MASTERFLEX GROUP

CONNECTING VALUES

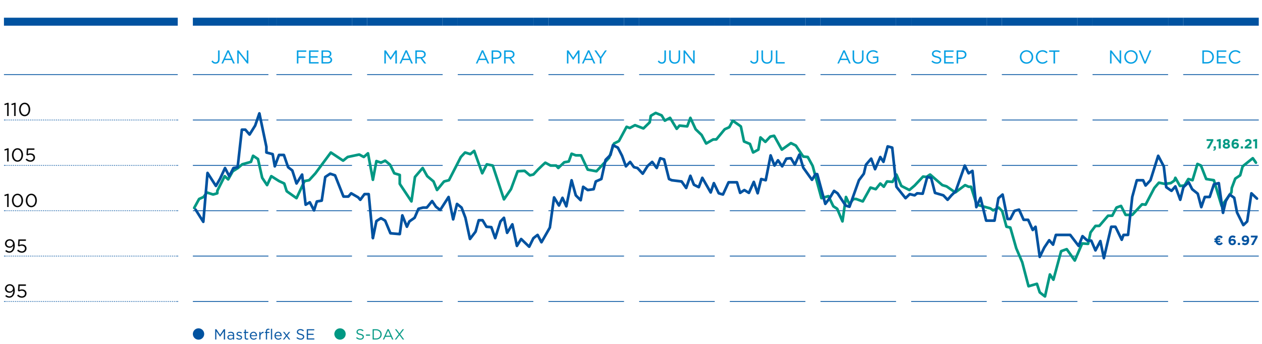
ANNUAL REPORT 2014

MASTERFLEX AT A GLANCE

in k€	31.12.2014	31.12.2013	Change
Consolidated revenue	62,466	57,904	7.9 %
EBiTDA	9,172	8,769	4.6 %
EBiT	6,317	6,114	3.3 %
EBT	5,194	4,537	14.5 %
Consolidated earnings from continued business units	3,232	2,867	12.7 %
Consolidated earnings from discontinued business units	-154	-80	-92.5 %
Consolidated net income/loss	3,043	2,596	17.2 %
Consolidated equity	23,835	21,063	13.2 %
Consolidated total assets	51,982	51,730	0.5 %
Consolidated equity ratio (%)	45.9 %	40.7 %	
Employees	567	550	3.1 %
EBiT margin	10.1 %	10.6 %	
Return on sales	5.2 %	5.0 %	
Consolidated earnings per share (€)			
from continued business units	0.36	0.30	20.0 %
from discontinued business units	-0.02	-0.01	-100.0 %
from continued and discontinued business units	0.34	0.29	17.2 %
Previous Year's figures partially adjusted			

Please note: Only the German version is legally binding.

PERFORMANCE OF MASTERFLEX GROUP SE SHARE OVER 1 YEAR



THE GROUP

THE BRANDS

MASTERFLEX

Spiral hoses and connection systems for all industrial applications

MATZEN & TIMM

Spezial vulcanized shapes and hoses for the aviation, the automotive industry as well as the railtraction

NOVOPLAST
SCHLAUCHTECHNIK

Preformed tubes and technical tubings for medical as well as industrial uses

FLEIMA-PLASTIC

Injection moulded parts and components for the medical technology

MASTERDUCT

High-tech hoses and connection systems and HVAC elements

VISION

OUR VISION IS GLOBAL MARKET LEADERSHIP IN ALL THE MARKETS WE ADDRESS

STRATEGY

As an internationally orientated company with German roots, the Masterflex Group specialises in providing solutions to connection issues. For decades, we have successfully devoted ourselves to the development, production and consultancy-driven marketing of high-quality hoses and complete connection systems. With our materials and technology expertise, we process sophisticated high-performance plastics into products that set international standards.

Our values determine our actions: as a reliable partner, we offer security and service. German Engineering delivered worldwide with uniform international quality standards.

We want to grow at an above-average rate on a profitable basis. We pursue this goal persistently with a sustainable, medium-term growth strategy.

2014 produced strong growth momentum for us, with a good operating margin. Our innovations, the Master-PUR Trivolution® – a high-performance hose which combines three important added features – and the high temperature Fireflex™ exhaust hose, are two important new products that we have successfully brought to market.

GLOBAL MARKETS IN FOCUS

We want to gradually broaden the focus of our business across the European, American and Asian continents. To this end, since 2010 we have been cultivating new international markets and started operations in Brazil, Russia as well as Singapore and China. In the medium term, we want to offer our entire product range to selected markets on these continents.

INNOVATION IS OUR DRIVING FORCE

We continually develop new hose and connection systems. The impetus for this is often rooted in our close customer contact. Developed from a variety of high-performance plastics, our engineers test and manufacture products which are able to replace conventional connections. In this way, we have been the marketplace technology leader in flexible specialised connections for years.

Foreword by the Chairman of the Board

Dr. Andreas Bastin
Chairman of the Executive Board. Doctorate in Engineering majoring in mechanical engineering.

Dear Shareholders,

You will be familiar with the saying “Good is the enemy of better.” I was reminded of this when looking back on our last financial year. 2014 has definitely worked out well. The turnover in the business of high-tech hoses and connection systems has increased by almost 8 percent to € 62.5 million. Operating income (EBIT) amounts to € 6.3 million; this corresponds to profitability of 10.1 percent. And the consolidated net income amounts to € 3.0 million. These key financial data for 2014 are all good results and we Board members are delighted, as is the case most probably for all our staff across the Masterflex Group.

The joy would be even greater if we didn’t know that there is still room for improvement. At the close of the 2014 financial year, our ambitious expectations of an even higher operating result had not quite been met (but which we had given an ad-hoc announcement about on March 5th), mainly due to the critical developments in Russia as well as the – in the meantime largely resolved – material-related problems with a large order in the medical technology field. This somewhat lower than expected EBIT is rather frustrating but is not reason for pessimism. With a growth momentum of almost 9 percent on average over the last four years at a constant double-digit EBIT margin and an equity position that has now reached almost 46 per cent, we can conclude that our business model – development, production, and consulting-oriented sales of high-tech hoses and connection systems – is sound and sustainable.

It is our vision that we will obtain market leadership in all the markets we address. We are moving forward on this long-term, profitable path. As a guideline for this journey, we adopted our growth strategy four years ago: we want to implement our vision by means of the strategic pillars of internationalisation and innovation.

How far along this route have we reached today? An important source of 2014 growth of 7.9 percent was the high demand at our German sites. Here, we achieved turnover of more than € 31 million. To a great extent, brisk foreign demand from the regions around the world contributed to this where we do not have our own sites. Conversely, this means great successes but nonetheless that our business with a share of around 49 percent is dominated even more by our German business. Thus, as CEO, my full attention has for some time been concentrated on the vision-orientated expansion of our business, especially on an international level and in particular Asia and the Americas. This includes, in terms of time, increasing our share in third countries from the current 27 percent as quickly and as sustainably as possible.

In Asia, a market we have actually only been cultivating for two years, we can also already celebrate interim successes. Turnover in Asia has now clearly reached a magnitude of seven-digit figures. From Kunshan near Shanghai/China, we will further penetrate the huge Chinese market with a committed, motivated sales force and recently expanded range of plant machinery, with which we are now also able to deliver particularly sought-after products at short notice. The same applies to many of China's neighbours. In North America, we have a very stable starting position for our product portfolio which we will strengthen and expand.

The second, but no less important, long-term strategy element is innovation. We can only maintain our excellent market position as technological leader if application-orientated research and development continue to remain at the forefront of our innovations. But admittedly, with development and testing – which can be protracted and thereby also cost-intensive – we cannot produce supposedly splendid ideas whose range of application and thus their market potential do not exceed certain thresholds. Hence, we seek and filter our technical innovation ideas via a so-called stage-gate-process which means, by involving technology, controlling and sales, that suggestions and ideas are analysed, tested and evaluated in step-by-step fashion. In other words, is further development worthwhile, or is it better to abort? Lately, this team approach has also begun to include group-wide marketing for advanced preparation of market launches.

Product innovations in recent times show how important technical achievements are to us.

With the introduction of the FireFlex™ exhaust hose, we have designed and successfully tested a new product for the precisely-defined customer group in the US market of an order of magnitude that is not to be underestimated: the multitude of US fire departments with their fleet of vehicles equipped with heavy-duty diesel engines. FireFlex™, the easy-to -fit yet very robust hose, simplifies the maintenance process enormously, thus these substantial fire-fighting appliances can be started and maintained without danger to life or limb. If you want to see the application opportunities of these hoses with your very own eyes, I can only recommend that you watch the US TV show “Chicago Fire”, which is currently also showing on German TV, in which the actors as members of the Chicago “Firehouse-55 Department” fight to save life and limb of their fellow citizens and, when starting the heavy-duty engines of their fire engines, rely heavily on high-temperature exhaust hoses like FireFlex™.

Even more important in terms of sales are the Master-PUR Performance® and the Master-PUR Trivolution® - two extruded spiral hoses that we have introduced on the market over the past two years. Today, both hoses are very popular product families which represent a significant part of the sales of the Masterflex and Masterduct brands. The special attraction of 2014 is the newly introduced Master-PUR Trivolution, which owes its now trademark- protected epithet “TRIvolution” to its three properties of antistatic, flame-resistance and microbial resistance combined into one single hose. For our distributor customers, this product is not only a modern high-performance hose for complex transport situations, but also a trade commodity that has drastically reduced the capital commitment and space required in their warehouses, because a single Master-PUR Trivolution replaces three technically simpler predecessor models by way of one single additional benefit.

We want to continue with these types of innovation as they are also of interest to us from an operational point of view. Anyone who has been on the product pages of the Masterflex brand website (**www.masterflex.de/en**) will be aware of our product range and that it is diverse from a manufacturing point of view, but not easy to manufacture. Thus, they are multi-talented hoses which – without disclosing any of the technical properties! – are the optimal connecting solution for a large number of applications, an important product of the future. It is definitely worth further investment. I firmly believe that such an advanced product portfolio is a distinct advantage in competition over other hose manufacturers.

Ladies and gentlemen,
With these annual financial statements we end a burden of our difficult years from 2008 to 2010. You will perhaps recall: a debt waiver from seven banks of over € 10.2 million was accompanied by the capital increased in 2010 of over € 13.1 million which had been withdrawn from our re-financing. Unfortunately, this debt waiver has been successively incorrectly recorded by us and has now led to a disclosure of deferred taxes that has to be reported involving a total amount of around € 2.8 million. We have now made this correction retrospectively from 2010 in accordance with accounting standard IAS 8. Even though that past error has been so annoying, the good news is that this encumbrance has now been rectified and that we can – despite the corrections! – look forward to the future with promise with increased equity capital compared to the previous year.

The key is to look forward: this also applies to our stock. The bottom line is that the titles have moved somewhat sideways in 2014, even though there were ups and downs during the year. Since the beginning of this year, the stock rose quite respectably up until the publication of our preliminary figures on March 3th. Even though there has understandably been some uncertainty amongst investors, our growth strategy is right and we are sustainably profitable. That is also made clear from the fact that we are capable of distributing profits again this year after some years. The last dividend was paid in 2007. According to our motto “Profits must first be earned, before they can be – gladly! – distributed”, we want the shareholders to participate in the profitability of our business model by receiving ongoing dividends. Now we just have to stay on course with respect to the partly conflicting objectives of “reducing debt”, “financing growth”, “being able to take advantage of opportunities for company acquisitions” and paying a dividend. But if the present trend continues – and the signs of this look good in my view – the payment of a dividend clearly remains on the agenda over the next few years.

Let us discuss this matter at the Annual General Meeting – which I would now like to cordially invite you to: we are meeting on 16 June 2015 at 11am in Gelsenkirchen. For the first time since the stock market flotation of the Masterflex Group in 2000, the Annual General Meeting will not take place at Schloss Horst but instead at a location which is certainly just as interesting: the Schalke Arena. With a view over the impressive-looking football stadium and surrounded by period-style reminiscences in the "Glück auf", "Flöz Fritz" and "Tibursky" rooms, my Executive Board colleague, Mark Becks, and I are already looking forward to meeting you!

Gelsenkirchen, 18 March 2015

Dr. Andreas Bastin
Chief Executive Officer

COMPLIANCE IS EXPANDED TO PREVENT UNNECESSARY RISKS

CEO Dr. Andreas Bastin and CFO Mark Becks in discussion with Chief Compliance Officer (CCO) Jessica Schüring on the subject of Compliance.

The discussion was led by Mrs Schüring (CCO).

From left to right: Dr. Andreas Bastin (CEO), Mark Becks (CFO) and Jessica Schüring (CCO).

Dr. Bastin, in 2014 the subject of Compliance has been considerably expanded. What objectives is Masterflex SE pursuing by introducing Compliance? **Bastin>** By 'Compliance' we understand observing all laws which can impose an administrative or criminal fine and their implementation regulations within the company, as well as ethically correct, value-orientated trading. By introducing compliance, the Masterflex Group and the people associated with it – from staff colleagues to shareholders and to Board Members – should be protected from taking risks which would endanger the business. In this regard, with compliance arrangements in place, by way of example we're offering our staff specific assistance so that they are able to find their way within the 'web of regulations' and perform their duties within the realm of the law. Establishing a value-orientated management approach for the company and creating a sustainable compliance culture is in our view an important contributory factor to company success. In this way we create an environment of reduced risk for our business operations and secure our own position in relation to our competitors. In short: by minimising the possible risks we increase the efficiency of our output so that the best possible effectiveness can be achieved.

What constraints do you need to be aware of with this approach? **Bastin>** Since the Masterflex Group is active across more and more of the world, yet is based on the relatively restricted structure of a medium-sized enterprise, we are pursuing a compliance strategy that is as straightforward as possible and one focused purely on operative efficiency. As an integral component of our commercial activities, this doesn't cause any interference which could hinder business operations.

In 2014 the compliance system was widely expanded. So is it now a case of a completely new set-up? **Bastin>** No, not really – compliance is nothing new for us. Yet what is new is the formalised system, the increased pressure of standardisation and marketplace pressure which are all faced with as part of compliance. As far back as mid-2012, the Masterflex Group had compiled and published a corporate mission statement. And in the same year, the first compliance training session for the Supervisory Board took place. In early 2014 our very own "Masterflex Group Code of Conduct" – the beating heart of our corporate culture – was laid down in written form. This code is now being rolled out in step-by-step fashion and top down across the whole group, as well as the training to go with it. Members of the Board, Managing Directors, Line Managers and staff with management roles have all received training in 2014. Continued training for staff in particularly sensitive roles such as signatories in purchasing or sales staff follows in the next phase. Subsequently the focus will be on our companies abroad which of course will also be trained while taking their local specifics and legal regulations into account.

In addition, colleagues can access our newly installed compliance helpdesk with compliance-related questions or use the reporting system for communicating grievances, malpractice, compliance breaches or suspicions.

That all sounds like a not-insignificant use of resources. What level of expenditure do you expect on this, Mr Becks? **Becks>** That's why we've created the role of Chief Compliance Officer. Supported by a locally-based Compliance Officer at each site, the CCO reports regularly to the Executive Board. For this purpose, a fixed budget has been allocated to the Compliance section which is calculated annually in line with need. This budget covers the costs of legal advice as well as the external connection for the compliance hotline, further training for colleagues and associated salary payments.

We're convinced we've taken our next step in the right direction.

And what successes can be documented since the formalisation of activities that took place in 2014? **Bastin>** Thanks to a comprehensive risk analysis of our operations, potential compliance risks have been recognised and analysed. By creating preventive measures and improving our in-company guidelines, these risks were able to be largely avoided already in 2014. Compliance is integrated into business operations in the Masterflex Group, not superimposed on them. Colleagues were made aware of the issues in good time and accepted the support provided by compliance positively, and were able to find their way within the 'web of regulations'. The compliance requirements regularly directed to us by our business partners – in particular large medium-sized enterprises and global corporations – can now be met on a par. In that way, we are seen to be a reliable and integrated company for doing business with, and that once again has a positive influence on our business operations.

So how do the remaining measures look that are intended for 2015? **Bastin>** Not only for 2015, but in general over the following years we'll be continuing with the development and implementation of a compliance programme across the group. The risk analysis that's already been done will be repeated again at regular intervals so that potential risks can be identified and our compliance system further developed in targeted fashion. In general terms, this involves introducing a group-wide guideline management system, further compliance training sessions and building up an effective test for business partners. In other words, more measures will follow to ensure that compliance is exercised across the whole Masterflex Group.

With the introduction of compliance, in any event we are fulfilling the legal requirements. Looking forward in this context, could there also be any positive, business-based effects? **Bastin>** Yes, of course. On top of fulfilling the legal requirements, our level of corporate performance will be raised and thereby the enterprise value. With effective compliance arrangements in place, we're guarding against some potential risks and their costly consequences before they arise. Because illegal actions can lead to fines, profits being skimmed, penalties for the company or to lesser returns due to the compliance breach. In addition, in most cases these losses grow due to external and internal procedural costs, claims for damages and rescission. Which not only has negative impacts on the company's results but could – in the worst case scenario! – also threaten the continuation of the business.

Becks> Avoiding such horror scenes is one of the main criteria for introducing compliance. We're convinced we've taken our next step in the right direction. But we'll not stand still: even in 2015, we'll be targeting continued work on our compliance system to set the Masterflex Group up optimally for the future in the world-wide 'regulations jungle'.

Many thanks for the discussion!

CONTENT

CONTENT

MASTERFLEX

Master-PUR L Food A

Spiral hose, light-weight PU suction and transport hose with very good flexibility, food-safe and permanently anti-static. Ideal for connecting to pipelines in the food or pharmaceutical industries, the Combiflex food connecting elements provide liquid-tight connections.

Consolidated Management Report

A. Basics of the Group

I GROUP BUSINESS MODEL

The Masterflex Group with its parent company Masterflex SE, Gelsenkirchen, (hereinafter referred to as Masterflex Group), concentrates on the development, production and marketing of high-tech hoses and connection systems for a wide range of applications in industry and manufacturing. This company has been the continuously profitable mainstay of the Masterflex Group since its inception more than 25 years ago.

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

Since 2000, Masterflex SE shares (German Securities Code no 549 293) have been traded on the Frankfurt Stock Exchange in the sector with the highest standards of transparency, Prime Standard.

II VISION, OBJECTIVES AND STRATEGIES

We are suppliers of products and systems which solve connection problems. Our particular expertise lies in the use of sophisticated plastics. Our vision is global market leadership in all our relevant markets.

The development, production and engineering-orientated marketing of high-tech hose and connection systems hold considerable growth potential. Therefore, we are pursuing the strategy of developing and producing customised and sophisticated products with high value for the customer. This consultation-oriented specialist market strategy, expressed in our slogan **Connecting Values**, differentiates the Masterflex Group from other hose manufacturers. In addition we pursue the goal of above-average, profitable growth purposefully and consistently. Our growth strategy is based on two pillars: internationalisation and innovation.

Internationalisation Strategy

We want the lion's share of our sales which is currently still to be found in Europe to gradually become more widespread and to count for a larger share of our business in North and South America as well as in selected markets on the Asian continent.

Within the framework of the targeted development of new markets, the development of new regional markets developed outside Europe at the beginning of this decade. In 2010, the Masterflex Group launched a 51% joint venture in Russia and its own company in Brazil. In 2012, our activities commenced in Singapore and Kunshan/China. In addition to the expansion of our site network, it is our aim to offer the complete range of products from the Masterflex Group in the medium term to all addressed markets.

Innovation Strategy

We continually develop new hoses and connecting parts which are normally initiated by customer requests. Our engineers design, test and produce innovative products from the increasing diversity of high-performance plastics and manufacturing processes, which can replace conventional connection solutions or the materials used, to the benefit of our customers. These products are continuously being launched onto the market. Thanks to this innovation strategy, we maintain our leading market position as technology leader in the specialist market for high-tech hoses which has a positive impact on our price-setting power.

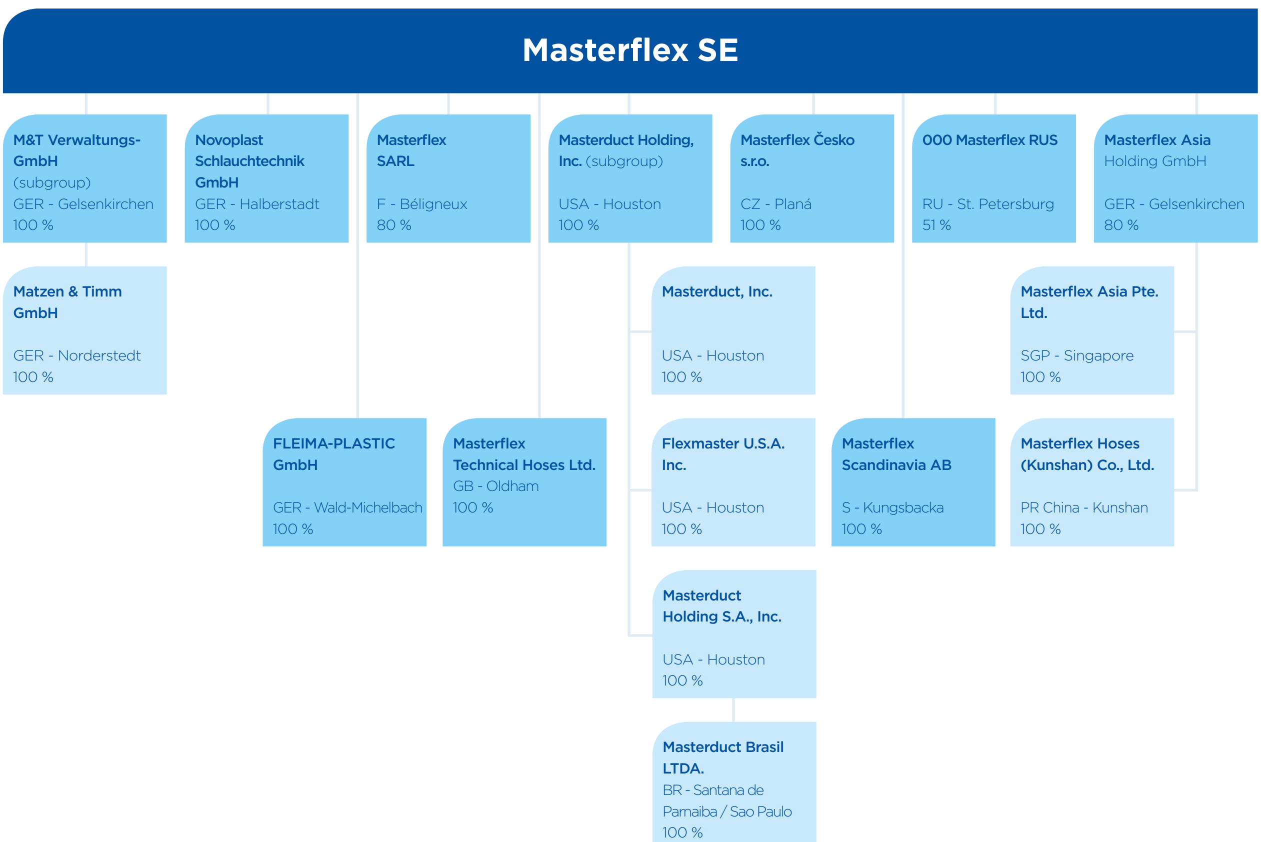
III CONTROL SYSTEM AND GROUP STRUCTURE

Masterflex SE is a European stock corporation in accordance with SE Regulations and German law.

The basic principle of German stock corporation law is the dual management principle consisting of an Executive Board and Supervisory Board which each have their own areas of responsibility.

The group structure is illustrated in the following diagram.

ORGANISATIONAL CHAR



1. Committees

The Executive Board
The Masterflex Group is run by the Ececutive Board consisting of two members. Dr.-Ing. Andreas Bastin has been Chief Executive Officer since April 2008, while graduate industrial engineer Mark Becks has been Chief Finance Officer (CFO) since June 2009.

Supervisory Board
The three-member Supervisory Board of Masterflex SE comprises Chairman Friedrich Wilhelm Bischoping, his Deputy Georg van Hall and member Axel Klomp.

The deliberately small size of the Supervisory Board means that no separate Supervisory Board committees are formed. Between meetings, the Executive Board and the Supervisory Board discuss key topics in telephone conference calls and strategy discussions arranged at short notice. The Chairman of the Supervisory Board also receives regular information on the group's business development and forthcoming projects.

2. Internal Corporate Management System

The starting point for strategic corporate planning is an annually updated 5 year plan dealing with the income statement, balance sheet, investments and liquidity. Budget planning for the following financial year is derived from this strategic planning and apportioned to individual months. Controlling in the group is driven by the monthly target-actual deviation analyses. Forecasts are prepared quarterly allowing a rolling earnings projection. The management is informed on a weekly basis about the sales and incoming orders from the preceding week. Within the scope of monthly reporting, the operating result (Earnings before interests and taxes, in short EBIT) is reported to the Board for the entire group.

Within the Masterflex Group, key performance indicators and their continuous development are firmly at the forefront, focused on liquidity and the value of the company and supporting the corporate strategy. These include in particular:

- Turnover compared to actual, target (budget) and previous year.
- EBIT development at group level.

IV RESEARCH AND DEVELOPMENT

Ensuring the group's innovative power is an important objective of our corporate strategy. Product innovations as part of our product portfolio are and will be the basis for success for high-tech company development.

The emphasis here is on application development. We deal with innovative materials, production processes as well as new product applications. On the one hand, this results from taking on board customers' needs and implementing them into specific product solutions. On the other, we regularly develop new products in close cooperation with our suppliers when material-related changes are involved which result in the possibility of new solutions. In this way, right from the early stages, we target quality requirements to the differing needs of the markets.

Intensive information exchange with leading research institutions guarantees cutting edge technology.

The planning and management of development projects is always important for the success of the competition given the shortened product life cycles and increasing innovation expenses. This trend is taken into account through our active innovation management. The stage-gate-orientated innovation process helps optimise the effectiveness and efficiency of our innovation activity.

Thanks to our innovation capabilities, our products can‘t easily be substituted by other materials. Nevertheless, high-tech plastics processed by the Masterflex Group offer significant potential as replacements for conventional material like steel. Moreover, we don’t do contract manufacture. Nearly all our products and services are developed by our own engineers and specialist staff and to a large extent are made in-house.

For every individual product innovation, we review whether it is necessary, legally possible and reasonable in terms of our corporate strategy to apply for patents or other property rights. Today, the Masterflex Group thus owns an increasing number of intellectual and industrial property rights.

Over the course of time we have built up an extensive pool of high-quality measuring and analysis instruments for trialling, testing and preparation, used for licensing our innovative product range. Particularly at the German sites, we have a variety of mechanical and electrical testing equipment, as well as market-leading pressure test benches with integrated temperature chambers or IR spectrophotometers for material analysis.

V THE MARKET FOR HIGH-TECH HOSES

The global market for high-tech hoses and connection systems comprises many rather regionally-oriented specialist markets which are mostly served by SMEs. Customers primarily come from process manufacturing including industrial applications (B2B market); they range from internationally operating corporations to wholesale and medium-sized industrial enterprises down to small regionally-based businesses. Thereby, due to its rather inconsistent and opaque structure, there is little reliable market data. Nevertheless, due to the hard-to-come-by expertise in materials, processing and application of the demanding polymers and the diverse possible applications, it is an attractive and profitable market. It is characterised by small batch sizes in both production and sales as well as by the intensity of consulting and development expertise for customer-specific solutions. In contrast, the market better known to the general public for mass-produced hose items (such as garden and industrial hoses and bicycle tubes) which is strongly focused on end-customers is determined by large batch sizes, lower margins and major international providers.

We have intensively observed, documented and analysed this market and its participants for several years in our core regions in terms of products, technical developments and marketing strategies. Thus, we have global, comprehensive industry know-how which is not available anywhere else in this form. This knowledge, in particular about our competitors, sets us apart from other hose manufacturers and assures us of a relatively efficient product policy.

The importance of possible uses of high-tech hoses will continue to increase in the medium term, because the production processes in the industry as a whole will become more and more challenging. Three parameters in particular drive the industrial demand for connection solutions which meet a wide number of needs: firstly, the increasing speed of the manufacturing process; secondly, flexibility in terms of small end-product volumes with frequent variations in production and thirdly, quality requirements of the end-products being manufactured.

The areas of application for high-tech hoses and connection systems cover a broad range of industrial sectors: increasingly flexible and versatile connection solutions are used in mechanical engineering, in the aerospace and automotive industries, by energy companies or even, increasingly, in the manufacture and processing of food and pharmaceutical products as well as pharmaceutical products and in the medical industry. These complex areas of application, combined with outstanding expertise in processing modern and sophisticated plastics, allow us to create and produce connection solutions which can only be achieved inadequately, disadvantageously or not at all with conventional materials.

VI BRAND IDENTITY AND PRODUCTS

The five main operating companies of the Masterflex Group are presented below. These companies, which all have their own production capacities, represent at the same time the corporate brands which the Masterflex Group brings to market around the world. These five brands in their respective product portfolio are the components for our future unified market presence under the MASTERFLEX GROUP umbrella brand. In addition to the five brand companies, there are eight other operating subsidiaries in Europe, USA and Asia which sell these brand products and also produce these products on site.

The **Connecting Values** slogan emphasizes precisely the core competence of the Masterflex Group:

- Holistic connection solutions based on leading technology and often customised to the customers' requirements.

- German engineering with global production as well as close customer contact for advice, service, reliability and safety.

In a nutshell, this means Connecting Values: we combine solutions and this combination brings added value for our customers.

The brand image of the group at the beginning of 2015 was adjusted slightly in order to expand the visibility as a prominent global group for high-tech hoses and connection systems. The image is now used uniformly for both the umbrella brand of the MASTERFLEX GROUP and all five corporate brands. In addition, over the course of this year, electronic addresses have been standardised globally. Thus, the group is another logical step closer towards a unified global brand and market presence.

MASTERFLEX

Spiral hose business is the core competence of the Masterflex brand with the emphasis of production in Gelsenkirchen, Germany. In particular Master-Clip and PU hoses are developed, produced and distributed in addition to extruded spiral hoses. Connecting elements, like cuffs, flanges, threaded sockets clamps and other accessories complete our range of flexible and individual connection solutions.

