by 5.1 percent over the first nine months compared to the same period of the previous year.

Our efforts for a widespread customer base, consistent innovation policy and the acceleration of our internationalisation are showing fruit.

Since March 2013, we have served our customers worldwide under a uniform brand identity. We offer all products under the operating brands Masterflex, Matzen & Timm, Novoplast Schlauchtechnik, Fleima-Plastic and Masterduct under the umbrella brand Masterflex Group. Our performance promise to our customers is succinctly encapsulated by the slogan Connecting Values: We offer more than hoses – also competent advice with universal solutions from the technology leader. As well as the corporate design, our internet presence is also being incrementally adapted: The Masterflex Group and all its locations can be found at **www.MasterflexGroup.com**; moreover, the brands Masterflex (**www.masterflex.de**) and Novoplast Schlauchtechnik (**www.schlauchtechnik.de**) are now also online with their new presence.

Internationalisation
Since the beginning of 2013, we have been operating at full speed at our new location in Kunshan in Shanghai, China. In addition, a network of dealers in other Asian regions is being established from the Singapore location. There is great interest in Asia in our high-tech hoses "designed in Germany"; this is reflected in the incoming orders and generated revenue. Our very first customers do not just include – as planned – international customers, but also, happily, local businesses. In the USA, too, the Masterflex Group is growing faster than the rest of the Group – a nice result for our internationalisation strategy.

Innovation

In September, we launched our world first, our self-developed Master-PUR Performance® hose, with a marketing campaign. This innovative Masterflex-brand hose has a seamless smooth and cavity-free surface and can nevertheless resist the greatest stresses when transporting abrasive or heavy bulk material. In addition, it is much more flexible than comparatively heavy PU hoses. The Master-PUR Performance® is the only spiral hose in the world that offers these otherwise contradictory properties in a single product. The first market reactions to this new hose with real added value for the user have been very positive.

Further connecting products are currently being developed. Our next product innovation will be launched early in 2014.

The latest innovation from the brand MASTERFLEX: The highly flexible Master-PUR Performance® spiral hose with a seamlessly smooth inner lining for transporting heavy bulk goods

Results of operations, net assets and financial position

Results of operations
In the first nine months of 2013, consolidated revenue grew by 5.1 percent on the same period of the previous year to € 44.2 million. In the third quarter of 2013 alone, revenue grew by 10.3 percent to € 15.2 million (previous year: € 13.8 million).

At € 44.9 million, gross revenue was 4.0 percent above that of the previous year (€ 43.1 million).

The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) in the first three quarters fell from € 7.9 million in the same period of the previous year to € 6.6 million (–16.4 percent). This is because of the start-up costs of internationalisation, which are primarily reflected in staff costs.

At € 16.5 million, staff costs were 10.4 percent higher than in the previous year (€ 15.0 million). The staff cost ratio is 37.2 percent (ratio of staff costs to revenue plus the change in inventories). Compared to the previous year (35.6 percent), this planned increase reflects the substantial expansion of the sales and production workforce at the turn of 2012/2013. The internationalisation is now centred on process optimisation rather than personnel growth; for this reason, the staff cost ratio did not increase quarter-on-quarter for the first time in Q3 (Q2/2013: 37.7 percent), but instead declined slightly.

In the first nine months of the year, the cost of materials amounted to € 13.8 million; this is an increase of 4.8 percent compared to the same period of the previous year (€ 13.1 million). The cost of materials ratio amounted to 31.0 percent (Q3/2012: 31.2 percent). Other operating expenses amounted to € 8.0 million; due to increased energy and freight costs, this equates to 11.7 percent more than the same period of the previous year (€ 7.2 million).

Depreciation and amortisation of intangible assets and property, plant and equipment in the first three quarters of 2013 was € 1.9 million, nearly identical to the previous year (€ 1.9 million).

The Group's operating result (EBIT) amounted to € 4.7 million. This is a decline of – 21.2 percent against the same period of the previous year (€ 5.9 million). This results in an EBIT margin of 10.5 percent (previous year: 14.1 percent). This planned temporary decline in the margin is our investment in the future: Against the backdrop of our strategic goals, there is no way around further internationalisation with a global diversification of revenue.

