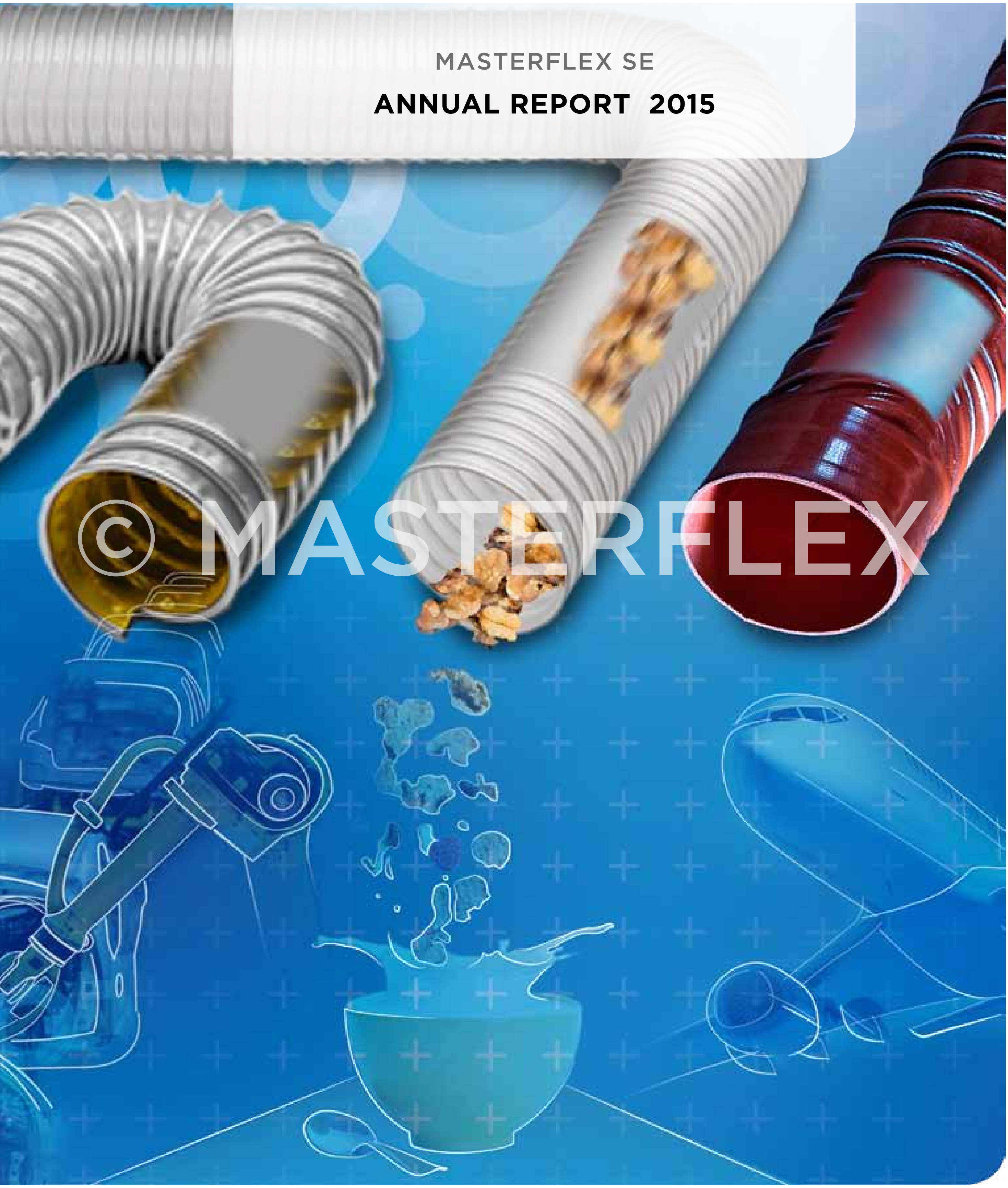
MASTERFLEX GROUP
Connecting Values

MASTERFLEX SE

ANNUAL REPORT 2015

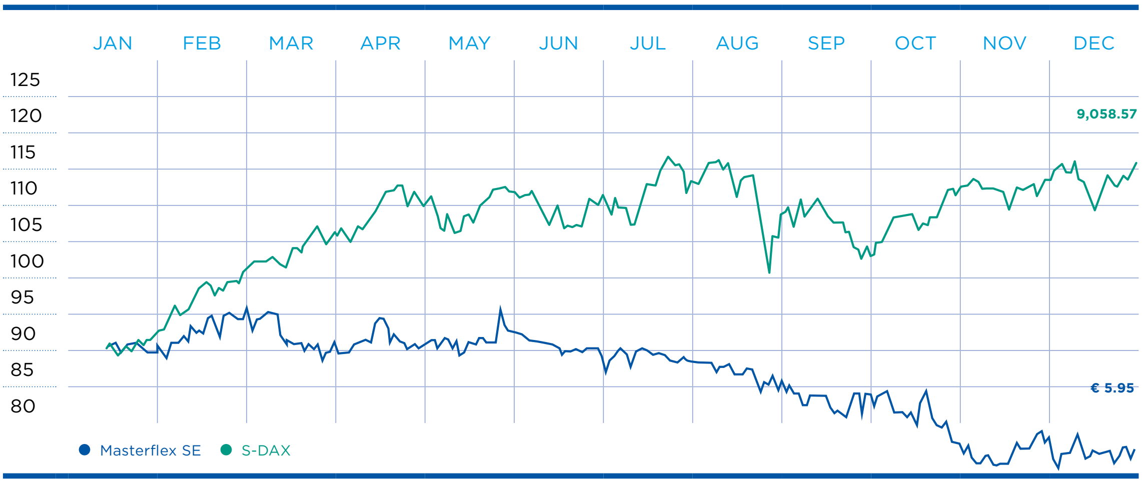


MASTERFLEX AT A GLANCE

in €k	31.12.2015	31.12.2014	Change
Consolidated revenue	64,112	62,466	2.6 %
EBiTDA	7,672	9,172	-16.4 %
EBiT	4,870	6,317	-22.9 %
EBT	3,872	5,194	-25.5 %
Consolidated earnings from continued business units	2,252	3,232	-30.3 %
Consolidated earnings from discontinued business units	-374	-154	-142.9 %
Consolidated net income	1,948	3,043	-36.0 %
Consolidated equity	26,012	23,835	9.1 %
Consolidated total assets	54,484	51,982	4.8 %
Consolidated equity ratio (%)	47.7 %	45.9 %	
Employees	609	567	7.4 %
EBiT margin	7.6 %	10.1 %	
Return on sales	3.5 %	5.2 %	
Consolidated earnings per share (€)			
from continued business units	0.26	0.36	-27.8 %
from discontinued business units	-0.04	-0.02	-100.0 %
from continued and discontinued business units	0.22	0.34	-35.3 %

Please note: Only the German version is legally binding.

PERFORMANCE OF MASTERFLEX GROUP SE SHARE OVER 1 YEAR



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.

GLOBAL MARKETS IN FOCUS

We strive for value-orientated, dynamic growth in all our relevant markets.

Above all, we want the core of our sales, which today still lies in Europe, to gradually shift and to achieve a larger share of the sales on the American and Asian continents. For that purpose, we are represented in North and South America, in China as well as in Singapore and in Europe. Moreover, we have covered a series of markets using distributors and cooperative partnerships which adjoin our key regions. In the medium-term, we want to provide our entire product portfolio in all the markets of 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.

BRANDS

MASTERFLEX

Spiral hoses and connection systems for all industrial applications

Profile-extruded hoses · clip hoses · film hoses · heated hoses templine™

MATZEN & TIMM

Special vulcanized shapes and hoses for the aerospace sector and the automotive industry

Specialty hoses · suction hoses · elastomer hoses

NOVOPLAST SCHLAUCHTECHNIK

Preformed tubes and technical tubings for medical and industrial uses

Pneumatic tubing · expandable tubing · preformed tubes · medical tubes

---

FLEIMA-PLASTIC

Injection moulded parts and components for the medical technology

Hose clams · customized components · hose connectors · housing components

---

MASTERDUCT

Spiral hoses and connection systems as well as HVAC elements

Spiral hoses · technical tubings · HVAC · film- and clip hoses

The Masterflex Group does not offer commodities but is the leading specialist for high-tech hoses and connection systems.

Dr. Andreas Bastin

Chairman of the Executive Board.

Doctorate in Engineering majoring in mechanical engineering.

Foreword by the Chairman of the Executive Board

Dear Shareholders,

I know you are accustomed to open communication from me. Therefore, I will not mince my words here either: our expectations for the 2015 financial year have not been fulfilled in terms of sales and earnings.

Yes, our turnover has increased by 2.6 percent to € 64.1 million – but this did not correspond to our growth target of at least 3 percent. And yes, we achieved an operating result of € 4.9 million with a resulting EBIT margin of 7.6 percent. Even if this is a good operating margin in comparison to other manufacturing companies, it didn't meet our target of at least € 6.4 million. And with regard to the development of our share price since the start of 2015, the situation has also looked the same for the capital market.

However, we shouldn't overreact – unlike the stock exchange from time to time – because we are still earning good money with our business model, tuned to the development, production and consultancy-orientated sales of high-tech hoses and connection systems. In addition, we were able to increase our turnover significantly in some areas: turnover of the Masterflex brand has increased by more than 4 percent; and our Matzen & Timm brand has increased by over 8 percent. In Asia too, China in particular, we have achieved noticeable growth rates once again. Our internationalisation strategy which we started more than five years ago is paying off as indicated by the increased share of sales in the „Europe and third countries" regions.

In addition, we have been able to successfully complete some important projects. The sale of the Russian joint venture is particularly worth mentioning here. Not only were the negotiations time-consuming, especially as there was only one natural sale partner but also because the underlying conditions in Russia have been very challenging since the outbreak of the Ukraine crisis. As a result, we are proud to have successfully placed our development of the Russian market on a new basis, whereby we have agreed an exclusive trade agreement with our former joint-venture partner. In addition to six-digit sales proceeds after deducting all the costs, we were able to eliminate the risks of the Russian involvement, which were not insignificant in the end due to the altered circumstances.

What I was delighted about over the past year was the classification of the Masterflex Group as one of the 50 most innovative German medium-sized companies. I, personally, have been convinced for a long time that the innovative strength is an intrinsic part of the Masterflex Group's DNA. But to have it confirmed by an independent expert, such as one of the advisors from the Munich Strategy Group, gives my naturally rather subjective point of view much greater weight. According to the analysis from the management consultancy, we rank in 32nd overall with an innovation score of 132 points - and thus appear in a rankings list with some highly renowned German companies. TheExecutive Board, all of the management staff and all of our employees are extremely proud of this!

This is reaffirmed to us by the Executive Board continuing to place great emphasis on innovations. A project which was also successfully implemented over the last year was the process adaptation in the research and development area: we have streamlined our innovation management and reorganised research and development in terms of staffing. We are confident of reduced throughput times for products that are to be newly developed right through to series production and a more efficient use of our Technicians and Engineers. And this reorganisation is already showing the first positive effects: in 2016, we are planning more product innovations than over the last few years combined and consequently want to launch these onto the market.

Of course, these aren't the only projects that we want to champion in 2016. Improving our efficiency and thereby also of the resulting operating margin are both high on the agenda of the Executive Board. Our principle objective is the improvement of turnover per employee, measured in terms of the staff cost ratio, which in 2015 reached a record level of 39.6 percent. By reducing the complexity and improving the efficiency of our internal processes as well as a targeted reduction in personnel in certain areas over the previous year, we expect savings of a seven-digit magnitude. It is our intention to achieve a two-digit EBIT margin again. Another important concern is bringing our brand company Novoplast Schlauchtechnik back on track following its market success falling sharply in 2015 – in particular, due to personnel-related issues. With a new management team and with additional new managers of production and medical technology, already we have already taken an important and clearly measurable step forward. In the USA, where we have also had to make changes to the management team in September 2015, it is still too early for success stories. The situation has, however, already stabilised considerably in the meantime. Our objective in the US is to extend our share of this large and extremly interesting market over the next few years.

Through the targeted reduction in workforce in some areas which we have implemented over the past year, above all in senior and middle management, we are reliant on an increasingly better qualified and more competitive workforce in light of the changes which the Industry 4.0 revolution will bring with it. Thus, we have taken two years to train beyond our short term requirement at our major production sites in Germany. For the young people who have successfully completed their vocational training, we are happy to be able to offer the opportunity to follow a highly interesting and internationally orientated career path with us. In addition, we have started a more intensive collaboration with different universities. Beside our scholarship recipients and project-related cooperation, individual top-level managers have become involved as coach and/or mentor to several top graduates. Bearing in mind the widely visible shortage of skilled workers, my colleague on the Executive Board, Mark Becks, and I consider this staff retention strategy to be the order of the day. Of course, the costs need to be kept track of. We would be doing ourselves a disservice if we were to save on fees at this point today and didn‘t retain young, talented and motivated individuals.

2016 will be an exciting year. An important milestone here is our investment in our site at Gelsenkirchen: in the most important plant location for spiral hoses, we are expanding our warehousing and production capacities significantly. Construction of new floor space of 7,700 square metres in total began in February after which we were able to put into operation as planned a warehousing facility for finished products erected at the start of the year. In total, we have invested around € 7 million in buildings and machinery including a modern, Industry 4.0-capable plant. We are initially financing these investments from our syndicated loan agreement. Over the course of the year, we wish to secure these currently favourably financial conditions and the improved financial position of the Masterflex Group on a longer-term basis in order to achieve an improvement in our financial situation.

We expect several things from our extensive investments: for a start, expansion became necessary in order to maintain our delivery capabilities after having to overcome occasional supply shortages with corresponding delivery times in the recent past. Next, the site-specific building extension with improved loading and unloading areas makes handling our logistics chain much easier and ensures greater process efficiency. Finally, with significantly improved production facilities, we will have the opportunity to develop the Industry 4.0 project. All in all, we are looking forward to the start of construction and hope to be able to announce completion at the end of 2016.

In conclusion, I would like to refer to two new items in our financial reports. On the one hand, besides all the pertinent figures for the group and the details from the Supervisory Board, these financial reports also contain a summarised progress report for Masterflex SE and the full Masterflex Group. The financial statements of Masterflex SE and the annexes are available as professionally designed brochures on the internet and replace old, less reader-friendly files. In addition, we will take advantage of the new opportunities for quarterly financial reporting which have been planned since the end of 2015 by virtue of the legislative changes combined with an amendment to the Articles of Association by Deutsche Börse for companies of “prime standard”, the highest quality level of the Börse, and thus to publish figures-focussed notifications for Q1 and Q3 on the progress of our businesses. Alongside the reduction in resources associated with it, our lead times have also reduced; we can act more promptly and inform you more quickly and effectively. I think that this is in your interests.

We will also be pleased to have a discussion with you at our Annual General Meeting, which my colleagues on the Executive Board and I would like to invite you to. We will meet again at Schloss Horst after an impressive shareholders’ meeting at the Schalke Arena last year. I am looking forward to the exchange with you at the traditional spot!

Gelsenkirchen, 16 March 2016

Dr. Andreas Bastin
Chief Executive Officer

MAY WE INTRODUCE OURSELVES? THE MASTERFLEX GROUP, GLOBAL MARKET LEADER !

The Masterflex Group is global market leader!

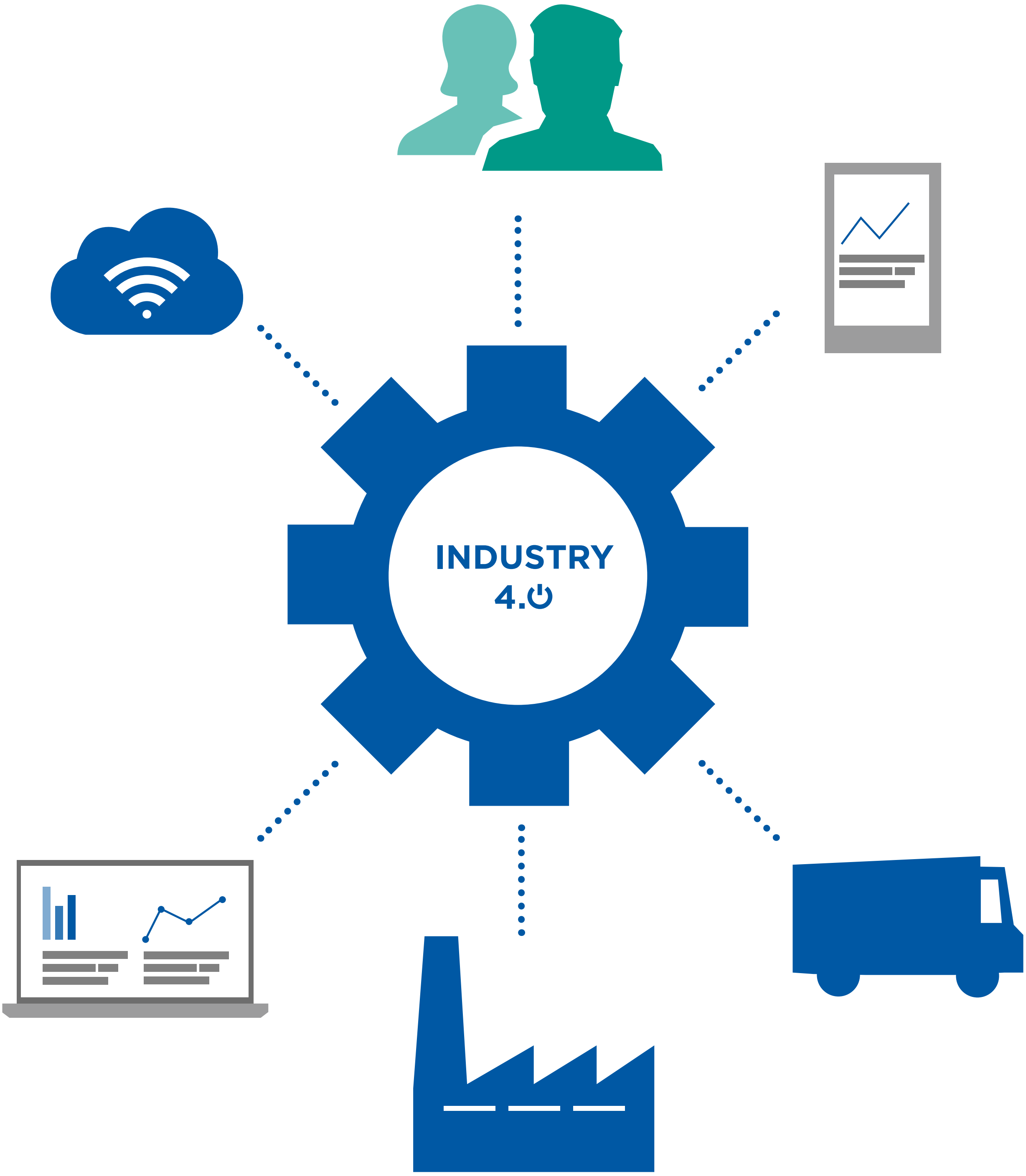
Who doesn’t like claims that they are the global market leader? Far too many companies, according to St. Gallen University which promptly set about developing their own ranking system for “genuine” global market leaders. Within which the Masterflex Group finds itself counted among genuine global world leaders. “A great honour which spurs us on even further, says Dr. Andreas Bastin, Chairman of the Executive Board of the Masterflex Group in Gelsenkirchen.