This extensive variety offers products to satisfy individual requirements and fulfil demanding tasks. Irrespective of whether extremely abrasive solid matter, aggressive chemicals, gaseous media, up to +1,100 °C or even foodstuffs have to be transported: the hoses constructed from high-tech plastics and fibres always constitute an application- and customer-oriented flexible solution. From a technical as well as a marketing perspective, product innovations that have been important over the last few years have included Master-PUR Performance© which, thanks to its patented seamless, smooth inner surface for frictionless transportation, can readily handle heavy bulk goods and Master-PUR Trivolution©, whose properties combine antistatic, flame-retardant and microbe resistance in a single hose and for which there are a wide variety of applications with varying media.

MATZEN & TIMM

The underlying company of the Matzen & Timm brand (Matzen & Timm GmbH) is a highly regarded manufacturer of specialist hoses, industrial hoses and many other moulded parts produced from high quality plastic and rubber materials, like for example, silicon. The products are mostly handmade on an industrial scale and are used most notably in sectors in which precision and resilience are paramount. In particular, this includes the aerospace industry, and the automotive and rail sectors. Production takes place in both Norderstedt in Hamburg, Germany, and Planá in the Czech Republic. Special hoses can be found, for example, in the air conditioning system of the Airbus A380 as well as the Airbus A350, under the bonnet of a racing car at the DTM (German Touring Car Masters) or in the latest train systems. As a manufacturer with its own development department, the value added chain includes all sub-steps from design, simulation (FEM) as well as evaluation on customer premises, via manufacture of prototypes up to series production. Almost all products are custom-made for specific customers.

Thanks not least to its adept handling of requirements and its considerable development expertise, Matzen & Timm has ranked as one of the key suppliers to the aviation industry, special service vehicles and mechanical engineering for more than 50 years. Innovative products such as lightweight and/or electronically conductive hoses or conduits for aircraft fuel lines meet the requirements of the various markets in terms of safety and function.

NOVOPLAST SCHLAUCHTECHNIK

The Novoplast Schlauchtechnik GmbH in Halberstadt, Germany, specialises in the extrusion of hoses and profiles with diameters of 0.5 to 50 mm for industrial and medical applications. In parallel, products are further processed such as by thermosetting or special assembly and moulding processes. Thanks to thermofixing, hoses can be precision-manufactured in 2D and 3D with complex geometry and bending radii in accordance with customer requirements. In particular, these comparatively new capabilities open up for us a new perspective on interesting, highly customisable and individualised fields of application such as substituting metal pipes by low-noise and vibration-free plastic solutions.

State-of-the-art equipment is used for hoses and profile extrusion. The current large range of materials is regularly supplemented by special materials. For the production of medical technology, clean rooms are equipped up to ISO class 6, 7 and 8.

In addition, there is intensive group collaboration with the subsidiary Fleima-Plastic GmbH, manufacturer of medical precision injection-moulded parts. In this way it is possible to provide our customers with the full package from just one source, consisting of hose and medical components such as, for instance, Luerlock connectors, drip chambers or roller clamps.

FLEIMA-PLASTIC

The brand company FLEIMA-PLASTIC GmbH from Wald-Michelbach/Odenwald which was founded in 1974 has been part of the Masterflex Group since 2004. High quality plastic injection moulded parts and assembled plastic components are produced mainly for the medical technology, cosmetics, food technology sectors. In the modern factory, injection moulded components (also using 2-component technology) are manufactured, assembled and finished in ISO class 7 and 8 clean rooms. In addition, the company has vast experience in the area of building precision injection moulding in our in-house mould construction department and in the creation of prototypes in all the usual rapid prototyping procedures.

MASTERDUCT

The Masterflex Group is represented in North and South America by Masterduct Holding Inc., a wholly-owned subsidiary of Masterflex SE. Masterduct Holding has two operating subsidiaries: Masterduct, Inc. in Houston, Texas, USA and Masterduct Brasil Comércio de Dutos LTDA in Sao Paulo, Brazil. Masterduct Inc., in turn, is active in two industry sectors: heating, ventilation and air conditioning (HVAC), and the industrial applications sector.

The HVAC sector has established itself under the sub-brand name Flexmaster U.S.A. as a specialist in air conditioning and ventilation and is market leading in public sector construction applications such as in hospitals, schools sports facilities and universities. Today, it is the preferred supplier in the health sector because the products it manufactures do not contain any adhesives or solvents of any kind. Further, in place of rigid metal pipes, sound insulated hose designs prove not only to be more cost effective and flexible but absorb sound more intensively.

Masterduct sells the entire portfolio of the Masterflex, Novoplast Schlauchtechnik and Fleima-Plastic brands to the North American market under its brand. The clientele ranges from the wood industry to the aviation and service industry right up to the US government. In addition, Masterduct brings its own product innovations on the market such as the recent FireFlex™ exhaust hose for the high-temperature segment, specifically designed for the requirements of fire services with their fleet of vehicles and scoring highly thanks to its easy installation.

MASTERFLEX

Clamp Collar with Fixed Flange

An outstanding connection combination: spiral hose with fixed flange and clamp collar made from aluminium. The robust yet lightweight clamp collar is easy to assemble and provides secure connections.

Consolidated Management Report

B. Financial Report

I MACROECONOMIC AND INDUSTRY-RELATED ECONOMIC FACTORS

Economic development has been extremely varied in the past year in Germany. After a strong start in 2014, the economic dynamism slowed markedly over the course of the year; first concerns over the recessionary trend spreading into a growth-negative second quarter. Owing to strong consumer demand and a growing weakness of the Euro, it smoothed out over the remainder of the year and contributed to fairly strong economic activity in the fourth quarter. Overall, measured in real gross domestic product (GDP), the German economy grew to 1.5 percent in 2014. Thus, GDP growth was above the average growth of 1.2 percent of the last decade.

Regardless of the prosperous domestic economy there were increasing uncertainties in economic development worldwide due to geopolitical conflicts. Consequently, the global growth of 3.1 percent last year fell at a slower rate than we expected (3.5 percent forecasted for 2014). This involved not only the Euro zone with an average GDP growth of only 0.8 percent, which was hiding pronounced growth differentials between the individual Member States, but it also involved other regions in which Masterflex SE is active. These included notably Brazil and Russia, where we had expected GDP growth stocks of 1.6 percent and 2.2 percent, but actually only rates of 0.3 percent (Brazil) and 0.6 percent in Russia were realized (see also the table next page). Somewhat weakened, this is also unfortunately the case in the economic region of the USA, which is important to us, where there was a realised growth of 2.4 percent against an expected growth rate of 2.8 percent. In contrast, stable dynamics were indicated in China with a 7.3 percent growth as expected.

The geopolitical conflicts – in particular the conflicts in the Ukraine – and the consequences of the instability of the currency put a burden on the sustainable economic outlook in Europe. In comparison, Asia and North America are less affected by these profound and probably long-lasting problems. We therefore continue to consider our high-tech strategy of internationalisation to be essential for positioning Masterflex SE as an intercontinental, broadly-established, innovative and highly profitable company.

ECONOMIC GROWTH IN STATES WHERE THE MASTERFLEX GROUP HAS A PRESENCE
Change of GDP compared to Previous Year in Percent

Country	2014	2013
Euro zone	**0.8***	**- 0.4**
Germany	1.5	0.5
France	0.4*	0.3
EU	**1.3***	**0**
Great Britain	2.6*	1.8
Sweden	1.9*	1.5
Czech Republic	2.5*	- 0.7
World	**3.1***	**2.9**
Brazil	0.3*	2.5
China	7.3	7.7
Russia	0.6*	1.3
Singapore	3.6*	4.1
USA	2.4*	1.9

Source: Commerzbank. *predicted

In the plastics industry, 2014 again ended with a record turnover of € 59 billion in Germany (previous year € 57.5 billion). In the first half of 2014, the 2,866 companies of the German Plastics Association showed stronger sales growth in the packaging, consumer goods, technical parts and components business which then lost some momentum in the second half of the year. The number of employees in the predominantly medium-sized companies rose from 303,000 on 311,000.

Based on the prevailing mood among member companies, the industry association sees good opportunities for a further increase in business in 2015. Thanks to a well-filled order book and a relatively high degree of capacity utilisation, this also applies to the creation of further jobs.

II BUSINESS PERFORMANCE

Masterflex Group sales increased by 7.9 percent in 2014 to € 62.5 million compared to the previous year. Thus, we could clearly meet our forecast of disproportionately high sales growth compared with the world economy. However, the momentum of our business in the second half of the year, and particularly in the fourth quarter, has declined more than we expected. As a result, operating profit (EBIT) only grew by 3.3 percent to € 6.3 million with overall stable operating costs for the full year (previous year € 6.1 million). Thus, we could not adhere to the second part of our annual forecast – of a stronger increase in EBIT compared to the sales growth. Nevertheless, with an EBIT margin of 10.1 percent (previous year 10.6 percent), we are in line with our forecast and ambitious goal of a double-digit EBIT margin.

The Masterflex Group's growth strategy rests on the two pillars of internationalisation and innovation.

We were partly able to fulfil our internationalisation strategy objective this year: around € 31.1 million of our revenue was accounted for in Germany (previous year € 28.0 million). In particular, the increased export activities of the Masterflex and Novoplast Schlauchtechnik brands have contributed to the share of 49.8 percent of annual revenue in addition to the good economic situation. Turnover in the rest of the Europe region rose by 6.1 percent to € 14.5 million (previous year € 13.7 million). However, business only increased in third countries by 4.4 percent to a turnover of € 16.9 million (previous year € 16.2 million). This is partly caused by the sharp downturn in Russia, of which our joint venture could not be totally spared despite local on-site production. Crises and currency-related pressures caused turnover and operating profit to decrease disproportionately by the year end.

In Asia, where we have been active with our own manufacture and on-site sales since the end of 2012 in China and Singapore, we have created a sustainable and technologically recognised platform by means of our high-tech hoses 'engineered in Germany', which we will now build on and strive to expand with market-driven products into an appropriate pillar of our group. In the Americas, we have been able to consolidate our activities, even if our goal – market penetration comparable to that in Europe – will understandably only be achieved in a few years.

Even if the successive sales shift due to the prosperity in Germany and the neighbouring countries has grown somewhat more slowly this year, the medium- and long-term prospects for our business in North and South America and Asia are promising. Moreover, it would be a very short-term commercial policy to rely only on a speedy overall strengthening of the Euro zone with an economically strong Germany once again and thereby to neglect international business expansion.

With the second pillar of our growth strategy, innovation, we were also able to introduce two ground-breaking innovations onto the market in 2014.

- The world's first Master-PUR Trivolution® combines several important characteristics. The highly wear-resistant PU hose is microbe-resistant, anti-static as well as flame-retardant in accordance with DIN 4102 B1. There has never been anything like it before. The main advantage of this hose is in the reduction of production and storage costs, as only a single hose is now required due to the multifunctionality in terms of various properties. The hose has been very well accepted in the market and, today, measured on revenue, is one of our most popular products.

- We have introduced the innovative FireFlex™ hose on the US market. FireFlex™ is a vehicle exhaust hose that is used in the high temperature segment and was specifically designed for the requirements of fire services and their vehicle fleets. The lower hose is positioned before the end of the exhaust pipe and fitted with a complex, rigid heat shield which supports the connection between nozzle and tail pipe without dangerous combustion gases escaping. The upper part is quick to connect and easy to position with a single hand movement. This hose has been received with great interest by experts; thus we are positive of the revenue opportunities from this product innovation. Also, the use of exhaust hoses is visually well represented by way of the US TV series "Chicago Fire" – currently shown on German TV – in which the actors as members of the Chicago "Firehouse-55 Department" fight to save life and limb of their fellow citizens and, when starting the heavy-duty engines of their fire engines, rely on such high-temperature exhaust hoses.

A non-operational, not insignificant effect on the profit and loss statement of the year 2014, as well as in previous years 2013 as far back as 2010 has arisen due to an error correction becoming necessary in accordance with IAS 8. During the ongoing tax audit for the years 2007 to 2011, it was indicated that the "Deferred tax assets" item had been erroneously determined in 2010. In accordance with IAS 8, the balance sheet correction has been taken into account in the present consolidated financial statement as of 31 December 2014 whereby the comparative figures for 2013 are adjusted through profit or loss.

Furthermore, the opening balance sheet for 2013 has been corrected without recognition through profit and loss as previous reporting periods are also affected. The correction affects the balance sheet item "Deferred tax assets" as well as the relevant expense item "Income tax expense" and consequently the group's operating profit, equity capital and earnings per share of Masterflex SE.

Selected key figures for the Masterflex Group are as follows:

In k€	2014	2013	2012
EBITDA	9,172	8,769	10,171
EBIT	6,317	6,114	7,556
EBIT margin	10.1%	10.6%	13.7%
Consolidated net result - continued	3,232	2,867	3,910
Consolidated net result - discontinued	-154	-80	-262
Earnings per share - continued	0.36	0.30	0.42
Earnings per share	0.34	0.29	0.39

III ECONOMIC SITUATION

1. Results of Operations

In k€	2014	%	2013	%	+/-	%
Revenue	62.466	97.7	57.904	98.6	4.562	7.9
Changes in inventories	309	0.5	319	0.5	-10	-3.1
Other own work capitalised	261	0.4	49	0.1	212	432.7
Other income	903	1.4	449	0.8	454	101.1
Gross revenue	**63.939**	**100.0**	**58.721**	**100.0**	**5.218**	**8.9**
Cost of materials	-20.371	-31.9	-18.101	-30.8	-2.270	12.5
Staff costs	-23.267	-36.4	-21.849	-37.2	-1.418	6.5
Depreciation, amortisation and write-downs	-2.855	-4.5	-2.655	-4.5	-200	7.5
Other expenses	-10.899	-17.0	-9.760	-16.6	-1.139	11.7
Other taxes	-230	-0.4	-242	-0.4	12	-5.0
Total operating expenses	**-57.622**	**-90.2**	**-52.607**	**-89.5**	**-5.015**	**9.5**
Adjusted EBIT	**6.317**	**9.8**	**6.114**	**10.5**	**203**	**3.3**
Financial result	-1.123		-1.577		454	
Earnings before taxes	**5.194**		**4.537**		**657**	
Income tax expense	-1.962		-1.670		-292	
Earnings after taxes from continued activities	3.232		2.867		365	
Earnings after taxes from discontinued activites	**-154**		**-80**		**-74**	
Consolidated net income/loss	**3.078**		**2.787**		**291**	
- thereof minority interests	35		191		-156	
- thereof attributable to shaeholders of Masterflex SE	3.043		2.596		447	

1.1 Sales Trend

After a dynamic first half of the year for us, the second part of 2014 was rather subdued; this applied in particular to the fourth quarter. But collectively our business, production and sales of high-tech hoses and connection systems rose by 7.9 percent over the past trading year.

The most important source of our growth this year was our export activities from the German sites, and here particularly the Masterflex and Novoplast Schlauchtechnik brands. Revenue was maintained or increased in almost every subsidiary. The largest sales market for the Masterflex Group was and still is Germany. Of course, we should take into consideration that many of our customers currently (still) obtain our hoses at the head quarters in Germany and then internally send and install these worldwide. According to our estimates this situation will shift in the future to a large proportion of our customers sourcing hoses locally. Also in this respect, it is therefore more and more important for us to have a presence all over the world with corresponding production sales and consulting capacities. Our sales in France declined slightly but, after the change in management there, the situation has now stabilised; and in Scandinavia suitable measures were taken for better market cultivation. In addition, we had slumps at our Russian joint venture to carry due to the crisis and the currency devaluation.

Even though a different conclusion to 2014 initially seemed possible due to the surprisingly strong export growth of our German sites, the current growth rates, as well as the potential in the United States and in Asia are much higher than in Europe. In this respect, the internationalisation strategy we have pursued is continuing with vigour. We expect a gradual shift in our sources of revenue in other regions and countries, particularly outside Europe over the next few years.

1.2 Earnings Development

Operating EBIT (EBIT before discontinued business units and non-operating income and expenses) increased by 3.3 percent from € 6.1 million to € 6.3 million. This equates to an EBIT margin of 10.1 percent (10.6 percent previous year).

A considerable slowdown in growth momentum contrary to our expectations in the fourth quarter of 2014 is the reason for the slight drop in EBIT margin. The development affected all companies whereby in particular, in the meantime, the development in Russia and start-up problems concerning a large medical technology project which are almost resolved in the meantime had a noticeable detrimental impact for us. All in all, these negative effects could no longer be absorbed by short-term cost-cutting measures.

The development of individual items in the consolidated income statement are explained in brief below.

The changes in inventories amounted to € 0.3 million and are the same as the previous year (€ 0.3 million).

Other operating income rose slightly year-on-year by € 0.5 million to € 0.9 million. Amongst others, effects of subsidies, asset disposals and sale of tools are included in this increase.

Material costs have risen by 12.5 percent in 2014 from € 18.1 million to € 20.4 million. From this data, a material usage ratio (material costs in relation to sales and changes in inventories) of 32.5 percent can be worked out. The slight increase over the previous year (31.1 percent) is mainly attributable to a different mix in orders received.

Personnel expenses rose in the past financial year by 6.5 percent from € 21.8 million to € 23.3 million. Thus, the personnel cost ratio (personnel expenses in relation to sales and changes in inventories) fell to 37.1 percent compared to the previous year (37.5 percent). The increase in personnel in recent years which had contributed to an increase in this ratio in the previous year is as planned now gradually being compensated for through increased business and sales volumes. In 2014, there was an average of 567 employees employed in the Masterflex Group (550 previous year). The major reason for the increase in employee numbers is, in particular, due to the expansion in production needed to meet the generally high demand with a suitably high capability.

Other expenses (including other taxes) amounted to € 11.1 million and were thus up 11.3 per cent above this expenditure for the previous year (€ 10.0 million). This was essentially due to increased freight costs, higher rental costs due to expanded site capacities, increased travel costs and increased repair and maintenance costs.

Due to the investments made in 2014, write-downs increased from € 2.7 million to € 2.9 million, in particular for plant geared to next-generation medical technology and other machine peripherals, as well as for developing the Gelsenkirchen site.

The consolidated operating result amounted to € 6.3 million compared with a figure of € 6.1 million for previous year. The EBIT margin (EBIT in relation to sales) of 10.1 percent was not quite maintained compared to the previous year (10.6 percent). This is essentially due to fixed costs not being covered caused by the decline in sales at the end of the year.

The financial result improved again markedly by 28.8 percent from minus € 1.6 million (previous year) to minus € 1.1 million. In particular, the interest rates for liabilities to credit institutions were reduced sustainably due to debt relief, as well as due to the favourable trend of the Euribor interest rate. As in the previous year, no non-operating income and expenses from continuing operations were incurred.

The income tax position includes expenditure of € 1.96 million for the reporting year. This position consists of current income taxes (€ 1.06 million) and deferred taxes (€ 0.91 million).

The improper determination of deferred tax assets resulted in the determination of a significant error in the financial statements as at 31 December 2010 of Masterflex SE. This error led to incorrect figures being present in the consolidated financial statements of the following years and needing to be rectified in accordance with IAS 8.41ff. The corrections have been reflected in the current consolidated financial statement as at 31 December 2014. This resulted in an income correction of the income tax expense for 2013 amounting to € 0.29 million. The correction of income tax for the previous reporting periods was made without being recognised in the profit and loss by adjusting the 2013 opening balance sheet.

This resolution is based on the following facts: in 2009, a restructuring report commissioned by Masterflex SE due to the threat of financial difficulties confirmed the fundamental possibility of restructuring the company. As a result, the creditor banks partially waived some of their debt in line with the restructuring plan. This debt waiver amounting to € 10.2 million led to a restructuring profit for Masterflex SE, the taxation for which in the view of the company fell and falls under the criteria of a tax-privileged restructuring profit according to the BMF circular of 27 March 2003. However, at that time the existing tax losses unaffected by deduction and offsetting restrictions were not offset against the restructuring profit; this led to the deferred tax assets being incorrectly identified in the 2010 result.

During the ongoing tax audit for the years between 2007 and 2011, it was indicated that, on recognition of the restructuring profit, it must first be offset as far as possible against losses and negative income of Masterflex SE. In addition to offsetting with losses of the current financial year, it must also be offset against loss carryforwards and carrybacks.

It is further assumed that the application of § 8c paragraph 1a of the KStG (Corporation Tax Act) is permitted and that the requirements of restructuring gain have been satisfied and tax losses are useable.

The income after tax from continuing operations is € 3.2 million, up 12.7 percent on the previous year's result of € 2.9 million which have been corrected accordingly.

Income from discontinued operations amounts to minus € 0.2 million.

Consolidated net income amounted to € 3.1 million; compared to the previous year of € 2.8 million corrected in accordance with IAS 8, this corresponds to an increase of consolidated net income of 10.4 percent. Of which, € 3.0 million is attributable to the shareholders of Masterflex SE (previous year's figure corrected in accordance with IAS 8 is € 2.6 million).

Minority interests reflect ownership of the subsidiary in France (Masterflex SE: 80 percent), of the subsidiary in Russia (Masterflex SE: 51 percent) and of Masterflex Asia Holding GmbH (Masterflex SE: 80 percent).

Earnings per share for both continued and discontinued business units increased from € 0.29 (previous year corrected in accordance with IAS 8) to € 0.34 in 2014.

2. Financial Position

2.1 Principles and Objectives of Financial Management

The key short- to medium-term objectives of financial management were achieved in 2014. These include in particular:

- reducing liabilities to banks by generating liquid funds from operating activities,
- strengthening equity,
- a reduction in interest expenses.

In principle, the medium-term objectives in financial management for 2015 are to gradually reduce our financial liabilities together with a successive reduction in interest expenses. This objective is to be seen in the context of our long-term internationalisation strategy and the liquidity requirements associated with it as well as possible acquisitions in the hose business.

2.2 Financial Analysis

Long- and short-term financial liabilities amounted to € 20.3 million as at 31 December 2014, down € 2.4 million on the value at the end of 2013. The liquid assets of the Masterflex Group amounted to € 4.4 million at the end of the year (previous year € 4.7 million). This meant the net debt stood at € 15.9 million at the end of the year. Net debt in relation to EBITDA was at 1.7 at the end of the year. This key figure is a measure of the group's debt-to-equity ratio and indicates how quickly debt can be reduced.

The financial liabilities amounting to € 20.3 million are structured as follows

- € 20.2 million almost exclusively from the long- and short-term instalment of the syndicated loan agreement (previous year € 22.6 million) and
- € 0.1 million other financial liabilities (amongst them leasing).

Collateral has been provided for most of the borrowed funds.

There is no significant off-balance sheet financing – apart from standard business activities such as vehicle leasing.

2.3 Liquidity Position

Cash in hand and bank balances decreased from € 4.7 million to € 4.4 million at the end of 2014.

The € 0.3 million reduction is largely due to the following circumstances:

- Positive earnings before depreciation (EBITDA, € +9.2 million)
- Net capital expenditure on property, plant and equipment and intangible assets (€ -3.4 million)
- Income taxes paid (€ -1.3 million)
- Build-up in inventories (€ -1.0 million)
- Interest expenses (€ -1.0 million)
- Further reduction of the group's debt (€ -2.4 million)
- Other (€ -0.4 million).

The cash flow statement condensed to the main rows, showing the reduction of cash in hand and bank balances in the last financial year, appears on consolidated cash flow statement.

The Masterflex Group was solvent at all times throughout 2014. Under the syndicated loan agreement, Masterflex SE has a further freely available non-utilised credit line of € 19.5 million – in observance of defined covenants.

3. Net Assets

3.1 Asset Structure

Assets in k€	31.12.2014	%	31.12.2013	%	+/-	%
Intangible assets	4,077	7.8	4,245	8.1	-168	-4.0
Property, plant and equipment	22,641	43.6	21,759	42.1	882	4.1
Non-current financial assets	311	0.6	342	0.7	-31	-9.1
Other assets	20	0,0	84	0,2	-64	-76,2
Deferred taxes	2,553	4.9	3,481	6.7	-928	-26.7
Non-current assets	**29,602**	**56.9**	**29,911**	**57.8**	**-309**	**-1.0**
Inventories	11,694	22.5	10,699	20.7	995	9.3
Receivables and other assets	6,264	12.1	6,371	12.3	-107	-1.7
Current assets	**17,958**	**34.6**	**17,070**	**33.0**	**888**	**5.2**
Cash	**4,422**	**8.5**	**4,749**	**9.2**	**-327**	**-6.9**
	51,982	**100.0**	**51,730**	**100.0**	**252**	**0.5**

At the 2014 year-end, total assets increased by 0.5 percent from € 51.7 million to € 52.0 million.

Non-current assets have been reduced to € 29.6 million on the balance sheet date. In addition to a slight reduction in the intangible assets of 4.0 percent to € 4.1 million, the correction of the deferred tax assets in accordance with IAS 8 which are described in detail in section B.III.1.2 is reflected here in a value of € 2.6 million as at 31 December 2014. The previous year's value amounts to € 3.5 million after this result correction. An increase of fixed assets due to the investment of 4.1 percent from € 21.8 million to € 22.6 million is faced with a reduction of assets.

The short-term current assets and liquid assets have risen overall by 2.6 percent to € 22.4 million. In particular, the increase in inventories (plus 9.3 percent) to their current value of € 11,7 million contributed to this. The expansion of our intercontinentally distributed raw material and stock is due primarily to the internationalisation strategy and the production and delivery capacity associated with it.

3.2 Capital Structure

Equity and liabilities in k€	31.12.2014	%	31.12.2013	%	+/-	%
Consolidated equity	23,446	45.2	20,487	39.6	2,959	14.4
Minority interest	389	0.7	576	1.1	-187	-32.5
Total equity	**23,835**	**45.9**	**21,063**	**40.7**	**2,772**	**13.2**
Provisions	206	0.4	194	0.4	12	6.2
Financial liabilities	15,097	29.0	18,250	35.3	-3,153	-17.3
Other non-current liabilities	1.251	2.4	1,388	2.7	-137	-9.9
Deferred taxes	604	1.2	594	1.1	10	1.7
Non-current liabilities	**17,158**	**33.0**	**20,426**	**39.5**	**-3,268**	**-16.0**
Provisions	2,303	4.4	2,485	4.8	-182	-7.3
Financial liabilities	5,205	10.0	4,407	8.5	798	18.1
Other current liabilities	3,481	6.7	3,349	6.5	132	3.9
Current liabilities	**10,989**	**21.1**	**10,241**	**19.8**	**748**	**7.3**
	51,982	**100.0**	**51,730**	**100.0**	**252**	**0.5**

The equity of the Masterflex Group amounted to € 23.8 million in total on the 2014 balance sheet date.

Due to the result correction in accordance with IAS 8 which is described in detail under B.III.1.2, the value of the equity has been adjusted for the previous years 2010 to 2013. Following this correction, the equity of the Masterflex Group as at 1 January 2013 amounted to € 18.9 million (previous statement: € 20.5 million) and as at 31 December 2013 at € 21.1 million (previous statement: € 23.0 million).

Thanks to the annual net income in the consolidated profit and loss statement in 2014 of € 3.1 million, the equity of the group rose from the amount of € 21.1 million corrected in accordance to IAS 8 at the end of 2013 to € 23.8 million at the end of 2014. This corresponds to an equity ratio (equity capital in relation to the balance sheet total) of 45.9 percent.

In the previous year, € 9.0 million was taken from the capital reserve as full settlement of the loss carry forward in the individual financial statements of Masterflex SE. Thus, the accumulated loss in the opening balance sheet of 2014 was fully amortised at individual company level. The annual net income achieved in 2014 amounted to € 1.8 million on the balance sheet date in the individual financial statements of Masterflex SE at the end of this financial year. At the same time, the amounts excluded from distribution amounted to € 2.7 million in total which was allocated to deferred tax assets and income on own work capitalised. After offsetting with existing retained earnings, the ability to pay a dividend after the end of the 2014 financial year is achieved with an amount of € 2.4 million.

Non-current liabilities decreased by 16.0 percent from € 20.4 million to € 17.2 million. This is primarily thanks to the reduction in non-current financial liabilities by € 3.2 million to € 15.1 million due to the scheduled re-payment of the redeemable loan.

Short-term debt increased by 7.3 percent to € 11.0 million. The outstanding redemption payments over the next twelve months for long-term loans contributed to this in particular. At € 0.2 million, tax liabilities increased slightly whilst short-term reserves decreased slightly by € 0.2 million due to declining holiday accruals and other provisions.

IV OVERALL STATEMENT ON THE FINANCIAL POSITION

Overall, the group management considers the net assets, financial position and results of the Masterflex Group as of the reporting date, considering

- the growth in domestic and international markets,
- the increase in the group's equity and
- the ratio of net debt to EBITDA of 1.7

to be extremely satisfying and to serve as a good foundation for future development of the Masterflex Group.

V NON-FINANCIAL PERFORMANCE INDICATORS

1. Employees and Social Commitment

Satisfied and motivated employees are a very important factor for the successful implementation of our strategic objectives. We were able to make further inroads towards internationalisation and the development and introduction of product innovations thanks to our dedicated employees. Our staff turnover rate remains low which is due to the satisfaction of our employees. We want to continue this with continuously expanding personnel recruitment and development and to secure the talent in the labour market in order to meet the challenges of the coming years and decades.

Targeted staff development remains the focus of our personnel development. The annual employee discussions that take place serve on the one hand as a performance assessment, as well as for setting personal objectives for the coming year which are a component part of the variable remuneration. On the other hand, individual development objectives are also determined at this point and suitable measures drawn up. These could be external training measures but also internal mentoring. If our employees would like to embark on employee-based training, we support this financially through ad-hoc leave of absence. Thus, we could fill some management positions from within our own ranks. Within the scope of personnel development, we promote the targeted staffing of management positions by women and not just in all commercial and administrative areas but also in the technology area. The recruitment of employees who were not born in Germany is also an aim in all areas of the company. Not least as part of our continuing internationalisation, potential managers with international backgrounds are supported.

Since 1997, we have provided training in the commercial and industrial sectors. We currently employ 18 teenagers and young adults as part of their training at our German sites. Two young employees successfully completed their training in 2014 and were taken on by Masterflex SE. Another young industry clerk has started a dual degree course following his commercial training with the Masterflex Group and within the framework of his semester abroad completed six months at Tongji University in Shanghai and a work placement at our site in Kunshan in Shanghai.

For the coming 2015/2016 training year, we plan to recruit ten further trainees. In order to be able to offer a broader range of training occupations, we are currently training other employees as so-called trainers in accordance with the examination regulations of the Chambers.

Ongoing contact with training institutions and vocational schools makes us known as an attractive employer. Over the past few years, we have been able to offer apprenticeship placements to school pupils and students.