The financial result amounted to € – 1.1 million (previous year: € – 1.0 million). The increase over the previous year is essentially due to one-off items: by returning the State guarantee for the purposes of the new syndicated loan in summer 2013, annual costs only had to be allocated in the first half year. Next year, we expect a reduction in the interest charges and thus also in the financial result while EURIBOR interest rates remain low.

Consolidated net profit is € 2.1 million (previous year period: € 2.7 million). This equates to earnings per share of € 0.24 compared with € 0.31 per share in the first nine months of 2012.

Net assets
On the balance sheet date of 30 September 2013, total assets had increased by 5.8 percent from € 52.4 million to € 55.5 million.

Non-current assets remained virtually unchanged at € 32.0 million (€ 31.8 million). Slight movements occurred in property, plant and equipment (+ 2.4 percent) to now € 21.7 million, while deferred tax assets decreased by 7.2 percent to € 5.5 million due to the positive financial position.

Current assets increased by 14.1 percent to € 23.5 million as of the reporting date. This is primarily attributable to the growth-related increase of trade receivables (+ 23.4 percent) to € 6.7 million (previous year: € 5.5 million) and the increased cash in hand and bank balances (+ 47.0 percent) now at € 4.1 million due to the new syndicated loan.

Financial position
Equity has grown by 9.3 percent from € 20.5 million to the current figure of € 22.4 million due to the net income achieved. This gives an equity ratio of 40.4 percent.

Long-term borrowings have increased by 11.0 percent to € 21.8 million. This figure reflects the new syndicated loan in effect since June 2013, in which mainly all current bank liabilities of the Masterflex Group are now pooled into a long-term amortisable loan.

Current liabilities fell 6.6 percent from € 11.8 million to € 11.0 million. This decline follows in particular from the declining financial liabilities now amounting to € 4.7 million (end of 2012: € 6.1 million) in relation to the syndicated loan in effect since June. Provisions climbed 13.2 percent from € 2.6 million (end of 2012) to € 2.9 million.

Staff report

As part of its growth strategy, Masterflex has expanded its workforce. In the first nine months of 2013, the number of employees employed in the Masterflex Group averaged 529. Compared to the same period of the previous year, this is a 6.4 percent increase.

Almost all sites have invested in new staff. This primarily involved sales in the context of internationalisation as well as production-related expansion.

Research and development

In September, the new Masterflex-brand Master-PUR Performance® was presented to the market. This innovation is particularly well suited to transporting bulk material.

Other R&D projects are being developed and tested. As of 30 September 2013, there were no material changes compared with the statements included in the 2012 consolidated management report.

Report on post balance sheet date events

No events of particular significance relating to the results of operations, net assets and financial position took place after the balance sheet date.

Opportunities and risk report

There have been no changes to the opportunities and risk situation as presented in the 2012 consolidated report.

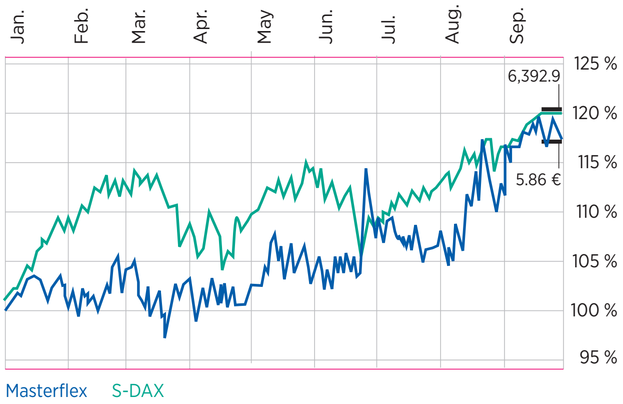
Outlook

Economic development seems to be improving further. This applies not only to the domestic economy in Germany, but also to our international markets. This is particularly the case in the other regions of the world in which Masterflex is increasingly active. In Asia and North America, we expect further economic growth.

The Masterflex Group is continuing its long-term growth strategy in a consistent manner, which is based on key components of further internationalisation, on product innovation and acquisitions in the hose market and on a series of internal measures for optimising the business model. This includes successively implementing our unified brand identity, increased benchmarking for Group-wide implementation of success strategies as well as systematically optimising various internal processes and structures.