The Masterflex Group is a "genuine" global market leader

The Masterflex Group has gained a place in the new global market leader ranking from the renowned university at its first attempt, reported the German business weekly „Wirtschaftswoche“. With the development and production of high-tech hoses and connection solutions made from high-grade plastics for customers all over the globe, the Gelsenkirchen company ranks amongst the “genuine” global market leaders according to St. Gallen University. A database with currently around 1,300 entries of potential global market leaders from the three countries of Germany, Austria and Switzerland serves as the basis for evaluation.

What distinguishes a „genuine“ global market leader?

A “genuine” global market leader in one of the aforementioned three countries has its HQ based there and operates under an owner management structure of at least 50 percent. The company must also operate its own exports, manufacturing or distribution facilities in at least three continents. It must generate an annual turnover of at least € 50 million and be the number 1 or number 2 in the relevant market sector. In addition, it must be able to demonstrate that export sales account for at least 50 percent of its turnover.


INDUSTRY
4.0

INOVATION AND INDUSTRY 4.0

Clear innovation strategy and innovation processes that are firmly established in the organisation - these are the qualities that mark out an innovation leader. The Masterflex Group has possessed both for many years and for this reason, since autumn 2015, has been able to call itself an Innovation Champion.

Being ranked among the Top 50 most innovative German medium-sized companies certainly confirms that the Group has this capability. Awarded by the Munich Strategy Group and "Wirtschaftswoche" magazine, the Masterflex Group occupied 32nd place in the „Innovation Champions 2015" rankings. Around 3,300 German companies with an annual turnover between ten million and a billion euro were scrutinised in deciding this award.

Great - we will enjoy it, briefly! Because the challenges for the companies and in particular, for medium-sized companies in a globalised economy, continue to exist. And these challenges have had a headline-hitting name for some time in the production field: Industry 4.0.

Pioneering production is the concept behind the name Industry 4.0, which involves the many different stages of a value-added chain which are interlinked with each other and automated to the greatest extent possible. A company outside this chain that cannot compete runs the risk of being pushed to the periphery of the market or, even more so, marginalised, even if business is still going very well today. The "Industry 4.0" trademark is the automated networking of all production and logistical processes including the targeted integration of business partners who have a requirement for connection systems which support this network. This approach allows customers' demands to be integrated during brainstorming sessions on future specialist products and the subsequent production steps to be tailored to individual requirements.

In order to be prepared for the future, the Masterflex Group has invested massively this year. In our head office in Gelsenkirchen, as well as the necessary expansion, the machines and control elements for the network that are needed for this fourth industrial revolution are an integral part of the investment planning totalling more than € 7 million.

What do we hope to achieve from it? Well, a higher degree of automation improves capacity utilisation. It reduces manufacture times. It reduces material usage when models change. And it reduces plant repair costs. In addition, the industry's requirement for intelligent connection systems is increasing. Further, it enables us to have real time information about individual customer orders. In this way, our technically orientated consultancy expertise can be complemented even more by speed, reliability and safety.

Connecting Values. We connect values. Meaning, in other words, that we are right on the ball with the current trend of Industry 4.0!

CONTENT

CONTENT

Masterflex | Food industry

Bon Appetit!

The many ingredients that make up muesli don’t gather together by themselves. Healthy cereals, raisins and nuts travel through food-grade quality hoses of the brand Masterflex, from storage tanks through hose lines which have been tested and certified in accordance with EU regulation 10/2011and right into the mix in the bag of muesli.

MASTERFLEX

COMBINED MANAGEMENT REPORT: MASTERFLEX GROUP AND MASTERFLEX SE

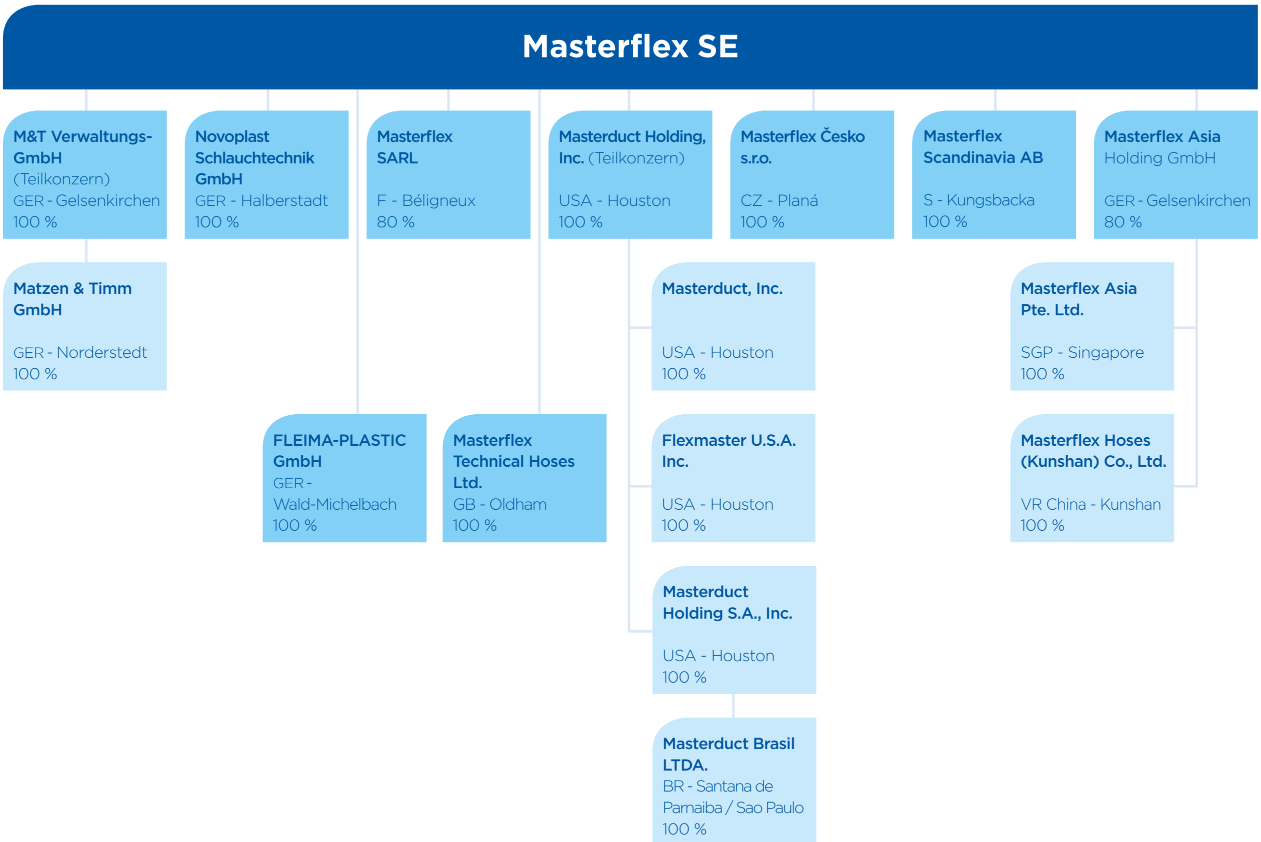
A Basics of the Group

I BUSINESS MODEL

Masterflex SE in Gelsenkirchen is the parent company of the Masterflex Group (also referred to here as Group). The business activity of Masterflex SE and of the Group concentrates on the development, manufacture 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 over 25 years ago.

The main production sites of the international Masterflex Group with twelve 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.

ORGANISATIONAL CHART



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 requirements of transparency, known as the 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 connecting 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 us from other hose manufacturers. In addition, we actively pursue the goal of above-average, profitable growth. Our growth strategy is based on two pillars: internationalisation and innovation.

Internationalisation Strategy

We strive for value-orientated, dynamic growth in all our relevant markets. Above all, we want the core of our sales, which today still lies in Europe, to gradually shift and to achieve a larger share of the sales on the American and Asian continents.

In the United States of America, we have been operating locally with our own companies for a long time. At the beginning of this decade, the cultivation of new regional markets outside Europe began. In 2010, the Masterflex Group launched a joint venture in Russia and its own company in Brazil. In 2012, we started our activities in Singapore and China. Moreover, we have covered a series of markets since then using distributors and cooperative partnerships which either adjoin our key regions where we have our own operations or which have a close relationship with them. In addition, for some time, our focus has been on providing the entire product portfolio of the Masterflex Group in all the markets we are engaged in.

Due to what is now the long-running crisis in Russia, with no prospect of improvement in the foreseeable future, we have revised our marketing strategy for this region over the last year. Our decision in 2010 to open up the Russian market together with a local partner was made under completely different political and economic conditions. Since the outbreak of the crisis in the Ukraine in 2014, the conditions in Russia have changed significantly for European companies. Alongside the much weaker economic development in Russia, management and control by (Western) Europe has been made more difficult. This not only applies to the exchange rate issue but also to stability of the law for European companies and the power of intervention as an owner. As a result, we have repositioned our involvement in the Russian market by agreeing an exclusive trade agreement with our former joint venture partner. This meant we were able to eliminate the risks from our Russian activity which were not insignificant owing to the changed conditions and continue to benefit from the opportunities in this market.

The conditions in Brazil have also developed differently than previously expected since our launch there in 2010. Thus, initially, we have cut back on expanding our developments and investments in order to wait out the complex macroeconomic development combined with decreased political stability. However, Brazil, due to its size and relatively high level of industrialisation is still interesting for us.

Innovation Strategy

Our innovation strategy is based on continuously developing, testing and introducing onto the market innovative products and procedures as well as constantly improving our existing production processes. The ideas for new hoses and connecting parts are normally initiated by customer requests. Our engineers design, test and produce new 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

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.

1. Committees

The Executive Board
The Masterflex Group is run by the Executive Board consisting of two members. Dr. Andreas Bastin has been CEO of the stock corporation for eight years (since 2008) and Mark Becks its CFO since 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 Coporate 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, EBIT) is reported to the Board for the entire Group.

The key performance indicators and their development remain at the forefront for the Masterflex Group; they are modelled on liquidity and the value of the company and support 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

The domain of research and development (R&D) provides an important contribution to our innovation and thus also to our growth strategy with the development of innovative products and procedures as well as the continuous improvement of our existing processes.

Organisational Orientation

In 2015, our sub-section covering spiral hoses and smooth hoses was restructured in tandem with the replacement of several staff members into the subsections of „product development“ and „process technology“. Since then our development engineers previously active in that domain have been able to be deployed in a more targeted manner and thus more efficiently to fit in with their individual specialisations, which has also been good for their motivation. Well-defined cooperation of the two interfaces product development and process technology ensures implementation of the original idea all the way through to series-based production.

In addition, our innovation process (Stage-Gate-Process) has been adapted to these new structures. On the one hand, the so-called milestone process has been streamlined from seven to four parts in order to reduce the throughput time for products that are to be newly developed against the backdrop of shortened product lifecycles. On the other hand, the decision-making power of the committee which manages the milestone process has been increased and the budget and responsibility for new projects migrated to them. Furthermore, a regular, cross-site exchange about the individual innovation projects was set up between the R&D sites in order to ensure a global perspective and the creation of synergies. The in-house, very broadly structured innovation roundtables which take place on a quarterly basis regularly exchange news and views – and also involve external contacts from research institutes or selected members of our supplier base. The aim is to put into practice a multipolar approach to future requirements for hose and connection solutions both on the market / customer side and research side, as well as on the commodity front and also from a marketing and controlling perspective.

Important Projects in 2015

In medical technology, several large projects were implemented in 2015 for various clients in close integration between the brand companies Novoplast Schlauchtechnik from Halberstadt and Fleima-Plastic from Wald-Michelbach. Fleima-Plastic, the injection moulding experts of the Masterflex Group, produced a tool for making the individual parts of techno-medical components and synchronised them. The items which are manufactured in a clean room were subsequently assembled onto components by means of different bonding methods — which, for the first time, includes a new ultrasonic welding facility. The hoses used here came from the Masterflex Group smooth hoses specialists, Novoplast Schlauchtechnik.

In the aviation industry, we have developed an innovative type of bellows under our brand company Matzen & Timm from Norderstedt near Hamburg using FEM simulation software (finite elements method). The bellows are designed for use in open rotor engines currently being developed by a well-known customer. This product is a combination of a silicon bellow fixed to a titanium flange. In addition, in our aviation division, we have worked on further reducing the weights of connection components in order to comply with the desire for ever lighter but still very robust aircraft. Thanks to new materials and improved design, we have been able to achieve this with up to 30 percent lighter connection solutions.

The focus of our product development under the Masterflex brand in Gelsenkirchen was on the materials used. By using innovative materials, entirely new properties for hoses and connection systems were realised. For screening and testing new materials, we have remained in close contact with existing and newly selected suppliers. Collaboration with research institutes and universities is also important for us: over the last year, through existing contacts, new cooperative partnerships have been set up governed by contract. In this context we include flame retardant materials or so-called “intelligent materials“.

External Evaluations

The innovative strength of the Masterflex Group was recently confirmed by external observers. In autumn 2015, management consultancy “Munich Strategy Group” awarded the Masterflex Group an innovation score of 132. This score corresponds to a position of 32 out of the 50 most innovative German medium-sized companies. Moreover, at the beginning of 2016, the University of St. Gallen published the results of the “Global Market Leader for Germany, Austria and Switzerland 2016” in which the Masterflex Group is listed as the global market leader for their business model of “hoses and connection systems manufactured from high-tech plastics”.

Thanks to our innovation capabilities, our products cannot easily be substituted by other products. Nevertheless, the high-tech plastics we process provide significant substitution potential for conventional materials, most notably for steel and rubber. 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, to protect our intellectual property 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 has a series of intellectual and industrial property rights in an increasing number of countries.

For testing and meeting various certification requirements for product innovations, the Masterflex Group has an extensive pool of high quality measuring and analysis equipment. Particularly at the four German sites where product development is concentrated, a wide range of mechanical and electrical measuring and analysis equipment is available, including the most advanced pressure test benches with integrated temperature chamber as well as IR spectral photometers for material analysis.

V THE MARKET FOR HIGH-TECH HOSES

The global market for high-tech hoses and connecting 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. 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 and strongly focused on end-customers, is determined by large batch sizes, lower margins and major international providers.

Thereby, due to its rather inconsistent and opaque structure, there is little reliable data. Thus, in 2008, the Masterflex Group started to carry out systematic data analysis of the global market and its competitors. This extensive knowledge constitutes the know-how of the Masterflex Group which it uses specifically to differentiate its product portfolio over its competitors. Moreover, this specialised knowledge is used in its M&A strategy.

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. In particular, three parameters drive the industrial demand for connection solutions here which meet these demands: Firstly, the increasing speed of a manufacturing procedure, secondly, the flexibility in terms of small end product volumes with frequent variations in product and, thirdly, quality requirements of the end products being manufactured.

The areas of application for high-tech hoses and connection systems cover a broad spectrum in industry terms: increasingly flexible and versatile connection solutions are used in mechanical engineering, in the aerospace and automotive industry, by energy companies or even, increasingly, in the manufacture and processing of food and pharmaceutical products as well as 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 seven other operating subsidiaries in Europe, America and Asia which sell these brand products and also manufacture on site.

The **Connecting Values** slogan emphasises 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 connect values. These connections create added value for our customers.

Over the last year, the brand image of the Group was adjusted slightly in order to expand its visibility as a prominent global group for high-tech hoses and connection systems. The icon is now used globally uniformly for both the umbrella brand of the MASTERFLEX GROUP and all five corporate brands. In addition, email addresses were harmonised worldwide. 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 production concentrated in Gelsenkirchen, Germany. Master-Clip and PU hoses are developed, produced and distributed alongside 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.

MATZEN & TIMM

The underlying company (Matzen & Timm GmbH) of the Matzen & Timm brand is a highly regarded manufacturer of specialist hoses, industrial hoses and many other shaped pieces produced from high quality plastic and rubber materials, like for example, silicon. The products are 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 Plana 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, prototype manufacture through 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 and space industry, special service vehicles and mechanical engineering for more than 50 years. Innovative products such as lightweight and/or electrically 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 50mm for industrial and techno-medical applications. These products are partly also 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. It is precisely these skills that open up previously little-known areas of application like in the substitution of metal piping with low-noise or vibration-free plastic compounds.

State-of-the-art equipment is used for hose 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. Using this approach, it is possible to provide our customers with the full package from just one source, consisting of hose and medical components such as Luerlock connectors, drip chambers or roller clamps.

