

Interim Report 1st half year 2014

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MASTERFLEX GROUP
Connecting Values

Masterflex at a Glance

Highlights in the first six months

Strategic development
Profitable growth course continuing
AGM approves contingent capital increase
High interest in high-tech connection systems

	30.06.2014	
Consolidated revenue (k€)	31,974	
EBITDA (k€)	4,921	
EBIT (k€)	3,538	
EBT (k€)	2,909	
Consolidated earnings from continued business units (k€)*	1,904	
Consolidated earnings from discontinued business units (k€)	-22	
Consolidated net income/loss (k€)	1,860	
Earnings per share (€)		
from continued business units	0.21	
from discontinued business units	0.00	
from continued and discontinued business units	0.21	
EBIT margin	11.1%	
Employees	578	
	30.06.2014	
Consolidated equity (k€)	24,844	
Consolidated total assets (k€)	55,224	
Consolidated equity ratio	45.0%	

* without minority interests

Only the german version is legally binding.

Operating trends

Revenue growth of 10.4 %

Double-digit EBIT margin

Equity ratio now 45%

30.06.2013	Change in %
28,966	10.4 %
4,568	7.7 %
3,302	7.1 %
2,443	19.1 %
1,550	22.8 %
2	
1,470	26.5 %
0.17	23.5 %
0.00	
0.17	23.5 %
11.4 %	
525	10.1 %
31.12.2013	Change in %
23,023	7.9 %
53,690	2.9 %
42.9 %	

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Dear Shareholders,

After the first half of 2014, I am happy to be able to say that things are going really well! With a growth in revenue of 10.4%, our business – the development and marketing of high-tech hoses and connection systems – is continuing its dynamic performance. The pressure on operating earnings brought on by the upfront costs of our internationalisation is also clearly decreasing. With an EBIT of € 3.5 million – an increase of 7.1% compared to the previous year – we are slowly but surely beginning to make up for these upfront costs of recent months. We are therefore standing by our forecast for the year and are anticipating strong growth in business coupled with a double-digit EBIT margin.



Dr. Andreas Bastin,
Chief Executive Officer

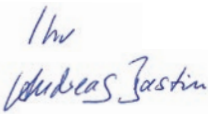
Overall however, uncertainty has not been reduced and has instead risen further. The growing number of geopolitical conflicts, and their intensity, are suppressing sentiment on the economy as a whole. This applies to Russian business in particular. The hoses, connection systems and primary products, which we deliver to Russia for our business there, have not been affected by embargoes so far. In addition, our joint venture business in St. Petersburg has been performing well to date. But this can all change faster than we would like.

Even though there are currently many question marks hovering over international business, there is no way around our strategy of internationalisation. The growth prospects in Germany and Central Europe are limited. If we want to continue our dynamic development as a company in the long term, we must take up a broad continental positioning. That's why we are standing by our strategy and pushing ahead on overseas markets – particularly in North & South America and Asia. And the economic recovery in the US combined with our intensified sales efforts will lend us new momentum; of this I am utterly convinced.

Dear Shareholders,

Gratifyingly, the Annual general meeting approved the advance resolution for a contingent capital increase by a large majority. This therefore enables us, if necessary, to finance a major acquisition in the hose business with equity in the long run. That is because we want to grow through acquisitions as well. We are confident of the huge potential in our business: The fields of application for our flexible connection systems are not lessening, they are multiplying. Thanks to our high-tech hoses and connection systems, we are profiting ever more from the major trends in the industry – faster, more efficient, more variable. We hope that you will continue to accompany us on our journey!

Gelsenkirchen, Germany, 1st August 2014

A handwritten signature in blue ink, reading "Dr. Andreas Bastin". The signature is written in a cursive style with a large initial "D".

Dr. Andreas Bastin
Chief Executive Officer

Interim Management Report

Group structure and business activities

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

The main production sites of the international Masterflex Group with five corporate brands and 13 operating subsidiaries are Gelsenkirchen, Halberstadt, Norderstedt and Houston (United States). In addition, the Masterflex Group has various locations in Europe, America and Asia through its branches and sales partners.