For 2013 we expect a significant increase in revenue, above that of 2012, depending on the progress made in the implementation of our internationalisation measures. Our operating result will follow the sales growth at a more moderate pace, whereby the nadir should be reached sometime in this quarter. Given the start-up costs for further internationalisation, which in the main were recorded immediately in the financial statements, we continue to expect a clear two-digit EBIT margin for 2013.

The Masterflex Share



Based on the daily closing prices, the Masterflex share price has moved mainly sideways since the start of the year until the beginning of May 2013 with prices ranging from € 4.95 to € 5.10. Then from mid-May, subsequent to publication of the first quarter results, the share price began to climb clearly to a level around € 5.20 with some lively trading at times. This trend continued after the AGM in June and intensified following the publication of the half-year report on 11 August: The share price rose significantly and closed the third quarter of 2013 at € 5.86. The positive sentiment was retained in October and gave impetus for quotations of around € 6.

In the first nine months of 2013, the share fluctuated between a low of € 4.85 (22 March 2013) and a high of € 5.94 (20 to 23 and 27 September 2013).

Liquidity of the shares has improved noticeably over the course of 2013. In the first quarter, around 454,000 shares were traded on Xetra and on the floor. This then increased to around 524,000 (Q2/2013) and then to a good 582,000 shares most recently (Q3). This means that an average of well over 8,100 shares was traded every trading day in the first nine months of the year, although the liquidity has not yet fully recovered to that of the previous year (9,200 shares per trading day). The expansion of the circle of sponsors also contributed to the revival in trading: As well as Close Brother Seydler Bank, WGZ Bank is now also Designated Sponsor for our share.

In September 2013, Masterflex attended a road show with Luxembourg investors who were very interested in the share.

Financial calendar

Dates for 2013/2014	
26 March 2013	Financial press conference, presentation of Annual Report 2012, Frankfurt/Main
26 March 2013	DVFA analysts' conference, Frankfurt/Main
7 May 2013	Quarterly report 1/2013
11 June 2013	Annual General Meeting, 11:00 a.m. Gelsenkirchen
12 August 2013	Half year report 2013
11 November 2013	Quarterly report 3/2013
11 to 12 November 2013	German Equity Forum, Frankfurt/Main
28 March 2014	Financial press conference, presentation of Annual Report 2013

Insulated heating, ventilation and air-conditioning (HVAC) hose from MASTERDUCT

Interim financial statements

Consolidated balance sheet

Assets	30. Sep. 2013* k€	31. Dec. 2012 k€
NON-CURRENT ASSETS		
Intangible assets	**4,206**	**4,187**
Concessions, industrial and similar rights	697	678
Development costs	93	93
Goodwill	3,258	3,258
Advance payments	158	158
Property, plant and equipment	**21,735**	**21,232**
Land, land rights and buildings	11,341	11,674
Technical equipment and machinery	6,856	7,259
Other equipment, operating and office equipment	1,971	1,963
Advance payments and assets under development	1,567	336
Non-current financial assets	**337**	**445**
Non-current financial instruments	101	59
Other loans	236	386
Other assets	**22**	**26**
Other financial assets	**150**	**0**
Deferred taxes	**5,507**	**5,932**
	31,957	**31,822**
CURRENT ASSETS		
Inventories	**11,488**	**11,119**
Raw materials and consumables used	6,639	6,507
Work in progress	546	244
Finished products and goods purchased and held for sale	4,294	4,365
Advance payments	9	3
Receivables and other assets	**7,775**	**6,291**
Trade receivables	6,744	5,464
Other assets	1,029	825
Other financial assets	2	2
Income tax assets	**88**	**364**
Cash in hand and bank balances	**4,149**	**2,823**
	23,500	**20,597**
Assets held for sale	**12**	**16**
	23,512	**20,613**
Total Assets	**55,469**	**52,435**