FLEIMA-PLASTIC

The brand company FLEIMA-PLASTIC GmbH which was founded in 1974 from Wald-Michelbach/Odenwald, Germany, 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 and food technology sectors. In the modern factory, injection moulded components (also in multi-component assemblies) manufactured, assembled and finished in ISO class 7 and 8 clean rooms. In addition, we have vast experience in the area of building precision injection moulding tooling in our in-house tool-making department and in the creation of prototypes for use 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 three operating subsidiaries: Masterduct Inc. and Flexmaster U.S.A. Inc, in Houston, Texas, as well as Masterduct Brasil Comércio de Dutos LTDA in Sao Paulo, Brazil.

The companies operating in North and South America, Masterduct and Flexmaster U.S.A. also act as brand companies with a corresponding product portfolio.

Flexmaster U.S.A. is a specialist for heating, ventilation and air conditioning (HVAC), and the air conditioning and ventilation field and is market leading in public sector construction applications, such as inhospitals, school sports facilities and universities. Flexmaster U.S.A. 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 American market under its brand. The clientele ranges from the wood industry to the aviation and service industry right up to the US government. A relatively new product innovation introduced on the market, for instance, is the innovative Fireflex™ hose. This exhaust hose from the high temperature segment was specifically designed for the requirements of fire services with their fleet of vehicles. The case study carried out for the market launch has impressively testified that Fireflex™ supports the work of the fire services very well. Thus, sales of this product innovation are very encouraging.

MASTERFLEX

Master-PUR L Food A

This spiral hose, a light-weight PU section 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.

Matzen & Timm | Aircraft technology

Have a good flight!

Passengers on an aircraft expect fresh air in the cabin. The super-lightweight, flame retardant hoses and connection parts of the brand Matzen & Timm ensure that air circulates all around even in large aircraft.

MATZEN & TIMM

COMBINED MANAGEMENT REPORT: MASTERFLEX GROUP AND MASTERFLEX SE

B Financial Report

I MACROECONOMIC CONDITIONS

Over the last year, the economy in Germany, like the rest of Europe, has developed much better than expected. The German gross domestic product has increased by 1.7 percent in the last year. This economic growth which was the strongest for four years resulted, in particular, from the rise of private consumer spending of 1.9 percent and public sector spending of 2.8 percent. In addition, capital investments also rose by 3.6 percent and the exports from domestic companies by 5.4 percent. In the Euro zone, the economic performance has increased by 1.5 percent and in the entire EU by a gratifying 1.6 percent instead of the 1.3 percent that was predicted at the start of the year (see adjoining table).

Notwithstanding the prospering European continent, the risks of global economic development continue abated due to the increasing geopolitical conflicts. Global economic growth in 2015 amounted to 2.9 percent and thus lay below the previous year's rate (3.2 percent) and also fell short of the expectations at the start of the year (3.3 percent).

With regard to the regions of the world where the Masterflex Group runs its own business operations, an ongoing recession in Russia (growth rate of minus 3.7 percent) and in Brazil (minus 3.8 percent) play a significant part here. In China, the boom of recent years has slowed to a growth of 6.9 percent. In the USA too, expectations were higher at the start of the year where the realised growth was 2.4 percent compared to an expected growth rate of 3.2 percent. The causes for the flagging global economic activities are seen in the regional conflicts and in changing currency parities as well as in the extent of the largely unexpected fall in oil prices.

The quite differing growth rates on each continent as well as their long term prospects which amongst other things are based on the demographic changes in the respective society, reinforce our internationalisation strategy. A broadly continental-based positioning of our company appears to be an optimal strategy in order to position the Masterflex Group as a broad-based, profitable Group which is largely independent of single-cycles, industries and regions. In addition, globalisation continues to increase. Not only our major, global customers, but also the European Hidden Champions who are important for us expect an increasingly global presence from the Masterflex Group, especially in machinery and plant engineering. Hence, our international activities have already had a considerable positive impact on business development in Europe and Germany.

ECONOMIC GROWTH IN STATES WHERE THE MASTERFLEX GROUP HS PRESENCE

Change of GPD compared to previous year in percent

Country	2015	2014
Euro-Zone	**1.5**	**0.9**
Germany	1.7	1.6
France	1.1	0.2
EU	**1.6**	**1.3**
Great Britian	2.2	2.9
Sweden	4.1	2.3
Czech Republic	2.0	2.0
World	**2.9**	**3.2**
Brazil	-3.8	0.2
China	6.9	7.3
Russia	-3.7	0.6
Singapore	2.0	2.9
USA	2.4	2.4

Source: Commerzbank AG

In 2015, turnover in the plastics processing industry has increased by 1.3 percent to € 59.8 billion. The volume of raw materials processed matched the previous year's level of 13.6 million tons. The number of employees in the predominantly medium-sized companies rose from 311,000 to 316,000.

The German Association of the Plastics Processing Industry notes with concern the high energy costs in Germany which could hamper competitiveness in the long term. Nevertheless, the mood of the companies in the sector continues to be cautiously optimistic notwithstanding the moderate development over the last year.

II BUSINESS PERFORMANCE

Turnover of the Masterflex Group has increased on the previous year by 2.6 percent from € 62.5 million to € 64.1 million.

During the reporting period, we were in principle able to achieve the aim of our internationalisation strategy - a broad continental-based distribution of revenue - because turnover outside Germany increased significantly more than the average for the Group of 2.6 percent. Thus, our turnover in the rest of Europe region increased by 3.4 percent from € 14.5 million to € 15.0 million. Business in third countries actually rose 8 percent to € 18.4 million (previous year € 16.9 million). This is largely due to our favourable exchange rate trend, in particular, against the US dollar. In Germany, our business fell slightly by 1.3 percent to € 30.7 million (previous year € 31.0 million). This drop is primarily due to problems in our brand company Novoplast Schlauchtechnik, where there were shifts in a major order in the medical technology area as well as project delays in the industrial sector. However, these problems have since been remedied to a large extent. Business under the Masterflex and Matzen & Timm brands, on the other hand, fortunately continued to expand.

From the third country regions, where we have been active in China and Singapore since the end of 2012, we have established a very good, technologically recognised base point with our high-tech hoses ‚engineered in Germany'. Particularly in China, we have been able to expand our turnover to a significant seven-digit figure. Now our task is to improve profitability in this very attractive region for us.

In North America, our core business under the Masterduct brand has stagnated over the past year. The increase in turnover here is primarily based on currency effects. Owing to the unsatisfactory development in the US market, we made some management changes in mid-2015. Following the staffing-related transition period, the focus in North America is now on expanding activities, in particular, through a substantial improvement to sales efforts. The aim is to achieve market penetration that is comparable with Europe. This objective drives us forward even if its full implementation will understandably only be achieved in the medium term.

In Brazil, the economic and political framework places a burden on our business first and foremost. Further, high import duties and an economy that is passing through a recessionary phase have led to stagnating sales. Our short term objective for this region is to improve our profitability.

The Russian market also remained extremely difficult where we have been active as a joint venture up until 2015. Due to the long running crisis in Russia which has now been ongoing for several years, with no improvement in sight in the immediate future, we have decided to sell our majority stake in Masterflex RUS to a selected trade partner. This very successful reorganisation in terms of marketing strategy could be completed by the end of 2015.

We continue to pursue our long term strategy geared towards internationalisation. Because even if the economy in Europe, and, in particular, in the Euro zone shows stronger growth than predicted, the profound problems here concerning monetarymatters and different economic policies as well as the geographical location are by no means resolved but, rather, appear to be growing. China and North America are less affected by this in comparison.

We accomplished the objective of our innovation strategy in 2015 primarily by means of product innovations on the behalf of customers. Further, we have streamlined our innovation management and reorganised research and development in terms of staffing. We are confident of reduced throughput times for products that are to be newly developed right through to series production and a more efficient use of our technicians and engineers.

III SIGNIFICANT EVENTS IN THE 2015 FINANCIAL YEAR

In October 2015, we transferred our majority stake in the Russian subsidiary to a selected partner from the previous joint venture and future Russian trade partner, SovPlym Ltd. On 2 October, the contracts were signed and came into effect immediately. The sale of a 51 percent stake in 000 Masterflex RUS of Masterflex SE and the conclusion of an exclusive trading partner agreement with SovPlym form part of this contract. The background to this adapted market handling were the political and legal conditions in Russia that have changed markedly since the outbreak of the crisis in the Ukraine. Now, Masterflex RUS will be held solely by SovPlym, thus eliminating all the resulting investment risks for the Masterflex Group. The sale price was € 0.8 million; this offsets the deconsolidation effects and transaction costs (legal advice, travel costs and currency hedging).

In autumn 2015, construction was started of a warehouse at the Gelsenkirchen site. The warehouse which was put into operation in February 2016 will be used to store finished products at the Group headquarters. This warehouseis the first step towards expansion of the production, research and warehousing capacities at the Gelsenkirchen site.

Selected key figures for the Masterflex Group are as follows:

in €k	2015	2014	2013
EBITDA	7,672	9,172	8,769
EBIT	4,870	6,317	6,114
EBIT margin	7.6 %	10.1 %	10.6 %
Consolidated earnings - continued operations	2,252	3,232	2,867
Consolidated earnings – discontinued operations	-374	-154	-80
Earnings per share – continued operations (€)	0.26	0.36	0.30
Earnings per share (€)	0.22	0.34	0.29

IV ECONOMIC SITUATION

1. Results of Operations

	31.12.2015		31.12.2014		Change	
	in €k	in %	in €k	in %	in €k	in %
Revenue	64,112	95.1	62,466	97.7	1,646	2.6
Stock changes	1,461	2.2	309	0.5	1,152	372.8
Capitalised services	236	0.4	261	0.4	-25	-9.6
Other operating revenue	1,558	2.3	903	1.4	655	72.5
Gross revenue	**67,367**	**100.0**	**63,939**	**100.0**	**3,428**	**5.4**
Cost of materials	-20,827	-30.9	-20,371	-31.9	-456	2.2
Staff costs	-25,958	-38.5	-23,267	-36.4	-2,691	11.6
Depreciation, amortisation and write-downs	-2,802	-4.2	-2,855	-4.5	53	-1.9
Other expenses	-12,614	-18.7	-10,899	-17.0	-1,715	15.7
Other taxes	-296	-0.4	-230	-0.4	-66	28.7
Total operating expenses	**-62,497**	**-92.7**	**-57,622**	**-90.2**	**-4,875**	**8.5**
Adjusted operating profit = adjusted EBIT	**4,870**	**7.3**	**6,317**	**9.8**	**-1,447**	**-22.9**
Financial result	-998		-1,123		125	
Net profit before income taxes	**3,872**		**5,194**		**-1,322**	
Income taxes	-1,620		-1,962		342	
Earnings after taxes from continued operations	2,252		3,232		-980	
Earnings after taxes from discontinued operations	-374		-154		-220	
Consolidated net income	**1,878**		**3,078**		**-1,200**	
thereof minority interests	-70		35		-105	
thereof attributable to shareholders of Masterflex SE	**1,948**		**3,043**		**-1,095**	

1.1 Sales Trend

After a good start in the first quarter of 2015, our business, production and sale of high-tech hoses and connection systems grew less than we expected until the autumn. Besides regionally stronger economic downturns in parts, project delays with our Novoplast Schlauchtechnik brand in particular contributed to this. In the fourth quarter, the earlier than expected upturn occurred with an increase in turnover of 4.9 percent over the previous year, although these activities remained somewhat below our expectations in the last quarter. Over all four quarters of 2015 and over all regions, our business increased by 2.6 percent to a turnover of € 64.1 million.

1.2 Earnings Development

Earnings before interest and taxes (EBIT before discontinued operations and non-operating income and expenditure) amounted to € 4.9 million down from € 6.3 million in 2014. This corresponds to revenue-related EBIT margin of 7.6 percent (10.1 percent previous year). The development of individual items in the consolidated income statement are explained in brief below.

The changes in inventories amounted to € 1.5 million and lie above the previous year's amount (€ 0.3 million). To safeguard our ability to deliver at any time, our stocks of finished products were expanded at the site in Gelsenkirchen.

Other operating revenue increased by € 0.7 million year-on-year to € 1.6 million. The sale of the Russian joint venture is showed in this growth amongst other things.

Material costs have increased slightly by 2.2 percent from € 20.4 million to € 20.8 million. The materials usage ratio (materials cost in relationship to sales and change in inventories) this stands at 31.8 percent. The fall year-on-year (32.5 percent previous year) is primarily due to the implementation of design-to-cost measures and bundling effects.

Personnel expenses in the last financial year amount to € 26.0 million and thus stand at 11.6 percent above the previous year's figure (€ 23.3 million). Personnel cost ratio (personal costs in relation to sales and changes in inventories) equate to 39.6 percent (previous year: 37.1 percent). Alongside a modest increase in the workforce derived from intensified training activities, amongst other things, and the annual wage and salary adjustments (incl. cost increases owing to legal changes), one-off effects are also reflected here by virtue of several management changes. In 2015, there was an average of 609 employees employed in the Masterflex Group (567 previous year).

The other operating expenses incl. other taxes amount to € 12.9 million and thus lie around 16.0 percent above the previous year's figure (€ 11.1 million). The reason for this was mainly the increased cost of space due to the expansion of on-site capacities as well as legal and consultancy costs for personnel issues and the sale of shares in the Russian joint venture.

Depreciation is virtually stable at an amount of € 2.8 million and a change of minus 1.9 percent on the previous year (€ 2.9 million). The completion of construction at the headquarters in Gelsenkirchen which started during the reporting period is scheduled for the end of 2016.

The declining consolidated operating profit of € 4.9 million is essentially attributable to the absence of cost coverage due to business performance falling below expectations and one-off charges.

The financial result improved again markedly by 11.1 percent from minus € 1.1 million (previous year) to minus € 1.0 million. This also reflects the falling interest rates for lower bank liabilities.

The income tax expenses of € 1.6 million have fallen compared to the previous year by € 0.3 million or 17.4 percent. Current income tax liabilities of € 0.8 million (previous year € 1.1 million) are reported under this item as well as expenses owing to the consumption and formation of deferred taxes of netted € 1.2 million (previous year € 0.9 million). The income tax difference over the previous year is attributable in particular to the higher expenses incurred at that time from corrections in accordance with IAS 8 for the 2010 to 2014 financial years.

The fall in income tax expenses, however, is not sufficient to compensate for the reduced operating result. Thus, the earnings after tax from continued operations amounts to € 2.3 million and is 30.3 percent below the previous year's figure of € 3.2 million.

The income from discontinued operations amounts to € minus 0.4 million (previous year € minus 0.2 million).

The consolidated result amounts to € 1.9 million (previous year € 3.1 million) After correction of the share value of a subsidiary due to losses to be only partly borne by the Group, the shareholders of Masterflex SE are allocated € 1.9 million (previous year: € 3.0 million). Minority interests reflect the ownership of the subsidiary in France (Masterflex SE: 80 percent) and of Masterflex Asia Holding GmbH (Masterflex SE: 80 percent) as well as the sale of the Russian subsidiary (Masterflex SE formally 51 percent; now 0 percent). Earnings per share for both continued and discontinued operations fell from € 0.34 (previous year) in 2014 to now € 0.22.

1.3 Comparison of the Actual and the Forecast Business Performance

At the start of the 2015 financial year, we forecast an increase in turnover outperforming the expected world economic growth of 3.3 percent as well as a slight increase in the EBIT over the previous year (€ 6.3 million). In an ad-hoc release of 26 October 2015, we communicated an adjustment in the forecast of an increase in turnover of 2 to 4 percent with a now slightly lower EBIT. The adjustment had become necessary after our momentum had slowed down somewhat over the course of the year.

In fact, the turnover of the Masterflex Group in 2015 increased compared to the previous year by 2.6 percent. Thus, we had achieved our adjusted revenue forecast October 2015.

The operating income (EBIT) amounts to € 4.9 million; the turnover-related EBIT margin derived from it amounts to 7.6 percent. The EBIT which is in fact lower than the predicted result is essentially attributed to a relatively low turnover combined with one-off special effects in 2015. On 25 February 2016, we communicated this by means of ad-hoc release within the scope of the provisional figures for the 2015 financial year.

2. Net assets

2.1 Asset Structure

	31.12.2015		31.12.2014		Change	
Assets	**in €k**	**%**	**in €k**	**%**	**in €k**	**in %**
Intangible assets	3,967	7.3	4,077	7.8	-110	-2.7
Property, plant and equipment	23,435	43.0	22,641	43.6	794	3.5
Non-current financial assets	266	0.5	311	0.6	-45	-14.5
Other assets	0	0	20	0	-20	-100.0
Deferred taxes	1,840	3.4	2,553	4.9	-713	-27.9
Non-current assets	**29,508**	**54.2**	**29,602**	**56.9**	**-94**	**-0.3**
Stocks on hand	13,558	24.9	11,694	22.5	1,864	15.9
Receivables and other assets	7,421	13.6	6,264	12.1	1,157	18,5
Current assets	**20,979**	**38.5**	**17,958**	**34.6**	**3,021**	**16.8**
Cash	**3,997**	**7.3**	**4,422**	**8.5**	**-425**	**-9.6**
	54,484	**100.0**	**51,982**	**100.0**	**2,502**	**4.8**

The sum of all the assets at the end of 2015 rose by 4.8 percent from € 52.0 million to € 54.5 million. This is predominantly traced back to an expansion of our operations, along with the build-up of stocks to safeguard delivery capacity and increasing trade receivables.

The non-current assets fell by 0.3 percent from € 29.6 million to a value of € 29.5 million at the end of 2015. Whilst intangible assets, in particular, fell by 2.4 percent according to plan to € 4.0 million, tangible assets rose 3.5 percent to € 23.4 million. This increase was mainly down to the commencement of construction work for the new warehouse at the Gelsenkirchen site in 2015. To a comparable degree, deferred tax assets, on the other hand, fell to the amount of € 1.8 million. The significant drop of 27.9 percent over the previous year largely results from the use of loss-carryforwards.

Current assets rose more sharply by around € 3.0 million or 16.8 percent to € 21.0 million. In particular, the inventories balance sheet item recording the expansion of our production and goods warehouse to safeguard our ability to deliver in the case of stronger demand for hoses and connection systems at any time rose by 15.9 percent to € 13.6 million. Trade receivables had also increased sharply by the reporting date by 18.5 percent to € 7.4 million.