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

Market and competition

The global market for high-tech hoses and connection systems comprises many predominantly regionally oriented specialist markets, which are mostly served by SMEs. Its customers mostly come from the manufacturing sector including industrial applications (B2B market). Key industries include mechanical engineering, aviation, the automotive industry, energy, food, pharmaceuticals and, increasingly, medicine as well.

It is an attractive market given the difficulty in acquiring expertise in the production, processing and application of the sophisticated polymers and the variety of possible operations. This is characterised by small batch sizes, in both production and sales, and by consulting intensity and development expertise for customer-specific solutions.

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The positive economic development in Europe continued in the second quarter of 2014. However, the euphoria of the start of the year has died down in the wake of the many political and military conflicts in the world. This also applies – to varying degrees – to the regions in which the Masterflex Group operates.

Business development in the first half of 2014

Our business developed well in the first half of 2014.

Revenue in the first six months of 2014 grew by 10.4% to € 32.0 million (Q2 2013: € 29.0 million). The effects of our more intensive sales and marketing efforts can be clearly seen here. This positive business performance also means that we are so far achieving our – cautiously formulated – revenue forecast for 2014 of outperforming growth on the global economy in this financial year.

Internationalisation

One of the two elements of the Masterflex Group's sustainable growth strategy is internationalisation. 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 selected markets in other continents, particularly North & South America as well as in Asia.

We have been operating in China since the end of 2012. Business at our location in Kunshan near Shanghai is getting better all the time; revenue in 2014 has risen significantly compared to the previous year – the first year of full business activities. In addition, the development of our retailer network in other Asian countries is continuing.

In North America the economy appears to be finding its feet again in the spring of 2014 after the harsh winter. Our revenue losses in the first quarter were a temporary occurrence. In the United States, our goal is to further increase market penetration in this large and therefore industrially diverse region. At our location in Brazil founded in 2010, our activities are now at a stable but more profitable level.

The business activities of our joint venture in Russia, Masterflex RUS (Masterflex share of 51%) based in St. Petersburg, have not been negatively affected by the political and military confrontation over Ukraine to

date. So far we have only seen the effects of the crisis in exchange rate changes. However, future development is highly uncertain against the backdrop of the escalating conflict.

These more difficult general conditions mean that the internationalisation of our business is progressing more slowly than we had anticipated at the start of the year. Nevertheless, we are pushing ahead with our strategic international expansion. This is because we see reducing our Eurocentrism – for which there are historical reasons – as a major factor in our long-term growth journey.

Innovation

The second core element of our sustainable growth strategy is innovation. We constantly develop new hoses and connecting parts which are usually initiated by customer requests. Exclusively developed product innovations are not generally released to the market as a whole.

The Master-PUR Trivolution® hose family developed on the basis of a large number of customer inquiries, which combines three key additional properties in a single spiral hose, was successfully launched on the market in the spring. Further innovative connecting products are currently in the development or test phase.



Results of operations, net assets and financial position

Results of operations

Revenue increased by € 3.0 million or 10.4% in the first half of 2014 to € 32.0 million. At € 32.3 million, gross revenue was 9.4% higher than in the previous year (€ 29.5 million). The slightly lower rise in gross revenue was due in particular to lower inventory levels.

Consolidated EBITDA for the first half of 2014 climbed by 7.7% from € 4.6 million (2013) to € 4.9 million. This slightly lower increase in operating earnings before depreciation and amortisation was primarily due to the 15.3% year-on-year rise in costs of materials to currently € 10.3 million (previous year: € 8.9 million). This corresponds to a cost of materials ratio (cost of materials in relation to revenue plus changes in inventories) of 32.1% (previous year: 30.6%). The higher cost of materials ratio is essentially due to order structure composition effects.

By contrast, the rise in staff costs slowed considerably in the first half of 2014. These costs climbed by 5.6% to € 11.6 million as a result of the annual wage and salary adjustments and the higher headcount in connection with the expansion of production. This corresponds to a staff cost ratio of 36.3% (ratio of staff costs to revenue plus the change in inventories). This ratio had been 37.7% in the same period of the previous year. This shows that the first stage of international expansion in 2013 has been completed.

Depreciation and amortisation in the first six months of 2014 was up by 9.2% from € 1.3 million in the previous year to € 1.4 million. Above all, this was caused by the expansion investments in medical technology for our Novoplast Schlauchtechnik brand.