Through flexible working hours and part time employment, we enable working mothers and fathers to balance work and family life. Thus, we maintain the expertise and experience of these employees.

In the area of occupational retirement provision, the company offers each employee the opportunity of taking out a direct insurance policy or otherwise regular contractual arrangement within the realms of private old-age provision. For particular motivation, managers and sales employees who impact on the success of the company to an above-average extent are involved in a form of profit-sharing scheme.

2. Environmental Protection

We are aware of our ecological responsibility. This is just as important to us as the high standards demanded for the quality of our products and processes. Compliance with and regular monitoring of environmental protection legislation and advice on options for implementing this are all secured through internal project managers and external agents.

In the production of our hoses, we mainly process polymers which do not contain any toxic components. The production of our extruded profile PUR-hoses is practically waste-free. Any rejects produced in the start-up and shut-down phases are recycled as far as possible: wires and polyurethane are separated from each other and resold.

Masterflex SE goes further still as an ‘eco-profit’ company by pursuing a policy to sustainably save resources and make an important contribution to protecting the environment by means of ecologically worthwhile measures.

The EU Regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) obliges manufacturers and importers to determine dangerous properties of substances, as well as to assess the effects on health and the environment. In the REACH supply chain, Masterflex has the status of a downstream user and for this reason has not carried out any pre-registration. All necessary measures have been adopted since REACH came into effect. Information on REACH can be found on the website of the Masterflex brand (**www.masterflex.de** at *Technology>Certifications*).

MATZEN & TIMM

Exhaust Bellow

In the aviation industry, the high temperature resistant exhaust bellow is used in APU (Auxiliary Power Unit) systems. In these systems in which electrical energy and compressed air is generated to supply the cabin, the bellow, made from synthetic rubber, is used for compensating movement.

Consolidated Management Report

C. Report on Post Balance Sheet Date Events

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

D. Corporate Governance Report

I CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH § 289A OF THE GERMAN COMMERCIAL CODE

1. Declaration of Conformity to Corporate Governance pursuant to § 161 of the German Stock Corporation Act

Corporate governance enjoys high priority at Masterflex SE. Masterflex's corporate principles are based on responsible management and supervision of the company geared towards long-term value creation. Key aspects of this corporate governance are efficient cooperation between the Executive Board and the Supervisory Board, protecting shareholders' interests and open and transparent corporate communications.

In accordance with § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board are both required to submit an annual declaration stating that the company has complied with, and will comply with the recommendations of the Government commission on the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the Federal Gazette, or stating which recommendations have not been or will not be applied and why not. This declaration of conformity is to be made permanently available to shareholders. The Declaration of Conformity for the 2014 financial year was submitted March 2015 and remains available for inspection on the website **www.MasterflexGroup.com** at *Investor Relations>Corporate Governance*.

2. Relevant Disclosures on Corporate Management Practices

Structures for the management and supervision of the Masterflex Group are set out in the company's Articles of Association as well as the Rules of Procedure for the Executive Board and Supervisory Board. The company's Articles of Association can also be examined at **www.masterflexGroup.com** under *Investor Relations>Annual General Meeting*.

3. Description of the Working Methods of the Executive and Supervisory Boards

Masterflex SE is a European stock corporation in accordance with SE Regulations and German law.

The basic principle of German stock corporation law is the dual management principle consisting of an Executive Board and Supervisory Board which each have their own areas of responsibility.

4. Code of Conduct

Our Code of Conduct that is applied to all employees and board members above all includes our corporate governance practices. With these business principles, we reinforce the claim that we make regarding the conduct of our employees and board members and at the same time introduce the essential principles of our business conduct towards customers, partners and shareholders. We see the business principles as a benchmark for the collaboration and interaction with customers, suppliers, competitors, shareholders and authorities.
At the same time, with the implementation of these guidelines into our day-to-day business activities, we demonstrate our commitment against any form of unfair competition, corruption and deception.

Since 2014, a newly self-standing Compliance Section under the leadership of a Chief Compliance Officer has been entrusted with the global monitoring of compliance with the Code of Conduct and other internal company guidelines, to regularly review and, if necessary, update these guidelines for appropriateness and to run employee training sessions.

II COMPENSATION REPORT

Masterflex SE complies with the recommendations of the Corporate Governance Code and publishes a breakdown of the individual compensation of the Executive Board and Supervisory Board. Compensation paid to the Executive Board and Supervisory Board includes fixed and variable components.

1. Executive Board Compensation

For the company, giving a transparent and intelligible presentation of Executive Board compensation has been a key element of good Corporate Governance for years. The Supervisory Board plenum is responsible for determining the compensation of the individual Executive Board members in accordance with statutory requirements and a regulation in the Rules of Procedure that was established long before the legislation came into force.

The compensation of members of the Executive Board consists of non-performance-related and performance-related components. The non-performance-related component comprises fixed compensation and fringe benefits. The performance-related variable components comprise one which is effective immediately and one which is a long-term incentive. The short-term bonus which makes up two thirds of the total variable compensation is paid once the parameters for success and the degree to which they have been achieved are established by the Supervisory Board. The second, longer-term part of the bonus, comprising around a third of the entire variable component, is held by the company for a further two years and is only paid if the parameters for success are regularly achieved over a period of three years. In contrast, if these parameters are not fulfilled over this period, this component will be forfeited accordingly in whole or part. Contrary to usual practice in comparable companies, members of the Executive Board do not receive any pension. Reviews of the total amount and applicable parameters take place every two years.

The compensation system in force was adopted by the Supervisory Board in its meeting on 15 April 2010 and adopted by resolution of the Annual General Meeting on 28 June 2011 in accordance with § 120 para 4 of the German Stock Corporation Act. Criteria for the appropriateness of compensation paid to the Executive Board are the responsibilities of the individual Executive Board member, his personal performance, the economic situation, the success and future prospects of the company and the extent to which the compensation can be seen as normal taking into consideration comparable industry peers and the compensation structure in force at the company. Performance-related components – the bonus – include components with an investment basis spread over several years. These provide long-term performance based incentives and gear the compensation structure towards sustainable company development. There are no further share-based incentive systems, such as a stock option plan, in place at the company.

The total compensation paid to the Executive Board in 2014 and the division into fixed and variable components recommended by the Corporate Governance Code is presented in the following table:

COMPENSATION OF THE EXECUTIVE BOARD (GRANT CONSIDERATION)

	Dr. Andreas Bastin Chief Executive Officer Since 1 April 2008				Mark Becks Chief Financial Officer Since 1 June 2009			
in k€	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*
Fixed remuneration	285	337	337	337	200	233	233	233
Fringe benefits	31	30	30	30	34	32	32	32
Total	316	367	367	367	234	265	265	265
Annual variable remuneration								
Bonus	127	95	0	158	69	51	0	86
Multi-annual variable remuneration								
Bonus 2014 - 2016		49	0	82		27	0	44
Bonus 2013 - 2015	65		0	82	35		0	44
Total compensation	**508**	**511**	**367**	**689**	**338**	**343**	**265**	**439**

COMPENSATION OF THE EXECUTIVE BOARD (INFLOW CONSIDERATION)

	Dr. Andreas Bastin Chief Executive Officer Since 1 April 2008				Mark Becks Chief Financial Officer Since 1 June 2009			
in k€	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*
Fixed remuneration	285	337	337	337	200	233	233	233
Fringe benefits	31	30	30	30	34	32	32	32
Total	316	367	367	367	234	265	265	265
Annual variable remuneration								
Bonus	79	126	0	158	43	69	0	86
Multi-annual variable remuneration								
Bonus 2011 - 2013		76	0	82		41	0	44
Bonus 2010 - 2012	82		0	82	34		0	44
Total compensation	**477**	**569**	**367**	**689**	**311**	**375**	**265**	**439**

In the 2014 financial year, fixed and performance-related compensation was granted to the Executive Board. The variable compensation components were determined by the Supervisory Board on the basis of the bonus regulations agreed with the members of the Executive Board at the beginning of the past financial year. In the past financial year, not all the objectives pursuant to the contractual agreement were achieved.

Executive Board members also receive fringe benefits in the form of remuneration in kind. This primarily consists of insurance premiums for disability insurance, a life insurance policy and private use of a company car.

The Executive Board contracts included provisions for a compensation payment in the event that Executive Board activities are terminated prematurely without good cause. This is limited to less than the maximum permitted annual compensation for two years including fringe benefits (severance payment cap) and provides remuneration for no longer than the remaining term of the employment contract. Commitments to provide benefits of the appropriate manner are also in place in the event of a change of control and subsequent premature termination of Executive Board activities (so-called Change of Control Regulation).

2. Supervisory Board Compensation

The Supervisory Board's compensation system, which was last revised in 2010, takes account of the present requirements of the German Corporate Governance Code. In accordance with the Articles of Association, compensation paid to the Supervisory Board members since that time includes fixed and variable components.

The variable components of the Supervisory Board's compensation are also geared to sustainability. For sustainability, certain corporate figures must trend positively over a period of two years. These components are limited to a maximum of € 5,000 per Supervisory Board member and financial year. It is also apparent that the increasing demands placed on the Supervisory Board, on the one hand, and its limited size, consisting of only three members, on the other hand, involve all members in the work of the Supervisory Board to a considerable degree. Therefore, no additional remuneration is paid to the chairman or deputy chairman. Rather, the same amount of compensation is paid to all members of the Supervisory Board. Furthermore, there is no separate compensation for committee work as their formation would make no sense with a three-member Supervisory Board.

The Supervisory Board's fixed compensation is paid after the end of the respective financial year. Members of the Supervisory Board are also paid attendance fees of € 500 per meeting.

The total compensation paid to the Supervisory Board in 2014 and its distribution is presented in the following table:

in k€	Fixum	Performance-related compensation[1]	Total attendance allowance	Total compensation relevant to payment 2014
Deputy Chairman of the Supervisory Board Mr. Friedrich W. Bischoping	14	5	2	21
(Previous year)	(14)	(5)	(2)	(21)
Vice-chairman of the Supervisory Board Mr. Georg van Hall	14	5	2	21
(Previous year)	(14)	(5)	(2)	(21)
Supervisory Board member Mr. Axel Klomp	14	5	2	21
(Previous year)	(14)	(5)	(2)	(21)
Total compensation	**42**	**15**	**6**	**63**
(Previous year)	**(42)**	**(15)**	**(6)**	**(63)**

1) The proportion of variable compensation acquired in 2013 but not yet paid, but which will be paid with the financial statements of the 2013 financial year in consequence of the success criteria for fixed compensation in 2014 in line with article 15 of the Articles of Association.

III OTHER DISCLOSURES IN ACCORDANCE WITH § 315 PARA 4 OF THE GERMAN COMMERCIAL CODE

The share capital of Masterflex SE amounts € 8,865,874 and is divided into 8,865,874 no-par value bearer shares each with a notional interest in the share capital of € 1.00. Each share grants the holder a voting right.

The Executive Board of Masterflex SE is not aware of any restrictions affecting voting rights on the transfer of shares.

The company is aware of two cases of direct or indirect equity investment in the capital exceeding 10 percent of the voting shares:

- SVB GmbH & Co. KG/the Schmidt Family is a long-term and investment-orientated investor from Germany who, to the company's most recent knowledge, holds 19.9 percent of shares in Masterflex SE. The notification in accordance with § 27a of the WpHG (German Securities Trading Act) can be found on the company website at **www.MasterflexGroup.com/en/investor-relations/news/information-on-voting-rights**.

- Stichting Administratiekantoor Monolith is a long-term and income-orientated investor from the Netherlands who holds 10.2 percent of the shares in Masterflex SE according to the company's most recent knowledge. The notification of 12 November 2014 in accordance with § 27a of the WpHG (German Securities Trading Act) can be found on the company website at **www.MasterflexGroup.com/en/investor-relations/news/information-on-voting-rights**.

There are no shares with special rights that grant the authority to control.

In accordance with § 76 of the German Stock Corporation Act and § 7 of the Articles of Association of Masterflex SE, the Executive Board consists of at least one person. In accordance with § 84 of the German Stock Corporation Act and § 7 of the Articles of Association of Masterflex SE, the Supervisory Board is responsible for appointing the members of the Executive Board and for determining the number of members.

Any amendment to the Articles of Association requires a resolution by the Annual General Meeting. In accordance with § 179 of the German Stock Corporation Act, a resolution by the Annual General Meeting requires a majority of at least three quarters of the share capital represented when the resolution is passed. The Articles of Association can stipulate a different majority, although only a larger majority for a change to the purpose of the company. In accordance with § 18 of the Articles of Association, resolutions at the Annual General Meeting are passed by a simple majority of the votes case unless otherwise required. In addition, as far as the German Stock Corporation Act prescribes the majority of the represented share capital for the decision-making process, a simple majority of the represented share capital is sufficient in so far as this is legally permitted. This also applies to amendments to the Articles of Association. In accordance with § 14, para 5 of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association that effect only the wording.

Purchase of Treasury Shares

The Annual General Meeting on 28 June 2011 authorised the Executive Board with the approval of the Supervisory Board from 29 June 2011 to 28 June 2016 to acquire treasury shares of up to 10 percent of the company's share capital as of the date the resolution was passed or – if this value is lower – as of the time the authorisation is exercised. The acquired shares may not exceed 10 percent of the share capital in total at any time together with other treasury shares and must not be used for commercial purposes. The acquisition is to be made via the stock exchange or via a public offer to buy directed at all shareholders of the company.

The Executive Board was also authorised, with the approval of the Supervisory Board, to see the acquired treasury shares to third parties with shareholders' subscription rights excluded in exchange for non-cash contributions or to sell the acquired treasury shares in exchange for cash contributions in a manner other than via the Stock Exchange or the circulation of an offer to shareholders, with the approval of the Supervisory Board and with shareholders' subscription rights excluded. In addition, the Executive Board is authorised to deliver its own ordinary shares with the approval of the Supervisory Board to the holders of warrant or convertible bonds or to a group company within the sense of § 18 of the Stock Corporation Act in accordance with the terms and conditions of the warrants and bonds. The Executive Board is also authorised, with the approval of the Supervisory Board, to withdraw the treasury shares without a further Annual General Meeting resolution. In the context of withdrawal, it is also authorised to withdraw no-par value shares either with or without a capital reduction.

Neither the Executive Board nor the Supervisory Board exercised any of these authorisations in 2014.

Authorised Capital I

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions up to 27 June 2016 by issuing up to 4,432,937 no-par value bearer shares in exchange for cash and/or non-cash contributions by a maximum value of € 4,432,937 ('Authorised Capital I'). The Executive Board is able, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

- for fractional amounts;
- for capital increases in exchange for non-cash contributions, in particular for granting shares for the acquisition of companies, parts of companies or equity interests in companies;
- for cash contributions up to an amount not exceeding 10 percent of the Company's share capital at the date the authorisation comes into effect and the date the authorisation is exercised, providing that the issue price of the shares is not significantly lower than the quoted price of the listed shares of the Company at the date the issue price is finalised;
- in order to grant the holders or creditors of any bonds with warrants or convertible bonds previously issued by the Company appropriate subscription rights to new shares.

The Supervisory Board is authorised to amend the wording of § 4 of the Articles of Association following the full or partial implementation of the share capital increase to reflect the extent to which authorised capital has been utilised and, if the Authorised Capital is not fully utilised by 27 June 2016, after the authorisation period expires.

Neither the Executive Board nor the Supervisory Board exercised any of these authorisations to date.

Contingent Capital Increase

The company's share capital has been contingently increased by up to € 4,432,937 through the issue of € 4,432,937 new no-par value bearer shares. The contingent capital increase served to secure the granting of options and the arrangement of warrant obligations in accordance with the conditions for bonds with warrants to the bearers or creditors of warrants from bonds with warrants or to secure the fulfilment of conversion rights and conversion obligations in accordance with the conditions for convertible bonds for the bearers or creditors of convertible bonds issued by the company during the period up to 23 June 2019 on the basis of the authorisation granted at the Annual General Meeting on 24 June 2014. The shareholders basically have a legal right to bonds and debentures issued by the company. However, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in individual cases. The new shares participate in the company's profits from the beginning of the financial year in which they arise. The Executive Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the limited capital increases.

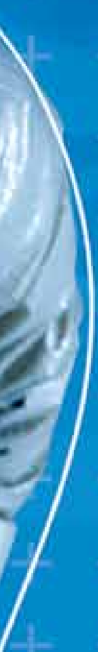
Neither the Executive Board nor the Supervisory Board exercised any of these authorisations in 2014.

The limited capital created by resolution of the ordinary Annual General Meeting on 11 August 2009 was reversed at the Annual General Meeting of 24 June 2014.

MATZEN & TIMM

Ventilation Hose

The connection hose from Matzen & Timm used to provide aircraft ventilation has efficient insulation to reduce heat loss. The product is customised to each individual installation.



Consolidated Management Report

E. Opportunities and Risk Report

I OPPORTUNITIES AND RISK MANAGEMENT SYSTEM FOR VALUE-ORIENTATED CORPORATE MANAGEMENT

Corporate activity always involves risks and rewards. A risk is understood as a possible future development or event which can lead to a negative deviation from forecast or objective for the company. As for opportunity, we define this a possible future development or event that can lead to a positive deviation from forecast or objective for us.

For all transactions we enter, the opportunities must clearly outweigh the risks. We strive to limit existing risks to an acceptable and manageable level. Amongst other things, we use insurance and contractual provisions for this purpose.

The Masterflex Group operates in a dynamic market environment which is characterised by many usually smaller competitors, broadly diversified industries, wide customer variety, technical expertise, close interaction with customers and suppliers as well as high material and processing expertise.

We analyse market data within the framework of our opportunity management, analyse our competitors and scrutinise the orientation of our product portfolio, our organisation's efficiency and resources, as well as the changes in customer requirements. Market opportunities are derived from this and the over-achievement in these areas brings about additional opportunities. By means of both the planning process and also regular monthly consultations with management, opportunities on accessibility, necessary investments and potential risks are analysed and pursued.

II OPPORTUNITIES

1. Opportunities through Positive Market Development

In our planning assumptions, we assume stable economic conditions (see Outlook in the management report). Should the world economy develop more sustainably and evolve more dynamically than we anticipate, this will have a positive impact on our sales and operating results (EBIT) over the next few years.

2. Opportunities through Internationalisation

The focus of our sales is still in Germany and Europe. These regions have forecast growth rates of between 1 and 1.5 percent. Our internationalisation strategy predominantly assumed higher growth rates in the global target markets addressed by us, namely Brazil, China and North America.

Should we be able to implement the internationalisation steps faster, accelerate in particular the market success of new sales representatives and thus generate sales faster, then the growth in these regions will exceed our forecasts.

A further focus will to be make available worldwide all the products that are sold in Germany. In this regard, we still see significant potential for growth in all regions of the world.

3. Opportunities through Research and Development

Our strategic planning is based on the two strategic cornerstones of innovation and internationalisation. The continuation of our growth crucially depends on continuously launching innovative solutions in the marketplace in order to create added value for our customers, too.

We are continually working on our innovation management. Should we be in a position to launch a significantly higher number of innovations than planned in a much faster time, then this will have a positive effect on our net assets, financial position and results.

4. Opportunities through Personnel Management

Our employees are the basis for our success. They are sources of added value, idea generator for new innovations and partners for our customers and suppliers and therefore the driving force behind our growth and the improvement in profitability.

In 2015, we will focus on the development of our employees and thus an increase in efficiency of our global organisation. Should we succeed faster than anticipated, this will have a particularly positive impact on the turnover and EBIT.

5. Opportunities through Increasing Efficiency

We are continually working on the optimisation of our procedures and processes in order to improve the efficiency of our global organisation. In so doing, we use recognised methods for continuing the improvement of our processes. These methods benefit from the know-how and experience of all the staff involved from the areas concerned in order to continuously improve business process in terms of corporate goals. Measures for optimisation and implementation are identified in regular workshops aimed at improving effectiveness, avoiding inefficiencies and continuously increasing our efficiency.

III EFFICIENT RISK MANAGEMENT ORGANISATION

The risks of financial reporting lie in the fact that our annual and interim financial statements could contain misrepresentations that could potentially have a significant influence on the decisions of recipients. We have therefore developed an Internal Control System (ICS) for accounting which aims to identify potential sources of error and to limit risks arising from them. This internal control system extends to the entire Masterflex Group and is constantly being refined. The major foundations of accounting are documented in a group accounting manual which is also being developed on an ongoing basis and adapted to new legal requirements.

The structure of the accounting-oriented ICS is based on the organisation of our accounting and financial reporting procedures. One of the key functions of this process is the management of the group and its operating units. The targets developed by the Executive Board of Masterflex SE form the starting point. Rolling medium-term plans are drawn up on the basis of these and our monthly forecast plans for operating development. The ICS is reviewed thoroughly at least once a year to ensure that it is effective and efficient.

We identify risks in financial reporting at the level of the sub-units using quantitative, qualitative and process criteria. Our generally binding guidelines and ethical values form the basis of the ICS. In a control process that was refined in 2009 we will, in future, provide evidence once a year of whether the necessary control measures actually took place and were implemented correctly. This is carried out by external auditors, an internal risk manager and the managing directors or heads of department responsible for implementing the checks.

The internal control system for accounting and its effectiveness have been a regular feature in meetings of the Supervisory Board since 2008.

The Masterflex SE Executive Board has ascribed high importance to compliance with the shared responsibility of the Supervisory Board and has now set up a separate compliance section. This department which works under the control of the Chief Compliance Officer (CCO) is responsible for the continual development of the existing principles for correct and ethical corporate practice and the implementation of a group-wide compliance programme which is being developed continually. The CCO reports to the Executive Board on a monthly basis about the measures developed, investigations conducted where appropriate, violations that have come to light and their sanctions as well as out preventative measures and other compliance aspects. The Executive Board, in turn, regularly informs the Supervisory Board about all the company-relevant compliance issues, in particular about the status quo and the way the compliance measures work as well as about violations if any have occurred.

On this basis, risk management at Masterflex Group stands for the targeted safeguarding of existing and future earnings potential as well as the specific management of known risks. Our risk management system comprises the identification, assessment, monitoring and control of risks. This controlled approach is intended to safeguard the net assets, financial position and results of the group. The Masterflex Group's risk management is integrated into existing structures and is therefore an inextricable component of corporate management and business processes. Strategic corporate planning, internal reporting and the internal control system are the core elements of the risk management together with the risk manual.

Our risk management is standardised and applicable throughout the group. This ensures that all risks are analysed and assessed systematically, uniformly and on a group-wide basis. The focus is the risk inventory taken by the management of the operating units in which individual risks are identified and risk areas assigned and assessed. The risk transparency thus created helps us to select suitable management and countermeasures.

Our risk assessment consists of the two components of likelihood of occurrence and extent of damages.

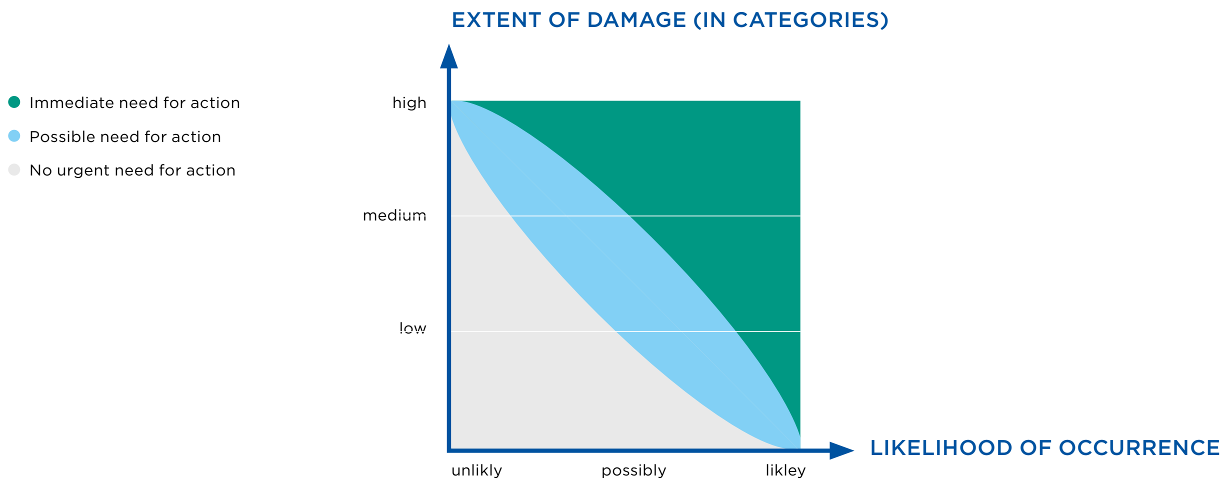
With the likelihood of occurrence of a risk, we distinguish between the categories 'unlikely' (less than 30 percent probability), 'possible' (probability greater than or equal to 30 per cent and lower than 60 percent) and 'probable' (probability of above or equal to 60 percent).

With the extent of damage, we distinguish between 'low', 'medium' or 'serious' impact on our cash flow as well as net assets, financial position and results.

With the combination of both components, we distinguish between

- High risk **>>** need for immediate action
- Medium risk **>>** need for action where appropriate
- Low risk **>>** no urgent need for action

The following diagram illustrates these relationships.



The following section contains information on the key risk areas potentially affecting our business development as well as net assets, financial position and results. The group may also be exposed to risks that are not yet known as well as risks that we currently consider to be negligible but that could have an adverse effect on the group in the event of a change in circumstances.

IV INDIVIDUAL RISKS

1. Personnel Risks

The expertise and commitment of our employees are vital factors in the Masterflex Group's economic success and future development. We counter the intensive competition for qualified technical and management staff and the associated risks in the form of a loss of expertise caused by employee turnover with attractive opportunities for acquiring additional qualifications, family-friendly working time models and a compensation system that rewards performance. The loss of experts or experienced technical and management staff is one of the greatest risks for the group, although no such trend can be seen at the moment.

The ability of the Masterflex Group to retain young technical and management staff in the company will also become increasingly important in the future. The necessary personnel development steps have already been introduced. They include performance-related pay, conducting annual assessment meetings, providing employees with further qualifications, developing future prospects and cooperating with technical colleges and research institutions. These efforts will be intensified in future. Women, people with international backgrounds, older people and help in improving their qualifications will all be targeted to lend even more impetus to the above measures and widen the pool of potential new technical and management staff for the Masterflex Group. As an SME, we see a chance in the already noticeable shortage of technical and management staff to balance out possible competitive disadvantages against large-scale enterprises on the human resources market.

2. Economic, Political and Social Risks

The global economy, financial markets, as well as the broader political framework are characterised by a high level of uncertainty around the world. Events such as a global financial crisis, collapse of the Euro zone, recession in our target countries, unsustainable increase in public debt as well as significant tax increases, political instability by terrorist attacks and natural disasters can all affect our business negatively. An instability of the economic and political situation could thus have a negative impact on our net assets, financial position and results.

The Executive Board shall take reasonable measures to mitigate the potential adverse effects of these risks occurring. These primarily involve concentration on independent economic sectors, internationalisation with regard to sales and procurement markets, flexibility of costs associated with ongoing cost management, simplification of processes and organisational structures and ensuring high-tech financing.

Despite the measures introduced, we cannot exclude the occurrence of this risk. We classified it as high risk because its occurrence could have a significant negative impact on our sales and EBIT targets.

3. IT Risks

The continuous availability of IT systems is a vital factor in ensuring operations at the group's individual sites and offices. Accordingly, internal and external experts work continually to optimise the group's central and decentralised information security systems, their availability and reliability. The latest hardware and software is rigorously deployed to protect the group against potential system failures due to external disruptions such as the infection of computer systems with viruses. Among others, the protective measures implemented include the use of virus scanners and state-of-the-art firewall systems, as well as extensive user access controls. Masterflex SE and a few of its subsidiaries also use an external computer centre in order to fulfil these service requirements.

However, IT outages or even cyber-attacks cannot be ruled out. We see the likelihood of this against the background of the general discussion held in 2013 on issues of data security and espionage or external attacks as entirely possible. This would have serious impacts on our net assets, financial position and results so we view this as a high risk.

4. Acquisitions and Divestments

The strategy of Masterflex Group includes strengthening the hose business through mergers or acquisitions.

Despite careful planning, company mergers and acquisitions are exposed to risks which can negatively impact our net assets, financial position and results. Moreover, there is the risk that considerable costs may be incurred as a result of such measures. Company acquisitions can have a negative impact on the financing structure of the company carrying out the acquisition. There is also the risk that write-downs on non-current assets including goodwill could become necessary as a result of unscheduled developments.

Acquisitions are always a significant risk. We meet this through a variety of methodical and organisational measures. So we will be carrying out technical, operational, financial and legal due diligence of acquisition targets. With regard to the process control, we expect a low risk. Since an acquisition has significant impact on our net assets, financial position and results, we classify this as a high risk.

No further divestments are planned at this time. Acquisitions supporting the Masterflex Group strategy may follow in the next few years. The Masterflex Group has already strengthened its workforce with the necessary skills to handle this process in a structured and professional manner.

5. Procurement Market Risks

On the procurement side, the availability of raw materials and of intermediate products as well as changes in purchase prices constitute a risk for our companies. We strive to reduce these price and availability risk through international purchasing, the conclusion of long-term supply agreements and the continuous optimisation of our supplier portfolio. When selecting suppliers, Masterflex focuses on efficiency and quality. For particularly important purchased parts or quantities, we aim to ensure close cooperation with the suppliers and incorporate them into new development projects at a very early stage. This cooperative approach means that the Masterflex Group is also exposed to the risk of dependence on specific suppliers. However, in order to limit this risk, we pursue a second-source strategy to avoid dependence on one supplier.

We estimate the risk as to the availability of raw materials, the exclusion of suppliers as well as an unfavourable development of purchase prices to be of medium risk, with potential impact on the net assets, financial position and results of medium probability.

6. Production Risks

We counteract possible production downtime, e. g. caused by disasters or fire damage, by performing preventive maintenance work and maintaining adequate inventories of key replacement parts, as well as through fire prevention measures, employee training and the establishment of a network of suppliers both external to and within the group. We also have reasonable insurance coverage for any damages that may arise in spite of these measures. Moreover, our production is not limited to one location.

Based on past experience, we see the probability of a catastrophic event as low. The impact would be severe when entering a transition phase, so we classified the risk as a medium risk.

7. Legal Risks

We only know of one case of legal proceedings that could have a tangible effect on the net assets, financial position and results of the Masterflex Group.