2.2 Capital Structure

	31.12.2015		31.12.2014		Change	
Liabilities	**in €k**	**%**	**in €k**	**%**	**in €k**	**in %**
Consolidated equity	26,059	47.8	23,446	45.2	2,613	11.1
Adjustment item for shares owned by other shareholders	-47	-0.1	389	0.7	-436	-112.1
Equity	**26,012**	**47.7**	**23,835**	**45.9**	**2,177**	**9.1**
Provisions	158	0.3	206	0.4	-48	-23.3
Financial liabilities	11,153	20.5	15,097	29.0	-3,944	-26.1
Other liabilities	1,119	2.1	1,251	2.4	-132	-10.6
Deferred taxes	672	1.2	604	1.2	68	11.3
Non-current liabilities	**13,102**	**24.1**	**17,158**	**33.0**	**-4,056**	**-23.6**
Provisions	2,160	4,0	2,303	4.4	-143	-6.2
Financial liabilities	8,958	16.4	5,205	10.0	3,753	72.1
Other liabilities	4,252	7.8	3,481	6.7	771	22.1
Current liabilities	**15,370**	**28.2**	**10,989**	**21.1**	**4,381**	**39.9**
	54,484	**100.0**	**51,982**	**100.0**	**2,502**	**4.8**

The equity capital of the Masterflex Group increased from € 23.8 million for the previous year to € 26.0 million on 31 December 2015 which corresponds to an equity ratio (equity in relation to balance sheet total) of 47.7 percent.

The capital increase is largely based on the consolidated result of € 1.9 million. In addition, currency gains from financial statements and the sale of shares and distributions to shareholders were included here.

Non-current liabilities of the Masterflex Group decreased by 23.6 percent from € 17.2 million to € 13.1 million. This is primarily due to the reduction in non-current financial liabilities by € 3.9 million to € 11.2 million due to the scheduled re-payment of the redeemable loan.

Short-term debt rose by € 4.4 million from € 11.0 million to more than € 15.4 million. This was partly a result of the higher utilisation of the overdraft facility of € 9.0 million owing to the expanded inventory levels. Other liabilities increased by € 0.8 million euro to around € 4.3 million.

3. Financial Position

3.1 Principles and Objectives of Financial Management

The short- to medium-term objectives of financial management were largely achieved in 2015. These include in particular:

- reduction in interest expenses,
- further strengthening of our equity.

The reduction of long term liabilities to banks through the generation of liquid assets from operating activities could be realised to a lesser extent against the previous year.

The financial management objectives for 2016 are re-structuring of our syndicated financing taking into account our site expansion in Gelsenkirchen with a structure tailored to our business development and a long term assurance of the currently low interest rate level beyond 2018 (term of the current agreement). We need to find the optimal balance between financing further growth (investments and working capital), redemption payments and financial requirements for possible acquisitions.

3.2 Financial Analysis

Long and short-term financial liabilities amounted to € 20.1 million as at 31 December 2015, down € 0.2 million on the value at the end of 2014.

The cash of the Masterflex Group amounted to € 4.0 million at the end of 2015 million (previous year € 4.4 million). This meant the net debt stood at € 16.1 million at the end of the year (previous year € 15.9 million). This meant the net debt in relation to EBITDA stood at 2.1 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 structure of financial liabilities at € 20.1 million is made up € 20.1 million from the long and short term tranche from the syndicated loan agreement (previous year € 20.3 million) and € 0.1 million for other financial liabilities (Leasing); the difference is a result of rounding.

Collateral has been provided for most of the borrowed funds already provided.

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

3.3 Liquidity Position

Cash in hand and bank balances decreased from € 4.4 million to € 4.0 million at the end of 2015.

The € 0.4 million reduction is largely due to the following circumstances:
- positive earnings before depreciation (EBITDA, € 7.7 million)
- the sale of Masterflex RUS (€ 0.8 million)
- capital expenditure on property, plant and equipment and intangible assets (€ -3.5 million)
- build-up in receivables (€ -2.2 million)
- build-up in inventories (€ -1.9 million)
- Interest expenses (€ -1.0 million)
- income taxes paid (€ -0.7 million)
- other (€ 0.4 million).

The cashflow statement, showing the reduction of cash in hand and bank balances in the last financial year, appears in section 3 (consolidated cashflow statement).

The Masterflex Group was solvent at all times throughout 2015. Under the syndicated loan agreement, Masterflex SE has a further freely available non-utilised credit line of € 18.0 million – in observance of defined covenants.

V 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 particularly in the international markets,
- the increase in the group‘s equity and
- the ratio of net debt to EBITDA of 2.1

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

VI RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION OF MASTERFLEX SE

In addition to reporting on the Masterflex Group, Masterflex SE's development is described below.

Masterflex SE is the parent company of the Masterflex Group with its headquarters in Gelsenkirchen, Germany. Their business activity essentially comprises the development, manufacture and sale of high-tech hoses and connection systems from high-performance plastic in Germany as well as control of the worldwide operations of the Masterflex Group. Masterflex SE produces their hoses and connection systems at their headquarters in Gelsenkirchen and through domestic and foreign subsidiaries. Distribution takes place through the Masterflex SE distribution system, through domestic and foreign subsidiaries and through selected partners of the Masterflex Group.

The predominant management functions of the Masterflex Group are the responsibility of the Masterflex SE Executive Board. It defines the Group strategy and controls the allocation of resources and the organisation of the Group. In addition, the Executive Board allocates the funding and handles the communication with the most important target groups within the Group. The economic development of Masterflex SE is essentially characterised by its production and marketing success, its operating subsidiaries and development of customer industries. Alongside the sales success of Masterflex SE, income from investments, profit transfers and dividend distributions from the resulting investments is of crucial importance to its economic position. Thus, the statements in Section ! E (Opportunities Chance and Risk Report) also apply in particular to Masterflex SE.

The annual financial statement of Masterflex SE corresponds to the regulations of the German Commercial Code and German Stock Corporation Act. The consolidated financial statement follows the International Financial Reporting Standards (IFRS). The differences result from accounting and valuation policies.

Revenue and Earnings of Masterflex SE

PROFIT AND LOSS STATEMENT OF MASTERFLEX SE ACCORDING TO THE GERMAN COMMERCIAL CODE (SUMMARY)

	31.12.2015		31.12.2014		Change	
	in €k	in %	in €k	in %	in €k	in %
Revenue	18,667	92.4	17,897	95.9	770	4.3
Stock changes	592	2.9	23	0.1	569	>100.0
Capitalised services	92	0.5	5	0.0	87	>100.0
Other operating revenue	861	4.2	735	4.0	126	17.1
Operating revenue	**20,212**	**100.0**	**18,660**	**100.0**	**1,552**	**8.3**
Cost of materials	-6,980	-34.5	-6,259	-33.5	-721	11.5
Staff costs	-8,013	-39.6	-6,990	-37.5	-1,023	14.6
Depreciation, amortisation and write-downs	-504	-2.5	-508	-2.7	4	-0.8
Other business expenses	-4,087	-20.2	-3,320	-17.8	-767	23.1
Other taxes	-65	-0.3	-34	-0.2	-31	91.2
Operating expenses	**-19,649**	**-97.1**	**-17,111**	**-91.7**	**-2,538**	**14.8**
Operating profit	**563**	**2.9**	**1,549**	**8.3**	**-986**	**-63.7**
Financial result	2,599		3,403		-804	-23.6
Non-operating expenses	0		0		0	
Non-operating result	110		40		70	
Net profit before income taxes	**3,272**		**4,992**		**-1,720**	
Income taxes	-957		-3,191		2,234	
Annual result	**2,315**		**1,801**		**514**	

The profitability of Masterflex SE is determined by the business in high tech hoses and connection systems at the Gelsenkirchen site as well as the distribution and transfer of profits to operating subsidiaries who run this business at other national and international sites.

The turnover of Masterflex SE at € 18,667 thousand grew by 4.3 percent over the previous year's figure (€ 17,897 thousand). This is essentially attributable to an increased supply to our subsidiaries, thus our exports. Improvement in our delivery capabilities is reflected in the increased change of inventories, € 592 thousand (previous year: € 23 thousand). The other operating revenue has increased by 17.1 percent to € 861 thousand ; this mainly reflects the sale of the majority share in Masterflex RUS. All effects together lead to an increase in operating revenue of 8.3 percent to € 20,212 thousand compared to € 18,660 thousand in 2014.

The cost of materials rose by 11.5 percent to € 6,980 thousand mainly due to the portfolio mix effects. This equates to a somewhat increased materials usage ratio of 36.2 percent (34.8 percent previous year). Personnel expenses rose by 14.6 percent to € 8,013 thousand; a staff cost ratio of 41.6 percent derives from this (previous year 39.0 percent). This increase is attributed to wage increases, a slightly increased number of employee in central departments and additional expenses due to staff turnover.

Other operating expenses increased over last year's figure of € 3,320 thousand to € 4,087 thousand. The main reason for this are increased cost of space, including the rental of alternative accommodation at the Gelsenkirchen site, increased reserves for litigation risks as well as increased consultancy fees owing to the sale of shares in Masterflex RUS. The depreciation and amortization of intangible assets and property fell slightly by 0.8 percent to € 504 thousand (previous year € 508 thousand). As the sales growth of 4.3 percent was not enough to cover the increases in material, personnel and other operating costs, the operating profit fell to € 563 thousand compared to a figure of € 1,549 thousand in the previous year.

The financial result consisting of income from profit and loss transfer agreements of € 2,363 thousand (previous year € 3,239 thousand), interest expenses of € 1,064 thousand (previous year € 1,084 thousand), income from investments of € 490 thousand (previous year € 628 thousand) and income from financial assets of € 721 thousand (previous year € 598 thousand) and interest income of € 90 thousand (previous year € 12 thousand) dropped by 23,6 percent or € 804 thousand to € 2,599 thousand. The lessened income from profit and loss transfer agreements, as well as the slight drop in sales of Novoplast Schlauchtechnik, predominantly reflect the one-off expenses from the change of management personnel there.

As in the previous year, there were no non-operating effects in 2015. The non-operating results primarily increased due to release of provisions as well as due to value adjustments by € 70 thousand to € 110 thousand.

Earnings before taxes of € 3,272 thousand fell by € 1,720 thousand below the 2014 figure. The income tax expenses fell by € 2,234 thousand to € 957 thousand due to the one-off effect from the previous year which resulted from the external tax audited concluded in 2014. The increase in net income of € 514 thousand to € 2,315 thousand compared to € 1,801 thousand (previous year) is largely attributable to the reduced income tax expenses during the reporting period.

With a growth rate of 4.3 percent, our forecast for Masterflex SE in 2015 of once again achieving a faster rising revenue growth in comparison to the global economy (+ 2.9 percent) has been fulfilled. The operating income, defined as earnings before interest and taxes (EBIT), of € 563 thousand fell sharply below the previous year's figure (€ 1,549 thousand); in contrast we had forecast that this result would be slightly below that of the previous year.

Development of the Net Assets and Financial Position of Masterflex SE

BALANCE SHEET OF MASTERFLEX SE ACCORDING TO THE GERMAN COMMERCIAL CODE (SUMMARY)

	31.12.2015		31.12.2014		Change	
Assets	**in €k**	**in %**	**in €k**	**in %**	**in €k**	**in %**
Intangible assets	516	0.9	548	0.9	-32	-5.8
Property, plant and equipment	6,153	9.9	5,460	9.2	693	12.7
Non-current financial assets	42,711	68.7	40,569	68.4	2,142	5.3
Deferred tax assets	1,805	2.9	2,528	4.3	-723	-28.6
Non-current assets	**51,185**	**82.4**	**49,105**	**82.8**	**2,080**	**4.2**
Stocks on hand	3,200	5.1	2,409	4.1	791	32.8
Receivables and other assets	6,113	9.8	6,478	10.9	-365	-5.6
Prepaid expenses	301	0.5	405	0.7	-104	-25.7
Current assets	**9,614**	**15.4**	**9,292**	**15.7**	**322**	**3.5**
Cash	**1,389**	**2.2**	**917**	**1.5**	**472**	**51.5**
Total assets	**62,188**	**100.0**	**59,314**	**100.0**	**2,874**	**4.8**

As at 31 December 2015, the balance sheet total with a value of € 62,188 thousand was 4.8 percent above the previous year of € 59,314 thousand.

This increase is mainly due to the increased financial assets of € 2,142 thousand and to a lesser extent to the fixed assets which increased by € 693 thousand to € 6,153 thousand as of the balance sheet date. Deferred tax assets decreased to a value of € 1,805 thousand. On balance, non-current assets of € 51,185 thousand result which makes up 82.4 percent of the balance sheet total. Current assets increased slightly by 3.5 percent to € 9,614 thousand. This is predominantly due to the increased inventories of € 3,200 thousand.

	31.12.2015		31.12.2014		Change	
Liabilities	**in €k**	**in %**	**in €k**	**in %**	**in €k**	**in %**
Subscribed capital	8,732	14.0	8,732	14.7	0	0.0
Capital reserves	21,067	33.9	21,067	35.5	0	0.0
Retained earnings	4,115	6.6	4,115	6.9	0	0.0
Net profit	4,116	6.6	1,801	3.0	2,315	128.5
Equity	**38,030**	**61.1**	**35,715**	**60.1**	**2,315**	**6.5**
Liabilities to financial institutions	11,250	18.1	15,250	25.7	-4,000	-26.2
Long term borrowed capital	**11,250**	**18.1**	**15,250**	**25.7**	**-4,000**	**-26.2**
Tax provisions	272	0.4	342	0.6	-70	-20.5
Other provisions	1,469	2.4	1,135	1.9	334	29.4
Liabilities to banks	9,028	14.5	5,276	8.9	3,752	71.1
Debts to suppliers	318	0.5	447	0.8	-129	-28.9
Liabilities for associated companies	1,700	2.8	993	1.7	707	71.2
Other liabilitities	121	0.2	156	0.3	-35	-22.4
Short term borrowed capital	**12,908**	**20.8**	**8,349**	**14.2**	**4,559**	**54.6**
Overall liabilities	**62,188**	**100.0**	**59,314**	**100.0**	**2,874**	**4.8**

On the liabilities side, equity grew due to the net profit for the year from € 2,315 thousand to € 38,030 thousand (previous year € 35,175 thousand). This corresponds to an equity ratio of 61.1 percent compared to 60.1 percent at the end of 2014.

The Executive Board proposes to carry forward the 2015 balance sheet profit of € 4,116 thousand to a new statement of accounts.

As at 31 December 2015, amounts excluded from distribution totalled € 1,951 thousand, of which € 1,805 thousand related to deferred tax assets and € 146 thousand related to the capitalisation of development costs.

The long term borrowed capital fell by € 4,000 thousand to € 11,250 thousand as at 31 December 2015 owing to the corresponding repayments from the syndicated loan agreement. On the other hand, short term borrowed capital increased by € 4,559 thousand to € 12,908 thousand. This is essentially due to an additional borrowing of short term lines from credit institutions of around € 3,752 thousand to € 9,028 thousand. Other provisions have also increased by 29.4 percent to € 1,469 thousand and liabilities to affiliated companies by € 707 thousand to € 1,700 thousand. Provisions for outstanding invoices are also included in the other provisions as at the balance sheet date but there are no provisions for retirement as Masterflex SE offers its employees a contribution-based company pension plan.

The structure of the liabilities to financial institutions predominantly consists of the agreed syndicated loan agreement of around € 20,500 thousand and the deferred interests from the syndicated loan agreement of € 28 thousand.

Collateral has been provided for most of the borrowed funds already provided.

Liquidity Position of Masterflex SE

Cash and cash equivalents rose by more than half to € 1,389 thousand during the reporting period compared to a value of € 917 thousand at 2014 year-end. There are currently no cash and cash equivalents pledged.

in €k	2015	2014
Annual result	2,315	1,801
Amortisations/reversals of tangible fixed assets	408	358
Amortisations/reversals of intangible fixed assets	96	149
Amortisations/reversals of financial assets	-1	-14
Other non-operating income/expenditure	-37	-578
Cashflow as per DVFA/SG	**2,782**	**1,716**
Increase/decrease in medium and short term provisions	264	119
Increase/decrease in inventories, trade receivables and other assets	-3,484	-2,807
Increase/decrease in trade payables and other liabilities	483	-510
Interest income/expenses	256	483
Other investment income	-493	-635
Income tax expense/income	957	3,191
Income tax payments	-305	-129
	-2,322	**-288**
Cashflow from ongoing business activities	**460**	**1,428**
Disbursement for investments in intangible assets	-64	-63
Disbursements for investments in property, plants and equipment	-1,102	-554
Profit/loss from the disposal of affiliated companies	-633	0
Income received from the disposal of financial assets of affiliates	788	0
Proceeds from the repayment of financial assets	2,545	3,242
Disbursement for investments in financial assets	-1,028	-2,317
Interest received	90	12
Dividends received	680	824
Cashflow from investment activities	**1,276**	**1,144**
Proceeds from the issuance of bonds and borrowing of loans	3,500	2,500
Payments for the redemption of bonds and loans	-3,750	-4,750
Interest paid	-1,014	-1,047
Cashflow from financing activities	**-1,264**	**-3,297**
Change in cash and cash equivalents	472	-725
Cash and cash equivalents at the start of the financial year	917	1,642
	917	**1,642**
Cash and cash equivalents at the end of the financial year	**1,389**	**917**
Composition of cash and cash equivalents at the end of the financial year		
Medium of exchange	1,389	917

The liquid funds were essentially positive effected by:

- The borrowing of an operating credit line of over € 3,500 thousand
- Repayments of subsidiaries of € 2,545 thousand
- The sale of the majority stake in Masterflex RUS of € 788 thousand
- Dividends received of € 680 thousand
- The operating income of € 563 thousand.

The liquid funds negatively affected comprised primarily:

- Redemption of the syndicated loan agreement of € 3,750 thousand
- Investments of € 1,166 thousand
- Interest payments of € 1,014 thousand
- Increase in inventories of € 791 thousand
- Taxes of € 305 thousand.