* unaudited

Equity and liabilities	30. Sep. 2013* k€	31. Dec. 2012 k€
SHAREHOLDERS' EQUITY		
Consolidated equity	**21,908**	**19,988**
Subscribed capital	8,732	8,732
Capital reserve	26,252	26,252
Retained earnings	–11,555	–13,642
Revaluation reserve	–691	–733
Exchange differences	–830	–621
Minority interest	**515**	**536**
Total equity	**22,423**	**20,524**
NON-CURRENT LIABILITIES		
Provisions	**191**	**191**
Financial liabilities	**19,190**	**16,987**
Other financial liabilities	**115**	**139**
Other liabilities	**1,490**	**1,489**
Deferred taxes	**811**	**838**
	21,797	**19,644**
CURRENT LIABILITIES		
Provisions	**2,943**	**2,600**
Financial liabilities	**4,660**	**6,012**
Other financial liabilities	**43**	**44**
Income tax liabilities	**644**	**409**
Other liabilities	**2,744**	**2,755**
Trade payables	1,505	1,717
Other liabilities	1,239	1,038
	11,034	**11,820**
Liabilities directly connected with assets held for sale	**215**	**447**
	11,249	**12,267**
Total Equity and liabilities	**55,469**	**52,435**

* unaudited

Consolidated income statement

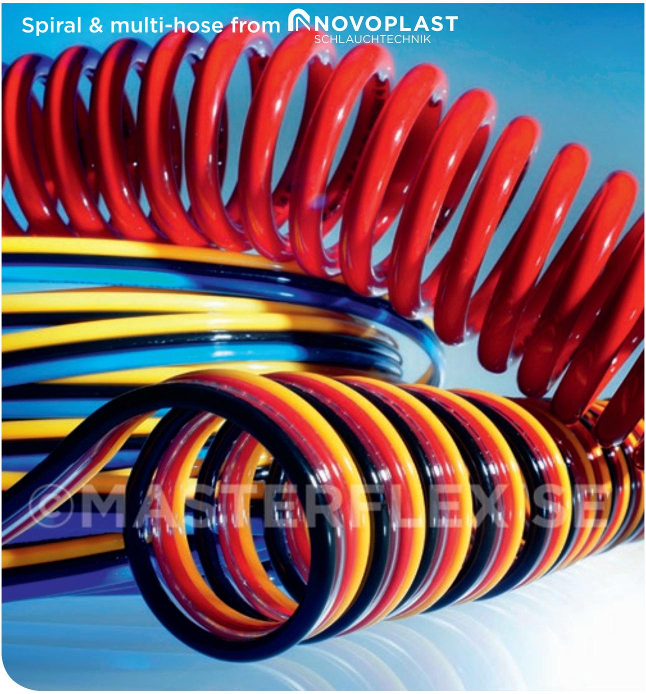
	Continued business units	01. Jan.– 30. Sep. 2013* k€	01. Jan.– 30. Sep. 2012* k€
1.	Revenue	44,153	42,025
2.	Changes in inventories of finished goods and work in progress	311	79
3.	Work performed by the enterprise and capitalised	8	8
4.	Other operating income	409	1,034
	Gross revenue	**44,881**	**43,146**
5.	Cost of materials	–13,767	–13,135
6.	Staff costs	–16,531	–14,979
7.	Depreciations	–1,908	–1,947
8.	Other expenses	–8,020	–7,178
9.	Financial result		
	Financial expenses	–1,158	–1,112
	Other financial result	18	86
10.	**Earnings before taxes and non-operating expenses**	**3,515**	**4,881**
11.	Non-operating expenses	0	–182
12.	**Earnings before taxes**	**3,515**	**4,699**
13.	Income tax expense	–1,269	–1,618
14.	**Earnings after taxes from continued business units**	**2,246**	**3,081**
	Discontinued business units		
15.	**Earnings after taxes from discontinued business units**	**–29**	**–215**
16.	**Consolidated net income/loss**	**2,217**	**2,866**
	thereof minority interests	130	133
	thereof attributable to shareholders of Masterflex SE	**2,087**	**2,733**
	Earnings per share (diluted and non-diluted)		
	from continued business units	0.24	0.33
	from discontinued business units	0.00	–0.02
	from continued and discontinued business units	0.24	0.31