This is based on the buyer of the two companies which belonged to the former Mobility Group, Clean Air Bike GmbH and Velodrive GmbH, suing Masterflex SE primarily for rescission of the trade sale agreement. In the first instance, this claim has been rejected. Because the acquirer has lodged an appeal, we do not cancel this provision of € 0.2 million which was established under “discontinued operations”, contrary to our legal position, because it cannot be completely ruled out that the revision could lead to a – possibly significant – financial burden which exceeds the provision.

Similarly, the likelihood that such risks will arise from legal proceedings in future cannot be entirely ruled out. Appropriate and sufficient provisions were set up for pending or imminent legal proceedings. Nevertheless, it also cannot be excluded that balance sheet provisions are insufficient. In order to avoid new legal risks, contracts of economic significance for the Masterflex Group are reviewed by external lawyers before they are concluded.

Overall, we see here a low probability of occurrence of these risks, coupled with potential high impact, thus, on balance we assume a medium risk.

8. Tax Risks

Due to future audits or audits not yet completed, there is a risk of tax back payments. It is conceivable that application of § 8c para 1a of the German Corporation Tax Act is not permitted and that tax losses are not useable. Tax arrears payment would impact on the liquidity of the group.

Due to the low impact on the cash flow with a low likelihood of occurrence, we regard the tax risks as low.

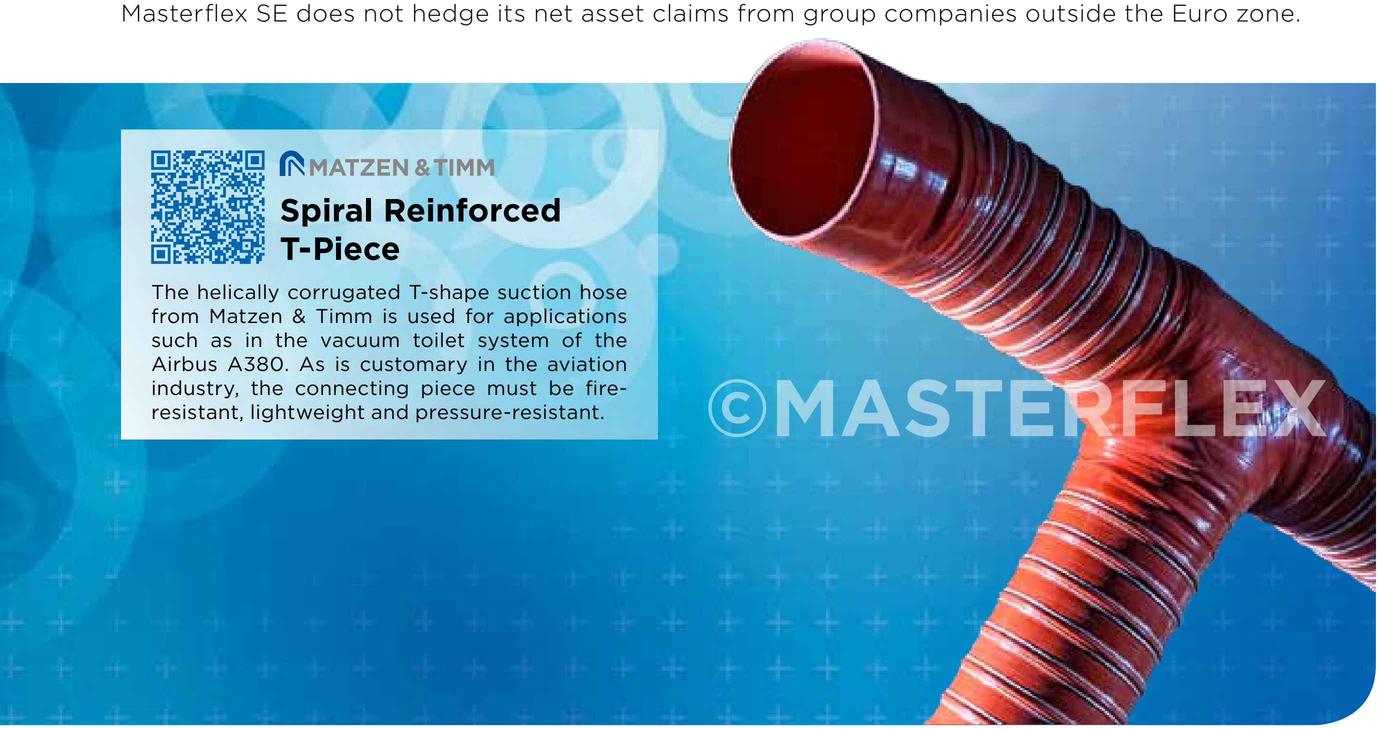
9. Financial Risks

Financial risks include liquidity risk, market price risk and receivable default risk. These risks may arise from transactions conducted by the group in the course of its operating activities and consequent hedging, financing decisions or changes in the values of the financial items recognised in the balance sheet. Financing and the limitation of financial risks are controlled and monitored centrally within Masterflex SE.

The group has binding provisions on the types of financial instruments that may be used, their maximum limits and the list of preferred banks. Compliance with all regulations is constantly examined and revised. Receivable default risk is reduced by systematically obtaining information on creditworthiness, setting credit limits and performing active debtor management, including dunning and proactive collective measures. Nevertheless, individual – even major – defaults on receivables from customers cannot be ruled out.

The fundamental risk strategies for interest rate, exchange rate and liquidity management are determined on a centralised basis by the Executive Board. Financing and hedging decisions are made on the basis of all business units' financial and liquidity forecasts.

Business and financing activities in foreign currencies are rarely entered into and do not exist to any noteworthy degree at present. Cross-currency financing within the group which naturally leads to foreign exchange situations in the group, does not exist to any noteworthy degree. Translation risks arising from balance sheet items originally in foreign currency are not hedged in the group. Likewise, Masterflex SE does not hedge its net asset claims from group companies outside the Euro zone.



If interest rate risks arise when raising funds on the capital or credit markets, these risks are also monitored and individual cases hedged if necessary using rate derivatives.

The financial risks in the Masterflex Group are viewed as low through the use of the new syndicated loan agreement which was concluded in 2013 with a remaining term of three and a half years plus fewer foreign currency transactions as well as the relatively small scale of our business.

The interest-rate risk is significantly limited because of the further reduction in debt, regulations in the syndicated loan agreement and the conclusion of an interest-rate hedge (interest-rate cap) imposed by the loan agreement. The interest-rate cap hedges the balance due from the various tranches of the syndicated loan over its entire term against an increase in short-term interest rates beyond a specified amount. Therefore, the Masterflex Group does give itself the opportunity to benefit from current low interest rates. Moreover, there is no noteworthy variable-rate financing in the Masterflex Group.

Three covenants have been agreed in the syndicated loan agreement. Here, Masterflex SE agrees to comply at group level with defined financial key ratios, the leverage ratio, the equity ratio and the interest-cover ratio. If Masterflex SE is not in compliance with these covenants, the lender is entitled to cancel the entire loan commitment.

Based on current and planned business development, we anticipate being in compliance with these covenants. The upper limit for the key figure 'leverage ratio' (calculated in accordance with the syndicated loan agreement) in 2014 was 2.5. However, due to debt being greatly reduced, Masterflex SE has maintained a leverage ratio continuously below 2.1 since the beginning of 2014. As of the 2014 balance sheet date, this key figure was 1.8. The lower limit of the second key figure (calculated according to the credit agreement, which fixes the balance sheet equity capital to certain assets), reached a value of 25 % at the end of 2014. In contrast, Masterflex SE at least achieved an equity ratio of 32 % and until the 2014 balance sheet date of 40.5 % percent and thus was also always considerably above the prescribed lower minimum. The lower limit of the third key figure 'interest-cover ratio' (calculated in accordance with the guidelines from the syndicated loan agreement in which the adjusted EBITDA is divided by the adjusted net interest expense) in 2014 was 6.0. In contrast, Masterflex SE achieved at least an interest-cover ratio of 7.0 and up until the 2014 balance sheet date of 11.7 and thus was also always considerably above the prescribed lower minimum. Thus, the covenants would only be breached by a dramatic deterioration of future results.

10. Sales Market Risks

On the sales market side, long-standing existing customers can fall away.

However, since the Masterflex Group is involved in many sectors and markets and also supplies many different customers, it is not dependent on one sector or one individual customer.

General customer-related risks (e.g. the loss or insolvency of major customers, increased price pressure due to dominant marketplace position) are mitigated by ensuring a broad-based customer structure. Furthermore, we are expanding our activities, especially in those sectors that are relatively independent of economic fluctuations such as medical technology or the food industry.

We will counteract the potential increase in competitive pressure in our product groups by continuously improving our products, services and business processes. Our selling prices may suffer as a result of the aggressive behaviour of our competitors. We mitigate this by constantly reviewing our cost structures and also by developing new one-of-a-kind products with unique selling points.

Due to our broad customer and industry diversification we see this risk as low, because the exclusion of individual customers would have only a limited impact on our net assets, financial position and results.

11. Technology and Quality Risks

As a technology leader offering internationally competitive products and services, the Masterflex Group is at risk of losing this position due to decreasing innovative power or even human errors. In order to avoid this, we are accelerating a permanent innovation and development process in order to meet the demanding requirements of customers. In order to also guarantee this in the future, there has been an innovation management process for several years: a panel of internal experts will decide further developments according to clear process and assessment requirements (the so-called stage-gate process). In particular, the members make decisions on the basis of market analyses and considerations of economic viability.

The group also aims to maintain close cooperation with its customers in order to help it to develop new applications and leverage new markets at an early stage. Further details on this process can be found in section A IV - Research and Development.

The recognised quality of our products and high delivery capacity are important requirements for our success. In order to control such risks relating to our goods and services, we give a high degree of priority to quality assurance. By setting ambitious quality standards for our development activity, intensively examining the entire process chain and maintaining permanent contact with suppliers, quality-specific risks within the group are limited in a systematic manner.

Due to the diversity of products and thus the independence of a product or manufacturing process, as well as the low number of warranty cases in the past we see the technology and quality risks in terms of impact on our net assets, financial position and results as low.

12. Regulatory Risks

The strategy of the Masterflex Group is based on the pillars of innovation and internationalisation. This means that the group is actively pursuing working with its own employees and companies in many places of the world in the future.

Moreover, there are an increasing number and complexity of rules to be observed and laws at national and international levels. The regulatory environment has become significantly more onerous over the last few years. A breach of such rules or even the allegation of a violation of law might adversely impact on our reputation and the stock price.

In cooperation with accountants and lawyers advising us, we are kept continually informed about new legal requirements, applicable jurisdictions as well as revisions on the subject of compliance.

The Code of Conduct of Masterflex SE sets out the ethical and legal framework for our economic activity. Our compliance management system should ensure that our economic activity is in line with the laws and legal systems worldwide as well as our internal company implementing provisions. We will pursue this goal through staff training amongst others. We are working continuously to further reinforce compliance in our group and to reduce compliance risks.

Despite the comprehensive compliance programmes and existing internal controls, it is however impossible to entirely prevent employees from bypassing control mechanisms, infringing laws or acting fraudulently for their personal gain.

Even if we classify this risk as low, we cannot completely exclude it. A violation could have a significant impact on our net assets, financial position and results, as well as on the reputation of the company. We regard this risk as low, although an exact assessment is difficult because of the amount of relevant statutory provisions and a wide variety of possible violations.

V OTHER INDIVIDUAL RISKS

We are not aware of other individual risks that jeopardise the existence of the company at present.

VI SUMMARY AND OVERALL STATEMENT OF THE GROUP'S CURRENT RISK SITUATION

The assessment of all risks takes place on the balance sheet date.

In addition to global risk factors, the expected positive development of the net assets, financial position and results of the Masterflex Group may be notably jeopardised by negative or even recessive business trends in individual sectors or economies.

Also a possible departure of a large number of specialists and managers within a relatively short period of time would adversely affect us in our further development. This also applies in the case of significant disruptions to our IT systems. In terms of staff, we will undertake all efforts to continue to be an attractive employer in the future. We try to minimise IT risks by optimising the central and decentralised information systems, their availability and reliability.

Our net assets, financial position and results may be considerably adversely affected in future if the Masterflex Group is unable to adapt to market changes – particularly if it is unable to develop, manufacture and distribute new, high-quality products. An undesirable development of this kind could lead to extraordinary write-downs on internally-created assets and intangible assets.

The management of the company currently sees the group as being well positioned to manage the identified risks. Any new risks arising will quickly become known to the Executive Board and dealt precisely both with regard to processes and due to short communication channels.

NOVOPLAST
SCHLAUCHTECHNIK

Pneumatic Hose with Connecting Element

The pneumatic hoses from Novoplast Schlauchtechnik are made either from highly resilient PU or from lighter and cheaper PA. The choice of material depends on the site of deployment. The customised connecting elements are designed for an operating pressure of 15 to 30 bar.

Consolidated Management Report

F. Forecast Report

The following statements on the future business development of the Masterflex SE and on the assumptions therefore deemed material concerning the economic development of markets and industries are based on our estimates which we currently regard as realistic according to information we have available. However, these are associated with a certain degree of uncertainty as a result of the current economic environment and thus carry the unavoidable risk that forecast developments will not actually occur, either in terms of general trends or to the extent predicted.

I OUTLOOK

1. Expected Economic Development

Due to the improving economy at the end of the year, the financial experts at Commerzbank AG whose knowledge and forecasts on global economic development is used for our future planning, expect improved economic momentum for the coming period (see table "Forecasted Economic Growth"). Persistently low interest rates, reduced oil prices and a weaker currency are giving rise to rising private consumption in the Euro zone and, in particular, in Germany, increased capital investments and an increased demand from abroad.

Nevertheless, the Euro zone lagged significantly behind in terms of growth potential compared to North America and Asia due to the very different economic constitution of its Member States. As the structural problems in some large Member States cannot be solved in the short term, the Euro zone will have to contend with comparably low growth rates as a whole for several more years.

Outside of Europe, the economic momentum which involves the Masterflex Group is significantly more pronounced. This applies in particular to the large economic regions of North America and Asia where growth rates of 3.2 percent (USA) and 6.5 percent (China) are expected. Bank economists reckon on a sluggish economy for Brazil (plus 0.9 percent) and, in particular, for Russia which is currently undergoing a recession due to the ongoing Ukraine crisis (minus 3.7 percent).

All in all, economists expect global economic growth of 3.3 percent in 2015 which should expand further in 2016 to 3.6 percent.

FORECASTED ECONOMIC GROWTH IN STATES WHERE THE MASTERFLEX GROUP IS PRESENT
(CHANGE COMPARED TO PREVIOUS YEAR, IN PERCENT)

Country	2015	2016
Euro zone	**1.1**	**1.2**
Germany	1.5	1.7
France	0.7	0.9
EU	**1.3**	**1.4**
Great Britain	2.4	2.4
Sweden	2.5	2.8
Czech Republic	2.4	2.7
World	**3.3**	**3.6**
Brazil	0.9	2.3
China	6.5	6.5
Russia	-3.7	1.6
Singapore	3.6	3.6
USA	3.2	2.8

Source: Commerzbank

2. Projected Development of the Masterflex Group

The Masterflex Group growth strategy rests on two pillars: internationalisation and innovation.

The Masterflex Group accesses international markets.

After conducting extensive market research and developing a comprehensive internationalisation strategy, implementation commenced at the end of the last decade. Today, the development of the addressed markets that are still not noteworthy in parts of Europe and Asia, North and South America is a significant part of the corporate planning. The first milestones along this path were achieved through the commencement of activities in Brazil, Russia, China and Singapore. Now, it is our goal to continue growing both through new as well as long-established foreign sites as well as through an expansion of export activities. Further market entries are not excluded in the future.

The Masterflex Group grows through innovations

The high demands of customers coupled with their requirements from their very different industries are an extremely important measure for the development of new products which we realise together with our customers – and partly also with our suppliers –in our development departments at the major production sites. We will continue to develop sophisticated product and material solutions in the future and use our high materials, application and technological expertise in the business of connection solutions. We can achieve further technological expertise, particularly in future industries through company acquisitions.

The economic outlook is very diverse for the regions and states served by Masterflex SE and its subsidiaries. In Germany, where Masterflex SE is the market leader for high-tech hose and connection systems, we anticipate continued annual growth; in the Euro zone, this applies with a slight cooling off. Our strategically important markets in North America and Asia offer very good prospects. Here, our growth is especially influenced by how successful we are at continuing to expand our market share. The future development of our Russian site is subject to great uncertainty. In addition to the feared recessionary development, serious state interventions cannot be excluded which could impact negatively on our joint venture with a 51 % stake of Masterflex SE. In Brazil too, the outlook is no longer as optimistic as it was some time ago due to the declining economy.

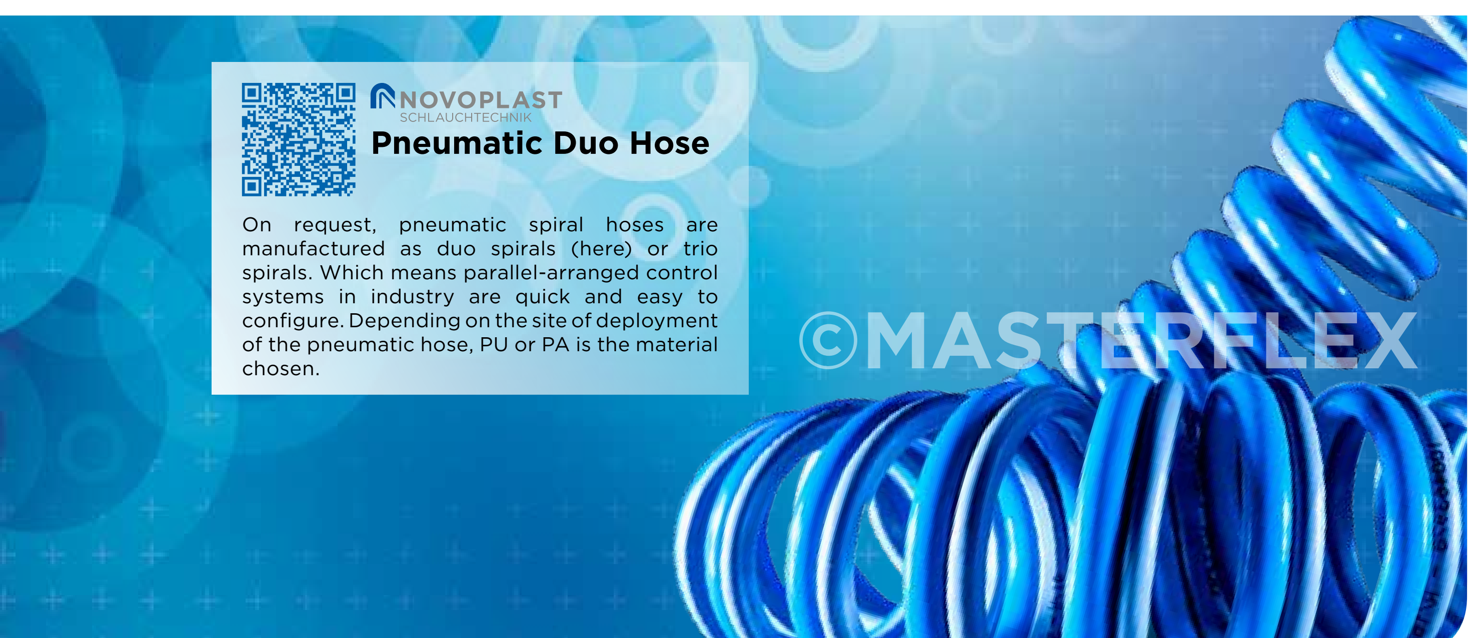
All in all, we anticipate that the growth path of the Masterflex Group that was laid out in the medium and long term will continue. In 2014, the company's sale grew by 7.9 percent. In 2015, as expected, sales should, in turn, rise faster than the forecasted growth of the world economy. However, this requires comparably stable economy development without major impacts from the increasing number of geopolitical conflicts.

We will devote all our strength to the further differentiation and internationalisation of our company with high-tech hoses and connection systems. Our operating result in 2014 ended up at € 6.3 million and thus above the previous year, with an almost stable double-digit EBIT margin. For the 2015 financial year, we expect a slightly increased EBIT again from which should stem a double-digit EBIT margin depending on sales development. As a medium-sized, but nonetheless, virtually globally active company group, we also know that in times of increasing rather than waning geopolitical crises, obstacles cannot be fully excluded in the long-term process of internationalisation. The same applies to the measures which are required in order to prepare the Masterflex Group for permanently above-average growth. However, risks cannot constitute a reason for failing to act. Because our objective matches our strategy. And the profitable growth of the last year justifies our actions.

II SUMMARISING OVERALL STATEMENT OF THE FORECAST

ll in all, the Executive Board still see the Masterflex Group well-positioned. This is true even under the current feeling that we have not achieved most recently our growth targets in terms of sales and revenue as quickly as we originally thought. For years, a purely organic growth significantly exceeding the worldwide economic growth, coupled with still comparatively good profitability, highlight the facts here.

The potential for innovative hose and connection systems is excellent on a global scale. The structural and process-related changes that are needed in order to position the Masterflex Group within a long-term continually growing scenario, are consistently forging ahead. To the extent in which we will be able to press forward with this at a convenient time scale, there will not only be significant growth in turnover but also sustainably achievable operating incomes as well as an increasing consolidated net income. A growing net profit, in turn, will positively influence the opportunities for paying out a dividend in the quadrangle of the objectives “reduce debt”, “finance growth”, “use opportunities for company acquisitions” and “dividend payments”.



Pneumatic Duo Hose

On request, pneumatic spiral hoses are manufactured as duo spirals (here) or trio spirals. Which means parallel-arranged control systems in industry are quick and easy to configure. Depending on the site of deployment of the pneumatic hose, PU or PA is the material chosen.

FLEIMA-PLASTIC

Drip Chamber Inlet Combination

The drip chamber from Fleima-Plastic consists of a perforated, injection-moulded upper part of the body and PVC or TPE lower part, as well as a flexible inlet hose under our Novoplast Schlauchtechnik brand. This complete version is assembled under clean room conditions.

Masterflex Shares

Financial Calendar

Share Information

ISIN-Code	DE0005492938
German Securities Code Number (WKN)	549 293
Class of Shares	No-par value bearer shares
Stock Ticker Symbol	MZX
Bloomberg Symbol	MZX GR
Reuter Code	MZXG.DE
Market Segment	Prime Standard
Member of the Following Indices	CDAX Prime All Share Index Classic All Share Index Prime Industrial Index
Designated Sponsor	WGZ Bank AG
Number of Shares	8,865,874
Theoretical Interest in Share Capital per Share	1.00 €

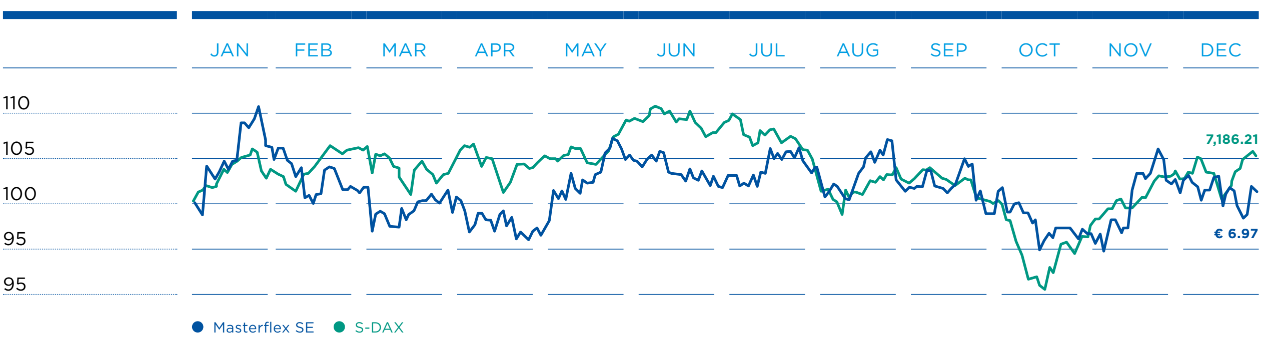
Masterflex Shares

THE STOCK MARKET YEAR

2014 has been marked by a sideways development of the Masterflex share. Compared with a closing price at the beginning of the year of € 6.88, the share closed at a price of € 6.97 on 30 December 2014. This corresponds to a slight increase of 1.3 percent. The S-DAX benchmark increased by 5.1 percent in this period or around 351 points. However, the share price was quite volatile over the course of the year and moved between a level of around € 6.50 to prices of more than € 7.50. At the beginning of 2015, the share tended to be somewhat weaker and then rose again at the beginning of March to a price of € 7.25. After the announcement of the preliminary figures for 2014, the price fell to a level of around € 7.

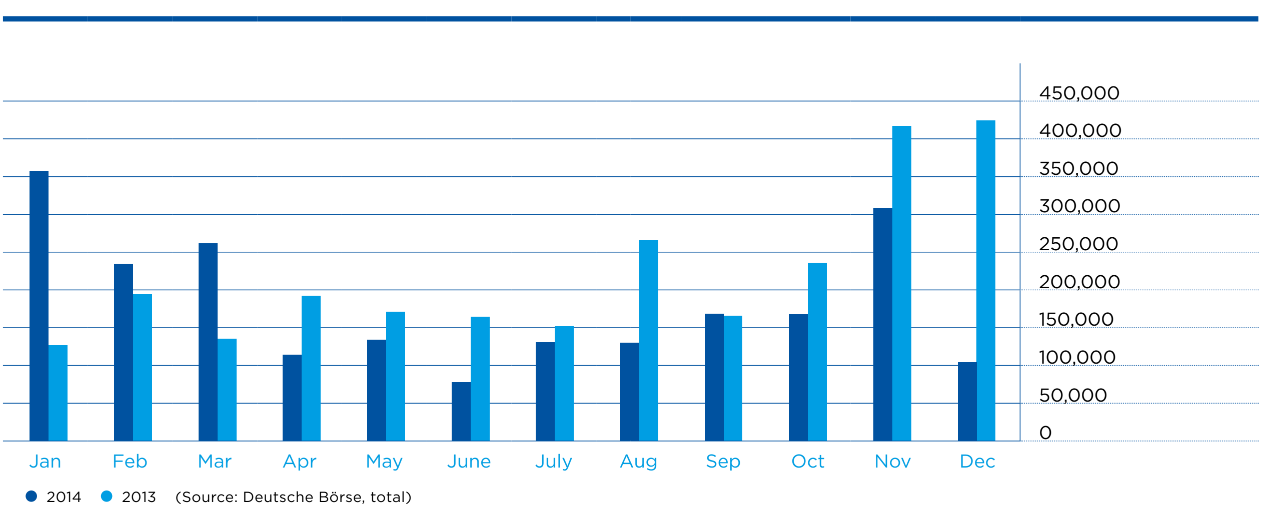
Masterflex share price compared with S-DAX

JANUARY UNTIL DECEMBER 2014



Liquidity of the Masterflex Share

ORDER BOOK SALES



Along with the sideways development of the share, liquidity in the past financial year was slightly weaker on the previous year. In 2014, almost 2.2 million shares (2013: more than 2.6 million shares) were traded on all domestic stock exchanges. After a vibrant start in the first quarter, the stock exchange turnover fell sharply following publication of the 2013 annual figures on 28 March 2014 and went back up again in September after a relatively quiet summer to a trading volume of more than 150,000 and with a temporary downward trend too. Presumably this reflects the disposal interest of the former shareholder package of "Von Rautenkranz GbR". In November, stock market trends, as well as liquidity, pointed upwards again. In addition to the nine-month result, large investor interest on the "Equity Forum" in Frankfurt could be the cause of this, as well as the position of the Dutch "Stichting Administratiekantoor Monolith" swelling to over 10 percent.

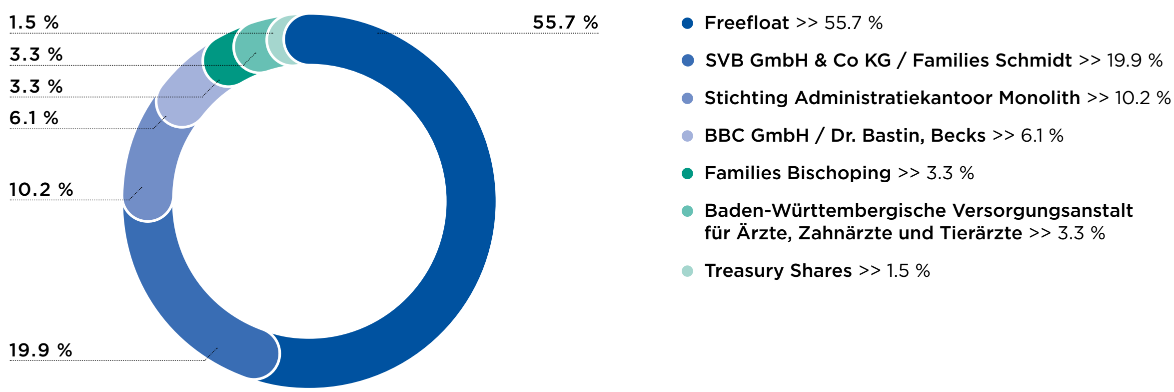
The daily revenue of Masterflex titles likewise remained volatile: on some occasional days, five-digit share certificates changed owner via Xetra; on other days, there were only one or two prices traded at low order volumes.

The Masterflex Group promotes the liquidity of its share in exchange trading through a Designated Sponsor. Since springtime 2013, this function has been carried out by WGZ Bank and the assigned stockbroker was Lang & Schwarz.

Shareholder Structure

In 2014, there were some slight changes to the structure of the shareholder package with a share of 3 percent or more: the Dutch fund, Stichting Administratiekantoor Monolith, with its head office in Amsterdam, increased its share to 10.16 percent in accordance with the communication of 12 November 2014. At the same time, they communicated the legally prescribed information on the objectives of the purchase and the origin of the funds. On 9 September 2014, Rautenkranz Beteiligungs GbR from Mainz informed us that their share had dropped under the limit of three percent. All communications can be found under **www.Masterflex-Group.com/en/investor-relations/news/information-on-voting-rights.**

MASTERFLEX SHAREHOLDER STRUCTURE



The information about the shares usually refers to the most recent German Securities Trading Act legal notifications to the company.