VII NON-FINANCIAL PERFORMANCE INDICATORS

1. Employees and Social Commitment

Satisfied and motivated employees are a very important factor for the successful implementation of our corporate strategy. We were able to make further inroads towards internationalisation and the development of product innovations thanks to our dedicated employees. We want to continue this commitment 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. Thus, we have intensified our personnel marketing activities over the past year. We are targeting suitable external specialists and young professional talent via electronic media, recruiting events and placements in order to also increase the specialised qualifications of our workforce. The recruitment of women and employees who were not born in Germany is also an aim in all areas of the company.

Our staff turnover rate continues to be low. This indicates a high degree of satisfaction of our workers. Alongside a fair, performance-related remuneration, the main reason for this is a corporate structure in our Group which is characterised by openness, tolerance and mutual respect. We want to maintain this with an intransigent corporate structure, 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.

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 have been able to fill 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. Not least as part of our continuing internationalisation, potential managers with international backgrounds are supported.

ince 1997, we have provided training in the commercial and industrial sectors. In order to meet some already significant shortages in the medium and long term, we have increased our training positions significantly since 2014; in order to do this, we had to increase the number of employees with instructor qualifications.

At the end of 2015, we currently employed 20 teenagers and young adults who are taking part in training at our German sites. Five young employees successfully completed their training in 2015 and were taken on by Masterflex SE. For the coming 2016/2017 training year, we plan to recruit ten further trainees. In order to be able to provide a larger range of jobs that require training, we currently have 13 employees who have the necessary instructor qualifications 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. In addition, we enable our junior employees to temporarily perform their tasks at our various international locations and to carry out new tasks at their usual site (job rotation).

Through flexible working hours and part time employment, we enable working mothers and fathers to balance work and family life.

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.

We enjoy working together with external organisations at selected locations who have set themselves the objective of including persons with disabilities in the labour market. Of greatest significance here is the co-operation of Matzen & Timm with the Elbe-Werkstätten in Hamburg who provide workshops for persons with disabilities. Eight Elbe employees are currently posted at Matzen & Timm in Nordestedt and tend to hold low-skilled jobs. The model has brought mutual satisfaction for over five years.

Preventive Occupational Health Measures
Within the scope of occupational health management, we work with the company medicos Auf Schalke at our Gelsenkirchen site. Under the framework of the prevention campaign, Betsi ("Securing Employability by Participation"), our workers have been able to take part in this German pension insurance scheme since 2014. Around a quarter of our workforce have taken part in the prevention programme which was run over several months in the past year.

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.

Novoplast Schlauchtechnik | Medical technology

All the best!

In medicine, hoses that supply the patient safely are indispensable. The medical hoses from the brand Novoplast Schlauchtechnik are manufactured in cleanrooms up to ISO class 6 in compliance with the most stringent regulations.

NOVOPLAST
SCHLAUCHTECHNIK

COMBINED MANAGEMENT REPORT: MASTERFLEX GROUP AND MASTERFLEX SE

C Report on Post Balance Sheet Date Events

In February 2016, the commissioning of an 850 square metre warehouse for finished products took place at the site in Gelsenkirchen. At the same time, the Masterflex Group announced that they would enlarge their production, research and warehousing capacities at the Gelsenkirchen site in 2016 with a two-storey extension of gross floor space of around 7,700 sqm. The costs for this investment in buildings and machinery are scheduled to total around € 7 million.

In order to finance this investment, the syndicated loan agreement was adjusted at about the same time. The short term facility was increased by € 4.0 million and the acquisition facility reduced by the same amount. The financing of the syndicated loan now amounts to € 20.3 million in addition to two open facilities of € 18 million in total. The intention is to extend the syndicated loan over the course of 2016 with a structure adjusted to business performance taking into account the site investment.

D Corporate Governance Report

(also report pursuant to section 3.10 of the German Corporate Governance Code).

I DECLARATION ON CORPORATE MANAGEMENT PURSUANT TO § 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 and Consumer Protection 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 current declaration of conformity was adopted by the Executive Board and Supervisory Board in December 2015 and since then, has been available for inspection on the website at **www.masterflexgroup.com** under *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 be examined on the internet 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.

Details of the functions of the Executive Board and Supervisory Board can be found on the company's website at **www.masterflexgroup.com** under *Investor Relations>Corporate Governance>Corporate Governance Report.*

4. Code of Conduct

At the beginning of 2015, the Mission Statement was supplemented by a Code of Conduct that is valid Group-wide for all employees and managers which encompasses all areas and sites. At the beginning of 2015, the Mission Statement was supplemented by a Code of Conduct that is valid Group-wide for all employees and managers which encompasses all areas and sites. We see the Code of Conduct principles as a benchmark for the collaboration and interaction with customers, suppliers, competitors, shareholders and authorities.

At the same time, with the implementation of this code into our day-to-day business activities, we demonstrate our commitment against any form of unfair competition, corruption and deception.

The further appointment of and training of compliance officers at all Group sites is in process. Subsequently, the Chief Compliance Officer and his team have 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. We see the ongoing development and Group-wide establishment of an effective compliance management system as a vital contribution not only to risk avoidance in the Group but also as an expression of Masterflex Group's own self-awareness and it commitment to fair, ethically responsible, competitive trading.

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 and Supervisory Boards includes fixed and variable components; members of the Supervisory Board exclusively receive a fixed remuneration.

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 (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 2015 and the division into fixed and variable components recommended by the Corporate Governance Code is presented in the following table:

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	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*
Fixed remuneration	337	337	337	337	233	233	233	233
Fringe benefits	30	33	33	33	32	39	39	39
Total	367	370	370	370	265	272	272	272
Annual variable remuneration								
Bonus	95	112	0	158	51	61	0	86
Multi-annual variable remuneration								
Bonus 2015 - 2017		58	0	82		31	0	44
Bonus 2014 - 2016	49		0	82	27		0	44
Total compensation	**511**	**540**	**370**	**692**	**343**	**364**	**272**	**446**

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	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*
Fixed remuneration	337	337	337	337	233	233	233	233
Fringe benefits	30	33	33	33	32	39	39	39
Total	367	370	370	370	265	272	272	272
Annual variable remuneration								
Bonus	126	138	0	158	69	75	0	86
Multi-annual variable remuneration								
Bonus 2012 - 2014		41	0	82		22	0	44
Bonus 2011 - 2013	76		0	82	41		0	44
Total compensation	**569**	**549**	**370**	**692**	**375**	**369**	**272**	**446**

In the 2015 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. Not all the objectives referred to in the contractual agreement were achieved in the past financial year.

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

So far, the Company's Articles of Association § 15 (1) provided for both fixed and variable remuneration of the Supervisory Board. Under the previous Articles of Association, there was no deviation from it in terms of remuneration for Supervisory Board employees whether the corresponding member was the Supervisory Board chair, his deputy or simply a member of the Board.

By a resolution passed at the Annual General Meeting on 16 June 2015, the Articles of Association, § 15 (1), was redrafted to the extent that the Supervisory Board will exclusively receive a fixed remuneration from the 2015 financial year, the amount of which was adjusted accordingly and based on this form follows a recent recommendation of the Corporate Governance Code.

Thus, along with reimbursement of expenses, each member of the Supervisory Board will receive an annual fixed remuneration, payable at the end of a financial year. The Chair's fixed remuneration amounts to € 30,000 per year, the vice chair of the Supervisory Board € 25,000 and an ordinary member of the Supervisory Board € 20,000 per year, payable in the 2015 financial year for the first time. Supervisory Board members who are only members for part of the financial year will receive remuneration prorated to the duration of their Board activity. Members of the Supervisory Board are also paid attendance fees of € 500 per meeting.

Since payment of exclusively fixed remuneration now forms part of standard practice, the companies want to counteract misplaced incentives to Supervisory Board members in particular through variable remuneration which could prejudice the monitoring activities of the Supervisory Board.

Total compensation paid to the Supervisory Board in 2015 and its distribution is presented in the following table:

in €k	Fixed	Performance-related compensation	Total attendance allowance	Total compensation relevant to payment 2015
Chairman of the Supervisory Board Mr Friedrich W. Bischoping	30	0	2	32
(Previous year)	(14)	(0)	(2)	(16)
Deputy Chairman of the Supervisory Board Mr Georg van Hall	25	0	2	27
(Previous year)	(14)	(0)	(2)	(16)
Supervisory Board member Mr Axel Klomp	20	0	2	22
(Previous year)	(14)	(0)	(2)	(16)
Total compensation	**75**	**0**	**6**	**81**
(Previous year)	**(42)**	**(0)**	**(6)**	**(48)**

III OTHER DISCLOSURES IN ACCORDANCE WITH § 289 (4) AND § 315 (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 Families are a long-term strategic investor who, to the Company's most recent knowledge, holds 19.3 percent of shares in Masterflex SE. The notification of 22 December 2010 in accordance with § 27a of the WpHG (German Securities Trading Act) can be found on the company website at **www.masterflexgroup.com/investor-relations/news/voting rights-notifications.**
- Stichting Administratiekantoor Monolith is a long-term and income-orientated investor from the Netherlands who holds 11.3 percent of the shares in Masterflex 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 no the company website at **www.masterflexgroup.com/investor-relations/news/voting rights-notifications.**

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. In the event of a change of control under certain circumstances, the Executive Board is entitled to a special right of termination combined with severance pay which is limited in amount.

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 (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 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 or 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 2015.

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 can exclude the subscription rights in the following cases:

- for fractional amounts;
- or 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;
- or 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 whereby such shares are to be included in the 10 percent limit that were acquired when exercising the right to buy treasury shares and under exclusion of the subscription right to be reissued and not used to service these option and conversion rights;
- in order to grant the holders 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 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 2015.

NOVOPLAST
SCHLAUCHTECHNIK

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.

Fleima-Plastic | Medical technology

Get well soon!

Besides hoses, clips, adaptors, connectors and protective caps to ensure proper inflow and outflow all form part of flawless patient care. Fleima-Plastic supplies these impeccable quality moulded parts.

FLEIMA-PLASTIC

COMBINED MANAGEMENT REPORT: MASTERFLEX GROUP AND MASTERFLEX SE

E Opportunities and Risks 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. Among 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 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 broadly stable economic conditions (see Outlook section 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. Benefits of Increasing Efficiency

We are continually working on the optimisation of our procedures and processes at an accelerated rate in order to improve the efficiency of our global organisation. In this context, there have been some personnel changes over the last year, and we use recognised methods for continuing the improvement of our processes. These methods make use of the know-how and experience of all the staff involved from the areas concerned in order to continuously improve business processes in terms of corporate goals. We also cooperate with external partners in part here. Measures for optimisation and implementation are identified in regular workshops aimed at improving effectiveness, avoiding inefficiencies and continuously increasing our efficiency.

3. Opportunities through Internationalisation

The focus of our sales will continue to be 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 Asia and North America.

Should we be able to implement the internationalisation steps faster, accelerate in particular the market success of the sales activities 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.

4. 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.
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.

5. Opportunities through Personnel Management

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

In 2016, 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 turnover, on the EBIT margin and cashflow.

III EFFICIENT ORGANISATION OF THE COMPLIANCE AND RISK MANAGEMENT SYSTEM

1. Compliance

Compliance is of crucial importance to the Executive and Supervisory Boards of the Masterflex Group. Compliance describes the measures which ensure that the Executive and Supervisory Boards and in fact the entire management team and all the employees of the Masterflex Group behave legitimately.

As an internationally orientated Group of companies, the Masterflex Group is subject to a variety of laws, guidelines, provisions and regulations. At the beginning of 2015, the Mission Statement was supplemented by a Code of Conduct that is valid Group-wide for all employees and managers which encompasses all areas and sites. These codes of conduct set standards for ethical and law-abiding behaviour.

With regard to their shareholders, employees, business partners, competitors and society in general, the Masterflex Group is committed to comply with the highest ethical and legal standards. They are embedded as an essential component of the corporate structure and are increasingly integrated into the operating processes.

Compliance is a prerequisite for sustainable economic activity. The company management team expressly shares this view. In the reporting year, the Executive Board of the Group reaffirmed the importance of compliance to their specialist departments and to the entire Group as well as the adoption of the code of conduct of the Masterflex Group. Every newly employed member of the Masterflex Group receives their own copy of this and is instructed in writing to make the Code's principles a binding framework for their own actions.

The Executive Board, Supervisory Board and management team act as role models and continually help their employees to comply with the relevant regulations. Even the mere appearance of incorrect behaviour by the company management or employees should be avoided over the entire business activities of the Masterflex Group.

The Masterflex Group has established a compliance management system which pursues a preventive compliance approach and strives to create a corporate culture that sensitises and raises awareness amongst employees and thus detects and eliminates potential rule violations in advance.

The compliance organisation is headed by the Chief Compliance Officer (CCO) who reports directly and regularly to the chair of the Executive Board of Masterflex SE. 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.

In the reporting year, trainings are conducted at German sites on so-called compliance principles. The focus of these training sessions, amongst other things, is communicating the basic knowledge on the theme of anti-corruption. In addition, special training measures are conducted for employees who are particularly vulnerable to risks as well as training sessions for all new management employees on the code of conduct of the Masterflex Group.

By communicating compliance-related topics to relevant employees in the individual Group companies, compliance organisation also provides support, offers guidance, raises awareness and informs. Thus, compliance in the Masterflex Group is an integral part of operational processes and a prerequisite for sustainable economic activity.

2. The Risk Management System

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 individual areas using quantitative, qualitative and process criteria. Our generally binding guidelines and ethical values form the basis of the ICS. In an annual control process, we verify whether the necessary control measures have in fact taken place and been correctly implemented. 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 accounting-related internal control system and its effectiveness is a regular feature of Supervisory Board meetings.

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. Moreover, we have set up communication channels for the principal opportunities and risks in the central departments and the operational units. 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.

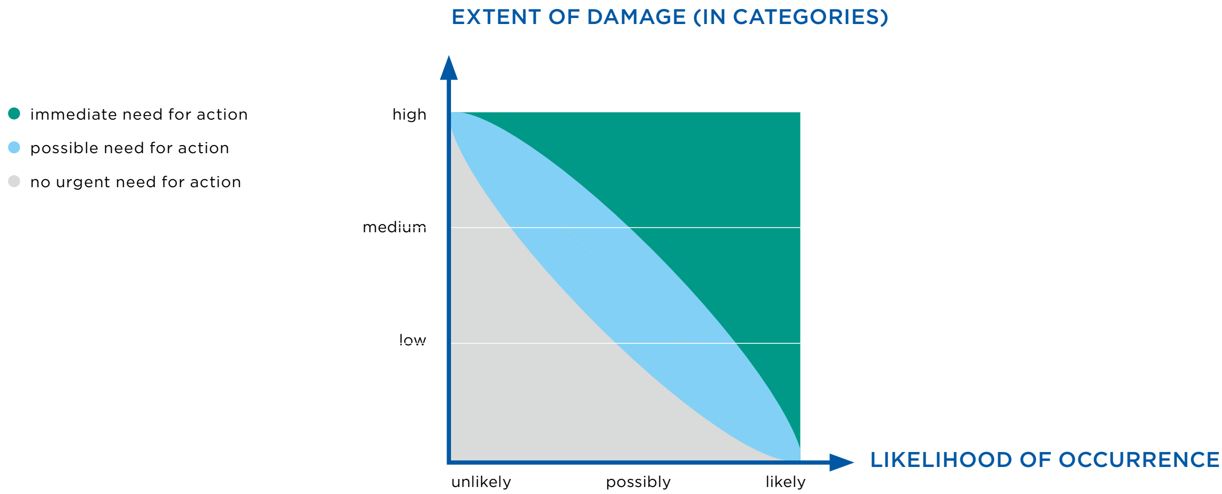
Our risk management is standardised and applicable throughout the Group. This ensures that all risks are analysed and assessed systematically, uniformly and on a group-wide basis. The focus is the risk inventory taken by the management of the operating units in which individual risks are identified and 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 percent 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 cashflow 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. 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 a long-term 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

2. 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.

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 continuously to optimise the group's central and decentralised information security systems, their availability and reliability. Accordingly, internal and external experts work continuously to optimise the group's central and decentralised information security systems, their availability and reliability. Amongst 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 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 the 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 potential acquisition targets. With regard to the process control, we expect a low risk. An acquisition has a considerable impact on the results of operations, nets assets and financial position. Thus, we consider this potential future event as a medium risk.

No 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, the Masterflex Group 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 Masterflex 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 two cases 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. This case is currently ongoing before Dusseldorf Higher Regional Court. A preliminary hearing took place in September 2015. The subsequent settlement presented by Dusseldorf Higher Regional Court of around € 0.5 million was not reached. The next date for proceedings is spring 2016. Based on the proposal for settlement made by the court, we have adjusted the provision accordingly.

Furthermore, the former managing director of the French subsidiary took legal action against the reasons for his termination and is suing Masterflex S.A.R.L for damages of € 1.3 million. The proceedings are going before the Labour Court of Bourg en Bresse in France. We consider the ground for termination to be justified and in consultation with our legal representative, have taken into consideration a provision amounting to € 0.1 million.

Should it end in a different conclusion in either of the two legal proceedings than the ones we are expecting, there is a risk that the costs of this will exhaust or exceed our accounting provisions.

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. Risks Associated with Deteriorating Efficiency

Over the course of the past year, the Masterflex Group has already put into effect a series of efficiency measures that will take effect from 2016. The resulting savings from these are particularly reflected in the personnel area – streamlining of the leadership structures, less manpower owing to process improvements including material costs with the maximisation of synergy effects in purchasing and design-to-cost measures as well as in other operating expenses. However, if we are unsuccessful in implementing and further developing the measures we have initiated, the general rise in costs, particularly in the personnel area, will again negate the effects of the measures that have already been implemented.

We consider this a low risk because we have already introduced measures and are well on the way towards achieving sustainable improvements in efficiency.

9. Tax Risks

On 9 March 2015, the local tax office confirmed that Masterflex SE has not been subject to corporation tax since 2010 due to re-structuring as the re-structuring transaction is regarded as a restructuring gain on the basis of the recapitalisation decree.