EBIT for the first half of 2014 rose by 7.1% from € 3.3 million to € 3.5 million, leading to an EBIT margin of 11.1%. The slight decline as against the first half of 2013 (11.4%) is due to a rise in non-staff operating costs and the optimisation of orders initiated.

Net finance costs amounted to € -0.6 million in the first six months of 2014, a reduction of 26.2% as against the same period of the previous year. For the first time this clearly

reflects our new syndicated loan maturing in 2018, which we had concluded in early summer 2013.

Income tax expenses have increased by 12.5% to € -1.0 million. This is a reflection of our positive operating earnings and the corresponding utilisation of tax loss carryforwards, which reduce deferred tax assets by increasing expenses.

Consolidated net profit for the first half of 2014 amounted to € 1.9 million, an increase of 22.8% as against the previous year's profit of € 1.6 million. Earnings per share therefore amount to € 0.21. This marks growth of 23.5% year-on-year from € 0.17.

Net assets

Total assets amounted to € 55.2 million as at 30 June 2014. The total figure for all assets was therefore up by 2.9% as against the end of 2013.

With a carrying amount of € 31.3 million, non-current assets were down slightly by 1.7% on the end of 2013. Property, plant and equipment rose slightly by 1.0% to € 22.0 million, while intangible assets declined by 2.5%.

Current assets grew by 9.5% as against the end of 2013 to € 23.9 million. This increase was generated from ongoing business activities and is primarily due to the 35.9% rise in trade receivables and, to a lesser extent, the expansion in inventories due to brisk business performance.

By contrast, cash and cash equivalents and bank balances declined by 13.4% as against the end of the year to € 4.1 million as at 30 June 2014. Above all, this reflects the operating increase in working capital, investments in property, plant and equipment as well as repayments of the syndicated loan.

Financial position

As a result of the profit for the first half of the year as of € 1.9 million, equity rose to currently € 24.8 million. The equity ratio is therefore 45% and thus wholly satisfactory.

Non-current borrowing decreased by 7.7% from € 20.4 million to € 18.8 million. This was primarily due to repayments for the pro rata syndicated loan.

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To finance brisk business activities and investment spending, current liabilities rose by 13.2% from € 10.0 million (end of 2013) to € 11.3 million. This was also contributed to by the growth in current provisions from € 2.5 million to € 2.6 million and – to a lesser extent – rising income tax liabilities.

The Masterflex Group was solvent at all times. In addition, Masterflex SE has a free, non-utilised credit facility available from the syndicated loan agreement.

Staff report

The Masterflex Group again created new jobs in 2014 as part of its international growth strategy. The Masterflex Group employed an average of 578 people worldwide in the first six months. This marks an increase of 10.1% as against the same period of the previous year (525 employees). In particular, new jobs were created at the intercontinental locations in America and Asia, as well as at the very dynamically growing Novoplast Schlauchtechnik brand.

Research and development

We are continuing to develop R&D projects all the time. As at 30 June 2014 there have been no material changes since the statements made in the 2013 Group management report.

Report on post balance sheet date events

No events of particular significance relating to the results of operations, net assets or financial position occurred after the end of the reporting period.

Opportunities and risk report

There have been no changes in the opportunities and risk situation as presented in the 2013 Group report.

Outlook

As expected, economic developments are so far progressing more positively. This applies above all to Germany. However, there has been a substantial rise in uncertainty, particularly as a result of the geopolitical crises in Ukraine and the Middle East. Despite the military conflict in Ukraine, the business of our Russian joint venture is so far continuing without any disruption; we have only been affected by the drop in the exchange rate. As yet it is not known how long this will remain this way and to what extent trade restrictions will be imposed by Europe. Our North American business is gradually returning to its old growth path after the harsh winter, while developments in South America have stabilised positively.

The Masterflex Group is continuing its long-term growth strategy undiminished. Our strategy is based on two pillars: a structured internationalisation of business with hoses and connection systems by expanding export business and through global locations, and ongoing innovation work in order to remain the technology leader on the market for special connecting systems.

For 2014 we are clearly forecasting revenue growth significantly above the rate forecast for the world economy at the start of the year of 3.5%. The first half of 2014 also significantly outperformed this revenue expectation with a growth rate of 10.4%. To date, EBIT is also largely in line with our forecast for 2014, namely a double-digit EBIT margin of currently 11.1%. Overall, we are therefore standing by our forecast for the year.