The largest investor of the Masterflex Group is still SVB Holding GmbH & Co KG, backed by the Schmidt families, a Family Office, whose percentage of voting shares amounts to 19.9 percent. The second-largest shareholder is the Dutch fund Stichting Administratiekantoor Monolith. Than the BBC GmbH follows with a share of 6.1 percent; two Masterflex SE Executive Board members are the shareholders behind the BBC. Together with another family members, the co-founder of the Masterflex Group, Friedrich Wilhelm Bischoping holds a stake totalling 3.3 percent. In addition, the Baden-Württemberg Pension Institute for Doctors, Dentists and Veterinary Surgeons owns a notifiable stake of shares (3.3 percent). The free float of share capital of Masterflex SE reduced slightly to almost 56 percent due to the increased involvement of institutional investors.

SHARE PRICE STATISTIC

Xetra		2014	2013	2012	2011	2010
Highest price	€	7.650	7.30	5.74	6.84	4.50
Lowest price	€	6.391	4.80	4.47	3.77	2.84
Opening price	€	7.00	4.999	5.15	4.00	3.50
Closing share price	€	6.97	7.00	4.84	5.18	4.00
Performance		- 0.4%	+ 40.0%	- 6.0 %	+29.5 %	+14.3 %

Analyst Research

WGZ Bank who have followed the Masterflex share since April 2013, updated their research four times over the last year due to their financial reporting. With increasing price targets of € 9.00 most recently, the share was consistently recommended to buy in the latest figures, most recently on 5 March 2015. In addition, SMC Research who specialised in small and mid-cap shares recommended the Masterflex share in August 2014 in particular as a promising, medium-term investment. This research institute also wants to record the coverage of the Masterflex share in the future.

The Masterflex Group continues to support analysts in their work through ongoing discussions and on-site meetings. Because with continually updated research, both institutional and private investors receive an independent opinion on the business model and business opportunities. Thus, research support is an important momentum for orientation in the capital market. For the Masterflex share, a greater volume of research coverage is preferable.

Research studies can be downloaded at **www.MasterflexGroup.com** under Investor Relations>Analysts.

PERFORMANCE IN 2014

Xetra		31.12.2014	31.12.2013
Number of Shares	Unit	8,865,874	8,865,874
Treasury Shares	Unit	134,126	134,126
Closing Price	€	6.97	7.00
Market Capitalisation	€ million	61.8	62.1
Market Capitalisation (not including treasury shares)	€ million	60.9	61.1
Free Float	%	55.7	56.7
Earnings per Share	€	0.34	0.29

Annual General Meeting 2014

On 24 June 2014, the Annual General Meeting took place at Schloss Horst in Gelsenkirchen. Over 200 shareholders listened to the presentation on the 2013 financial year from the Executive Board and Supervisory Board which was followed by a lively debate on the results and the proposed contingent capital increase. This corresponded to a presence of between 42 and 48 percent of the share capital. The shareholders approved all the proposals from the Executive Board by a very large majority. These included not only the appointment of Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft as auditors but also a contingent capital increase of a maximum € 4.4 million by way of a possible emission of warrants and convertible bonds of up to € 45 million.

All voting results are published on the **www.MasterflexGroup.com** website under Investor Relations>Annual General Meeting. There are also several selected images from the shareholders' meeting in the historic Schloss Horst.

Capital Market Communications

The foundation of successful and sustainable capital market communications is an information policy that is open, simultaneous and identical in content for all financial market participants. The Investor Relations staff will be available to answer any questions from investors and analysts, especially for private investors. In addition, all the important dates are published on the company website in the financial calendar (**http://masterflexgroup.com/en/investor-relations/financial-calendar.html**) since the end of the last financial year.

In the 2014 financial year, a series of discussions and meetings were arranged with institutional investors. Following an investor presentation in early January, the 2013 annual results kicked off the presentation at the analysts' conference on 28 March 2014 in Frankfurt. At the very well attended conference, the CEO described the 2013 results, the business model and the strategy for the years to come in detail. During the half-yearly report, a telephone conference call was held - as in the previous year - on 14 August 2014, in which the analysts intensively exchanged the results with the CFO. In the – now traditional – participation of the Masterflex Group in the Frankfurt Equity Form from 24 to 26 November, the discussion requests of institutional investors were agreed in a reduced-forum timetable compared to the previous year. The IR staff introduced the Masterflex Group and their share to private investors in November at an investor's forum of the Deutschen Schutzvereinigung für Wertpapierbesitz in Düsseldorf. In addition, a series of individual discussions and visits by investors took place throughout the year - with the exception of periods which were close to the quarterly financial reporting dates.

In addition, intensive dialogue will be conducted with stakeholders from the capital market. The aim of Investor Relations is to be contribute a fair valuation of the share by means of reliable reporting and ongoing discussion. The aim of the Masterflex Group is to become a global leader in all the addressed markets. We will do this by growing sustainably and profitably and by means of the growth of the global economy. And this approach should also be reflected in the performance of the shares.

FINANCIAL CALENDAR

30 March	Financials Press Conference, Presentation of the 2014 Annual Report, Düsseldorf
30 March	Analysts' Conference, Frankfurt/Main
11 May	Q1 report 2015
16 June	Annual General Meeting, Gelsenkirchen
10 August	Q2 report 2015
9 November	Q3 report 2015
23 – 25 November	German equity forum, Frankfurt

Hose Clamps

Common accessory in medical technology: two roller clamps for hoses in the standard colours of red and blue. These clamps are made from PC or ABS for hoses with a maximum external diameter of 4.8 mm.

FLEIMA-PLASTIC

Verbinder für Herz-Lungen-Maschinen

Transparente HLM-Konnektoren aus Polycarbonat in Y-und I-Form aus unserem Standard-Programm. Die Abgänge sind gesichert durch rote bzw. blaue Schutzkappen. Hergestellt werden die Konnektoren im Spritzgussverfahren unter Reinraum-Bedingungen der Klasse 8.

Consolidated Financial Statements

Consolidated Balance Sheet - Assets

Assets in k€	**Notes**	**31.12.2014**	**31.12.2013**	**01.01.2013**
NON-CURRENT ASSETS				
Intangible assets	**4,24**	**4,077**	**4,245**	**4,187**
Concessions, industrial and similar rights	4	495	639	678
Development costs	4	141	142	93
Goodwill	4,24	3,258	3,258	3,258
Advance payments	4	183	206	158
Property, plant, and equipment	**4**	**22,641**	**21,759**	**21,232**
Land, land rights and buildings		11,413	11,256	11,674
Technical equipment and machinery		8,413	8,280	7,259
Other equipment, operating and office equipment		2,182	2,008	1,963
Advance payments and assets under development		633	215	336
Non-current financial assets	**4**	**311**	**342**	**445**
Non-current financial instruments		131	117	59
Other loans		180	225	386
Other assets	**6**	**0**	**1**	**26**
Other financial assets	**6,17**	**20**	**83**	**0**
Deferred taxes	**26**	**2,553**	**3,481**	**4,260**
		29,602	**29,911**	**30,150**
CURRENT ASSETS				
Inventories	**5**	**11,694**	**10,699**	**11,119**
Raw materials and consumables used		6,107	5,719	6,507
Work in progress		662	546	244
Finished products and goods purchased and held for sale		4,904	4,367	4,365
Advance payments		21	67	3
Receivables and other assets	**6,7**	**6,178**	**6,173**	**6,291**
Trade receivables	7	5,350	5,103	5,464
Other assets	6	820	1,045	825
Other financial assets	6,17	8	25	2
Income tax assets	**8**	**82**	**192**	**364**
Cash in hand and bank balances	**9**	**4,422**	**4,749**	**2,823**
		22,376	**21,813**	**20,597**
Assets held for sale	**6**	**4**	**6**	**16**
		22,380	**21,819**	**20,613**
Total Assets		**51,982**	**51,730**	**50,763**

Previous year's partially adjusted (see note 3)

Consolidated Balance Sheet - Liabilities

Equity and liabilities in k€	Notes	31.12.2014	31.12.2013	01.01.2013
SHAREHOLDERS' EQUITY				
Consolidated equity	**10**	**23,446**	**20,487**	**18,316**
Subscribed capital		8,732	8,732	8,732
Capital reserve		26,252	26,252	26,252
Retained earnings		-9,674	-12,717	-15,314
Revaluation reserve		-576	-591	-733
Exchange differences		-1,288	-1,189	-621
Minority interest	**11**	**389**	**576**	**536**
Total equity		**23,835**	**21,063**	**18,852**
NON-CURRENT LIABILITIES				
Provisions	**12**	**206**	**194**	**191**
Financial liabilities	**13**	**15,052**	**18,162**	**16,987**
Other financial liabilities	**13**	**45**	**88**	**139**
Other liabilities	**15**	**1,251**	**1,388**	**1,489**
Deferred taxes	**26**	**604**	**594**	**838**
		17,158	**20,426**	**19,644**
CURRENT LIABILITIES				
Provisions	**12**	**2,303**	**2,485**	**2,600**
Financial liabilities	**13**	**5,150**	**4,362**	**6,012**
Other financial liabilities	**13**	**55**	**45**	**44**
Income tax liabilities	**14**	**590**	**430**	**409**
Other liabilities	**15, 16**	**2,677**	**2,670**	**2,755**
Trade payables	16	1,487	1,588	1,717
Other liabilities	15	1,190	1,082	1,038
		10,775	**9,992**	**11,820**
Liabilities directly connected with assets held for sale	**15**	**214**	**249**	**447**
		10,989	**10,241**	**12,267**
Total Equity and liabilities		**51,982**	**51,730**	**50,763**

Previous year's partially adjusted (see note 3)

Consolidated Income Statement

Continued business units in k€	**Notes**	**2014**	**2013**
1. Revenue	18	62,466	57,904
2. Changes in inventories of finished goods and work in progress		309	319
3. Work performed by the enterprise and capitalised		261	49
4. Other operating income	19	903	449
Gross profit		**63,939**	**58,721**
5. Cost of materials	20	-20,371	-18,101
6. Staff costs	23	-23,267	-21,849
7. Depreciations		-2,855	-2,655
8. Other expenses	21	-11,129	-10,002
9. Financial result	25		
Financial expenses		-1,151	-1,521
Other financial result		28	-56
10. Earnings before taxes		**5,194**	**4,537**
11. Income tax expense	26	-1,962	-1,670
12. Earnings after taxes from continued business units		**3,232**	**2,867**

Discontinued business units in k€			
13. Earnings after taxes from discontinued business units	**27**	**-154**	**-80**
14. Consolidated net income/loss		**3,078**	**2,787**
thereof minority interests		35	191
thereof attributable to shareholders of Masterflex SE		**3,043**	**2,596**
Earnings per share (diluted and non-diluted)			
from continued business units	28	0.36	0.30
from discontinued business units	28	-0.02	-0.01
from continued and discontinued business units	28	0.34	0.29

Previous year's partially adjusted (see note 3)

Consolidated Statement of Comprehensive Income

in k€	Notes	2014	2013
Consolidated net income/loss		**3,078**	**2,787**
Other result			
Items, that may be reclassified subsequently to profit or loss if specific conditions are met			
1. Exchange differences on translation of foreign financial statements	10	-106	-538
2. Changes in fair values of financial instruments		15	142
3. Income taxes		7	-30
4. Other earnings after taxes		**-84**	**-426**
5. Overall result		**2,994**	**2,361**
Overall result:		**2,994**	**2,361**
thereof minority interests		35	191
thereof attributable to shareholders of MASTERFLEX SE		**2,959**	**2,170**

Previous year's partially adjusted (see note 3)

Consolidated Statement of Changes in Equity

in k€	Sub-scribed capital	Capital reserve	Retained earnings	Revalu-ation reserve	Exchange-diffe-rences	Minority interest	Minority interest	Total
Note	10	10	10	10	10		11	
Equity at 01.01.2013	**8,732**	**26,252**	**-13,642**	**-733**	**-621**	**19,988**	**536**	**20,524**
Adjustment in accor-dance to IAS 8	0	0	-1,672	0	0	-1,672	0	-1,672
Equity at 01.01.2013 after adjustment	**8,732**	**26,252**	**-15,314**	**-733**	**-621**	**18,316**	**536**	**18,852**
Dividends	0	0	0	0	0	0	-151	-151
Other changes	0	0	1	0	0	1	0	1
Overall result	**0**	**0**	**2,596**	**142**	**-568**	**2,170**	**191**	**2,361**
Consolidated net income	0	0	2,596	0	0	2,596	191	2,787
Other earnings after taxes	0	0	0	142	-568	-426	0	-426
Changes in fair values of financial instruments	0	0	0	142	0	142	0	142
Exchange differences on translation of foreign financial statements	0	0	0	0	-568	-538	0	-538
Income taxes on other comprehensive income	0	0	0	0	-30	-30	0	-30
Equity at 31.12.2013	**8,732**	**26,252**	**-12,717**	**-591**	**-1,189**	**20,487**	**576**	**21,063**
Dividends	0	0	0	0	0	0	-223	-223
Other changes	0	0	0	0	0	0	1	1
Overall result	**0**	**0**	**3,043**	**15**	**-99**	**2,959**	**35**	**2,994**
Consolidated net income	0	0	3,043	0	0	3,043	35	3,078
Other earnings after taxes	0	0	0	15	-99	-84	0	-84
Changes in fair values of financial instruments	0	0	0	15	0	15	0	15
Exchange differences on translation of foreign financial statements	0	0	0	0	-106	-106	0	-106
Income taxes on other comprehensive income	0	0	0	0	7	7	0	7
Equity at 31.12.2014	**8,732**	**26,252**	**-9,674**	**-576**	**-1,288**	**23,446**	**389**	**23,835**

Previous year's partially adjusted (see note 3)

Consolidated Cash Flow Statement

in k€	2014	2013
Result for the accounting period before taxes, interest expenses and financial result	6,128	5,555
Income taxes paid	-1,263	-895
Depreciation of intangible assets	310	301
Depreciation expense for property, plant and equipment	2,545	2,354
Write-downs of non-current financial assets	0	84
Change in provisions	-204	-83
Other non-cash expenses/income and gains/losses from the disposal of non-current assets	-348	132
Changes in inventories	-995	421
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	585	717
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	39	-635
Net cash from operating activities	**6,797**	**7,951**
Proceeds from the disposal of non-current assets	272	301
Payments to acquire intangible assets	-143	-359
Payments to acquire property, plant and equipment	-3,609	-3,399
Changes in cash and cash equivalents due to the repayment of financial assets	45	161
Net cash from/used in investing activities	**-3,435**	**-3,296**
Payments to owners and minority interests (dividends, purchase of own shares)	-223	-151
Interest and dividend receipts	22	47
Interest expenditure	-1,037	-1,539
Proceeds from raising loans	2,657	25,500
Payments for the repaiment of loans	-5,012	-26,024
Net cash from/used in financing activities	**-3,593**	**-2,167**
Net change in cash and cash equivalents	**-231**	**2,488**
Changes in cash and cash equivalents due to exhange rates and other factors	-99	-568
Cash and cash equivalents at start of period	**4,755**	**2,835**
Cash and cash equivalents at the end of period	**4,425**	**4,755**

Previous year's partially adjusted (see note 3)

MASTERDUCT

Master-Clip PTFE Thermo Insulated

This Master-Clip hose is used for conveying exhaust gases as well as for air-conditioning and ventilation systems. The inner hose can withstand up to several thousand °F depending on the wall fabric. The asbestos-free insulation in the outer hose ensures low heat emission levels and dampens noise efficiently.

Notes
to the Consolidated Financial Statements

Notes to the Consolidated Financial Statement

1. PRINCIPLES OF FINANCIAL REPORTING

Basis of presentation

Masterflex SE as parent company of the Group is registered in the Commercial Register at Gelsenkirchen District Court under no. HRB 11744. The company's head office is in Gelsenkirchen (Germany). The address is Masterflex SE, Willy-Brandt-Allee 300, 45891 Gelsenkirchen. The Articles of Association exist in the version adopted on 24 June 2014. The company name is Masterflex SE.

The present consolidated financial statements have been prepared in accordance with § 315 a of the German Commercial Code ("Consolidated financial statements in accordance with international accounting standards") in conjunction with the International Financial Reporting Standards (IFRSs) and the interpretations issued by the International Accounting Standards Board (IASB) as applicable within the EU in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. These comprise the obligatory IASs, IFRSs and the relevant interpretations (SIC/IFRIC) as of the balance sheet date 31 December 2014. The prior-period amounts were calculated in accordance with the same principles.

The consolidated financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement. The notes to the consolidated financial statements also contain segment reporting.

For clarity, some individual balance sheet and statement of comprehensive income items have been combined; these items are discussed in detail in the notes to the Group consolidated financial statements. Assets and liabilities are broken down into current and non-current Items. The Group income statement is prepared in accordance with the nature of expense method.

The Group cash flow statement is prepared in accordance with the indirect method for cash flow from operating activities and the direct method for cash flow from investing and financing activities.

The consolidated financial statements are prepared in euro (€). All amounts, including prior period amounts, are stated in thousands of euro (k€). All amounts are rounded in accordance with standard commercial practice. In some cases, this can result in negligible differences between the sum of the individual amounts and the stated total. The single-entity financial statements of the companies included in consolidation are prepared to the same reporting date as the consolidated financial statements.

The Executive Board of Masterflex SE released this financial statement for publication on 18 March 2015. Endorsement has taken place in the Supervisory Board meeting on 18 March 2015.

2. ACCOUNTING PRINCIPLES

Basis of consolidation

The consolidated financial statements of Masterflex SE contain all companies in which Masterflex SE holds a majority of the voting rights or over whose financial and business policy it can otherwise exercise a controlling influence, either directly or indirectly. Subsidiaries are fully consolidated from the date at which the Group is able to exercise a controlling influence over them, and are deconsolidated from the date at which this controlling influence ends.

As of 31 December 2014, a total of 8 domestic subsidiaries (previous year: 9) and 12 foreign subsidiaries (previous year: 12) were consolidated in addition to Masterflex SE. The table below shows the subsidiaries that were fully consolidated as of 31 December 2014:

Company Name	Company headquarters		Equity interest held by Masterflex (%)
Masterflex SARL	France	Béligneux	80
Masterflex Technical Hoses Ltd.	Great Britain	Oldham	100
Masterduct Holding, Inc.*	United States	Houston	100
Flexmaster USA, 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	Plana	100
M & T Verwaltungs GmbH*	Germany	Gelsenkirchen	100
Matzen & Timm GmbH	Germany	Norderstedt	100*
000 Masterflex RUS	Russia	St. Petersburg	51
Masterflex Scandinavia AB	Sweden	Kungsbacka	100
Masterflex Entwicklungs GmbH*	Germany	Gelsenkirchen	100
Masterflex Vertriebs GmbH	Germany	Gelsenkirchen	100*
Masterflex Asia Holding GmbH*	Germany	Gelsenkirchen	80
Masterflex Asia Pte. Ltd.	Singapore	Singapur	100*
Masterflex Hoses (Kunshan) Co., Ltd.	Volksrepublik China	Kunshan	100*

*) Subgroup

The basis of consolidation has changed in comparison with the previous year. In the previous year's consolidated financial statements, SURPRO Verwaltungsgesellschaft mbH, Gelsenkirchen merged with Masterflex Handelsgesellschaft mbH with effect from 31 August 2014. This did not have any impact on the net assets, financial position and results of the Group.

Acquired subsidiaries are accounted for using the purchase method. The cost of acquisition is calculated on the basis of the cash and cash equivalents transferred and the fair values of the assets given up, the equity instruments issued and the liabilities assumed as of the transaction date, plus any costs directly attributable to the acquisition. Expected changes in cost as a result of future events are taken into account at the acquisition date depending on the probability of the respective event and the extent to which the resulting change can be reliably estimated. On initial consolidation, the assets, liabilities and contingent liabilities identified in the course of a business combination are measured at their fair value at the transaction date, irrespective of any minority interests.

The excess of the cost of acquisition over the parent company's share in the fair values of the acquired net assets of the subsidiary is recognised as goodwill. If the cost of acquisition is lower than the total fair value of the acquired net assets of the subsidiary, the difference is recognised in the income statement.

The single-entity financial statements of the companies included in consolidation as prepared in accordance with the respective national accounting standards were adjusted to reflect IFRS requirements.

Some of the subsidiaries included in the consolidated financial statements make use of partial use of the exemption clause of § 264 paragraph 3 of the Commercial Code. A list of the exemption clauses made use of by these companies can be found in note 39.

Consolidation principles

With the exception of income and expense items between continued and discontinued operations, all intragroup receivables, liabilities, profits and losses are eliminated.

In accordance with IFRS 3, capital consolidation is performed by offsetting the carrying amounts of subsidiaries against the Group's proportionate interest in their shareholders' equity. The shareholders' equity of acquired subsidiaries is calculated at the acquisition date on the basis of the fair values of the assets, liabilities, contingent liabilities and deferred taxes of the subsidiaries and any goodwill as of this date.

Currency translation

Group companies prepare their annual financial statements in their respective functional Currency.

Foreign-currency transactions by consolidated companies are translated into the functional currency using the exchange rate at the transaction date. Monetary assets are adjusted to reflect the exchange rate at each balance sheet date. As a matter of principle, the resulting exchange rate gains and losses are reported in other income and expenses.

The financial statements of all companies with a functional currency other than the Group reporting currency are translated into the reporting currency of Masterflex's consolidated financial statements. The assets and liabilities of the consolidated companies are translated using the middle rates prevailing at the balance sheet date, while their income statements are translated using moving average rates for the year as a whole. If the average rate for the year is not a reasonable approximation of the actual exchange rates on the respective transaction dates, the latter rates are applied. Any exchange differences are classified as a separate component of equity and remeasured at each balance sheet date. On 31 December 2014, these differences amounted to k€ -1,288 (previous year: k€ -1,189).

Goodwill from the acquisition of foreign subsidiaries whose functional currency is different to the Group reporting currency and adjustments due to fair value measurement are translated as assets of the respective companies using the prevailing exchange rate at the balance sheet date.

The following exchange rates were applied for currency translation purposes:

In percent	31.12.2014
1 pound sterling (£)	1.2839
1 US Dollar ($)	0.8237
1 Russian Rouble (RUB)	0.0138
1 Brazilian Real (BRL)	0.3105
1 Czech Koruna (CZK)	0.0361
1 Swedish Krona (SEK)	0.1065
1 Singapore Dollar (SGD)	0.6227
1 Renminbi (CNY)	0.1327

Income and expense items, including those contained in the annual financial statements, were translated using the average exchange rates for the year as follows.

In percent	31.12.2014
1 pound sterling (£)	1.2401
1 US Dollar ($)	0.7526
1 Russian Rouble (RUB)	0.0196
1 Brazilian Real (BRL)	0.3202
1 Czech Koruna (CZK)	0.0363
1 Swedish Krona (SEK)	0.1099
1 Singapore Dollar (SGD)	0.5942
1 Renminbi (CNY)	0.1221

Intangible assets

Intangible assets include both internally generated and acquired assets. Internally generated intangible assets relate to work performed by the Company and capitalised, and are carried at the cost incurred between the date on which their technological and economic feasibility was established and the date on which they were completed. Acquired intangible assets include concessions, licences, industrial and similar rights and assets, as well as technologies. Acquired intangible assets are carried at cost. Intangible assets whose useful lives can be determined are amortised on a straight-line basis over this period.

If the useful life of an intangible asset is identifiable, this is depreciated over its useful life. The carrying amounts of intangible assets are reviewed if there is evidence to suggest that they may be impaired as a result of events or changes in circumstances. Intangible assets with uncertain useful lives are tested for impairment annually. Impairment testing is performed in the same way as for property, plant and equipment. If the reasons for impairment no longer apply, the corresponding write-down must be reversed up to a maximum of the amortised cost of the respective asset.

Goodwill

Goodwill arising from business combinations is recognised as an intangible asset.

Goodwill is tested for impairment at the level of the respective cash-generating units at least once a year at the end of the financial year and whenever there is evidence of impairment ("Cash Generating Unit"). The recoverable amounts of the individual cash-generating units are compared with their carrying amounts including goodwill. The recoverable amount of a cash-generating unit is the higher of its internal value in use and its fair value less disposal costs. If the carrying amount of the assets attributable to an individual cash-generating unit exceeds the recoverable amount, a write-down is recognised in income in the amount of the difference.

Write-downs for impairment are deducted from goodwill. Any excess is allocated proportionately to the carrying amounts of the other assets of the cash-generating unit being tested for impairment.

The value in use of the individual cash-generating units is calculated in the fourth quarter of each financial year in accordance with the discounted cash flow method. It is only necessary to estimate the selling price if the value in use is lower than the carrying amount.

Property, plant and equipment

Property, plant and equipment encompasses all tangible assets that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and writedowns, plus any reversals of write-downs.

Items of property, plant and equipment held under finance leases are carried at the lower of fair value and the present value of the minimum lease payments and are depreciated on a straight line basis over their expected useful life.

Certain items of property, plant and equipment will be sold and leased back ("Sale and lease back"). All of the sale and leaseback transactions concluded by the Company result in lease arrangements.

The carrying amounts of items of property, plant and equipment are reviewed if there is evidence to suggest that they may be impaired as a result of events or changes in circumstances. Impairment is assessed by comparing the carrying amount of an asset with its recoverable amount (impairment testing). If the carrying amount is higher than the recoverable amount, it is written down to the lower amount. In order to assess impairment, assets are grouped at the lowest level for which the respective cash flows can be separately identified. If the reasons for impairment no longer apply at a subsequent reporting date, the corresponding write-down may be reversed up to a maximum of the amortised cost of the respective asset.

Useful lives

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

	Useful life	Method of depreciation
Software	4 years	Linear
Licences and similar rights	Over the term of the lease	Linear
Buildings/parts of builidings	10–50 years	Linear
Technical equipment	2–18 years	Linear
Other assets, operating and office equipment	2–10 years	Linear

Non-current financial assets

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

Securitised debt instruments that the Company intends to hold to maturity are carried at amortised cost in accordance with the effective interest method. All other securities are carried at their fair value, with any fluctuations in value taken directly to equity.

Financial receivables are carried at amortised cost in accordance with the effective interest method.

Derivative financial instruments are employed exclusively for hedging purposes, and in particular for hedging against interest rate fluctuations arising from financial transactions, as well as exchange rate risks and changing prices. They are always carried at their fair value. Fair value fluctuations are recognised in income.

The settlement date is relevant for the initial recognition of financial assets and their subsequent derecognition. Financial assets are recognised when Masterflex becomes a contracting party to the respective financial instrument, and are derecognised when the right to receive money or another financial asset expires as a result of settlement, waiver, limitation or offsetting or in another manner or this right is transferred to another party, including the corresponding risks.

Financial assets or groups of financial assets are tested for impairment at each balance sheet date, with any write-downs recognised in income. With the exception of equity instruments, the carrying amounts of financial assets are written up if the reasons for impairment no longer apply.

Deferred taxes

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts in the respective domestic tax accounts and the IFRS accounts used in preparing the consolidated financial statements. Deferred tax assets are also recognised for tax loss carryforwards. Deferred tax assets are only recognised for tax loss carryforwards to the extent that future taxable income is expected to be available.

In accordance with the IFRSs, amounts relating solely to tax law are not recognised in the consolidated financial statements.

Stocks on hand

Inventories are carried at the lower of cost and net realisable value. The majority of the Company's inventories are measured using the FIFO (first-in, first-out) method. The cost of inventories includes direct costs, indirect materials and indirect labour costs relating to production and depreciation, as well as production-related administrative expenses, but not borrowing costs. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. If the reasons for impairment no longer apply, the corresponding write-down must be reversed up to a maximum of the amortised cost of the respective asset.

Receivables and other assets

Receivables and other assets are accounted for on the basis of amortised cost. If there is substantial objective evidence for a write-down then an impairment loss is recorded. Such evidence of the existence of a write-down is, for example, a deterioration of creditworthiness of a debtor and thus associated payment obligations or an imminent insolvency. The necessary value adjustments are orientated towards the actual credit risk. Receivables are comprised of financial receivables, trade receivables and other receivables.

Cash in hand and bank balances

Cash in hand and bank balances are primarily composed of bank balances, cash in hand and uncredited cheques, and are carried at their principal amount. Cash and cash equivalents denominated in foreign currencies are translated at the exchange rate at the balance sheet date.

Subscribed capital

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

Provisions

Provisions are recognised when the Group has a current (legal or constructive) obligation from a past event that it is expected to be required to settle, and the amount of this obligation can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the current obligation as of the balance sheet date, taking into account the risks and uncertainties underlying the obligation.

If the economic benefit required to settle the provision is expected to be reimbursed by a third party, either in part or in full, the corresponding right is recognised as an asset if reimbursement is virtually certain and the amount to be reimbursed can be reliably estimated.

Other obligations to employees include all short-term benefits. Short-term employee benefit obligations are generally due in full within 12 months of the end of the respective service, and include wages, salaries, social security contributions, paid vacation and profit-sharing. These benefits are expensed at the same time as the remunerated service is performed. At the balance sheet date, the excess of the total expense over the payments already made is recognised as a deferred liability.

Provisions for warranties are measured on the basis of actual past warranty costs and the assessed overall risk of our product range. Provisions are also recognised when the Company is aware of a warranty claim and a loss is considered likely. Recourse claims against suppliers are capitalised if the services in question are covered by a warranty and it is highly likely that the Company will be able to assert the respective claims.

Liabilities

Liabilities are recognised at amortised cost. The determination of these amortised costs takes place using the effective interest method. Liabilities from finance lease agreements are carried as liabilities at the amount at the fair value beginning of the lease agreement or the present value of the minimum lease instalment if this value is lower. Liabilities are comprised of financial liabilities, trade liabilities and other liabilities.

Financial instruments

The financial instruments recognised on Masterflex SE's balance sheet relate in particular to cash and cash equivalents, available-for-sale securities, trade receivables, trade payables and liabilities to banks. Financial instruments held for trading, which primarily consist of derivatives, are carried at fair value with any changes recognised in the income statement. Available-for- sale securities are carried at fair value. Unrealised changes in fair values are reported in the reserve for the marking-to-market of financial instruments as a separate component of shareholders' equity. The Executive Board is responsible for determining the allocation of financial instruments to the aforementioned categories at the acquisition date and reviewing this allocation at each subsequent reporting date. The securities held by the Group are reported as financial assets.

All in all, there are no significant differences between the carrying amounts and fair values of the other financial instruments held by the Group. The Group holds cash and cash equivalents at various banks and aims to minimise its dependence on individual banks as part of its risk strategy. Customer-specific financial risk is controlled by constantly monitoring customer creditworthiness.

There are no material default risks in excess of the carrying amounts of the financial assets held by the Group.