Due to future audits or audits not yet completed, there is a risk of tax back payments. Tax arrears payment would impact on the liquidity of the Group.

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

10. 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 the Masterflex Group.

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 the conversion of 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 two 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 not give itself the opportunity to benefit from current low interest rates. Additionally, there do not exist any significant floating-rate loans.

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 debt-to-equity 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, all of these covenants were complied. The upper limit for the key figure ‘debt-to-equity ratio’ (calculated in accordance with the syndicated loan agreement) in 2015 was initially 2.5. However, due to debt being greatly reduced, Masterflex SE has maintained a debt-to-equity ratio continuously below 2.5 since the beginning of 2015. As of the 2015 balance sheet date, this key figure was 2.2. 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 percent at the end of 2015. In contrast, Masterflex SE initially achieved an equity ratio of 40.5 percent until the 2015 balance sheet date of 44.7 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) was initially 6.0 in 2015 and at the end of the year was 6.0. In contrast Masterflex SE initially achieved an equity ratio of 11.7 percent until the 2015 balance sheet date of 10.6 percent 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.

11. 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 asset, financial and earnings position.

12. 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 research 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 which has been optimised over the last year. A panel of internal experts will decide further developments according to clear process and assessment requirements (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 on 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.

13. 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 results of operations, net assets and financial position of the Masterflex Group may be considerably negatively impacted 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.

In addition, our results of operations, net assets and financial position could be considerably impacted in the future if the Masterflex Group does not satisfactorily manage to increase the efficiency in its internal processes. The same applies if the Masterflex Group doesn‘t sufficiently adapt to changes in the market, in particular, if no new, high-quality products are developed, manufactured and sold. An undesirable development of this kind could lead to extraordinary write-downs on internally-created assets and intangible assets.

The Group Executive Board currently sees the Masterflex Group as being well positioned to manage the identified risks. Any new risks arising will quickly become known to the Executive Board and dealt with purposefully, both with regard to processes and due to short communication channels.

Masterduct | Exhaust gas hoses

Have a good trip!

When a fire starts, everything needs to happen very quickly. Thus, the US fire service trucks start up their heavy-duty diesel engines inside the fire station garage and hurtle off outside to the scene. If there wasn't a special hose system for the hot, toxic fumes, the fire station would soon fill with "dense air". With FireFlex™ from Masterduct, the air remains clean.

MASTERDUCT

COMBINED MANAGEMENT REPORT: MASTERFLEX GROUP AND MASTERFLEX SE

F Forecast Report

The following statements on the future business development of the Masterflex Group 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. Projected Macroeconomic Development

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 of forecasted economic growth). Persistently low interest, reduced oil prices and a weaker currency are giving rise to rising private consumption in the Euro zone increased capital investments and an increased demand.

Nevertheless, the Euro zone lagged significantly behind in terms of growth potential compared to North America and China due to the very different economic constitution of its Member States. The structural problems in some large euro countries cannot be remedied in the short term. Therefore, the Euro zone will still have to contend with comparably low growth rates for several years.

Outside the European continent, economic growth is more pronounced in the regions addressed by the Masterflex Group with the exception of Brazil. This applies, in particular, to the large economic regions of North America and Asia; here, growth rates of 2.0 percent (USA) and 6.3 percent (China) are expected. All in all, economists expect global economic growth of 2.9 percent in 2016 which should expand further in 2017 to 3.2 percent.

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

Country	2016	2017
Euro-Zone	**1.3**	**1.5**
Germany	1.3	1.3
France	1.0	1.2
EU	**1.5**	**1.7**
Great Britian	2.2	2.5
Sweden	3.0	3.3
Czech Republic	2.2	2.8
World	**2.9**	**3.2**
Brazil	-2.5	1.3
China	6.3	6.0
Singapore	2.6	3.0
USA	2.0	2.2

Source: Commerzbank

2. Projected Development of the Masterflex Group

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

The Masterflex Group accesses international markets

The implementation of our long term orientated internationalisation strategy began several years ago. We strive for value-orientated, dynamic growth in all our relevant markets. The first milestones towards this strategically orientated approach were the commencement of activities in Russia, Brazil, China and Singapore. Owing to the crisis in Russia which was unforeseeable at the time, we have had to split from this regional subsidiary and currently operate the Russian market via an exclusive cooperation. Such steps can also not be excluded in the future because we have clearly orientated our strategic growth measures to the value of the company.

In the 2016 financial year, our internationalisation will concentrate on the markets in North America and China and the parts of Europe where we are less represented. In these markets, it is our goal to continue growing both through new as well as long-established sites as well as through an expansion of export activities. Focussing on certain regions, however, does not mean that we will exclude other regional entries in the future if we feel there are attractive prospects there.

The Masterflex Group grows through innovations

In 2016, we want to introduce product innovations more product innovations to the market. Whilst the focus of the development work over the last year has been on the processing of a lot of specific customer orders, several product innovations are also planned for this year.

The requirements of our customers who come from various industries, are an important measure for our product development. We have joined forces with them to realise develop technologically enhanced or completely new products at the major production sites. We sometimes employ the know-how of selected suppliers for this. 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.

The purchase of the company from the hose and connections market has enabled us to acquire new technologies and expertise from external sources in addition to the know-how already available in the Company.

The economic outlooks vary greatly in the regions and countries served by the Masterflex Group. In Germany where we are the market leader for high tech hoses and connection systems, we anticipate a good, if not quite as strong growth than in 2015; in the Euro zone, this applies to the same extent. Our strategically focussed markets in North America and China offer very good prospects on the other hand. Here, our development was influenced, in particular, by the extent to which our market share is increased and our profitability is improved upon. The outlook in Brazil is not as optimistic due to the current recession there. But as our business volume is low still comparatively low there, this only affects us to a lesser extent.

All in all, we anticipate that the growth path of the Masterflex Group that was laid out in the long term will continue. In 2015, our business increased less than plans by 2.6 percent whilst in 2014 the figure was 7.9 percent. Out activities should be reflected in the turnover again in the future. In particular, this applies to the smooth hoses business under the Novoplast Schlauchtechnik brand which should capitalise on its earlier successes following the successfully resolved management and production issues. Thus, we anticipate a growth rate which lies above the 2.9 percent expected by the global economy. This stability in our important sales markets is assumed without major impacts from the increasing number of geopolitical conflicts.

In terms of financial results, in 2016, we will concentrate on an improved efficiency of our business. Taking assount of the normal annual cost increases, we expect savings in the magnitude of € 1.2 million through the reduction of complexity and the optimisation of internal processes. Hence, we anticipate an operating result (EBIT) above the 2015 level of € 4.9 million and aim for a double-digit EBIT margin arising from it as soon as possible but at the latest in 2017.

3. Projected Development of Masterflex SE

In 2015, the turnover of Masterflex SE increased by 4.3 percent. In 2016, we anticipate a growth rate slightly above the rate expected for global economic growth. However, this presupposes a comparably stable economic development without any major external challenges. From a financial perspective, we will concentrate on an improved efficiency of our business. Thanks to the centralisation of Group tasks, the operating result is somewhat below the 2015 level of € 0.6 million. In this regard, it should be noted that Masterflex SE bears all the head office costs including stock exchange listing.

II SUMMARY STATEMENT ON THE ANTICIPATED DEVELOPMENT OF THE GROUP

To sum up, the Executive Board sees the Masterflex Group well on the road to the long term growth plan. This does not exclude a temporary growth slow-down as happened in 2015.

The potential for innovative hose and connection systems is predominantly characterised by the addressed markets. Especially over the last year, we only partially succeeded in making a big leap forward, such as in China. Considerable optimisation work remains which we tackled vigorously over the last year and the important personnel decisions that always cause a delay, were not spared. At the end of the year, we introduced the necessary structural and process-related changes in order to set up our company on a long term, growing path and to work on these measures in a consistent manner. The extent, by which we will successfully be able to press forward with this in a timely manner, needs not only significant growth in turnover looking forward but also sustainably achievable operating incomes as well as an increasing consolidated net income. This will positively influence the possibility of paying dividend in the objectives, including a round of reducing debt, growth financing and the financing of potential company acquisitions.

Gelsenkirchen, 16 March 2016

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

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.

Novoplast Schlauchtechnik | Welding technology

For good connections

Welding is an important technology for connecting metal sheets in a long-lasting and resilient manner. Sparks can often fly! And so that flying sparks don‘t set the welding robot on fire, with its pneumatic hose feeds, flame-resistant smooth hoses are fitted, part of the XFlame family from Novoplast Schlauchtechnik.

NOVOPLAST
SCHLAUCHTECHNIK

MASTERFLEX SHARES

Share information

ISIN-Code	DE0005492938
German Securities Code Number	549 293
Class of Shares	No-par Value Bearer Shares
Stock Ticker Symbol	MZX
Bloomberg Symbol	MZX GR
Reuters Code	MZXG.DE
Market Segment	Prime Standard
Member of the following Indices	CDAX Prime All Share Index Classic All Share Index Prime Industrial Index
Designator Sponsor	WGZ Bank AG
Number of Shares	8.865.874
Theoretical interest in Share Capital per Share	€ 1.00

Masterflex Shares

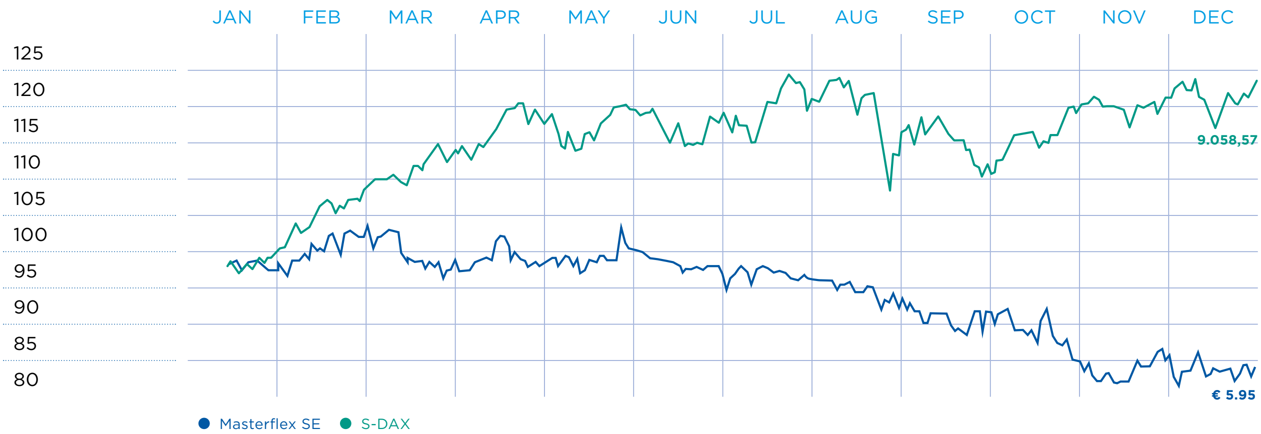
THE STOCK MARKET YEAR

2015 was a difficult year for the Masterflex share. The closing price on 30 December was 5.85 Euro and thus was 15 percent below the 2015 opening figure of 7.00 Euro. In contrast, the S-Dax increased by over 25 percent in the past year. The decoupling of the Masterflex share from S-Dax began relatively early on, with the ad-hoc communication of 5 March 2015 relating to the preliminary 2014 annual figures. The stock was still able to maintain a level of 6.50 Euro following the announcement of the half yearly figures; then in October following an announcement made about the adjustment to the forecast for the year, there was an increasing pressure to sell which, along with declining sales, continued until the end of the year.

The share price fluctuated in 2015 between a low of 5.75 Euro in December to a high of 7.36 Euro in January 2015. In January 2016, the share fell again to a price of 5.40 Euro. This could partly be offset during February 2016 with prices between 5.55 and 5.75 Euro.

Masterflex Share Price compared with S-DAX

JANUARY TO DECEMBER 2015

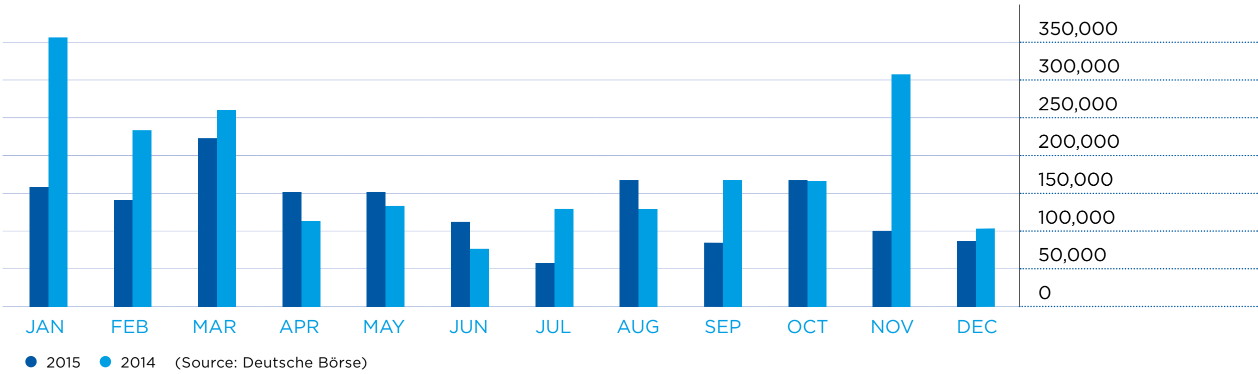


based on daily closing prices

Along with the pressure on the share price, the liquidity over the past financial year was weaker than in the previous year. The share turnover in the 2015 financial year with total sales of around 1.6 million shares on all German stock exchanges in the reporting period, was below the level of the previous year of almost 2.2 million shares. Particularly in summer, trade in the title was markedly reticent by way of comparison. The share trading volume varied on a daily basis, sometimes quite substantially.

Liquidity of the Masterflex Share

ORDER BOOK SALES



The causes for the fall in share price combined with weaker trade lie not only in the increasing volatility on the capital market. In addition, the Masterflex title was unable to engender conviction to an overall extent due to the declining operating margin. But following initiation of the package of measures targeted at achieving a double-digit EBIT margin again as quickly as possible, we assume that interest in the Masterflex share will increase again - because the established, sustainable and reliable business model of the Masterflex Group, production and marketing of high-tech hose and connection systems, is highly profitable and worth being expanded by organic spread and by acquisitions.

The daily trading volume in Masterflex titles has turned out very differently however. On some days, fivedigit share volumes have been traded via the “Xetra” five-digit electronic stock exchange system. Typically, however, three to four-digit volumes are normal for the Masterflex title. In stock exchange orders, therefore, a rate limitation is recommended.

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

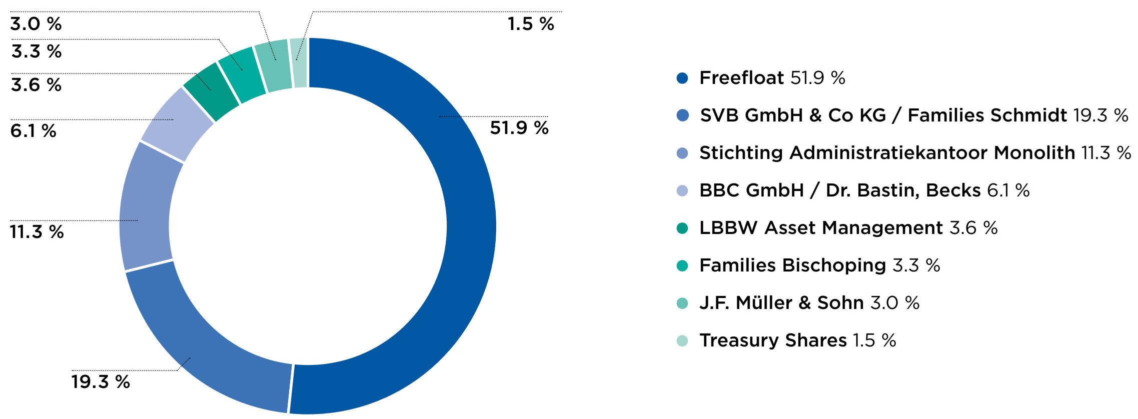
Shareholder Structure

Over the past financial year, there have not been any significant changes to the shareholder structure.

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 19.3 percent. The second largest shareholder is the Dutch fund Stichting Administratiekantoor Monolith with a share using the most recent figures of 11.3 percent. Then BBC GmbH follows with a share of 6.1 percent; two Masterflex SE Executive Board members are the shareholders behind the BBC. The Baden-Württemberg Pension Fund for doctors, dentists and veterinarians hold a share of 3.6 percent of the shares through LBBW Asset Management Investmentgesellschaft mbH. Together with other family members, the co-founder of the Masterflex Group, Friedrich Wilhelm Bischoping holds a stake totalling 3.3 percent.

On February 2016, J.F. Müller & Sohn BeteiligungsGmbH from Hamburg informed about their equity stake of 3.0 percent. The free float of share capital of Masterflex SE reduced slightly to almost 52 percent due to the increased involvement of institutional investors.

MASTERFLEX SHAREHOLDER STRUCTURE (FEBRUARY 2016)



Information about the shares usually refers to the most recent German Securities Trading Act legal notifications to the Company.

Xetra		2015	2014	2013	2012	2011
Highest price	€	7.41	7.65	7.30	5.74	6.84
Lowest price	€	5.60	6,391	4.80	4.47	3,771
Opening price	€	7.00	7.00	4,999	5.15	4.00
Closing price	€	5.95	6.97	7.00	4.84	5.18
Performance		- 15.0 %	- 0.4 %	+ 40.0 %	- 6.0 %	+29.5 %

Analyst Research

The IR staff maintain regular contact with investors and analysts in order to enhance the visibility of the share on the market. Thus, the IR staff regularly visit roadshows for institutional as well as private investors.

WGZ Bank who have followed the Masterflex share for several years, updated their research several times over the last year within the context of their financial reporting. On the occasion of the nine-month figures, the share price target of 9 Euro was reduced to 7.50 Euro. The most recent update dated from 26 February 2016 included a recommendation to buy at a share price target of 7.00 Euro.