Masterflex share



Data: daily closing rates

Masterflex shares have proved highly volatile with highs and lows since the start of the year. As at the end of the reporting period, the shares were mostly tracking sideways with only a slight price gain of 1.7%.

After beginning the year at a price of € 6.88, the shares initially rose to a daily high of € 7.65 on 23 January 2014, but then fell to prices of € 6.65 by early March as a result of profit taking and general incipient scepticism in the face of new geopolitical tension. Following the publication of the figures for 2013 at the end of March, the shares first climbed back above the seven euro line in May and then began to rise to a price of € 7.36 on 26 May. In June the shares then hovered at around seven euro, where they also closed the first half of the year.

In the first half of 2014 on basis of the closing prices of Xetra, the share price fluctuated between a low of € 6.65 (3 March 2014) and a high of € 7.61 (23 January 2014).

The liquidity of the shares was stable in the first six months. With 7,346 shares sold per trading day on Xetra and in Frankfurt, liquidity was therefore higher than in the same period of the previous year (6,466 shares per trading day in the first half of 2013). However, share turnover varied greatly: On some days only a handful of shares were sold, on others they were traded in five-figures numbers. We are attempting to counteract this by drawing more attention to the shares.

The greater liquidity in Masterflex shares on average is not only gratifying, but we feel that it shows the general rise in the visibility of our shares on the market for small and mid caps. We are supporting the positive feedback with regular contact with capital market participants and investors.

Annual general meeting

The Annual general meeting was held in Gelsenkirchen on 24 June 2014 and was well attended by institutional and private investors in particular. More than 48% of the share capital was represented. All items on the agenda proposed by the management were approved with a large majority. This included the resolution for new contingent capital, which allows the company to issue up to € 45 million in convertible bonds or bonds with warrants by July 2019. Thanks to this contingency resolution, the Masterflex Group is sufficiently flexible to use attractive financing opportunities on the capital market at any time.

Financial calendar

Dates for 2014	
28 March	Accounts press conference, presentation of 2013 Annual Report, Düsseldorf
28 March	DVFA analyst conference, Frankfurt/Main
12 May	Q1 2014 report
24 June	Annual general meeting, 11:00 a. m., Gelsenkirchen
14 August	Interim Report 1st half-year 2014
14 November	Q3 2014 report
24 to 26 November	German Equity Forum, Frankfurt/Main

Interim financial statements

Consolidated balance sheet

Assets	30.06.2014* k€	31.12.2013 k€
NON-CURRENT ASSETS		
Intangible assets	4,138	4,245
Concessions, industrial and similar rights	530	639
Development costs	136	142
Goodwill	3,258	3,258
Advance payments	214	206
Property, plant and equipment	21,981	21,759
Land, land rights and buildings	11,193	11,256
Technical equipment and machinery	8,094	8,280
Other equipment, operating and office equipment	2,082	2,008
Advance payments and assets under development	612	215
Non-current financial assets	314	342
Non-current financial instruments	111	117
Other loans	203	225
Other assets	1	1
Other financial assets	14	83
Deferred taxes	4,886	5,441
	31,334	31,871
CURRENT ASSETS		
Inventories	11,635	10,699
Raw materials and consumables used	6,474	5,719
Work in progress	601	546
Finished products and goods purchased and held for sale	4,552	4,367
Advance payments	8	67
Receivables and other assets	8,017	6,173
Trade receivables	6,935	5,103
Other assets	1,077	1,045
Other financial assets	5	25
Income tax assets	116	192
Cash in hand and bank balances	4,115	4,749
	23,883	21,813
Assets held for sale	7	6
	23,890	21,819
Total Assets	55,224	53,690