* unaudited

Consolidated statement of comprehensive income

		01. Jan.– 30. Sep. 2013* k€	01. Jan.– 30. Sep. 2012* k€
	Consolidated net income/loss	**2,217**	2,866
	Other result		
1.	Currency translation differences from the translation of foreign operations	–209	6
2.	Net result from “available-for-sale” financial assets	42	–33
3.	**Other result for the period under review, after taxes**	–167	–27
4.	**Overall result**	2,050	2,839
	Overall result:	2,050	2,839
	thereof minority interests	130	133
	thereof attributable to shareholders of Masterflex SE	**1,920**	2,706

* unaudited



Consolidated income statement

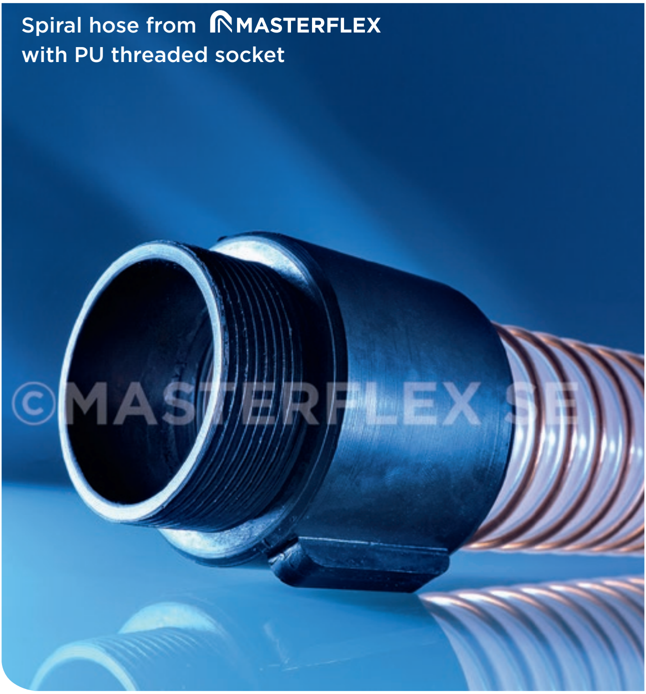
	Continued business units	01. Jul.– 30. Sep. 2013* k€	01. Jul.– 30. Sep. 2012* k€
1.	Revenue	15,187	13,764
2.	Changes in inventories of finished goods and work in progress	77	–99
3.	Work performed by the enterprise and capitalised	4	–7
4.	Other operating income	73	696
	Gross revenue	**15,341**	**14,354**
5.	Cost of materials	–4,841	–4,133
6.	Staff costs	–5,529	–5,111
7.	Depreciations	–642	–665
8.	Other expenses	–2,976	–2,551
9.	Financial result		
	Financial expenses	–288	–352
	Other financial result	7	16
10.	**Earnings before taxes and non-operating expenses**	**1,072**	**1,558**
11.	Non-operating expenses	0	–90
12.	**Earnings before taxes**	**1,072**	**1,468**
13.	Income tax expense	–376	–440
14.	**Earnings after taxes from continued business units**	**696**	**1,028**
	Discontinued business units		
15.	**Earnings after taxes from discontinued business units**	**–31**	**–201**
16.	**Consolidated net income/loss**	**665**	**827**
	thereof minority interests	48	34
	thereof attributable to shareholders of Masterflex SE	**617**	**793**
	Earnings per share (diluted and non-diluted)		
	from continued business units	0.07	0.11
	from discontinued business units	0.00	–0.02
	from continued and discontinued business units	0.07	0.09

* unaudited

Consolidated statement of comprehensive income

		01. Jul.– 30. Sep. 2013* k€	01. Jul.– 30. Sep. 2012* k€
	Consolidated net income/loss	**665**	**827**
	Other result		
1.	Currency translation differences from the translation of foreign operations	6	–65
2.	Net result from “available-for-sale” financial assets	41	7
3.	**Other result for the period under review, after taxes**	**47**	**–58**
4.	**Overall result**	**712**	**769**
	Overall result:	**712**	**769**
	thereof minority interests	48	34
	thereof attributable to shareholders of Masterflex SE	**664**	**735**