Since April 2015, SMC Research from Münster which specialises in small and midcap shares regularly follow the Masterflex share within the framework of their financial reports. The recommendation to buy was last most recently updated in November 2015 with a target share price of 7.80 Euro. In previous years, the Institute had recommended the share several times in an annually renewed industry report.

In January 2016, Bankhaus Lampe from Dusseldorf resumed its following of the Masterflex share with a „hold“ recommendation and a target share price of 6 Euro.

The IR team of the Masterflex Group regularly supports analysts in their work through ongoing discussions and information. For institutional investors and also for so-called family offices, such regular, professional company analyses are important because they provide an independent opinion on business prospects. A research following represents an important orientation to the capital market. Hence, the increasing coverage for the Masterflex share is positive.

Research reports can be downloaded at **www.masterflexgroup.com** under *Investor Relations>Analysts.*

PERFORMANCE IN 2015

Xetra		31.12.2015	31.12.2014
Share key figures	Unit	8,865,874	8,865,874
Treasury shares	Unit	134,126	134,126
Closing share price	€	5.95	6.97
Market capitalisation	€ million	52.8	61.8
Market capitalisation - not including treasury shares	€ million	52.0	60.9
Free Float	%	51.9	56.7
Earnings per share	€	0.22	0.34

Annual General Meeting 2015

The Annual General Meeting in 2015 took place in Gelsenkirchen on 16 June. For the first time in Masterflex SE‘s history, the shareholders‘ meeting was held at the Veltins Arena. In comparison with previous years, the number of attendees increased; in addition, for the first time more than half of the share capital at 54.7 percent was represented at the meeting. The new event location was assessed very positively by most of those present.

The agenda items that were proposed by the management were all approved with a large majority. These included the appointment of Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft as auditors for the 2015 financial year. The supplementary agenda item regarding the appropriation of profits was keenly debated; of course, the countermotion of a shareholders’ association for dividend distribution was rejected by the majority. The management brought to the tablet, against such a motion, that the financing of growth should still take priority owing to the good medium and long term opportunities for the company in this specialist market.

At the same time, the majority of shareholders present adopted a resolution on an amendment to the articles of association regarding Supervisory Board remuneration from the 2015 financial year. The amended Articles of Association have been available on the internet since registration in the Commercial Register in July.

All voting results are published at **www.masterflexgroup.com** under *Investor Relations>Annual General Meeting*. There are also several selected images from the shareholders' meeting at the Veltins Arena in Gelsenkirchen-Schalke.

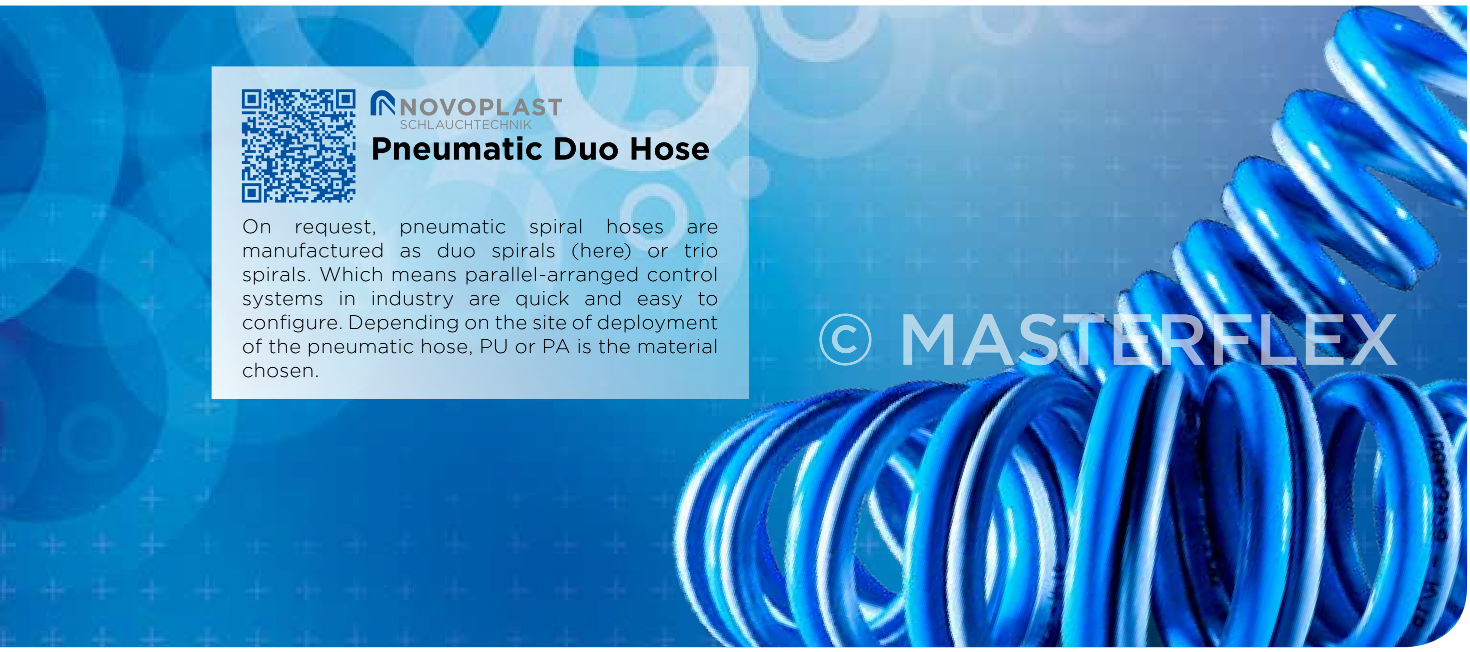
Capital Market Communications
For our communication with the capital market, we practise an open, simultaneous, identical information policy which addresses all participants of the capital market. Questions from private or institutional investors and analysts are enthusiastically answered by the Investor Relations staff and the company presents its shares at conferences and roadshows. In addition, all the relevant dates since the end of the last financial year are published on the Company website in the financial calendar (**http://masterflexgroup.com/investor-relations/financial calendar.html**).

In the 2015 financial year, a series of discussions and meetings were arranged with institutional investors. Communication commenced with a telephone conference call about the 2014 preliminary figures at the beginning of March. Directly after the publication of the 2014 annual financial statements, the CFO explained the business model and strategy for future years in the context of the well-attended analyst‘s conference in Frankfurt and answered a multitude of detailed questions. On 10 August, when reporting the half-yearly report, there was another telephone conference call whereby the analysts discussed the results extensively with the CFO. With the traditional participation of the Masterflex Group in the Frankfurt Equity Forum on 23 and 24 November, the wide range of discussion requests hardly seemed to be consistent with the schedule of the forum. To promote the shareholder culture in Germany and to nurture private shareholders, the IR staff took part in a conference for private investors in Munich. 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.

Dialogue with investors should be strengthened in 2016 in order to improve the visibility of the share and to be able to explain the business policy in detail. The aim of investor relations is to contribute to a fair evaluation of the share through ongoing reporting. The aim of the Masterflex Group is to become a global leader in all the addressed markets. To this end, we want to grow in a sustainable and profitable fashion again. And this growth should also be reflected in the performance of the shares.

FINANCIAL CALENDAR 2016

30 March	Financials Press Conference, presentation of the Annual Report 2015, Düsseldorf
7 April	Analysts' conference, Frankfurt/Main
9 May	Quarterly release on Q1/2016
14 June	Annual General Meeting, Gelsenkirchen
12 August	2016 Half-year Report
14 November	Quarterly release on Q3/2016
21 – 23 November	German Equity Forum, Frankfurt



Masterflex | Printing technology

Have a good read

Full-colour, printed mass media is normally only created using four colours: cyan, yellow, magenta and black. They produce every conceivable colour in hundreds of thousands of copies of your daily and weekly newspaper every day. Offset printers don't work without spiral hoses for vacuum applications from Masterflex.

MASTERFLEX

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet - Assets

Assets in €k	Notes	31.12.2015	31.12.2014
NON-CURRENT ASSETS			
Intangible assets	**4,24**	**3,967**	**4,077**
Concessions, industrial and similar rights	4	351	495
Development costs	4	146	141
Goodwill	4,24	3,258	3,258
Advance payments	4	212	183
Property, plant, and equipment	**4**	**23,435**	**22,641**
Land, land rights and buildings		11,169	11,413
Technical equipment and machinery		8,715	8,413
Other equipment, operating and office equipment		2,284	2,182
Advance payments and assets under development		1,267	633
Non-current financial assets	**4**	**266**	**311**
Non-current financial instruments		131	131
Other loans		135	180
Other assets	**6**	**0**	**0**
Other financial assets	**6,17**	**0**	**20**
Deferred taxes	**26**	**1,840**	**2,553**
		29,508	**29,602**
CURRENT ASSETS			
Inventories	**5**	**13,558**	**11,694**
Raw materials and consumables used		6,474	6,107
Work in progress		957	662
Finished products and goods purchased and held for sale		6,114	4,904
Advance payments		13	21
Receivables and other assets	**6,7**	**7,307**	**6,178**
Trade receivables	7	6,465	5,350
Other assets	6	842	820
Other financial assets	6,17	0	8
Income tax assets	**8**	**109**	**82**
Cash in hand and bank balances	**9**	**3,997**	**4,422**
		24,971	**22,376**
Assets held for sale	**6**	**5**	**4**
		24,976	**22,380**
Total Assets		**54,484**	**51,982**

Consolidated Balance Sheet - Liabilities

Liabilities in €k	**Notes**	**31.12.2015**	**31.12.2014**
SHAREHOLDERS‘ EQUITY			
Consolidated equity	10	26,059	23,446
Subscribed capital		8,732	8,732
Capital reserve		26,252	26,252
Retained earnings		-7,726	-9,674
Revaluation reserve		-576	-576
Exchange differences		-623	-1,288
Minority interest	11	-47	389
Total equity		26,012	23,835
NON-CURRENT LIABILITIES			
Provisions	12	158	206
Financial liabilities	13	11,153	15,052
Other financial liabilities	13	0	45
Other liabilities	15	1,119	1,251
Deferred taxes	26	672	604
		13,102	17,158
CURRENT LIABILITIES			
Provisions	12	2,160	2,303
Financial liabilities	13	8,908	5,150
Other financial liabilities	13	50	55
Income tax liabilities	14	899	590
Other liabilities	15, 16	2,847	2,677
Trade payables	16	1,476	1,487
Other liabilities	15	1,371	1,190
		14,864	10,775
Liabilities directly connected with assets held for sale	15	506	214
		15,370	10,989
Total Equity and liabilities		54,484	51,982

Consolidated Income Statement

Continued business units in €k	**Notes**	**2015**	**2014**
1. Revenue	18	64,112	62,466
2. Changes in inventories of finished goods and work in progress		1,461	309
3. Work performed by the enterprise and capitalised		236	261
4. Other operating income	19	1,558	903
Gross profit		**67,367**	**63,939**
5. Cost of materials	20	-20,827	-20,371
6. Staff costs	23	-25,958	-23,267
7. Depreciations		-2,802	-2,855
8. Other expenses	21	-12,910	-11,129
9. Financial result	25		
Financial expenses		-1,093	-1,151
Other financial result		95	28
10. Earnings before taxes		**3,872**	**5,194**
11. Income tax expense	26	-1,620	-1,962
12. Earnings after taxes from continued business units		**2,252**	**3,232**

Discontinued business units in €k			
13. Earnings after taxes from discontinued business units	**27**	**-374**	**-154**
14. Consolidated net income		**1,878**	**3,078**
thereof minority interests		-70	35
thereof attributable to shareholders of Masterflex SE		**1,948**	**3,043**
Earnings per share (diluted and non-diluted)			
from continued business units	28	0.26	0.36
from discontinued business units	28	-0.04	-0.02
from continued and discontinued business units	28	0.22	0.34

Consolidated Statement of Comprehensive Income

in €k	Notes	2015	2014
Consolidated net income		1,878	3,078
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	694	-106
2. Changes in fair values of financial instruments		0	15
3. Income taxes		-29	7
4. Other earnings after taxes		665	-84
5. Overall result		2,543	2.994
Overall result:		2,543	2,994
thereof minority interests		-70	35
thereof attributable to shareholders of Masterflex SE		2,613	2,959

Consolidated Statement of Changes in Equity

in €k	Subscribed capital	Capital reserve	Retained earnings	Revaluation seserve	Exchange-differences	Company's shareholder interest	Minority interest	Total
Note	10	10	10	10	10		11	
Equity at 01.01.2014	**8,732**	**26,252**	**-12,717**	**-591**	**-1,189**	**20,487**	**576**	**21,063**
Adjustment in accordance to IAS 8	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**	**2994**
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**
Dividends	0	0	0	0	0	0	-120	-120
Capital measures	0	0	0	0	0	0	-249	-249
Other changes	0	0	0	0	0	0	3	3
Overall result	**0**	**0**	**1,948**	**0**	**665**	**2,613**	**-70**	**2,543**
Consolidated net income	0	0	1,948	0	0	1,948	-70	1,878
Other earnings after taxes	0	0	0	0	665	665	0	665
Changes in fair values of financial instruments	0	0	0	0	0	0	0	0
Exchange differences on translation of foreign financial statements	0	0	0	0	694	694	0	694
Income taxes on other comprehensive income	0	0	0	0	-29	-29	0	-29
Equity at 31.12.2015	**8,732**	**26,252**	**-7,726**	**-576**	**-623**	**26,059**	**-47**	**26,012**

Consolidated Cash Flow Statement

in €k	2015	2014
Result for the accounting period before taxes, interest expenses and financial result	4,566	6,128
Income taxes paid	-721	-1,263
Depreciation of intangible assets	270	310
Depreciation expense for property, plant and equipment	2,532	2,545
Write-downs of non-current financial assets	99	-204
Change in provisions	-305	-348
Other non-cash expenses/income and gains/losses from the disposal of non-current assets	-1,864	-995
Changes in inventories	-2,196	585
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	416	39
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	**2,797**	**6,797**
Net cash from operating activities	21	272
Proceeds from the disposal of non-current assets	-160	-143
Payments to acquire intangible assets	-3,339	-3,609
Payments to acquire property, plant and equipment	788	0
Changes in cash and cash equivalents due to the repayment of financial assets	45	45
Net cash from/used in investing activities	**-2,645**	**-3,435**
Payments to owners and minority interests (dividends, purchase of own shares)	-120	-223
Interest and dividend receipts	94	22
Interest expenditure	-1,024	-1,037
Proceeds from raising loans	3,500	2,657
Payments for the repaiment of loans	-3,690	-5,012
Net cash from/used in financing activities	**-1,240**	**-3,593**
Net change in cash and cash equivalents	**-1,088**	**-231**
Changes in cash and cash equivalents due to exhange rates and other factors	665	-99
Cash and cash equivalents at start of period	**4,425**	**4,755**
Cash and cash equivalents at the end of period	**4,002**	**4,425**

Masterflex | Food industry

Mould into shape through heat

A heated “templine” hose from the brand Masterflex has one important feature over normal hoses: it changes the temperature of the transported medium. Thus, the medium can be warmer and in liquid form when flowing to its site of deployment. This is particularly useful for the production of chocolate bars or pralines.

MASTERFLEX

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

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 16 June 2015. 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 2015. 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 (€ thousand). 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 16 March 2016. Endorsement took place in the Supervisory Board meeting on 16 March 2016.

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 2015, a total of 8 domestic subsidiaries (previous year 8) and 11 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 2015:

Comapny name	Company headquarters		Equity interests 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 *
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	Singapore	100 *
Masterflex Hoses (Kunshan) Co., Ltd.	China	Kunshan	100 *

*) = Subgroup

The basis of consolidation has changed in comparison with the previous year. Masterflex RUS OOO, St. Petersburg, included in the consolidated financial statements, was sold and deconsolidated with effect from 2 October 2015.

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 (3) of the Commercial Code. A list of the exemption clauses made use of by these companies can be found in Note 39.

Consolidation

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 converted 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 converted 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, whilst 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 reconverted at each balance sheet date. On 31 December 2015, these differences amounted to € -623 thousand (previous year € -1288 thousand).

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 converted as assets of the respective companies by using the prevailing exchange rate at the balance sheet date.

The following exchange rates were applied as at the balance sheet date for currency translation purposes:

in €	31.12.2015
1 Pound Sterling (£)	1.3624
1 US Dollar ($)	0.9185
1 Russian Rouble (RUB)	0.0137
1 Brazilian Real (BRL)	0.2319
1 Czech Koruna (CZK)	0.0370
1 Swedish Krona (SEK)	0.1088
1 Singapore Dollar (SGD)	0.6486
1 Renminbi (CNY)	0.1416

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

in €	2015
1 Pound Sterling (£)	1.3774
1 US Dollar ($)	0.9012
1 Russian Rouble (RUB)	0.0150
1 Brazilian Real (BRL)	0.2709
1 Czech Koruna (CZK)	0.0367
1 Swedish Krona (SEK)	0.1069
1 Singapore Dollar (SGD)	0.6557
1 Renminbi (CNY)	0.1434

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. 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. 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.

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	Depreciation method
Software	4 years	Linear
Licences and similar rights	Over the term of the lease	Linear
Buildings/parts of buildings	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. Write-downs are 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. Impairment testing is performed in the same way as for property, plant and equipment. 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 converted 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 AG'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 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 checks annually whether a write-down of goodwill is available. 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 Section 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 2015 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 2015:

- 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 19 — Defined benefit plans: Employee contributions
- IAS 27 — Changes whereby the equity methods will again be approved as an acounting option for shares in subsidiaries, Joint Ventures and associated companies in the separate financial statements of an investor
- IFRS 11 — Changes and clarification of the accounting for the acquisition of shares in a joint venture

As part of the annual improvement project cycle 2014, various IFRSs were amended.