Revenue recognition
Revenue from the sale of products is recognised when the respective products are delivered and transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable. Customer bonuses, trade discounts and volume rebates and the elimination of intragroup profits and losses serve to reduce revenue.

Interest income is recognised on a time proportion basis over the remaining term of the respective asset on the basis of the effective interest rate and the amount of the outstanding receivable.

Borrowing Costs
Borrowing costs are expensed in the period in which they are incurred.

Research and development
Research costs are expensed when they are incurred. Development costs relating to the significant development of a product or process are capitalised when the product or process is technically and economically realisable, the development is marketable, the relevant expenses can be reliably measured and the Company has sufficient resources to complete the development project. All other development costs are expensed as incurred. Capitalised development costs for completed projects are carried at cost less any accumulated amortisation.

Government grants
Government grants are carried at fair value if the Group meets the necessary conditions for receiving the grant. Cost subsidies are recognised over the period in which the costs they are intended to subsidise are incurred. Government investment grants are reported as deferred income and reversed over the useful life of the respective asset in accordance with the depreciation pattern.

Estimates
The preparation of the financial statements requires the use of estimates and assumptions affecting the Company's assets, liabilities, provisions, deferred tax assets and liabilities, income and expenses, as well as the recognition of contingent liabilities. Although the Company ensures that such estimates and assumptions are made in a careful and conscientious manner, the possibility that the actual amounts will deviate from the estimated amounts cannot be excluded.

Factors that could cause a negative deviation include a deterioration in the global economy, exchange rate and interest rate developments, significant legal proceedings and amendments to the provisions of environmental law or other statutory provisions. Manufacturing defects, the loss of key customers and rising finance charges could also adversely affect the Group's future success.

The following section presents the potential effects of changes in estimates on the recognition and measurement of assets and liabilities:

a. Development costs

In order to calculate the goodwill of amounts capitalised, the management must make assumptions on the amount of the future expected cash flow from assets, the time period of the inflow of the future expected cash flow generated by the assets, and the interest rates to be applied. Best possible estimates were calculated at the balance sheet date (see note 4).

b. Goodwill

The Group tests goodwill for impairment on an annual basis. The recoverable amount of cash-generating units is determined on the basis of the value in use, which in turn is calculated on the basis of assumptions by the Group's management (see note 24).

c. Deferred taxes

When estimating the realisability of deferred tax assets, the Group's management assesses the extent to which the factors in favour of realisation outweigh those against it. The actual realisability of a deferred tax asset depends on the availability of future taxable income that can be offset against the tax loss carryforwards. To this end, the Group's management examines the dates at which the deferred tax liabilities are expected to reverse and the future taxable income is expected to be received. Based on Masterflex's expected future business development, the Group's management assumes that the deferred tax assets recognised will be realisable (see notes 3 and 26).

d. Provisions and contingent liabilities

Changes in the estimated probability of a current obligation or an outflow of economic resources may lead to the reclassification as provisions of items that were previously classified as contingent liabilities, or to changes in the amounts recognised as provisions (see note 12).

In addition, assumptions and estimates are required for write-downs on doubtful debts as well as contingent liabilities and other provisions. They are also necessary when calculating the fair value of long-term property, plant and equipment and intangible assets, and when determining the net realisable value of inventories.

In some cases, actual values can deviate from the assumptions and estimates made, meaning that it is necessary to adjust significantly the carrying amount of the assets or liabilities concerned. Changes to estimates are recognised in income in accordance with IAS 8 at the time they become known.

New accounting standards

The option regarding the early application of new standards, revisions of standards and interpretations already approved as of 31 December 2014 and adopted by the European Union by the time the consolidated financial statements were approved, was not exercised.

The following accounting standards, interpretations and amendments to existing standards were published as of the reporting date, but were not yet required to be applied in preparing the IFRS consolidated financial statements for the year ending 31 December 2014.

- IAS 19 — Defined benefit plans: Employee contributions

As well as the changes to various IFRSs within the framework of the annual "Improvement" project cycle 2010-2012 and 2011-2013.

The following changes standards and interpretations published by the IASB are yet to be adopted into European law by the European Union and are currently not being used:

- IFRS 9 — Financial Instruments: Classification and Measurement
- IFRS 14 — Regulatory deferred income
- IFRS 15 — Revenue from contracts with customers
- IFRS 10, 12, IAS 28 — Changes regarding the application of consolidation measures
- IFRS 10, IAS 28 — Changes in relation to the sale or transfer of assets between an investor and an associated company or Joint Ventures
- IFRS 11 — Changes and clarification of the accounting for the acquisition of shares in a joint venture
- IAS 1 — Changes as a result of the information initiative
- IAS 16, 38 — Changes aimed at clarifying acceptable depreciation methods
- IAS 16, 41 — Changes to bring fruit-bearing plants within the scope of IAS 16
- IAS 27 — Changes whereby the equity methods will again be approved as an accounting option for shares in subsidiaries, Joint Ventures and associated companies in the separate financial statements of an investor

As part of the annual "improvement" project cycle 2012-2014, various IFRSs were amended. Adoption in European Law is still pending.

The future application of new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements.

The following interpretations have been passed by the International Financial Reporting Interpretations Committee (IFRIC) and are to be applied for the first time in the current financial year:

- IFRS 10 Consolidated Financial Statements*
- IFRS 11 Joint Arrangements*
- IFRS 12 Disclosure of Interests in Other Entities*
- IFRS 10,11,12 Clarify and facilitate respect to the adoption of these standards for the first time *
- IAS 27 Separate financial statements*
- IAS 28 Shares in associated companies*
- IFRS 10, 11, 12 Amendments regarding investment companies
- IAS 32 Offsetting of financial assets and liabilities
- IAS 39 Changes with regard to the novation of derivatives and continuation of hedge accounting
- IFRIC 21 Contributions

*The IFRS, as they should be applied in the EU, provide a mandatory application of these provisions for financial years which start on or after 1 January 2014. Thus, the IFRS applied in the EU differs from the regulations of the IASB.

The initial application of these standards and interpretations did not materially affect the financial statements of Masterflex SE.

3. CORRECTIONS IN ACCORDANCE WITH IAS 8

Masterflex SE and its subsidiaries are subject to regular tax audits in Germany as well as ongoing tax audits in other countries.

In Germany, the fiscal years 2007 to 2011 are currently being examined by the tax authorities.

Masterflex SE commissioned the creation of a restructuring survey in 2009 due to the looming financial difficulties. This restructuring survey affirmed the fundamental restructuring capacity of Masterflex SE. The restructuring concept provided that the creditor banks partially waive its claims against Masterflex SE. This debt waiver amounting to € 10.2 million led to a restructuring gain for Masterflex SE.

The taxation consequences could be avoided under the conditions of a tax-advantaged restructuring gain according to the tax authority in accordance with the BMG correspondence of 27 March 2003.

In this respect, the tax bases had been determined in such a way that losses were not offset with the restructuring gain notwithstanding the deduction and withholding restrictions. On this basis, the deferred taxes had been wrongly determined.

During the ongoing tax audit for the years between 2007 - 2011, it was pointed out that in recognition of the restructuring gain this is initially to be offset as far as possible with losses and negative income of Masterflex SE. In addition to the offset of losses of the current financial year, offsets from loss carryforwards and loss carrybacks are to be made and regardless of existing balance and transfer restrictions. With regard to Masterflex SE, this resulted in a complete loss adjustment for the restructuring gain incurred as Masterflex SE had sufficiently high losses and loss carryforwards.

The improper determination of deferred tax assets resulted in the determination of a significant error in the financial statements as at 31 December 2010 of Masterflex SE. This error also led to a correction of the incorrect figures in the consolidated financial statements in the following years in accordance with IAS 8.41ff. The corrections have been reflected in the current consolidated financial statement as at 31 December 2014 whereby the comparative figures were adjusted for 2013. Furthermore, the opening balance sheet for 2013 has been corrected without recognition through profit and loss as previous reporting periods are also affected.

The corrections made for the 2013 financial year also required an adjustment to the consolidated statement of changes in equity, the consolidated statement of comprehensive income, the consolidated cash flow statement and the comparative figures provided for 2013 in the notes to the consolidated financial statements. In addition, the correction to the consolidated statements of changes in equity was required at the time of the opening balance on 1 January 2013.

In accordance with IAS 8.42, the following tables provides an overview of the comparative amounts for previous periods in which the error occurred:

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

in k€	31.12.2013	01.01.2013	31.12.2011	31.12.2010
Deferred tax assets	-1,960	-1,672	-678	-481
Total equity	-1,960	-1,672	-678	-481
Deferred taxes (profit and loss)	-288	-994	-197	-481
Consolidated result from continued operations	2,867	3,910	4,059	7,619
Earnings per share from continued operations	0.36	0.30	0.42	1,57
Consolidated result from continued and discontinued operations	2,596	3,449	3,686	-2,814
Earnings per share from continued and discontinued operations	0.29	0.39	0.42	-0.59

NOTES TO THE CONSOLIDATED BALANCE SHEET: ASSETS

4. NON-CURRENT ASSETS

The development of non-current assets is presented in a separate statement of changes in non-current assets (see annex). Liabilities to banks are secured by way of entries in the land register in the amount of k€ 5,947 (previous year: k€ 6,103) and transfers of title to production facilities totalling k€ 7,236 (previous year: k€ 6,824).

At 31 December of each financial year, the assets held by foreign companies with a different functional currency are translated to euro using the prevailing exchange rates at the balance sheet date, while all changes during the financial year are translated using the average rates for the year. The exchange differences resulting from these different methods of translation are shown separately in the statement of changes in non-current assets.

a) Intangible assets

All intangible assets are purchased, with the exception of individual industrial rights and developments by Masterflex SE and Novoplast Schlauchtechnik GmbH. The industrial rights held by the Company relate to internally generated patents, while developments consist of capitalisable expenses incurred in the development of marketable products.

The cost of, additions to and disposals from intangible assets are composed as follows:

in k€	Internally generated intangible assets	Acquired tangible assets	Goodwill	Total
As at 01.01.2013	**339**	**2,411**	**9,161**	**11,911**
Additions	97	262	0	359
Disposals	0	50	0	50
As at 01.01.2014	**436**	**2,623**	**9,161**	**12,220**
Additions	40	104	0	144
Disposals	0	83	0	83
As at 31.12.2014	**476**	**2,644**	**9,161**	**12,281**

Current and accumulated amortisation are composed as follows:

in k€	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
As at 01.01.2013	**236**	**1,585**	**5,903**	**7,724**
Depreciation and amortisation for fiscal year	11	290	0	301
Disposals	0	50	0	50
As at 01.01.14	**247**	**1,825**	**5,903**	**7,975**
Depreciation and amortisation for fiscal year	16	294	0	310
Disposals	0	81	0	81
As at 31.12.14	**263**	**2,038**	**5,903**	**8,204**

The carrying amounts of intangible assets are composed as follows:

in k€	Internally generated intangible assets	Acquired intangible assets	Goodwill	Total
As at 31.12.2013	189	798	3.258	4,245
As at 31.12.2014	213	606	3.258	4,077

b) Property, plant and equipment

Property, plant and equipment also includes land and buildings held under a finance lease. Production and warehouse facilities and an administrative building used by Masterflex SE are held under the terms of a real estate lease. The lease, which was entered into on 30 March 1993 with the lessor MODICA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Masterflex KG, Gelsenkirchen, is designed in such a way that all of the risks and rewards incident to ownership of the leased assets were transferred to Masterflex SE. The term of the contract ended as planned on 31 July 2014.

Masterflex SE acquired the leasing item on 31 July 2014 at the contractually agreed residual value amounting to k€ 3,085. The residual value corresponded to the tenant loans accrued at the time.

Masterflex SE received advanced rental payments amounting to the contractually agreed purchase price with the framework of the real estate lease. These advance rental payments were due for repayment with the transition of ownership, risk, benefits and obligations in accordance with the purchasing agreement The advanced rent payments produced at the time of maturity of the purchase price were offset against the purchase price claim.

The following table shows the original cost and useful life and changes in the carrying amount of the leased assets:

in k€	Carrying amount	Useful life	Carrying amount 31.12.2014	Carrying amount 31.12.2013
Building	4,568	30 Jahre	1,631	1,784
Land	587		587	587
Total	**5,155**		**2,218**	**2,371**

The payment obligations relating to the lease instalments are divided into an interest element and a capital element over the term of the lease. The interest expense in the year under review amounted to k€ 6 (previous year: k€ 32).

c) Financial assets

Financial assets are composed as follows:

in k€	31.12.2014	31.12.2013
Non-current financial instruments	131	117
Loans and receivables	180	225
Total	**311**	**342**

Investment securities relate to income-yielding stock from a European Share Index and available-for-sale financial instruments within the meaning of IAS 39. The financial instruments are categorised at level 1 as input factors with quotes prices in active markets for identical assets or liabilities.

The following table shows the cost, unrealised gains and losses and fair values of available-for-sale securities as of 31 December 2014:

carrying amount in k€	**Unrealistic losses** in k€	**Fair value** in k€
707	576	131

Income from available-for-sale securities totalled k€ 7 (previous year k€ 0).

Trade receivables in the amount of k€ 180 are reported as non-current receivables on account of a financing agreement.

5. STOCKS ON HAND

Inventories are composed as follows:

in k€	31.12.2014	31.12.2013
Raw materials and consumables used	6,107	5,719
Work in progress	662	546
Finished products and goods purchased and held for sale	4,904	4,367
Advance payments	21	67
Total inventories	**11,694**	**10,699**

Inventories were expensed in the amount of k€ 20,144 (previous: k€ 17,679).

Depreciation of inventories to the net realisable value amounted to k€ 139 (previous year: k€ 235).

6. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are composed as follows:

in k€	31.12.2014	31.12.2013
Trade receivables	5,350	5,103
Other assets	820	1,046
Other financial assets	26	108
Assets classified as available-for-sale	4	6
Total receivables and other assets	**6,202**	**6,263**

Other assets are composed as follows:

in k€	31.12.2014	31.12.2013
Deferred income	334	376
Bonus receivables	203	102
Receivables from tax authorities	114	79
Receivables from legal disputes	41	91
Creditors with debit balances	33	67
Deposits	19	19
Loans	0	189
Receivables from investment grants and subsidies	0	54
Other	76	69
Total other assets	**820**	**1,046**

The carrying amounts of other assets correspond to their fair values.

"Miscellaneous other financial assets" include receivables totalling k€ 0 (previous year: k€ 1), which will not be realised until one year after the balance sheet date.

Receivables from tax authorities primarily relate to VAT receivables.

Prepaid expenses primarily relate to prepayments of trade fair expenses, commission, lease instalments and insurance premiums.

"Other financial assets" are discussed in note 17.

"Assets classified as available-for-sale" includes the assets of the following discontinued operations:

- Masterflex Entwicklungs GmbH (formerly Masterflex Mobility GmbH)
- Masterflex Vertriebs GmbH (formerly Masterflex Brennstoffzellentechnik GmbH).

7. TRADE RECEIVABLES

The nominal value of trade receivables is composed as follows:

in k€	31.12.2014	31.12.2013
Trade receivables	5,539	5,248
Impairment	-189	-145
Total trade receivables	**5,350**	**5,103**

The carrying amounts of trade receivables correspond to their fair values.

Specific and global valuation allowances on trade receivables totalled k€ 189 (previous year: k€ 145).

Individual risks were taken into account on the basis of write-downs totalling k€ 61 (previous year: k€ 51).

The Company's average payment terms and outstanding receivables are in line with standard market conditions.

The maturity structure of trade receivables is composed as follows:

2014	k€	k€
Carrying amount (net):		**5,350**
1. of which: non-impaired and non-overdue at the balance sheet date		**3,818**
2. of which: non-impaired, but overdue at the balance sheet date		**1,532**
less than 30 days	1,076	
30 to 59 days	250	
60 to 89 days	18	
90 to 119 days	12	
120 days or more	176	

2013	k€	k€
Carrying amount (net):		**5,103**
1. of which: non-impaired and non-overdue at the balance sheet date		**3,785**
2. of which: non-impaired, but overdue at the balance sheet date		**1,318**
less than 30 days	539	
30 to 59 days	493	
60 to 89 days	215	
90 to 119 days	12	
120 days or more	59	

8. INCOME TAX ASSETS

Income tax assets amounted to k€ 82 at the balance sheet date (previous year k€ 192). All income tax assets are due within one year.

9. CASH IN HAND AND BANK BALANCES

Cash in hand and bank balances comprise credit at banks and cash in hand. Cash in hand and bank balances at the balance sheet date were calculated as follows:

in k€	31.12.2014	31.12.2013
Cash in hand and bank balances	**4,422**	**4,749**

The effective interest rate for short-term bank deposits was between 0.00 % and 1.5%.

Notes to the consolidated balance sheet: Equity & Liabilities

10. TOTAL EQUITY

Capital management

The Masterflex Group strategic orientation sets the framework for the optimisation of capital management. The Group intends to generate a sustainable increase in enterprise value in the interests of its shareholders, customers and employees by way of a continuous increase in earnings driven by growth and the improved efficiency of our business processes. This requires a balance between the business and financial risks and the financial flexibility of the Masterflex Group, which is achieved through intensive communications with the financial markets and banks in particular.

The Articles of Association of Masterflex SE do not prescribe any specific capital requirements.

The development of shareholders' equity can be seen in the statement of changes in shareholders' equity.

Subscribed capital

Subscribed capital in the year under review amounts to € 8,865,874, divided into 8,865,874 no-par value bearer shares each with a notional interest in the share capital of € 1.00. Company's share capital is fully paid up.

No treasury shares were sold or newly acquired in the 2014 financial year. At the balance sheet date, Masterflex SE held a total of 134,126 treasury shares (previous year: 134.126).

The 134,126 no-par value bearer shares have a nominal amount of € 134,126. They represent 1.51 % of the share capital. The shares were acquired between September 2004 and July 2005. The relevant Annual General Meeting resolutions from 2004 and 2005 authorised the Company to acquire treasury shares with a notional interest in the Company's share capital of up to € 450,000. At the date of the Annual General Meeting, this was 10 % of the Company's share capital of € 4,500,000. The acquired shares, together with the other treasury shares held by the Company or attributable to it in accordance with § 71 a ff. of the German Stock Corporation Act, could not exceed 10 % of the Company's share capital at any time. This authorisation could not be used for the purpose of trading in treasury shares.

Accordingly, Masterflex SE reports issued capital of € 8,731,748.

By resolution of the Annual General Meeting on 28 June 2011, the Executive Board was authorised

a) from 29 June 2011 to 28 June 2016 to acquire treasury shares of up to 10 % of the Company's share capital as of the date the resolution was passed or – if this value is lower – as of the time the authorisation is exercised, with the approval of the Supervisory Board.. The acquired shares, together with the other treasury shares held by the Company or attributable to it in accordance with § 71 a ff. of the German Stock Corporation Act, may not exceed 10 %of the Company's share capital at any time.

b) This authorisation may not be used for the purpose of trading in treasury shares.

c) The acquisition is to be made (1) via the stock exchange or (2) via a public offer to buy directed at all shareholders of the company.

- If treasury shares are acquired via the stock exchange, the purchase price per share (not including incidental acquisition costs) may not deviate from the market price of Company shares by more than 10 %. The relevant market price for the purposes of the authorisation is the average price for the Company's shares determined from the closing prices on the Xetra trading platform (or a functionally comparable successor system) at the Frankfurt Stock Exchange over the last three trading days prior to the purchase of the shares.

- If treasury shares are acquired via a public offer to buy to all Company shareholders, the purchase price offered or the limits of the purchase price range offered per share (not including incidental acquisition costs) may not deviate from the market price of Company shares by more than 10%. The relevant market price for the purposes of the authorisation is the average price for the Company's shares determined from the closing prices on the Xetra trading platform (or a functionally comparable system taking the place of the Xetra system) at the Frankfurt Stock Exchange over the sixth to the third trading days prior to the day the offer is announced. The volume of the offer can be limited. If the total subscription for the offer exceeds this volume, acceptance must be proportionate to the number of shares offered. Small lots of shares offered for purchase (up to 50 per shareholder) may be preferred, and the number of shares may be rounded in accordance with commercial principles in order to avoid fractional shares.

d) The Executive Board is further authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares to third parties with shareholders' subscription rights disapplied in exchange for non-cash contributions, particularly in the context of business combinations and the acquisition of companies, parts of companies and/or equity interests in companies

e) Moreover, the Executive Board is authorised to sell the acquired treasury shares in exchange for cash contributions in a manner other than via the stock exchange or the circulation of an offer to shareholders, with the approval of the Supervisory Board and with shareholders' subscription rights disapplied.

f) In the case of (d), the value of the non-cash contribution, when considered as a whole, must be appropriate within the meaning of § 255 (2) of the German Stock Corporation Act. In the case of (e), the shares may only be sold to third parties at a price (not including incidental selling costs) that is not significantly below the market price of Company shares with the same features at the time of the sale. The relevant market price for the purposes of the authorisation is the average price for the Company's shares determined from the closing prices on the Xetra trading platform (or a functionally comparable successor system) at the Frankfurt Stock Exchange over the last five trading days prior to the sale of the treasury shares.

g) The authorisation to disapply shareholders' subscription rights according to (e) applies with the proviso that the treasury shares sold with subscription rights disapplied may not exceed 10 % of the share capital, which means 10 % of the share capital as of the date the authorisation was given, as well as 10 % of the share capital as of the date the authorisation to disapply shareholders' subscription rights is exercised. The upper limit of 10 % of share capital is lowered by the proportion of share capital attributable to the shares issued during the term of this authorisation due to an otherwise existing authorisation to disapply shareholders' subscription rights in accordance with § 186 (3) sentence 4 of the German Stock Corporation Act. Furthermore, those shares that have been or will be issued in order to service bonds with conversion rights or options or an option or conversion obligation are to count towards this limit, provided that these bonds were issued during the term of this authorisation with subscription rights disapplied in accordance with § 186 para 3 sentence 4 of the German Stock Corporation Act.

h) The Executive Board is also authorised, with the approval of the Supervisory Board, to supply ordinary treasury shares to holders of bonds with warrants or convertible bonds of the Company or a Group company within the meaning of § 18 of the German Stock Corporation Act, which were issued on the basis of authorisations of the Company's Annual General Meeting of 11 August 2009 under agenda item 9, in accordance with the option and bond conditions.

i) The Executive Board is also authorised, with the approval of the Supervisory Board, to withdraw the treasury shares without a further Annual General Meeting resolution. In the context of withdrawal, it is also authorised to withdraw no-par value shares either with or without a capital reduction. If the no-par value shares are withdrawn without capital reduction, the proportion of other shares in the share capital is increased in accordance with § 8 para 3 of the Stock Corporation Act. In this case, the Executive Board is also authorised to adjust the number of shares of the Company as set out in the Articles of Association (§ 237 para 3 no. 3 of the German Stock Corporation Act).

j) The above authorisations may be exercised on one or several occasions, individually or in Combination.

k) For the purposes of these authorisations, closing prices are the last trading prices recorded on a trading day. The provisions of the German Securities Acquisition and Takeover Act must be observed to the extent that they are applicable.

l) When acquiring treasury shares, the Executive Board is required to observe the statutory provisions for the possible creation of reserves in the amount of the expenses for acquisition (§ 71 para 2 sentence 2 of the German Stock Corporation Act).

Neither the Executive Board nor the Supervisory Board exercised any of these authorisations.

Authorised capital

By resolution of the Annual General Meeting on 28 June 2011, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to € 4,432,937.00 by 27 June 2016 by issuing up to 4,432,937 no-par value bearer shares on one or more occasion in exchange for cash and/or non-cash contributions (authorised capital I).

The Executive Board is authorised to determine the further content of the equity rights and the terms and conditions of the issue of these shares, subject to the approval of the Supervisory Board. The new shares are to be offered to shareholders for subscription. The new shares can also be taken over by a bank or a company that operates in accordance with § 53 para 1 sentence 1 or § 53b para 1 sentence 1 or § 7 of the German Banking Act with the obligation to offer them to shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

- for fractional amounts
- in the case of capital increases in exchange for non-cash contributions, in particular for granting shares for the acquisition of companies, parts of companies or equity interests in companies;

- for cash contributions up to an amount not exceeding 10 % of the Company's share capital at the date the authorisation comes into effect and the date the authorisation is exercised, providing that the issue price of the shares is not significantly lower than the quoted price of the listed shares of the Company at the date the issue price is finalised. Shares that are acquired on the basis of an authorisation issued by the Annual General Meeting and sold in accordance with § 71 para 1 no. 8 in conjunction with § 186 Para 3 sentence 4 of the German Stock Corporation Act during the term of this authorisation or that are issued during the term of this authorisation on the basis of an otherwise existing authorisation to disapply shareholders' subscription rights in accordance with § 186 para 3 sentence 4 of the German Stock Corporation Act are counted towards this 10 % limit. Furthermore, those shares that have been or will be issued in order to service bonds with conversion rights or options or an option or conversion obligation are to count towards this limit, provided that these bonds were issued during the term of this authorisation with subscription rights disapplied in accordance with § 186 para 3 sentence 4 of the German Stock Corporation Act.

- in order to grant the holders or creditors of any bonds with warrants or convertible bonds previously issued by the Company subscription rights to new shares to the extent that they would have been entitled to these after exercising the option or conversion right or after fulfilling an option or conversion obligation as a shareholder.

The Supervisory Board is authorised to amend the wording of § 4 of the Articles of Association following the full or partial implementation of the share capital increase to reflect the extent to which authorised capital I has been utilised and, if the authorised capital II is not fully utilised by 27 June 2016, after the authorisation period expires.

Neither the Executive Board nor the Supervisory Board exercised any of these authorisations.

Contingent capital

The authorisation by the Executive Board at the annual general meeting of 11 August 2009 to issue warrants and/or convertible bonds on company shares expired on 31 July 2014. No use has been made of it thus far. In order to be able to make use of the option of raising capital in the future, a new authorisation has been decided. To service the warrants and conversion rights and/or warrant or conversion obligations in the case of exploitation of the new authorisation, in place of the previous contingent capital in accordance with § 4 paragraph 6 of the Articles of Association, a new contingent capital (Contingent Capital 2014) and a corresponding change to § 4 of the Articles of Association has been adopted.

By resolution of the Annual General Meeting of 24 June 2014 the Executive Board and Supervisory Board received the following authorisation:

a) Authorisation to issue warrant and/or conversion bonds

aa. Authorisation period, nominal amount, number of shares, maturity, interest

The Executive Board, with the consent of the Supervisory Board, has been authorised up to 23 June 2019 to issue one or more tranches of warrant and/or convertible bonds (both together hereinafter referred to as "bonds") to the owner or to the bearer with a total nominal value of up to € 45,000,000.00. Option or conversion rights of holders or creditors of bonds with warrants and convertible bonds (hereinafter collectively referred to as "bearers") up to a total of up to 4,432,937 granted to holders of new no-par value bearer shares of the company with a pro-rata amount of the share capital of up to € 4,432,937.00 in total according the conditions of the bonds or conversion obligations can be justified in the appropriate amounts. The bonds and the warrant and conversion rights and obligations can be issued with or without a time limit. The bonds can have fixed or variable interest whereby the interest as in a profit participating bond can be fully or partly dependent on the amount of company dividends. The issue of bonds can also take place against the provision of benefits in kind.

bb) Granting of subscription rights, exclusion of subscription rights.
The shareholders basically have a legal right to bonds and debentures issued by the company. The bonds and debentures can also be issued by one or several credit institutions or members of a consortium of credit institutions or by credit institutions in accordance with § 186 paragraph 5 sentence 1 of the Stock Corporation Act to equivalent institutions with the obligation to offer them to shareholders for subscription.

However, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

I. for fractional amounts which arise as a result of the subscription right ratio;

II. if the bonds and debentures are issued against cash benefits and the issue price is not substantially lower than the theoretical market value of the bonds and debentures in accordance with accepted actuarial principles. This authorisation to the exclusion of subscription rights however, only applies to bonds and debentures with rights to shares in which a pro-rata amount of the share capital does not represent more than 10 percent of the share capital either with respect to the time of the effective date or with respect to the time the authorisation is exercised. The sale of treasury shares must be counted against this limit if this take place during the term of this authorisation under exclusion of subscription rights in accordance with § 186 paragraph 3 sentence of the Stock Corporation Act. Those shares that are to be offset against this limitation which will be issued during the term of this authorisation from authorised capital under exclusion of the subscription right in accordance with § 186 paragraph 4 sentence of the Stock Corporation Act;

III. If the bonds and debentures are issued against contributions and the value of the contribution is not unduly low compared to the theoretical market value of the bonds and debentures in accordance with accepted actuarial principles. The sum of the shares that are issued to bearers of bonds and debentures which in accordance with this authorisation under the exclusion of the subscription right, taking into account the shares that are issued during the term of this authorisation from authorised capital under the exclusion of the subscription right against cash and/or non-cash contributions must not exceed 20 percent of the existing share capital of the company at the time the resolution is passed at the annual general meeting or – if this amount is lower – at the time the authorisation is granted, whereby the exclusion of the subscription right must be taken into consideration. The issue of subscription rights or shares under stock option programmes does not represent an exclusion of the subscription right to that effect.

cc. Currency, issue by majority shareholders
Besides being issued in Euro, the bonds and debentures can be issued – up to the equivalent Euro value – in the legal currency of an OECD country. They can also be issued by direct or indirect majority shareholders of Masterflex SE (i.e. companies where Masterflex SE is directly or indirectly involved in the majority of votes and capital); in this case, the Executive Board is authorised, with the approval

of the Supervisory Board, to assume the guarantee for the bonds and debentures and to grant and/or guarantee option and conversion rights to Masterflex SE shares to holders of such bonds and debentures.

dd. Option and conversion right

In case of the issue of option bonds, one or more subscription warrants are enclosed with each partial bond that entitle the holder to option conditions, to be determined by the Executive Board, with respect to new no-par value bearer shares of the company. For warrants and/or convertible bonds issued by the company in euro, the option conditions may stipulate that the option price can be fulfilled wholly or in part by the transfer of partial bonds and if necessary, payment in cash. The subscription ratio results from the division of the nominal value of a partial bond by the price to be paid for a share of the company according to the option conditions. The pro-rate amount of share capital which is accounted for by the number of new shares to be subscribed per partial bond must not exceed the nominal value of the partial bonds (if necessary, plus payment in cash). Where subscription rights to fractions of new shares arise, it may be provided that these fractions may be added together in accordance with the option conditions, if applicable with an additional cash payment, so that full shares can be acquired.