* unaudited

Equity and liabilities	30.06.2014* k€	31.12.2013 k€
SHAREHOLDERS' EQUITY		
Consolidated equity	24,397	22,447
Subscribed capital	8,732	8,732
Capital reserve	26,252	26,252
Retained earnings	-8,897	-10,757
Revaluation reserve	-597	-591
Exchange differences	-1,093	-1,189
Minority interest	447	576
Total equity	24,844	23,023
NON-CURRENT LIABILITIES		
Provisions	80	194
Financial liabilities	16,740	18,162
Other financial liabilities	67	88
Other liabilities	1,388	1,388
Deferred taxes	572	594
	18,847	20,426
CURRENT LIABILITIES		
Provisions	2,563	2,485
Financial liabilities	5,201	4,362
Other financial liabilities	45	45
Income tax liabilities	613	430
Other liabilities	2,892	2,670
Trade payables	1,757	1,588
Other liabilities	1,135	1,082
	11,314	9,992
Liabilities directly connected with assets held for sale	219	249
	11,533	10,241
Total Equity and liabilities	55,224	53,690

* unaudited

Consolidated income statement

	Continued business units	01.01.– 30.06.2014* k€	01.01.– 30.06.2013* k€
1.	Revenue	31,974	28,966
2.	Changes in inventories of finished goods and work in progress	69	234
3.	Work performed by the enterprise and capitalised	153	4
4.	Other operating income	130	336
	Gross revenue	32,326	29,540
5.	Cost of materials	-10,292	-8,926
6.	Staff costs	-11,617	-11,002
7.	Depreciations	-1,383	-1,266
8.	Other expenses	-5,496	-5,044
9.	Financial result		
	Financial expenses	-642	-870
	Other financial result	13	11
10.	Earnings before taxes and non-operating expenses	2,909	2,443
11.	Income tax expense	-1,005	-893
12.	Earnings after taxes from continued business units	1,904	1,550
	Discontinued business units		
13.	Earnings after taxes from discontinued business units	-22	2
14.	Consolidated net income/loss	1,882	1,552
	thereof minority interests	22	82
	thereof attributable to shareholders of Masterflex SE	1,860	1,470
	Earnings per share (diluted and non-diluted)		
	from continued business units	0.21	0.17
	from discontinued business units	0.00	0.00
	from continued and discontinued business units	0.21	0.17

* unaudited

Consolidated statement of comprehensive income

	Continued business units	01.01.– 30.06.2014* k€	01.01.– 30.06.2013* k€
	Consolidated net income/loss	1,882	1,552
	Other result		
1.	Currency translation differences from the translation of foreign operations	96	-215
2.	Net result from “available-for-sale” financial assets	-6	1
3.	Other result for the period under review, after taxes	90	-214
4.	Overall result	1,972	1,338
	Overall result:	1,972	1,338
	thereof minority interests	22	82
	thereof attributable to shareholders of Masterflex SE	1,950	1,256

* unaudited

Selection of High Efficiency HVAC Sheet Metal Products by  **MASTERDUCT**



Consolidated income statement

	Continued business units	01.04.– 30.06.2014* k€	01.04.– 30.06.2013* k€
1.	Revenue	15,986	14,627
2.	Changes in inventories of finished goods and work in progress	-228	133
3.	Work performed by the enterprise and capitalised	1	4
4.	Other operating income	46	145
	Gross revenue	15,805	14,909
5.	Cost of materials	-5,029	-4,629
6.	Staff costs	-5,883	-5,540
7.	Depreciations	-700	-641
8.	Other expenses	-2,740	-2,549
9.	Financial result		
	Financial expenses	-302	-582
	Other financial result	8	5
10.	Earnings before taxes and non-operating expenses	1,159	973
11.	Income tax expense	-418	-390
12.	Earnings after taxes from continued business units	741	583
	Discontinued business units		
13.	Earnings after taxes from discontinued business units	-3	-1
14.	Consolidated net income/loss	738	582
	thereof minority interests	14	57
	thereof attributable to shareholders of Masterflex SE	724	525
	Earnings per share (diluted and non-diluted)		
	from continued business units	0.08	0.06
	from discontinued business units	0.00	0.00
	from continued and discontinued business units	0.08	0.06

* unaudited

Consolidated statement of comprehensive income

	Continued business units	01.04.- 30.06.2014* k€	01.04.- 30.06.2013* k€
	Consolidated net income/loss	738	582
	Other result		
1.	Currency translation differences from the translation of foreign operations	150	-526
2.	Net result from "available-for-sale" financial assets	2	9
3.	Other result for the period under review, after taxes	152	-517
4.	Overall result	890	65
	Overall result:	890	65
	thereof minority interests	14	14
	thereof attributable to shareholders of Masterflex SE	876	51