* unaudited



Consolidated cash flow statement

As of	30. Sep. 2013* k€	30. Sep. 2012* k€
Result for the period before taxes, interest expenses and financial income	4,497	5,377
Income taxes paid	–926	–1,709
Depreciation expense for property, plant and equipment and intangible assets	1,908	1,947
Change in provisions	336	–226
Other non-cash expenses/income and gains/losses from the disposal of property, plant and equipment and intangible assets	131	–274
Changes in inventories	–370	–1,886
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	–926	–864
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	–490	–226
Net cash from operating activities	**4,160**	**2,139**
Proceeds from the disposal of non-current assets	0	7
Payments to acquire intangible assets	–2,306	–1,755
Changes in cash and cash equivalents due to the sale of consolidated subsidiaries	0	80
Changes in cash and cash equivalents due to the repayment of financial assets	23	0
Net cash from/used in investing activities	**–2,283**	**–1,668**
Payments to owners and minority interests	-152	-320
Interest and dividend receipts	18	98
Interest expenditure	–1,039	–1,223
Proceeds from the sale of term deposits/ securities	0	5
Proceeds from raising loans	24,500	500
Payments for the repayment of loans	–23,673	–1,411
Net cash from/used in financing activities	**–346**	**–2,351**
Net change in cash and cash equivalents	**1,531**	**–1,880**
Changes in cash and cash equivalents due to exchange rates and other factors	-209	6
Cash and cash equivalents at the start of period	**2,835**	**4,561**
Cash and cash equivalents at the end of period	**4,157**	**2,687**

* unaudited

Drainage hose from MATZEN & TIMM for application in the aviation industry

Consolidated statement of changes in equity

	Sub-scribed capital k€	Capital reserve k€	Retained earnings (retained profits brought forward) k€
Equity at 31. Dec. 2012	**8,732**	**26,252**	**–13,642**
Consolidated net income/ Minority interests	0	0	2,087
Changes in fair values of financial instruments	0	0	0
Currency translation gains/ losses from translation of foreign financial statements	0	0	0
Overall result for the financial year	**0**	**0**	**2,087**
Dividend distributions	0	0	0
Change due to equity increases/ decreases	0	0	0
Other changes	0	0	0
Equity at 30. Sep. 2013	**8,732**	**26,252**	**–11,555**
Equity at 31. Dec. 2011	**8,732**	**26,252**	**–18,075**
Consolidated net income/ Minority interests	0	0	2,733
Changes in fair values of financial instruments	0	0	0
Currency translation gains/ losses from translation of foreign financial statements	0	0	0
Overall result for the financial year	**0**	**0**	**2,733**
Dividend distributions	0	0	0
Change due to equity increases/ decreases	0	0	–2
Other changes	0	0	0
Equity at 30. Sep. 2012	**8,732**	**26,252**	**–15,344**

	Revaluation reserve k€	Exchange differences k€	Minority interest k€	Total k€
	–733	**–621**	**536**	**20,524**
	0	0	130	2,217
	42	0	0	42
	0	–209	0	–209
	42	**–209**	**130**	**2,050**
	0	0	–151	–151
	0	0	0	0
	0	0	0	0
	–691	**–830**	**515**	**22,423**
	–747	**–480**	**557**	**16,239**
	0	0	133	2,866
	–33	0	0	–33
	0	6	0	6
	–33	**6**	**133**	**2,839**
	0	0	–320	–320
	0	0	80	78
	0	0	0	0
	–780	**–474**	**450**	**18,836**

Notes Quarterly financial report 3/2013

1. Reporting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and International Accounting Standards (IAS) of the International Accounting Standard Board (IASB) and is in keeping with the company's key accounting principles presented here. The same accounting principles were applied as in the consolidated financial statements for the financial year that ended on 31 December 2012.

2. Basis of consolidation

The basis of consolidation has not changed in comparison with 31 December 2012.

3. Dividend

Masterflex SE did not pay a dividend for the financial year 2012.

4. Financial liabilities

The syndicated loan agreement, which was concluded in June has a total volume of € 40.0 million and a maturity date of May 2018. The drawdown of the loan amounted to € 24.5 million on the balance sheet date.