In the event that convertible bonds are issued, the holder of the bonds and debentures obtains the right to exchange their partial bonds into non-par value bearer shares in the Company in accordance with the conversion conditions to be defined by the Executive Board. The rate at which bonds are exchanged for shares shall be the result of dividing the nominal or the issue amount below nominal value of a partial bond, by the conversion price defined in the convertible bond conditions for one share of the company. The exchange ratio may be rounded up or down to a whole number where there is no provision in the loan term for subscription rights to fractional shares to be added together to make whole shares against an additional cash payment. Further, there may be provision for an additional cash contribution. The pro-rata amount of share capital which is attributable to the shares to be subscribed to each of the partial bonds must not exceed the nominal value of the individual partial bond or the issue amount below nominal value of a partial bond if the difference is not covered by an additional payment by the holder of the conversion right.

ee. Option and conversion obligation

The terms and conditions of the Bonds may also provide for a conversion obligation at the end of their term (or on another date) (hereinafter referred to "final maturity" in each case) or give the Company the right, upon final maturity, to issue partial bonds to bearers in whole or in part in lieu of the payment in cash of the amount due for a share of the company. In these cases the option / or conversion price for a share can amount to the (non-weighted) average closing price of the Company shares in XETRA trading (or a comparable successor system) of the Deutsche Börse AG during the last ten trading days preceding, or the ten trading days succeeding the final maturity dates even if this is below the following minimum price specified. §§ 9 paragraph 1, 199 paragraph 2 of the Stock Corporation Act remains unaffected.

ff. Granting of new or existing shares, cash payment

In the event of exercising options or conversion or upon fulfilment of option or conversion obligation, the Company can either grant new shares from contingent capital or existing company shares or shares of other shares from another listed company, if necessary with an additional cash payment. The terms and conditions of the Bonds may also provide the company the right, in the event of exercising options or conversion or upon fulfilment of option or conversion obligation, not to grant shares but to pay an amount of money which that corresponds with the volume-weighted average price, for the number of shares otherwise to be supplied, in XETRA trading on Deutsche Börse AG or in a corresponding successor system during a reference period of three to ten trading days before or after the option is exercised or after declaring the conversion. §§ 9 paragraph 1, 199 paragraph 2 of the Stock Corporation Act remains unaffected.

gg. Option price, conversion price, adjustment to the option or conversion price to preserve value. The subscription price or conversion price, as the case may be, defined for one Company share (this also applies to a variable exchange ratio and/or option or conversion price) must either be at least 80 percent of the non-weighted average closing price of the Company share in XETRA trading on Deutsche Börse AG or in a corresponding successor system during a reference period of ten trading days before or after the resolution is passed by the Executive Board about the issuing of warrants or convertible bonds or in the case where a subscription right is granted, if (i) a subscription right is traded, at least 80 percent of the non-weighted average closing price of the Company share in XETRA trading on Deutsche Börse AG or in a corresponding successor system during the day in which the subscription right to bonds and debentures is traded on the Frankfurt Stock Exchange, with the exception of the two last trading days on which the subscription rights are traded or if (ii) no subscription right is traded, at least 80 percent of the non-weighted average closing price of the Company share in XETRA trading on Deutsche Börse AG or in a corresponding successor system from the beginning of the subscription period until the date of the publication of the final determination of the conditions (inclusive). §§ 9 paragraph 1, 199 paragraph 2 of the Stock Corporation Act remains unaffected.

The determination of a different option or conversion price with the existence of an option and conversion obligation or a conversion right of the company in accordance with aforementioned information under 33) remains unaffected by this.

Notwithstanding §§ 9 paragraph 1, 199 paragraph 2 of the Stock Corporation Act, the option or conversion price may be reduced due to a dilution protection clause in accordance with the terms and conditions of the bonds if, during the option or conversion period, the company increases the share capital by granting its shareholders subscription rights, increases the share capital from the company's own funds, issues further bonds with warrants and/or convertible bonds and holders of bonds are not granted subscription rights on the scale to which they would be entitled after exercising the option or conversion rights and/or fulfilling the option or conversion obligations as shareholders. Such a reduction in the option of conversion price can also be effected by a cash payment when the option of conversion right is exercised or with the fulfilment of an option of conversion obligation. The bond conditions within the framework of a dilution protection clause can provide that the holders of bonds are granted additional option and conversion rights as well as shares from the contingent capital of the company or to the treasury shares of the company, provided contingent capital and/or treasury shares are available. Finally, the bond conditions may provide for an adjustment to the option or conversion obligations in the event of a reduction in capital.

hh. Authorisation to determine further details

The Executive Board is authorised, with the approval of the Supervisory Board, to determine the further details of the issue and features of the bonds, in particular, the interest rate, form of interest payment, issue price, term and denomination, provisions of the dilution protection clause, option or conversion period and within the aforementioned framework, the option and conversion price, exchange modalities in the event of exchange entitlement and/or exchange or conversion obligations as well as the rights of the company to early conversion of the bonds.

b) Cancellation of the previous contingent capital in accordance with § 4 paragraph 6 of the Articles of Association and creation of a new contingent capital in accordance with a new § 4 paragraph 6 of the Articles of Association.

aa. The contingent capital included in § 4 paragraph 6 of the Statue that was decided in accordance with the resolution of the Annual General Meeting of 11 August 2009 is revoked.

bb. The company's share capital has been contingently increased by up to € 4,432,937.00 through the issue of up to 4,432,937 new no-par value bearer shares. The contingent capital increase served to secure the granting of options and the arrangement of warrant obligations in accordance with the conditions for bonds with warrants to the bearers of warrants from bonds with warrants or to secure the fulfilment of conversion rights and conversion obligations in accordance with the conditions for convertible bonds for the bearers of convertible bonds issued by the company during the period up to 23 June 2019 on the basis of the previous authorisation issued or guaranteed by the company or indirect or direct majority shareholder of the company. The contingent capital increase is only to be implemented in the case of the issuance of warrants or conversion bonds and only to the extent the owners of the option certificates or convertible bonds make use of their option and conversion rights or an option or conversion obligation should be fulfilled (also in the case where the Company enforces a corresponding elective right). The new shares participate in the company's profits from the beginning of the financial year in which they arise. The Executive Board is authorised with the approval of the Supervisory Board, to determine the further details of the implementation of the limited capital increases.

c) Change to the Articles of Association
§ 4 paragraph 6 of the Articles of Association (Amount and division of share capital) has be re-worded as follows:

"6. The company's share capital has been contingently increased by up to € 4,432,937.00 through the issue of up to 4,432,937 new no-par value bearer shares. The contingent capital increase served to secure the granting of options and the arrangement of warrant obligations in accordance with the conditions for bonds with warrants to the bearers or creditors of warrants from bonds with warrants or to secure the fulfilment of conversion rights and conversion obligations in accordance with the conditions for convertible bonds for the bearers or creditors of convertible bonds issued by the company by an indirect or direct major shareholder of the Company during the period up to 23 June 2019 on the basis of the authorisation granted at the annual general meeting on 24 June 2014. The contingent capital increase is only to be implemented in the case of the issuance of warrants or conversion bonds and only to the extent the owners or creditors of the option certificates or convertible bonds make use of their option and conversion rights or an option or conversion obligation should be fulfilled (also in the case where the Company enforces a corresponding elective right). The new shares participate in the company's profits from the beginning of the financial year in which they arise. The Executive Board is authorised with the approval of the Supervisory Board, to determine the further details of the implementation of the limited capital increases. The Supervisory Board is authorised, to amend § 4 paragraph 6 of the Articles of Association, in accordance with the respective utilisation of the contingent capital and upon expiry of all option and conversion periods".

The limited capital created by resolution of the ordinary annual general meeting on 11 August 2009 was reversed at the Annual General Meeting of 24 June 2014.

Capital reserves

The capital reserve amounted to k€ 26,252 at the balance sheet date (previous year: k€ 26,252). It related primarily to the agio from the Company's capital increase in 2000 less initial stock exchange listing costs and the capital increase carried out in 2010.

In accordance with IAS 32, acquisitions and disposals of treasury shares are offset against capital reserves after adjustment for income tax effects.

Retained earnings

Changes in retained earnings are presented in the statement of changes in shareholders' equity.

Revaluation reserve

In accordance with IAS 39, the Company's investment securities are classified as "available for sale". These securities are carried at their fair value at the balance sheet date. After adjustment for income tax effects, the resulting unrealised gains for security are taken directly to equity and reported in the reserve for the marking-to-market of financial instruments.

Exchange differences

The exchange differences recognised in equity are composed as follows:

in k€	Exchange differences from the translation of foreign financial statements	Exchange differences in accordance with IAS 21.17	Exchange differences in accordance with IAS 21.19	Total
As at 31.12.12	**-482**	**-234**	**95**	**-621**
Change in 2013	-497	-71	0	-568
As at 31.12.13	**-979**	**-305**	**95**	**-1,189**
Change in 2014	-116	17	0	-99
As at 31.12.14	**-1,095**	**-288**	**95**	**-1,288**

Taxes relating to items recognised directly in equity were also recognised directly in equity in accordance with IAS 12.61 and taken into account in the changes in exchange differences presented above.

The changes in fair value recognised directly in equity in the amount of k€ 17 (previous year: k€ -71) are established when the foreign currency obligation is repaid, in accordance with IAS 21.17/21.19/21.32 in conjunction with IAS 21.37. The exchange differences recognised directly in equity are not reversed in income until the time of disposal of the economically independent unit.

11. MINORITY INTERESTS

Minority interests held in the Masterflex Group total k€ 389 (previous year: k€ 576).

12. PROVISIONS

Provisions are composed as follows:

in k€	As of 01.01.14	Utilisation	Reversal	Addition	As at 31.12.2014
Incentive payments, severance payments, commission	1,228	951	43	828	1,062
Outstanding invoices	351	347	4	402	402
Bonuses	472	309	0	222	385
Year-end closing costs	185	183	2	180	180
Employers' Liability Insurance Association	126	105	21	99	99
Warranties	67	67	0	88	88
Customer bonuses	106	100	6	81	81
Vacation	77	77	0	61	61
Other	67	48	1	133	151
Total	**2,679**	**2,187**	**77**	**2,094**	**2,509**

a) Non-current provisions

Non-current provisions relate to the performance-related components of Executive Board remuneration amounting to k€ 176 (previous year: k€ 164) and the supervision board's compensation totalling k€ 30 (previous year: k€ 30) which are only to be paid out in the third year following the base year.

b) Current provisions

Provisions for year-end closing costs relate to external costs for the preparation and audit of the annual financial statements.

Provisions for vacation are calculated on the basis of the outstanding vacation entitlement and the individual remuneration paid to the individual employees.

Staff-related provisions include incentive payments and commission, as well as severance payments for employees leaving the Company.

Provisions for bonuses are based on the respective contractual agreements and the corresponding annual revenue figures.

Provisions for warranties are recognised for warranty and ex-gratia payments relating to the revenue generated in the year under review.

Provisions for contributions to the Employers' Liability Insurance Association are recognised on the basis of the corresponding pay slips and the contributions made in the previous year.

13. FINANCIAL LIABILITIES

As of 31 December 2014, financial liabilities were composed as follows:

in k€	31.12.2014	31.12.2013
Liabilities to banks	15,052	18,162
of which due in > 5 years	0	0
Other financial liabilities	45	88
of which due in > 5 years	0	0
Non-current financial liabilities	**15,097**	**18,250**
Liabilities to banks	5,150	4,099
Finance lease liabilities	0	263
Other financial liabilities	55	45
Current term financial liabilities	**5,205**	**4.407**
Total financial liabilities	**20,302**	**22,657**

Liabilities to banks

In terms of maturity, liabilities to banks can be broken down as follows:

in k€	31.12.2014	31.12.2013
Liabilities due within 1 year	5,150	4,099
Liabilities due between 1 and 5 years	15,052	18,162
Liabilities due in more than 5 years	0	0
Total liabilities to banks	**20,202**	**22,261**

The fair values of financial liabilities are broadly equal to their carrying amounts.

The syndicated loan agreement concluded in May 2013 has a volume of € 40.0 million and an expiry date of May 2018. The amount drawn down under the syndicated loan agreement was € 20.5 million on the balance sheet date. Owing to the use of effective interest methods, a difference arose between the credit amount used of k€ 20,500 and the liabilities to banks reported of k€ 20,202 as at 31 December 2014 amounting to k€ 298.

The syndicated loan agreement was reduced in the balance sheet by the directly attributable transaction costs of k€ 727 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 amongst other by assets with a book value of k€ 23,349. (previous year: k€ 22,765).

Of this, k€ 5,852 is attributable to land charges, k€ 7,236 to other non-current assets, k€ 7,413 to inventories, k€ 2,848 to current receivables and other assets.

The fair values of liabilities to banks are the same as their carrying amounts.

In the Euro zone, interest was charged on liabilities to banks at rates of between 2.33 % and 2.58 % p.a. depending on the maturity and purpose of the respective liabilities (previous year: between 2.72 % and 2.79 % p.a.). The company also had foreign-currency liabilities in US dollars, on which interest was charged between 3.85 % and 5.7 % p.a.

As of 31 December 2014, the company had cash advance facilities totalling k€ 5,535. Of this, credit lines totalling k€ 3,535 were not utilised. Additional guarantee facilities for contractual fulfilment, advance payments and warranties were not utilised in 2014.

Finance lease liabilities

The Company's material leases from the previous year relate to land and buildings. The present value of the minimum lease payments for land and buildings amounted to k€ 263 at 31 December 2013.

The fair values of lease liabilities were broadly equal to their carrying amounts.

Lease liabilities were effectively hedged, as the rights to the leased asset returned to the lessor in the event of any breach of contractual provisions.

Other financial liabilities

Other financial liabilities include the settlement amount for the withdrawal of the American companies from the collective wage agreement.

14. INCOME TAX LIABILITIES

Income tax liabilities relate to current taxes and totalled k€ 590 at the balance sheet date (previous year: k€ 430).

15. OTHER LIABILITIES

Details of other liabilities can be seen in the following table:

in k€	31.12.2014	31.12.2013
Trade payables	1,487	1,588
Other liabilities	2,238	2,391
Advanced payments received for orders	203	79
Liabilities directly connected with assets held for sale	214	249
Total other liabilities	**4,142**	**4,307**

Miscellaneous other liabilities include the following items:

in k€	31.12.2014	31.12.2013
Deferred income	1,375	1,537
Tax liabilities	367	433
Liabilities to employees	156	158
Debtors with credit balances	130	54
Social security liabilities	127	105
Other	83	104
Total	**2,238**	**2,391**

Deferred income relates almost exclusively to government grants and subsidies for investment purposes.

The following amounts were recognised as deferred income as of 31 December:

in k€	31.12.2014	31.12.2013
Investment grants	857	934
Subsidies	518	603
Total	**1,375**	**1,537**

The following amounts were reversed to income in each year:

in k€	31.12.2014	31.12.2013
Reversal of investment grants	77	89
Reversal of subsidies	85	86
Total	**162**	**175**

The investment grants reversed to income primarily relate to grants for the expansion of operating facilities and technical equipment and machinery in the period from 1995 to 2011. The subsidies were granted for the acquisition of machinery and office and operating equipment. The required evidence of the utilisation of investment grants and subsidies has been provided in full.

The other liabilities item includes liabilities totalling k€ 1,251 (previous year: k€ 1,388), which do not fall due until one year after the balance sheet date.

The “liabilities directly connected with assets held for sale” item includes liabilities for discontinued operations. Receivables and other assets are discussed in note 6.

16. TRADE PAYABLES

At the balance sheet date 31 December, the Company had the following trade payables:

in k€	31.12.2014	31.12.2013
Trade payables	**1,487**	**1,588**

The fair values of trade payables are the same as their carrying amounts. Trade payables amounting to k€ 1,487 (previous year: k€ 1,588) are due within one year.

17. DERIVATIVE FINANCIAL INSTRUMENTS

In 2013, Masterflex SE entered into an agreement on a derivative financial agreement for hedging against varying interest payments from variable-rate loans. It is reported under other financial assets on the basis of the current market conditions on the balance sheet date. The financial instruments are categorised at level 1 as input factors with quotes prices in active markets for identical assets or liabilities. The change in fair value shall be recognised in profit and loss amounting k€ 80 (previous year: k€ 41).

Derivative financial instruments	Measurement category in accordance with IAS 39	Historical carrying amount k€	Fair value k€ 31.12.2014	Fair value k€ 31.12.2013
Derivate ohne Hedge-Beziehung	held-for-trading	149	28	108

Notes to the consolidated income statement

The position of "Income from discontinued operations" are recognised in the expenses from winding up these companies:

- Masterflex Entwicklungs GmbH (formerly Masterflex Mobility GmbH)
- Masterflex Vertriebs GmbH (formerly Masterflex Brennstoffzellentechnik GmbH).

18. REVENUE

Revenue is composed as follows:

in k€	2014	2013
Gross revenue	66,795	61,741
Elimination of intragroup revenue	4,329	3,837
Total	**62,466**	**57,904**

19. OTHER INCOME

The other income generated by the Group was as follows:

in k€	2014	2013
Other income	**903**	**449**

Other operating income composed as follows:

in k€	2014	2013
Income from non-typical incidental sales	393	55
Gains on the sale of assets	124	1
Subsidies	85	86
Investment grants	77	89
Income from the reversal of Provisions	77	127
Currency translation gains	41	14
Compensation	38	58
Other prior-period income	11	11
Other	57	8
Total	**903**	**449**

20. COST OF MATERIALS

The cost of materials is composed as follows:

in k€	2014	2013
Cost of raw materials, consumables and supplies	20,144	17,679
Cost of goods purchased and held for resale	227	422
Total	**20,371**	**18,101**

21. OTHER EXPENSES

The other expenses incurred by the Group were as follows:

in k€	2014	2013
Other expenses	**11,129**	**10,002**

Other expenses are composed as follows:

in k€	2014	2013
Selling costs	4,491	4,047
Incidental premises expenses	2,010	1,624
Operating costs	1,906	1,711
Administrative expenses	1,831	1,937
Insurance costs	347	302
Cost of valuation allowances	54	22
Currency translation losses	42	26
Warranty expenses	28	16
Other	190	75
Other taxes	230	242
Total	**11,129**	**10,002**

22. RESEARCH AND DEVELOPMENT COSTS

Capitalisable development costs are reported in “intangible assets”. Research costs and noncapitalisable development costs are expensed as incurred. In the 2014 financial year, research and development costs totalled k€ 244 (previous year: k€ 228).

23. STAFF COSTS

In 2014, staff costs increased by k€ 1,418 to k€ 23,267 (previous year: k€ 21,849). Staff costs include wages and salaries in the amount of k€ 19,240 (previous year: k€ 18,095) and social security, post-employment and other employee benefit costs totalling k€ 4,027 (previous year: k€ 3,754).

24. IMPAIRMENT OF ASSETS

In accordance with IFRS 3 (Business Combinations) and the revised IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill and internally generated intangible assets which have not been completed are subject to regular impairment tests.

Goodwill and internally generated intangible assets which have not yet been completed are reviewed for impairment annually. If events or changes in circumstances suggest that an asset may be impaired, impairment testing must be performed more frequently.

In the course of impairment testing within the Masterflex Group, the residual carrying amounts of the individual cash-generating units are compared with their recoverable amounts, i.e. the higher of the fair value less costs to sell and the value in use.

If the carrying amount of a cash-generating unit is higher than its recoverable amount, an impairment loss is recognised in the amount of the difference.

The recoverable amount is determined by calculating the value in use in accordance with the discounted cash flow method. The cash flow applied in calculating the value in use is determined on the basis of the medium-term forecasts by Group management. These forecasts are based on past experience and expected future market developments, taking into account strategic and operational business unit management measures that have already been initiated. The detailed planning period is generally five years.

The cost of capital is calculated as the weighted average cost of equity and debt capital (WACC). The cost of equity derives from a peer group analysis of the relevant market, and thus from available capital market information.

In order to take into account the different yield/risk profile in our areas of activity, we calculate individual capital cost rates for our companies (CGUs). The weighted average costs of capital before taxes that have been applied when discounting cash flow are between 5.91 % and 8.38 % (previous year: 5.86 and 9.63 percent).

The acquisitions and sales of companies carried out by subsidiaries and through successive share purchases in the year under review and in previous years resulted in the recognition of the following (amortised) goodwill:

in k€	
Novoplast Schlauchtechnik GmbH	462
Flexmaster USA, Inc.	1,488
FLEIMA-PLASTIC GMBH	1,075
Matzen & Timm GmbH	233
Total	**3,258**

25. NET FINANCE COSTS

Net finance costs are composed as follows:

in k€	2014	2013
Other interest and similar income	28	28
Write-downs of non-current financial assets	0	-84
Interest and similar expenses	-1.151	-1,521
Total	**-1,123**	**-1,577**

Interest income relates to current items. Interest expense also includes interest relating to leases that are classified as finance leases in accordance with IAS 17.

26. INCOME TAX EXPENSE

The correction to the deferred taxes in previous years in accordance with IAS 8 are discussed in note 3.

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

in k€	2014	2013
Income tax expense	-1,057	-1,046
Deferred taxes		
From time differences	-43	151
From loss carryforwards	-862	-775
Total deferred taxes	-905	-624
Total income tax expense	**-1,962**	**-1,670**

Previous year's figures partially adjusted (see note 3)

The following reconciliation of income tax expense for the 2014 financial year is based on an overall tax rate of 30.0 % (previous year: 30.0%) reconciled to an effective tax rate of 37.8 percent (previous year: 36.8 percent):

in k€	2014	2013
Net profit before income taxes	5,194	4,537
Expected tax expense 30 %	-1,559	-1,361
Changes to deferred tax assets for tax loss carryforwards and the use of loss carryforwards in the financial year/unused losses	-319	-299
Tax refunds/tax payments for previous years	4	91
Effect of non-deductible expenses and tax-exempt income	-57	-35
Other	-31	-66
Total income tax expense	**-1,962**	**-1,670**

Previous year's figures partially adjusted (see note 3)

The accounting profit (net profit before income taxes) corresponds to the consolidated net profit for the period plus the income taxes and deferred taxes recognised in the income statement. The "Other" item includes the effects of different foreign tax rates.

Deferred taxes resulted from the individual balance sheet items as follows:

	31.12.2014		31.12.2013	
in k€	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	2,528	0	3,390	0
Non-current assets	245	941	850	1,682
Stocks on hand	29	0	0	0
Receivables	25	0	23	0
Other assets	102	0	144	0
Provisions	0	35	0	0
Liabilities	246	250	349	187
Before offsetting	**3,175**	**1,226**	**4,756**	**1,869**
Of which non-current	1,993	1,072	3,690	1,682
Offsetting	-622	-622	-1,275	-1,275
Consolidated balance sheet	**2,553**	**604**	**3,481**	**594**

Previous year's figures partially adjusted (see note 3)

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred taxes relate to income taxes levied by the same taxation authority.

The recoverability of deferred tax assets for tax loss carryforwards was performed using a five-year plan, taking into account the minimum taxation. Recoverability exists in particular due to the restructuring measures completed and positive earnings expectations derived on the basis of a medium-term plan. In addition, parts of the tax loss carryforwards resulted from extraordinary expenses in connection with the refinancing and capital increase. The realisation of these tax loss carryforwards is guaranteed with sufficient certainty.

As of 31 December 2014, Masterflex recognised deferred tax assets for tax loss carryforwards in the amount of k€ 2,528 (previous year: k€ 3,390).

For foreign companies, the applicable tax rates vary between 19.0 percent and 39.1 percent.

No deferred tax assets were recognised for tax loss carryforwards in the amount of k€ 4,588 (previous year: k€ 2,953), as their utilisation is not sufficiently certain. Tax losses at German companies may be carried forward for an unlimited period. By contrast, tax loss carryforwards at foreign companies are generally limited.

Taxes amounting to k€ 7 (previous year: k€ -30) relate to other earnings. These taxes relate to currency translation differences in accordance with IAS 21 and are recognised directly in equity.

27. DISCONTINUED BUSINESS UNITS

The result components from the discontinued business unit included in the income statement are shown below. The comparative disclosures regarding results and cash flows from discontinued business units have been adjusted to take into consideration business units classified as discontinued in the current financial period.

in k€	2014	2013
Earnings from discontinued business units		
Other expenses	-154	-80
Earnings after taxes from discontinued business units	**-154**	**-80**

in k€	2014	2013
Cash flows from discontinued business units		
Net cash flows from operating activities	-154	-50
Total net cash flows	**-154**	**-50**

28. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	Continuing business unit	Discontinued business units	Continuing and discontinued business units
Earnings for 2014 financial year (k€)	3,197	-154	3,043
Weighted average number of shares in circulation	8,865,874	8,865,874	8,865,874
Earnings per share (€)	0.36	-0.02	0.34

	Continuing business unit	Discontinued business units	Continuing and discontinued business units
Earnings for 2013 financial year (k€)	2,676	-80	2,596
Weighted average number of shares in circulation	8,865,874	8,865,874	8,865,874
Earnings per share (€)	0.30	-0.01	0.29

Previous year’s figures partially adjusted (see note 3).

There were no dilutive effects in the 2014 financial year or the previous year.

29. APPROPRIATION OF NET RETAINED EARNINGS

The single-entity financial statements of Masterflex SE in accordance with the German Commercial Code for the year ended 31 December 2014 reported a net profit of k€ 1,801. The Executive Board and the Supervisory Board propose carrying the result forward to new account.

As of 31 December 2014, the amounts excluded from distribution by Masterflex SE amounted to k€ 2,669 in total of which k€ 2,528 was allocated to deferred tax assets and k€ 141 for capitalisation of development costs.

30. FINANCIAL RISK MANAGEMENT

In addition to the identification, evaluation and monitoring of risks in its operating activities and, in particular, the resulting financial transactions, the Executive Board manages risk in close cooperation with the Group companies with a particular focus on hedging specific risks, such as exchange rate, interest rate, price, counterparty default and liquidity risks.

In addition to originated financial instruments, the Group may employ various derivative financial instruments, such as currency futures and interest rate swaps. Derivative financial instruments are employed exclusively to hedge existing or planned underlyings in order to reduce the risks associated with exchange rates, interest rates and raw materials prices. The use of derivatives must be agreed with the Executive Board of Masterflex SE in each case.

Exchange rate risk management

The global nature of the Group's business activities means that it has cash flows in a number of different currencies, particularly US dollars. Foreign-currency items include exchange rate risks relating to highly probable future transactions, foreign-currency receivables and liabilities, and fixed purchase and sale agreements denominated in foreign currencies. Orders in emerging economies are generally invoiced in US dollars or euro.

The sensitivity analysis of the outstanding US dollar-denominated monetary items, assuming a 10 % appreciation or depreciation of the US dollar against the euro, did not have a significant impact on shareholders' equity and consolidated net profit.

Interest rate risk management

Due to the international nature of its business activities, Masterflex generates and invests cash on the global money and capital markets in various currencies.

The resulting financial liabilities and investments are subject to a degree of interest rate risk. In individual cases, derivative financial instruments may be employed with a view to minimising the interest rate volatility and financing costs of the respective underlyings, and hence hedging the related interest rate risk.

The sensitivity analyses performed by the Group were determined on the basis of its interest rate exposure at the balance sheet date. For variable-rate liabilities, the analysis is carried out under the assumption that the amount of the outstanding liability at the balance sheet rate remained outstanding for the entire year.

The sensitivity analysis assuming a 100 bp fluctuation in interest rates results in an increased / reduced cash outflow of approximately k€ 226.

Counterparty default risk management

At Masterflex, risks relating to receivables from customers are monitored and assessed on a decentralised basis, with potential defaults limited through the conclusion of trade credit insurance in certain cases.

At the balance sheet date, the Group had trade receivables from a large number of domestic and foreign customers across various industries. The resulting counterparty default risk was negligible.

Risks relating to loans to subsidiaries and equity investments are managed via a Groupwide controlling system including fully consolidated forecasts, monthly consolidated financial statements and regular discussions of the course of business.

The maximum default risk is calculated as the sum of the carrying amounts of the financial receivables recognised on the face of the balance sheet.

Liquidity risk management

Group-wide liquidity management aims to secure cash and cash equivalents, the availability of sufficient credit facilities and the Group's ability to close out market positions.

The table below presents the contractually agreed repayments of financial liabilities:

2014

in k€	Carrying amount	2015	2016	2017	2018	2019	≥ 2020
Trade payables	1,487	1,487	0	0	0	0	0
Liabilities to banks	20,202	5,150	3,903	3,937	7,212	0	0
Finance lease liabilities	0	0	0	0	0	0	0
Other liabilities	863	863	0	0	0	0	0
Other financial liabilities	100	55	45	0	0	0	0
Total	**22,652**	**7,555**	**3,948**	**3,937**	**7,212**	**0**	**0**

2013

in k€	Carrying amount	2014	2015	2016	2017	2018	≥ 2019
Trade payables	1.588	1.588	0	0	0	0	0
Liabilities to banks	22.261	4.099	3.119	3.899	3.932	7.212	0
Finance lease liabilities	263	263	0	0	0	0	0
Other liabilities	854	854	0	0	0	0	0
Other financial liabilities	133	45	34	37	17	0	0
Total	**25.099**	**6.849**	**3.153**	**3.936**	**3.949**	**7.212**	**0**

This table only includes contractually agreed payments for financial liabilities at the balance sheet date, and hence does not include forecasts for new liabilities. Financial liabilities that can be repaid at any time are presented as due within one year. Payments under operating leases are reported in other financial commitments.

Deferred income reported under "Other liabilities" totalling k€ 1,375 (previous year: k€ 1,537) does not have a cash impact. Its reversal is therefore not presented in this table.

31. OTHER FINANCIAL COMMITMENTS

At 31 December 2014, other financial commitments relate to lease obligations and other Commitments.

a) Lease obligations

The financial commitments relating to finance leases are discussed in note 13.

The Group's other financial commitments for subsequent periods due to operating leases are as follows:

in k€	2015	2016–2019	2020
Notional amount of future minimum lease payments	221	289	0

The operating lease liabilities relate primarily to office and operating equipment. Payments recognised as expenses amount to k€ 580 (previous year: k€ 601).

b) Other commitments

All contingent liabilities at the level of the individual Group companies are recognised as liabilities in the consolidated balance sheet.

32. SEGMENT REPORTING

The Masterflex Group operates as a single-segment company. Control is carried out on the basis of the information to which the management refers when measuring the performance of operating segments and allocating resources (management approach).