* unaudited



Consolidated cash flow statement

As of	30.06.2014* k€	30.06.2013* k€
Result for the period before taxes, interest expenses and financial income	3,494	3,222
Income taxes paid	-474	-571
Depreciation expense for property, plant and equipment and intangible assets	1,383	1,266
Change in provisions	-284	-307
Other non-cash expenses/income and gains/losses from the disposal of property, plant and equipment and intangible assets	-131	78
Changes in inventories	-936	-482
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	-1,144	-1,034
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	19	748
Net cash from operating activities	1,927	2,920
Proceeds from the disposal of non-current assets	5	0
Payments to acquire intangible assets	-1,351	-1,105
Changes in cash and cash equivalents due to the sale of consolidated subsidiaries	0	0
Changes in cash and cash equivalents due to the repayment of financial assets	23	23
Net cash from/used in investing activities	-1,323	-1,082
Payments to owners and minority interests	-151	-152
Interest and dividend receipts	13	10
Interest expenditure	-591	-864
Proceeds from the sale of term deposits/securities	0	0
Proceeds from raising loans	2,500	24,000
Payments for the repayment of loans	-3,104	-23,467
Net cash from/used in financing activities	-1,333	-473
Net change in cash and cash equivalents	-729	1,365
Changes in cash and cash equivalents due to exchange rates and other factors	96	-215
Cash and cash equivalents at the start of period	4,755	2,835
Cash and cash equivalents at the end of period	4,122	3,985

* unaudited

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Surface-structured, multi-layered
hoses from the **NOVOPLAST** brand
SCHLAUCHTECHNIK
for infusion & intravenous applications

Consolidated statement of changes in equity

	Sub- scribed capital k€	Capital reserve k€	Retained earnings (retained profits brought forward) k€
Equity as of 31.12.2013	8,732	26,252	-10,757
Consolidated net income/ Minority interests	0	0	1,860
Changes in fair values of financial instruments	0	0	0
Currency translation gains/ losses from translation of foreign financial statements	0	0	0
Overall result for the financial year	0	0	1,860
Dividend distributions	0	0	0
Other changes	0	0	0
Equity as of 30.06.2014	8,732	26,252	-8,897
Equity as of 31.12.2012	8,732	26,252	-13,642
Consolidated net income/ Minority interests	0	0	1,470
Changes in fair values of financial instruments	0	0	0
Currency translation gains/ losses from translation of foreign financial statements	0	0	0
Overall result for the financial year	0	0	1,470
Dividend distributions	0	0	0
Other changes	0	0	0
Equity as of 30.06.2013	8,732	26,252	-12,172



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The exhaust gas hose Carflex from the  MASTERFLEX brand for the extraction of engine exhaust fumes

	Revaluation reserve	Exchange differences	Minority interest	Total
	k€	k€	k€	k€
	-591	-1,189	576	23,023
	0	0	22	1,882
	-6	0	0	-6
	0	69	0	96
	-6	69	22	1,972
	0	0	-151	-151
	0	0	0	0
	-597	-1,093	447	24,844
	-733	-621	536	20,524
	0	0	82	1,552
	1	0	0	1
	0	-215	0	-215
	1	-215	82	1,338
	0	0	-151	-151
	0	0	0	0
	-732	-836	467	21,711



RFLEX SE

Notes to the Interim Report for the 1st half-year 2014

1. Reporting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and International Accounting Standards (IAS) of the International Accounting Standard Board (IAS B) and is in keeping with the company's key accounting principles presented here. The same accounting principles were applied as in the consolidated financial statements for the financial year that ended on 31 December 2013.

2. Basis of consolidation

The basis of consolidation has not changed in comparison with 31 December 2013.

3. Dividend

Masterflex SE did not pay a dividend for the financial year 2013.

4. Segment reporting

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

The basis of segmentation has not changed in comparison with the consolidated financial statements of 31 December 2013. SURPRO Verwaltungsgesellschaft mbH, Masterflex Entwicklungs GmbH and Masterflex Vertriebs GmbH are presented on a uniform basis under "Discontinued business units". The Masterflex Group thus has one operating segment, the core High-Tech hose systems business unit (HTS).