The syndicated loan agreement was reduced in the balance sheet by the directly attributable transaction costs of € 727 thousand at initial recognition. The subsequent measurement is carried out at amortised cost according to the effective interest rate method. The difference between the disbursed amount (after deduction of transaction costs) and the redemption amount is distributed over the term at a rate consistent with the effective interest rate and recorded under net interest income.

The receivables from the bank consortium from the syndicated loan agreement are secured by the Masterflex Group companies among others by land debts registered on domestic real estate, the pledging of shares, the assignment of receivables and the transfers of ownership.

5. Segment reporting

The Masterflex Group divides up its operating segments in accordance with the criteria of IFRS 8. Control is carried out on the basis of the information that the management as chief operating decision maker receives for measuring the performance of and allocating resources for the entire Masterflex Group (management approach).

The basis of segmentation has not changed in comparison with the consolidated financial statements of 31 December 2012. SURPRO Verwaltungsgesellschaft mbH, Masterflex Entwicklungs GmbH and Masterflex Vertriebs GmbH are presented on a uniform basis under “Discontinued business units”. The Masterflex Group thus has one operating segment, the core High tech hose systems business unit (HTS).

Segment reporting 30 Sep. 2013	High tech hose sytems k€	Continued operations k€	Discontinued operations k€	Total segments k€
Revenue from non-Group third parties	44,153	44,153	0	44,153
Earnings (EBIT)	4,655	4,655	–29	4,626
Investments in property, plant and equipment and intangible assets	2,306	2,306	0	2,306
Depreciations	1,908	1,908	0	1,908
Assets	55,457	55,457	12	55,469

Segment reporting 30. Sep. 2012	High tech hose sytems k€	Con-tinued opera-tions k€	Discon-tinued opera-tions k€	Total seg-ments k€
Revenue from non-Group third parties	42,025	42,025	0	42,025
Earnings (EBIT)	5,907	5,907	-106	5,801
Investments in property, plant and equipment and intangible assets	1,755	1,755	0	1,755
Depreciations	1,947	1,947	0	1,947
Assets	51,959	51,959	17	51,976

6. Earnings per share

Basic earnings per share is calculated in accordance with IAS 33 by dividing consolidated net income by the weighted average of the number of shares in circulation during reporting period. As at 30 September 2013, basic earnings per share from continued operations amounted to € 0.24 and earnings per share from continued and discontinued operations amounted also to € 0.24; both figures are based on a weighted average number of shares of 8,865,874.

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

7. Treasury shares

As at 30 September 2013 Masterflex SE held a total of 134,126 treasury shares.

8. Employees

In the reporting period, the number of employees was 529, up 6.4% on the previous year period (497 employees).

9. Income tax

In the calculation of income tax expense in the quarterly financial report, the estimated effective income tax rate for the current financial year is included in the intra-year calculation of tax expense. The effective tax rate is based on current earnings and tax planning.

10. Cash flow statement

The consolidated cash flow statement is prepared in accordance with IAS 7 (“Cash Flow Statements”). A distinction is made between cash flows from operating, investing and financing activities. The cash and cash equivalents reported in the cash flow statement correspond to the “cash in hand and bank balances” reported on the face of the balance sheet.

The cash and cash equivalents at the end of the period, as presented in the consolidated cash flow statement, can be reconciled to the associated items in the consolidated balance sheet as follows:

	30. Sep. 2013 k€	30. Sep. 2012 k€
Cash and cash equivalents at the end of period	4,157	2,687
Cash in hand and bank balances included in assets held for sale	8	13
Cash in hand and bank balances	4,149	2,674

11. Related party disclosures

Masterflex SE and the companies included in the consolidated financial statements conducted material transactions with the following related parties within the meaning of IAS 24:

MODICA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Masterflex KG, Gelsenkirchen.

The relationships are explained in the Notes to the Consolidated Financial Statements under note 35 in the 2012 Annual report. There have been no changes to the comments made there in the reporting period.

12. Auditor's review of the quarterly financial report

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

4 November 2013

Dr. Andreas Bastin
CEO

Mark Becks
CFO


Clamp connection with inner thread
by MASTERFLEX
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