As a result of the implementation of the Group strategy and the associated concentration on the core business unit High-Tech Hose Systems (HTS), Masterflex Entwicklungs GmbH and Masterflex Vertriebs GmbH are presented on a uniform basis under "Discontinued business units (GB)". Masterflex SE thus has one operating segment, the core business unit (HTS). To ensure comparability with IFRS 8.28, the "Reconciliation" column is presented for Group / holding expenditure as well as extraordinary expenses.

In the High-Tech-Hose-Systems (HTS) segment, which constitutes the core business of the Masterflex Group, the development and manufacture of high-tech hose systems, moulded parts and injection moulding elements from innovative advanced polymers for industrial and medical applications is the main focus of activities. Products from this segment are used across an extremely wide range of industrial applications such as chemicals, food, automotive engineering and medical technology.

The segments are controlled both in terms of revenue and earnings. EBIT serves as an earnings indicator in the Masterflex Group.

Intersegment revenue was settled at transfer prices in line with the market ("arm's length principle").

Segment assets include the operating assets of the individual segments such as property, plant and equipment, intangible assets including goodwill, inventories, receivables, other assets and cash in hand. Tax receivables, deferred tax assets and financial assets do not form part of the respective segment assets.

According to IFRS 8, segment liabilities are only to be included in segment reporting if these are regularly used and reported for corporate management purposes. Masterflex SE does not employ this indicator, meaning that it does not need to be reported.

The "Reconciliation" column contains amounts resulting from differences between the definition of the content of segment items and the corresponding items at Group level as well as those resulting from Group expenditure.

Segment information by business unit:

2014

in k€	HTS	Total for continued business units	Reconciliation	Discontinued business units	Group
Revenue from non-Group third parties	62,466	**62,466**	0	0	62,466
EBIT	8,348	**8,348**	-2,032	-154	6,162
Investments in property, plant and equipment and intangible assets	3,752	**3,752**	0	0	3,752
Scheduled depreciation and amortisation	2,855	**2,855**	0	0	2,855
Assets	49,023	**49,023**	2,955	4	51,982

2013

in k€	HTS	Total for continued business units	Reconciliation	Discontinued business units	Group
Revenue from non-Group third parties	57,904	**57,904**	0	0	57,904
EBIT	7,870	**7,870**	-1,756	-80	6,034
Investments in property, plant and equipment and intangible assets	3,758	**3,758**	0	0	3,758
Scheduled depreciation and amortisation	2,655	**2,655**	0	0	2,655
Assets	47,684	**47,684**	4,040	6	51,730

The geographical breakdown of revenue is carried out at Group level. The calculation is based on the headquarters of the customer. This results in the following geographical breakdown of revenue:

2014

in k€	Revenue from non-Group third parties	Of which continued business units
Germany	31,048	31,048
Rest of Europe	14,543	14,543
Rest of the world	16,875	16,875
Total	**62,466**	**62,466**

2013

in k€	Revenue from non-Group third parties	Of which continued business units
Germany	28,035	28,035
Rest of Europe	13,704	13,704
Rest of the world	16,165	16,165
Total	**57,904**	**57,904**

In the 2014 financial year, revenue equalling more than 10 % of consolidated revenue was not generated with any customers from the continued business units.

The reconciliation of adjusted EBIT from continued business units to earnings after taxes is presented below:

RECONCILIATION TO CONSOLIDATED EARNINGS AFTER TAXES

in k€	2014	2013
Adjusted EBIT from continued business units	8,348	7,870
Extraordinary earnings from continued business units	0	0
Reconciliation	-2,032	-1,756
EBIT from continued business units	**6,317**	**6,114**
Interest income/income from equity interests	28	28
Interest expense etc.	-1,151	-1,605
EBIT from continued business units	**5,194**	**4,537**
Income taxes	-1,057	-1,046
Deferred taxes	-905	-624
Minority interests	-35	-191
Earnings after taxes (EAT) from continued business units	**3,197**	**2,676**
Earnings from discontinued business units	-154	-80
EAT	**3,043**	**2,596**

Previous year's figures partially adjusted (see note 3); possible rounding differences

In accordance with IFRS 8, the geographical distribution of non-current assets must be disclosed. Non-current assets include property, plant and equipment and intangible assets. Deferred taxes and financial assets do not form part of the non-current assets to be disclosed in accordance with IFRS 8.

NON-CURRENT ASSETS

in k€	2014	2013
Germany	21,170	20,891
Rest of Europe	1,403	1,512
Rest of the world	4,164	3,685
Total	**26,737**	**26,088**

The reconciliation of assets from continued segments to consolidated assets breaks down as follows:

RECONCILIATION TO CONSOLIDATED INCOME STATEMENTS

in k€	2014	2013
Total assets of continued segments	49,023	47,684
Assets of discontinued segments	4	6
Deferred tax assets	2,553	3,481
Tax receivables	82	192
Non-current financial assets	320	367
Total consolidated assets	**51,982**	**51,730**

Previous year's figures partially adjusted (see note 3)

33. 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:

in k€	2014	2013
Cash and cash equivalents at the end of the period	4,425	4,754
Cash in hand and bank balances included in assets held for sale	3	5
Cash in hand and bank balances	**4,422**	**4,749**

34. GOVERNMENT GRANTS

No government grants related to income were collected in the 2014 financial year (previous year: k€ 54). Grants for depreciable assets are recognised over the depreciation period of the respective assets and in proportion to the depreciation recognised in each period.

35. RELATED PARTY DISCLOSURES

With the exception of income and expense items between continuing and discontinued operations, transactions between Masterflex SE and its consolidated subsidiaries are eliminated in consolidation.

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.

Since January 1994, Masterflex SE, Gelsenkirchen, has used the production, warehousing and administrative buildings of the above company. The right to purchase, from the leasing agreement which expired on 31 July 2014, was exercised on 31 July. Further information can be found under “Leases” and “Financial liabilities“. In the 2014 financial year, the monthly lease instalment was approximately k€ 10.

The shareholders of MODICA Grundstücksvermietungsgesellschaft mbH also hold shares in Masterflex SE, Gelsenkirchen.

Mr Friedrich Wilhelm Bischoping, as Chair of the Supervisory Board, is the limited partner of MODICA Grundstücks-Vermietungsgesellschaft mbH & Co., Objekt Masterflex KG, Gelsenkirchen. MODICA GVG mbH & Co. KG, as an unincorporated asset management partnership, was relieved from all costs and risks and had the function as a special purpose entity for Masterflex SE. The conditions were in line with current market conditions. There were no guarantees put in place by Mr Bischoping.

Receivables from Mr Friedrich Bischoping amount to k€ 10 (previous year: k€ 10).

The compensation of the Executive Board is performance-related in its entirety and consisted of three components in the financial year: non-performance-related compensation, performance-related remuneration, component with long-term incentive effect.

Disclosure of Executive Board remuneration takes place on an individualised form for the 2014 financial year for the first time based on the standardised reference tables recommended in the German Corporate Governance Code in the version published on 30 September 2014. The essential characteristic of these reference tables is the separate classification of the granted subsidies (table 1) and the actual inflow (table 2). For grants, the target values will also be specified (payment with 100 percent achievement of objectives) as well as the achievable minimum and maximum values.

The compensation of the Executive Board for its services is shown below:

TABLE 1: COMPENSATION OF THE EXECUTIVE BOARD (GRANT CONSIDERATION)

	Dr. Andreas Bastin Chief Executive Officer Since 1 April 2008				Mark Becks Chief Financial Officer Since 1 June 2009			
in k€	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*
Fixed remuneration	285	337	337	337	200	233	233	233
Fringe benefits	31	30	30	30	34	32	32	32
Total	316	367	367	367	234	265	265	265
Annual variable remuneration								
Bonus	127	95	0	158	69	51	0	86
Multi-annual variable remuneration								
Bonus 2014-2016		49	0	82		27	0	44
Bonus 2013-2015	65		0	82	35		0	44
Total compensation	**508**	**511**	**367**	**689**	**338**	**343**	**265**	**439**

TABLE 2: COMPENSATION OF THE EXECUTIVE BOARD (INFLOW CONSIDERATION)

	Dr. Andreas Bastin Chief Executive Officer Since 1 April 2008				Mark Becks Chief Financial Officer Since 1 June 2009			
in k€	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*	2013 *Initial value*	2014 *Initial value*	2014 *Minimum*	2014 *Maximum*
Fixed remuneration	285	337	337	337	200	233	233	233
Fringe benefits	31	30	30	30	34	32	32	32
Total	316	367	367	367	234	265	265	265
Annual variable remuneration								
Bonus	79	126	0	158	43	69	0	86
Multi-annual variable remuneration								
Bonus 2011-2013		76	0	82		41	0	44
Bonus 2010-2012	82		0	82	34		0	44
Total compensation	**477**	**569**	**367**	**689**	**311**	**375**	**265**	**439**

The members of the Supervisory Board were compensated as follows:

in k€	Fixed	Performance-related compensation	Total attendance allowance	Total compensation relevant to payment 2014
Deputy Chairman of the Supervisory Board, Mr Friedrich W. Bischoping	14	5	2	21
(Previous year)	(14)	(5)	(2)	(21)
Deputy Chairman of the Supervisory Board, Mr Georg van Hall	14	5	2	21
(Previous year)	(14)	(5)	(2)	(21)
Supervisory Board member, Mr Axel Klomp	14	5	2	21
(Previous year)	(14)	(5)	(2)	(21)
Total compensation	**42**	**15**	**6**	**63**
(Previous year)	**(42)**	**(15)**	**(6)**	**(63)**

[1] The proportion of variable compensation acquired in 2013 but not yet paid, but which is paid with the financial statements of the 2014 financial year in consequence of the success criteria for fixed compensation for 2014 in line with article 15 of the Articles of Association.

36. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

In December 2014, the declaration of conformity in accordance with § 161 of the German Stock Corporation Act was again submitted by the Executive Board and Supervisory Board of Masterflex SE and made permanently available to shareholders via the Company website at **www.MasterflexGroup.com/Investor-Relations/Corporate_Governance**

37. NUMBER OF EMPLOYEES

At the balance sheet date, the number of employees was distributed across the operating functions as follows:

	2014	2013
Production	358	347
Sales	112	110
Administration	68	70
Technology	29	23
Number of employees in Group	**567**	**550**
Of which trainees	13	12

38. AUDIT AND ADVISORY FEES

The fees expensed (provision) in the 2014 financial year for the auditors of the consolidated financial statements, Baker Tilly Roelfs AG, Wirtschaftsprüfungsgesellschaft, amounted to k€ 129 and consisted of fees for the audit of the consolidated financial statements and the statutory separate financial statements of Masterflex SE and its domestic subsidiaries.

39. EXEMPTION FROM PUBLICATION

In accordance with § paragraph 3 of the HGB (German Commercial Code), the following consolidated companies are exempt from the requirement to publish their separate financial statements:

- Novoplast Schlauchtechnik GmbH
- Matzen & Timm GmbH
- M&T Verwaltungs GmbH
- Masterflex Handelsgesellschaft mbH
- FLEIMA-PLASTIC GmbH.

40. EVENTS AFTER THE BALANCE SHEET DATE

No events or developments of particular significance to the net assets, financial position and results of the Masterflex Group have occurred since the balance sheet date of 31 December 2014.

41. PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for publication by the Executive Board on 18 March 2015 and published on 30 March 2015.

42. SIGNIFICANT EQUITY INVESTMENTS

The complete list of equity investments of Masterflex SE is published in the Federal Gazette.

Gelsenkirchen, 18 March 2015

The Executive Board

Dr. Andreas Bastin
(Chief Executive Officer)

Mark Becks
(Chief Financial Officer)

Consolidated Statement Of Changes in Non-Current Assets 2014

k€	Historical costs 01. 01. 2014	Additions	Disposals	Reclassi-fications	Currency translation differences	Historical costs 31. 12. 2014
Intangible Assets						
Concessions, industrial and similar rights and assets, licences	2,702	127	83	27	1	2,774
Development costs	151	12	0	0	0	163
Goodwill	9,161	0	0	0	0	9,161
Advance payments	206	4	0	-27	0	183
Total	**12,220**	**143**	**83**	**0**	**1**	**12,281**
Property, plant and equipment						
Land, land rights and buildings on third-party land	17,625	629	0	12	140	18,406
Technical equipment and machienry	22,379	1,017	251	640	289	24,074
Other equipment, operating and office equipment	7,155	724	401	55	99	7,632
Advance payments and assets under development	215	1.239	114	-707	0	633
Total	**47,374**	**3,609**	**766**	**0**	**528**	**50,745**
Non-current financial assets						
Non-current financial instruments	817	0	0	0	0	817
Other loans	770	0	590	0	0	180
Total	**1,587**	**0**	**590**	**0**	**0**	**997**
	61,181	**3,752**	**1,439**	**0**	**529**	**64,023**

Consolidated Statement Of Changes in Non-Current Assets 2014

k€	Cumulative depreciation and amortisation 01.01.2014	Depreciation and amortisation for fiscal year	Disposals	Fair value changes recognised directly in equity	Currency translation difference	Cumulative depreciation and amortisation 31.12.2014	As of 31.12.2014	As of 31.12.2013
Intangible assets								
Concessions, industrial and similar rights and assets, licences	2,063	298	83	0	1	2,279	495	639
Development costs	9	12	0	0	1	22	141	142
Goodwill	5,903	0	0	0	0	5,903	3,258	3,258
Advance payments	0	0	0	0	0	0	183	206
Total	**7,975**	**310**	**83**	**0**	**2**	**8,204**	**4,077**	**4,245**
Property, plant and equipment								
Land, land rights and buildings on third-party land	6,369	540	0	0	84	6,993	11,413	11,256
Technical equipment and machienry	14,099	1,420	121	0	263	15,661	8,413	8,280
Other equipment, operating and office equipment	5,147	585	378	0	96	5.450	2.182	2.008
Advance payments and assets under development	0	0	0	0	0	0	633	215
Total	**25,615**	**2,545**	**499**	**0**	**443**	**28,104**	**22,641**	**21,759**
Non-current financial assets								
Non-current financial instruments	700	0	0	-14	0	686	131	117
Other loans	545	0	545	0	0	0	180	225
Total	**1,245**	**0**	**545**	**-14**	**0**	**686**	**311**	**342**
	34,835	**2,855**	**1,127**	**-14**	**445**	**36,994**	**27,029**	**26,346**

Consolidated Statement Of Changes in Non-Current Assets 2013

k€	Historical costs 01. 01. 2013	Additions	Disposals	Reclassi-fications	Currency translation differences	Historical costs 31. 12 .2013
Intangible Assets						
Concessions, industrial and similar rights and assets, licences	2,500	252	50	0	0	2,702
Development costs	92	59	0	0	0	151
Goodwill	9.161	0	0	0	0	9,161
Advance payments	158	48	0	0	0	206
Total	**11.911**	**359**	**50**	**0**	**0**	**12,220**
Property, plant and equipment						
Land, land rights and buildings on third-party land	17,628	150	316	297	-134	17,625
Technical equipment and machienry	20,215	782	103	1.700	-215	22,379
Other equipment, operating and office equipment	6,808	547	177	38	-61	7,155
Advance payments and assets under development	336	1,920	6	-2.035	0	215
Total	**44,987**	**3,399**	**602**	**0**	**-410**	**47,374**
Non-current financial assets						
Non-current financial instruments	817	0	0	0	0	817
Other loans	931	0	161	0	0	770
Total	**1,748**	**0**	**161**	**0**	**0**	**1,587**
	58,646	**3,758**	**813**	**0**	**-410**	**61,181**

Consolidated Statement Of Changes in Non-Current Assets 2013

k€	Cumulative depreciation and amortisation 01.01.2013	Depreciation and amortisation for fiscal year	Disposals	Fair value changes recognised directly in equity	Currency translation difference	Cumulative depreciation and amortisation 31.12.2013	As of 31.12.2013	As of 31.12.2012
Intangible assets								
Concessions, industrial and similar rights and assets, licences	1,822	291	50	0	0	2,063	639	678
Development costs	-1	10	0	0	0	9	142	93
Goodwill	5,903	0	0	0	0	5,903	3.258	3,258
Advance payments	0	0	0	0	0	0	206	158
Total	**7,724**	**301**	**50**	**0**	**0**	**7,975**	**4.245**	**4,187**
Property, plant and equipment								
Land, land rights and buildings on third-party land	5,954	493	36	0	-42	6,369	11.256	11,674
Technical equipment and machienry	12,956	1,337	78	0	-116	14,099	8.280	7,259
Other equipment, operating and office equipment	4,845	524	173	0	-49	5,147	2.008	1,963
Advance payments and assets under development	0	0	0	0	0	0	215	336
Total	**23,755**	**2,354**	**287**	**0**	**-207**	**25,615**	**21.759**	**21,232**
Non-current financial assets								
Non-current financial instruments	758	0	0	-58	0	700	117	59
Other loans	545	0	0	0	0	545	225	386
Total	**1.303**	**0**	**0**	**-58**	**0**	**1,245**	**342**	**445**
	32,782	**2,655**	**337**	**-58**	**-207**	**34,835**	**26,346**	**25,864**

Other Information

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

Gelsenkirchen, 18 March 2015

The Executive Board

Dr. Andreas Bastin (Chief Executive Officer)	Mark Becks (Chief Financial Officer)

Auditor's Report

We have audited the consolidated financial statements prepared by the Masterflex SE, Gelsenkirchen, – comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements – together with the management report for the Group for the business year from January 1, 2014 to December 31, 2014. The preparation of the consolidated financial statements and the management report for the Group in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a subs. 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the management report for the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report for the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in a consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report for the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a subs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The management report for the Group is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 18 March 2015

Baker Tilly Roelfs AG
Wirtschaftsprüfungsgesellschaft

Thomas Gloth	Alexandra Sievers
Wirtschaftsprüfer *German Public Account*	*Wirtschaftsprüferin* *German Public Account*

Report of the Supervisory Board

Dear Shareholders,

The Masterflex Group has grown significantly again in the last financial year. During the first half of the year, the growth momentum was very impressive. In the second half of the year, this high level could not be fully maintained, however we are satisfied with the course of the financial year. Around 8 percent growth is extremely gratifying.

Besides further development of the innovation and internationalisation strategic pillars, the Executive Board activity extended to include, amongst others, aspects of organisational and process development and of further development of the Compliance Management System.

The company adjusted itself in turbulent times against a backdrop of the international environment in such a way that besides the considerable expansion of the organisational structures in the future, a clear emphasis will be placed on process efficiency and thus, cost efficiency. In addition, the regulatory challenges across the entire organisation remain at a high level combined with uncertainties in the capital markets and the previously mentioned geopolitical crises.

Nevertheless, we can look to the future with great optimism. The Masterflex Group still has a lot of growth potential: thus far, we have only sold a fraction of our products outside Germany. In addition, we are also developing hoses and connecting systems for more and more areas of application by means of new high-performance plastics. Together with the Executive Board, we look forward to tackling these challenges in the coming years and to continue to successfully position the Masterflex Group.

Reports and Meetings

In the 2014 financial year, the Supervisory Board of Masterflex SE performed the duties assigned to it by the German Stock Corporation Act and the Company's Articles of Association in full as well as regularly monitoring and advising the Executive Board.

The basis was the regular written and oral reports provided by the Executive Board to the Supervisory Board about all issues concerning the planning, business development, risk situation and risk management of the company and the group. The Supervisory Board was and is closely involved at all times in the approach and measures taken by the Executive Board.

In total, four scheduled meetings of the Supervisory Board took place in the 2014 financial year and all members of the Supervisory Board and Executive Board were present. In addition to the regular face-to-face meetings, this group of people held several telephone conference calls to exchange information and pass resolutions. The Supervisory Board also discussed submissions by the Executive Board and issues concerning the Executive Board in separate telephone conference calls.

At its meetings and the telephone conference calls involving the members of the Executive Board, the Supervisory Board was comprehensively informed by the Executive Board about the group's course of business, financial position, development of the compliance management system, human resources situation, business development, and the status of corporate planning. The reports and proposals for resolution by the Executive Board were discussed in detail and evaluated following an in-depth examination and consultation. A number of meetings also took place between individual members of the Supervisory Board and Executive Board in order to provide content-related support for its activities taking into account the members of the Supervisory Board's personal expertise.

2014 Focus Issues

In the Accounting Supervisory Board meeting on 19 March 2014, the Supervisory Board discussed the separate financial statements and the consolidated financial statements for the 2013 financial year in detail. The Corporate Governance Report was adopted and then published by the company together with the 2013 financial report. The report of the Supervisory Board was also decided upon. With regard to the remuneration of the Executive Board, the decision was taken on establishing the objectives and variable remuneration for the 2013 financial year as well as the fixing of targets for the bonus agreements with the Executive Board members for the 2014 financial year. Moreover, the Executive Board reported on the latest business developments.

Following the Annual General Meeting on 24 June 2014, the Supervisory Board, in its meeting, was briefed on the current economic development by the Executive Board. The focus was on the internationalisation activities in Brazil, USA, China and Russia.

In the meeting on 11 September 2014, the Executive Board reported on the latest business development in all the group companies as well as on the status of the dispute with the purchaser of both Mobility companies. After that, the Supervisory Board addressed current issues on the work of the Supervisory Board, on corporate governance, and on the jurisdiction regarding the obligations of the Supervisory Board in the event of violation of duty within the group as well as learning about recent developments in the German and European Stock Corporation Act.

In the Supervisory Board meeting on 10 December 2014, the Supervisory Board was briefed about the latest financial development, the status of the Russian business and the planning status for 2015 which was subsequently approved by means of circular resolution. In addition, the Declaration of Conformity to the corporate governance code with a view to the code changing has been updated and the proposed Declaration of Conformity agreed. The Executive Board also reported on the possible opportunities for expansion at the Gelsenkirchen site as well as on the progress in workflow management.

The Supervisory Board received regular information on the company's sales and earnings development, changes to the balance sheet situation and human resources development. The Executive Board provided the Supervisory Board with extensive information on the current development of the individual companies. In meetings, the Executive Board reported in writing and verbally about discussions and telephone conference calls held during the year concerning the preparation and content of the six-monthly and quarterly reports, and discussed these extensively with the Supervisory Board.

In addition, the Supervisory Board examined the planning documents, the risk position and the risk management system of the Masterflex Group. All of the risk areas identified by the Executive Board and the Supervisory Board were discussed. Risk management was subject to an intensive examination by the auditor, who confirmed that the Executive Board of the company had implemented the measures required in accordance with § 91 para 2 of the German Stock Corporation Act, in particular the establishment of a monitoring system, and that this monitoring system was suitable for the early recognition of developments that could endanger the continued existence of the company and for identifying undesirable developments. In addition, the further development of the compliance management system was scrutinised and monitored and the new Code of Conduct introduced at the beginning of the year and its contents were discussed and these presented to the Executive Board.

Trusting Cooperation with the Executive Board

The Supervisory Board continued its open and trusting cooperation with the Executive Board seen in the past financial year. The Chairman of the Supervisory Board also remained in contact with the Executive Board between meetings and was kept informed about significant developments and forthcoming decisions, which were of particular significance for the company. The CEO informed the Chairman of the

Supervisory Board without delay of all major events which were of material significance for assessing the situation and performance as well as for managing the company. All members of the Supervisory Board were comprehensively informed of these events by the Chairman of the Supervisory Board in good time for the following meeting.

Changes in the Supervisory and Executive Board

There were no changes in the composition of the Supervisory Board or Executive Board in the year under review.

Corporate Governance

The implementation of the German Corporate Governance Code is a key element of the meetings of the Supervisory Board of Masterflex SE. Again in 2014, the Supervisory Board and Executive Board discussed the recommendations and suggestions of the Code with the amendments that were made in 2014 in depth. In accordance with Section 5.6 of the Code, the Supervisory Board is required to examine the efficiency of its activities on a regular basis. In view of the tasks and content dealt with and the fact that the Supervisory Board with its three members is the minimum size prescribed by law, both the cooperation between the members and the way in which tasks are handled were assessed as efficient and very effective.

In December 2013, the Executive Board and Supervisory Board resolved and submitted a Declaration of Conformity in accordance with § 161 AktG of the German Corporate Governance Code version dated 13 May 2013. This was made permanently available to shareholders on the Company website. In December 2014, the Executive Board and Supervisory Board resolved and submitted a revised Declaration of Conformity in accordance with § 161 AktG in the version of the German Corporate Governance Code dated 24 June 2014.

The Company is also committed to the principles of the German Corporate Governance Code. Recent changes to our Corporate Governance declarations of December 2014 and March 2015 are based on the adjustments made to the code in 2014 as well as other adjustments to our annual financial statements. The Declaration of Conformity submitted on the basis of the above-mentioned version can be found at any time on the company website **www.MasterflexGroup.com**

In addition, the Executive Board reported on corporate governance – including on behalf of the Supervisory Board – in accordance with Section 3.10 of the Code.

Supervisory Board Committees

With a total of three members, the Masterflex SE Supervisory Board is kept deliberately small in order to allow resolutions to be passed efficiently, rapidly and flexibly via streamlined structures, as is the case throughout the group. Accordingly, no separate committees were formed.

Adoption of the Separate Financial Statements and Approval of the Consolidated Financial Statements

The annual financial statements and management report of Masterflex SE prepared by the Executive Board as well as the consolidated financial statements and group management report for 2014, together with the bookkeeping system, were audited by Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft which was appointed as the group's auditor by the Annual General Meeting on 24 June 2014, and issued with an unreserved audit certificate. This auditing company, formerly under the name of Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft, were first mandated with auditing the accounts in 2010 for the 2010 financial year; the senior auditor has been entrusted with this task since the 2012 financial year. The documents to be audited and the auditor's reports were made available to all members of the Supervisory Board at the meeting convened to review the group's accounts on 18 March 2015 and were sent to each member of the Supervisory Board sufficiently early for them to prepare for the meeting.

The auditor took part in discussions regarding the separate financial statements and consolidated financial statements. He outlined the key findings of the audits and provided additional information where necessary. After a thorough audit of the documents and taking the auditor's reports into account, the Supervisory Board adopted the separate financial statements and approved the consolidated financial statements.

There were no conflicts of interest affecting Supervisory Board members in the period under review. Mr. Bischoping is a member of the Supervisory Board of Marienhospital in Gelsenkirchen Buer. Besides this, the members of the Supervisory Board did not hold any other positions in the executive bodies of other companies.

Our heartfelt appreciation and thanks go to everyone involved for their huge commitment in 2014. The Supervisory Board would like to take this opportunity to thank the Executive Board and all Masterflex employees for their commitment as well as their constructive, trusting and successful work in the past year.

Gelsenkirchen, 18 March 2015

For the Supervisory Board
Friedrich Wilhelm Bischoping
Chairman of the Supervisory Board

The Executive Board and the Supervisory Board of the Masterflex SE
(from left to right): Dr. Andreas Bastin and Mark Becks (Executive Board);
Georg van Hall, Axel Klomp and Friedrich Wilhelm Bischoping (Supervisory Board)

MEMBERS OF THE SUPERVISORY BOARD

Friedrich Wilhelm Bischoping (Chairman)
After studying engineering at the Technical University of Berlin, Mr Bischoping formed an industrial engineering company with a partner in 1974 which he expanded in the 1990s by way of acquisitions. In 1987, he was one of the co-founders of Masterflex Kunststofftechnik GmbH. Mr Bischoping resigned from the senior management of his engineering companies in 1998. When Masterflex Kunststofftechnik GmbH became a joint stock corporation, Mr Bischoping stepped down from its management team and became Chairman of the Supervisory Board.

Dipl.-Kfm. Georg van Hall (member of the Supervisory Board since 11 August 2009 and Deputy Chairman since 17 August 2010)
After studying business administration at the Technical University of Berlin and the University of Illinois, USA, and taking the professional examinations, Georg van Hall held a number of management positions in his capacity as auditor and tax advisor. Since 2005, he has run his own business and, since May 2009, has been a partner at the accounting firm AccountingPartners in Düsseldorf.

Dipl.-Kfm. Axel Klomp (member of the Supervisory Board since 17 August 2010)
After graduating in business administration at the University of Cologne in 1992, Mr Klomp joined the consultancy firm which was founded by his grandfather in 1931. He was appointed Tax Advisor in 1992 and Public Auditor in 1997. Mr Klomp is currently senior partner at KLOMP - EXNER - ARETZ, a consultancy firm run by 3 tax advisors. In addition, he is Vice President of the Chamber of Tax Consultants Düsseldorf and Deputy Chairman of the Association of Tax Consultants, Düsseldorf.

Glossary

ABS	Acrylonitrile-butadiene-styrene copolymer. A thermoplastic polymer which is often used in the automotive industry or the medical technology.
Cash Flow	The cash flows generated in a particular period, adjusted for significant non-cash expenses and income. This demonstrates a company's ability to finance itself, i.e. its earning power.
Clip process	Production process for hoses, in which fabric stripes are connected with a metal band
Gross Domestic Product (GDP)	The total value of all goods and services produced by an economy for the market within a reporting period.
EBITDA	Earnings before interest and taxes
EBIT	Earnings before interest and taxes - Gewinn vor Zinsen und Steuern.
EBT	Earnings before taxes
Extrusion process	Procedure for working with plastics. The raw materials in granulated form are broken down and heated in an extruder until they are plasticized, , i.e. moldable and can be processed further.
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Injection moulded process	Method to manufacture moulded parts. With an injection moulding machine, the melted plastics is injected into an injection moulding part. The cavity of the tool determines the form and the surface structure of the finished part.
Joint Venture	Cooperation of corporations to install a new legal entity
PA, PC, PE, PUR, PVC,	Polyamide, Polycarbonate, Polyethlene, Polyurethane, Polyvinyl chloride: Several plastics with various technical characteristics
REACH	Registration, Evaluation, Authorisation and Restriction of chemicals. Competent authority is the European Chemicals Agency sited in Helsinki/Finland.
Stage-gate-process	Scientific model for the process optimization of innovation and development. The idea behind is to take into account also aims which so far have been neglected partially or total in innovation processes, e.g. focusing and setting priorities, parallel and rapid process management, assignment of a cross divisional team and an increased market orientation and assessment.
Working capital	Current assets minus current liabilities

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Forecasts:
This annual report contains a number of forecasts and estimates which are based on present expectations, anticipations and predictions on the part of the Executive Board and the information it currently has. Such estimates should not be construed as a warranty that the future developments and results therein stated will in fact materialise since these hinge on a host of factors, and encompass a variety of risks and imponderables while resting on assumptions that might bei inappropriate. We therefore oncur no obligation to update any forecasts or estimates herein made.

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