Segment reporting	High-tech hose systems	Continued operations	Discontinued operations	Total segments
30.06.2014	k€	k€	k€	k€
Revenue from non-Group third parties	31,974	31,974	0	31,974
Earnings (EBIT)	3,538	3,538	-22	3,516
Investments in property, plant and equipment and intangible assets	1,351	1,351	0	1,351
Depreciations	1,383	1,383	0	1,383
Assets	55,217	55,217	7	55,224

Segment reporting	High-tech hose systems	Continued operations	Discontinued operations	Total segments
30.06.2013	k€	k€	k€	k€
Revenue from non-Group third parties	28,966	28,966	0	28,966
Earnings (EBIT)	3,302	3,302	2	3,304
Investments in property, plant and equipment and intangible assets	1,105	1,105	0	1,105
Depreciations	1,266	1,266	0	1,266
Assets	54,909	54,909	13	54,922

5. Earnings per share

Basic earnings per share is calculated in accordance with IAS 33 by dividing consolidated net income by the weighted average of the number of shares in circulation during reporting period. As at 30 June 2014, basic earnings per share from continued operations amounted to € 0.21 and earnings per share from continued and discontinued operations amounted also to € 0.21; both figures are based on a weighted average number of shares of 8,865,874.

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

6. Treasury shares

As at 30 June 2014 Masterflex SE held a total of 134,126 treasury shares.

Company name	Company headquarters		Equity interest held by Masterflex SE (%)
Masterflex SARL	FR	Béligneux	80
Masterflex Technical Hoses Ltd.	UK	Oldham	100
Masterduct Holding, Inc.*	US	Houston	100
· Flexmaster U.S.A, Inc.	US	Houston	100*
· Masterduct, Inc.	US	Houston	100*
· Masterduct Holding S.A., Inc.	US	Houston	100*
· Masterduct Brasil LTDA.	BR	Santana de Parnaíba	100*
Novoplast Schlauchtechnik GmbH	GER	Halberstadt	100
FLEIMA-PLASTIC GmbH	GER	Wald-Michelbach	100
Masterflex Handelsgesellschaft mbH	GER	Gelsenkirchen	100
Masterflex Česko s.r.o.	CZ	Planá	100
M & T Verwaltungs GmbH*	GER	Gelsenkirchen	100
· Matzen & Timm GmbH	GER	Norderstedt	100*
OOO Masterflex RUS	RUS	St. Petersburg	51
Masterflex Scandinavia AB	SE	Kungsbacka	100
SURPRO Verwaltungsgesellschaft mbH	GER	Gelsenkirchen	100
Masterflex Entwicklungs GmbH*	GER	Gelsenkirchen	100
· Masterflex Vertriebs GmbH	GER	Gelsenkirchen	100*
Masterflex Asia Holding GmbH*	GER	Gelsenkirchen	80
· Masterflex Asia Pte. Ltd.	SG	Singapore	100*
· Masterflex Hoses (Kunshan) Co., Ltd.	CN	Kunshan	100*

*) = sub-group

7. Employees

In the reporting period, the number of employees was 578, up 10.1% on the previous year period (525 employees).

8. Income tax

In the calculation of income tax expense in the Interim Report for the 1st half-year, the estimated effective income tax rate for the current financial year 2014 is included in the intra-year calculation of tax expense. The effective tax rate is based on current earnings and tax planning.

9. Cash flow statement

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

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

	30.06.2014 k€	30.06.2013 k€
Cash and cash equivalents at the end of period	4,122	3,985
Cash in hand and bank balances included in assets held for sale	7	9
Cash in hand and bank balances	4,115	3,976

10. Related party disclosures

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

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

The relationships are explained in the Notes to the consolidated financial statements under note 35 in the 2013 Annual Report. There have been no changes to the comments made there in the reporting period.

11. Auditor's review of the Interim Report

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

12. Responsibility statement

To the best of our knowledge and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim 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 over the rest of the financial year.

Gelsenkirchen, 1st August 2014



Dr. Andreas Bastin
CEO



Mark Becks
CFO

 MASTERFLEX

 MATZEN & TIMM

 NOVOPLAST
SCHLAUCHTECHNIK

 FLEIMA-PLASTIC

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