The following accounting standards and interpretations as well as changes of 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:

- IAS 7 — Changes as a result of the information initiative
- IAS 12 — Amendments regarding the recognition of deferred tax assets for unrealised gains
- IFRS 9 — inancial Instruments: Classification and Measurement
- IFRS 10, IAS 28 — Changes in relation to the sale or transfer of assets between an investor and an associated Company or Joint Venture*
- FRS 10, 12 IAS 28 — Changes regarding the application of consolidation measures
- IFRS 14 — Regulatory deferred income
- IFRS 15 — Revenue from contrasts with customers
- IFRS 16 — leases

**The original initial application period planned was postponed for an indefinite period and newly issued by the ISAB.*

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:

- IFRIC 21 Contributions*

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

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

3. COMPANY DISPOSALS

Masterflex sold its interest in Masterflex RUS OOO, St. Petersburg with effect from 2 October 2015.

CARRYING AMOUNT OF NET ASSETS SOLD

in €k	31.12.2015
Current assets	
Medium of exchange	48
Stocks on hand	192
Other	28
Non-current assets	
Fixed assets	154
Current liabilities	
Liabilities	-163
Net assets sold	259
Gain on disposal	529
Total	**788**

NET CASH INFLOW/OUTFLOW FROM DISPOSAL

in €k	31.12.2015
Sale price paid in cash	788
Less: Cash paid out in connection with the sale	-48
Total	**740**

* *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.*

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 € 5,848 thousand (previous year € 5,947 thousand) and transfers of title to production facilities totalling € 7,848 thousand (previous year € 7,236 thousand). The other financial liabilities are assigned with order commitments of an amount of € 357 thousand. The order commitment is related to orders for fixed assets for which a liability still exists.

At 31 December of each financial year, the assets held by foreign companies with a different functional currency are converted to Euro using the prevailing exchange rates at the balance sheet date, whilst all changes during the financial year are converted 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, whilst 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 01.01.2014	436	2,623	9,161	12,220
Additions	40	104	0	144
Disposals	0	83	0	83
As at 01.01.2015	476	2,644	9,161	12,281
Additions	22	138	0	160
Disposals	0	34	0	34
As at 31.12.2015	498	2,748	9,161	12,407

Current and accumulated amortisation are composed as follows:

in €k	Internally generated intangible assets	Acquired tangible assets	Goodwill	Total
As at 01.01.2014	247	1,825	5,903	7,975
Depreciation and amortisation for fiscal year	16	294	0	310
Disposals	0	81	0	81
As at 01.01.2015	263	2,038	5,903	8,204
Depreciation and amortisation for fiscal year	23	247	0	270
Disposals	0	34	0	34
As at 31.12.2015	286	2,251	5,903	8,440

The carrying amounts of intangible assets are composed as follows:

in €k	Internally generated intangible assets	Acquired tangible assets	Goodwill	Total
As at 31.12.2014	213	606	3,258	4,077
As at 31.12.2015	212	497	3,258	3,967

b) Financial Assets

Financial assets are composed as follows:

in €k	31.12.2015	31.12.2014
Non-current financial instruments	131	131
Loans and receivables	135	180
Total	**266**	**311**

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 2015:

Carrying amount in €k	**Unrealised losses** in €k	**Fair value** in €k
707	576	131

Income from available-for-sale securities totalled € 3 thousand (previous year € 7 thousand).

Trade receivables in the amount of € 135 thousand are reported as non-current receivables on account of a financing agreement.

5. STOCKS ON HAND

Inventories are composed as follows:

in €k	31.12.2015	31.12.2014
Raw materials and consumables used	6,474	6,107
Work in progress	957	662
Finished products and goods purchased and held for sale	6,114	4,904
Advance payments	13	21
Total inventories	**13,558**	**11,694**

Inventories were expensed in the amount of € 20,545 thousand (previous € 20,144 thousand, see note 20).

Depreciation of inventories to the net realisable value amounted to € 138 thousand (previous year € 139 thousand).

6. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are composed as follows:

in €k	31.12.2015	31.12.2014
Trade receivables	6,465	5,350
Other assets	842	820
Other financial assets	0	28
Assets classified as available-for-sale	5	4
Total receivables and other assets	**7,312**	**6,202**

Other assets are composed as follows:

in €k	31.12.2015	31.12.2014
Deferred income	411	334
Receivables from tax authorities	132	114
Bonus receivables	130	203
Creditors with debit balances	55	33
Deposits	48	19
Receivables from health insurance companies	19	0
Receivables from employees	16	0
Receivables from legal disputes	0	41
Other	31	76
Total other assets	**842**	**820**

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

All items under the heading ‘Other assets’ have a remaining term of up to a year as in the previous year.

Receivables from tax authorities primarily relate to VAT receivables.

Prepaid expenses primarily relate to prepayments of trade fair expenses, commission, licence fees, 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 evaluation of trade receivables is composed as follows:

in €k	31.12.2015	31.12.2014
Nominal value of trade receivables	6,500	5,539
Impairment	-35	-189
Trade receivables	**6,465**	**5,350**

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

The sum of impairments on trade receivables totalled € 35 thousand (previous year € 189 thousand).

Individual risks were taken into account on the basis of write-downs totalling € 35 thousand (previous year € 61 thousand).

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:

2015	**€k**	**€k**
Carrying amount:		**6,465**
1. of which: non-impaired and non-overdue at the balance sheet date		**4,798**
2. of which: non-impaired, but overdue at the balance sheet date		**1,667**
less than 30 days	972	
30 to 59 days	159	
60 to 89 days	301	
90 to 119 days	151	
120 days or more	84	

2014	**€k**	**€k**
Carrying amount:		**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	

8. INCOME TAX ASSETS

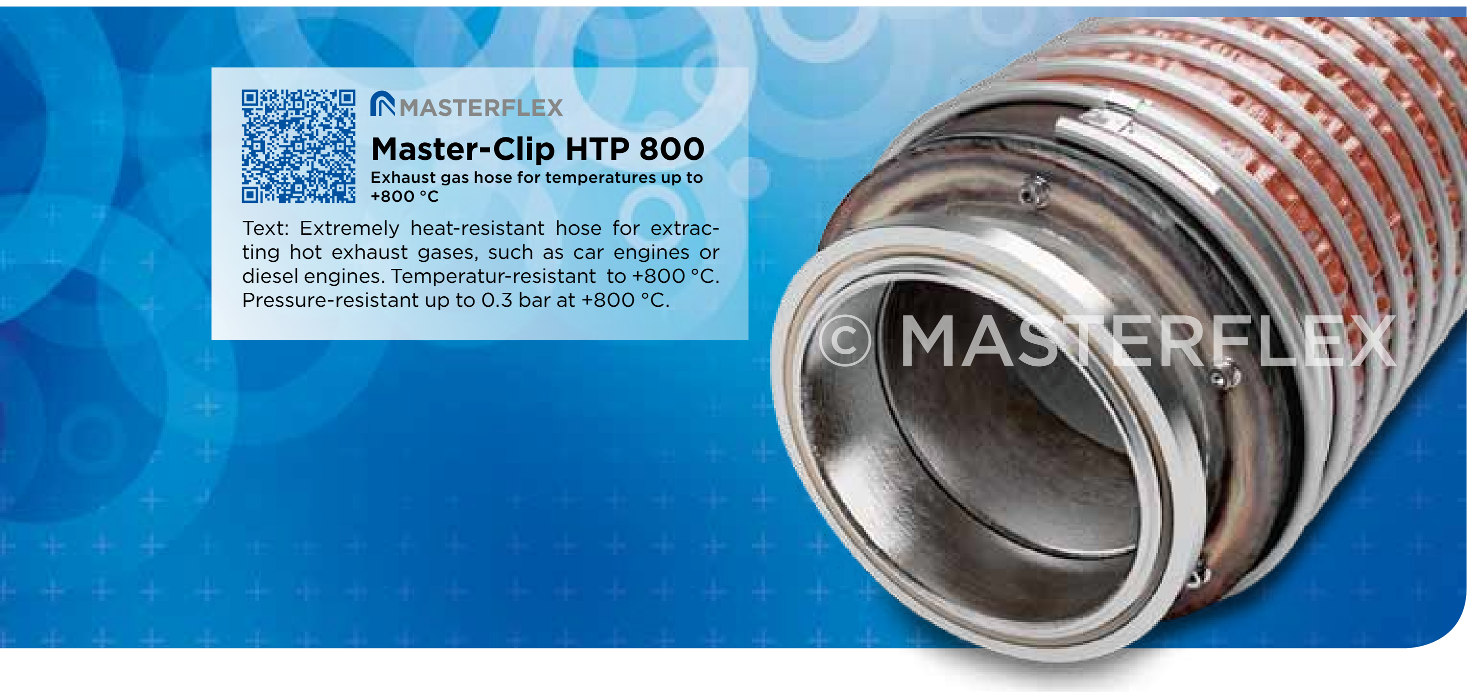
Income tax assets amounted to € 10 thousand at the balance sheet date (previous year € 82 thousand). All income tax assets are due within one year.

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	31.12.2015	31.12.2014
Cash in hand and bank balances	3,997	4,422

The effective interest rate for short-term bank deposits was between 0.00 percent and 0.35 percent.



Notes to the Consolidated Balance Sheet: 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 percent 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 percent 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 percent 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.

Exercising the Right to Buy 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.

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 was 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 (1) sentence 1 or § 53b (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 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. Shares that are acquired on the basis of an authorisation issued by the Annual General Meeting and sold in accordance with § 71 (1) no. 8 in conjunction with § 186 (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 (3) sentence 4 of the German Stock Corporation Act are counted towards this 10 percent limit. Furthermore, those shares that have been or will be issued in order to service bonds with conversion or options rights 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 (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.

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

Contingent Capital

At the Company Annual General Meeting on 24 June 2014 the Executive Board of the Company authorised with agreement of the supervisory board once or repeatedly the issue of convertible or option bonds in bearer or registered form up to 23 June 2019 in the total nominal value of up to € 45,000,000.00 with a term of 20 years.

The shareholders have a legal right to bonds and debentures. However, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

I. for top amounts,

II. for the issuance of bonds and debentures against cash benefits if the issue price is significantly lower than the theoretical market value of the bonds and debentures determined in accordance with accepted actuarial principles and the bonds and debentures on the basis of shares to which a proportionate amount of the share capital of no more than 10 percent of the share capital, is attributable, subscribed or pledged or

III. With the issuance of bonds and debentures against non-cash contributions if the value of the con tribution is not unduly low compared to the theoretical market value of the bonds and debentures in accordance with accepted actuarial principles.

The sum of shares which are issued on the basis of the issuance of bonds and debentures under exclusion of the subscription right must not exceed 20 percent of the share capital of the Company in total.

Option or conversion rights of holders or creditors of bonds with warrants and convertible bonds 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 can be or the corresponding obligations are agreed. To satisfy these rights and obligations, the share capital of the Company was conditionally increases by resolution off the General Meeting of 24 June 2014.

The Executive Board had, thus far, not made use of the authorisation to issue warrants and convertible bonds which was issued on 24 June 2014.

Capital Reserves

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

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 of 31.12.2013	**-979**	**-305**	**95**	**-1,189**
Change in 2014	-116	17	0	-99
As of 31.12.2014	**-1,095**	**-288**	**95**	**-1,288**
Change in 2015	596	69	0	665
As of 31.12.2015	**-499**	**-219**	**95**	**-623**

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 € 69 thousand (previous year v-€ 17 thousand) 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 € -47 thousand (previous year € 389 thousand).

12. PROVISIONS

Provisions are composed as follows:

in €k	As of 01.01.2015	Utilisation	Reversal	Addition	As of 31.12.2015
Incentive payments, severance payments, commission	1,062	605	249	536	744
Outstanding invoices	402	369	33	427	427
Bonuses	385	277	101	370	377
Year-end closing costs	180	171	1	156	164
Employers' Liability Insurance Association	99	79	20	124	124
Warranties	88	69	1	71	89
Customer bonuses	81	81	0	133	133
Vacation	61	61	0	65	65
Other	151	60	46	150	195
Total	**2,509**	**1,772**	**451**	**2,032**	**2,318**

a) Non-current Provisions

Non-current provisions relate to the performance-related components of Executive Board remuneration amounting to € 158 thousand (previous year € 206 thousand) which are only to be paid out in the third year following the base year.

b) Current Provisions

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

Expenditure for goods and services for the past financial year for which no invoice has been received as at the balance sheet date were recorded under the provisions for outstanding invoices.

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

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.

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

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

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

13. FINANCIAL LIABILITIES

As of 31 December 2015, financial liabilities were composed as follows:

in €k	31.12.2015	31.12.2014
Liabilities to banks	11,153	15,052
of which due in > 5 years	0	0
Other financial liabilities	0	45
of which due in > 5 years	0	0
Non-current financial liabilities	**11,153**	**15,097**
Liabilities to banks	8,908	5,150
Other financial liabilities	50	55
Current term financial liabilities	**8,958**	**5,205**
Total financial liabilities	**20,111**	**20,302**

Liabilities to banks

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

in €k	31.12.2015	31.12.2014
Liabilities due within 1 year	8,908	5,150
Liabilities due between 1 and 5 years	11,153	15,052
Liabilities due in more than 5 years	0	0
Total liabilities to banks	**20,061**	**20,202**

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 exercise price was € 20.25 million on the balance sheet date. Owing to the use of effective interest methods, a difference arose between the credit amount used of € 20,250 thousand and the liabilities to banks reported of € 20,061 thousand as at 31 December 2015 amounting to € 189 thousand.

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

The receivables from the bank consortium from the syndicated loan agreement are secured by the Masterflex Group companies amongst other by assets with a book value of € 26,535 thousand (previous year € 23,349 thousand).

Of this, € 5,777 thousand is attributable to land charges, € 7,848 thousand to other non-current assets, € 9,055 thousand to inventories, € 3,856 thousand 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 2.51 percent and 2.63percent p.a. depending on the maturity and purpose of the respective liabilities (previous year between 2.33 percent and 2.58 percent p.a.). The Company also had foreign-currency liabilities in US dollars, on which like the previous year interest was charged between 3.85 percent and 5.7 percent p.a.

As of 31 December 2015, the Company had cash advance facilities totalling € 5,597 thousand. Of this, credit lines totalling € 597 thousand were not utilised. Additional guarantee facilities for contractual fulfilment, advance payments and warranties were not utilised in 2015.

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 € 899 thousand at the balance sheet date (previous year € 590 thousand).

15. OTHER LIABILITIES

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

in €k	31.12.2015	31.12.2014
Trade payables	1,476	1,487
Other liabilities	2,044	2,238
Advanced payments received for orders	446	203
Liabilities directly connected with assets held for sale	506	214
Total other liabilities	**4,472**	**4,142**

Miscellaneous other liabilities include the following items:

in €k	31.12.2015	31.12.2014
Deferred income	1,243	1,375
Tax liabilities	317	367
Liabilities to employees	157	156
Debtors with credit balances	99	130
Social security liabilities	92	127
Other	136	83
Total	**2,044**	**2,238**

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	31.12.2015	31.12.2014
Investment grants	781	857
Subsidies	462	518
Total	**1,243**	**1,375**

The following amounts were reversed to income in each year:

in €k	31.12.2015	31.12.2014
Reversal of investment grants	76	77
Reversal of subsidies	56	85
Total	**132**	**162**

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 € 1,119 thousand (previous year € 1,251 thousand), 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	31.12.2015	31.12.2014
Trade payables	1,476	1,487

The fair values of trade payables are the same as their carrying amounts. Trade payables amounting to € 1,476 thousand (previous year € 1,487 thousand) 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 2 as input factors which are to be observed for assets or liabilities either directly or indirectly. The change in fair value shall be recognised in profit and loss amounting € 28 thousand (previous year € 80 thousand).

Derivative financial instruments	Measurement category in accordance with IAS 39	Historical carrying amount in €k	Fair value in €k 31.12.2015	Fair value in €k 31.12.2014
Derivatives without hedging relationship	held-for-trading	149	0	28

Notes to the Consolidated Income Statement

The position of 'income from discontinued operations' is 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	2015	2014
Gross revenue	69,056	66,795
Elimination of intragroup revenue	4,944	4,329
Total	**64,112**	**62,466**

19. OTHER INCOME

The other income generated by the Group was as follows:

in €k	2015	2014
Other income	**1,558**	**903**

Other income is composed as follows:

in €k	2015	2014
Proceeds from the sale of Masterflex RUS	529	0
Income from the reversal of provisions	451	77
Income from the reversal of value adjustments for receivables	154	0
Currency translation gains	140	41
Subsidies	76	85
Investment grants	56	77
Compensation	26	38
Income from non-typical incidental sales	8	393
Other	118	192
Total	**1,558**	**903**

20. COST OF MATERIALS

The cost of materials is composed as follows:

in €k	2015	2014
Cost of raw materials, consumables and supplies	20,545	20,144
Cost of goods purchased and held for resale	282	227
Total	**20,827**	**20,371**

21. OTHER EXPENSES

The other expenses generated by the Group was as follows:

in €k	2015	2014
Other expenses	**12,910**	**11,129**

Other expenses are composed as follows:

in €k	2015	2014
Selling costs	5,124	4,491
Operating costs	2,257	1,906
Administrative expenses	2,231	1,831
Incidental premises expenses	2,070	2,010
Insurance costs	388	347
Currency translation losses	265	42
Cost of valuation allowances	101	54
Other	178	218
Other taxes	296	230
Total	**12,910**	**11,129**

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 € 369 thousand (previous year € 244 thousand).

23. STAFF COSTS

In 2015, staff costs increased by € 2,691 thousand to € 25,958 thousand (previous year € 23,267 thousand). Staff costs include wages and salaries in the amount of € 21,262 thousand (previous year € 19,240 thousand) and social security, post-employment and other employee benefit costs totalling € 4,696 thousand (previous year € 4,027 thousand).

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 5.57 percent and 9.05 percent (previous year 5.91 and 8.38 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	
Flexmaster U.S.A., Inc.	1,488
FLEIMA-PLASTIC GMBH	1,075
Novoplast Schlauchtechnik GmbH	462
Matzen & Timm GmbH	233
Total	**3,258**

25. FINANCIAL RESULT

The financial result is composed as follows:

in €k	2015	2014
Other interest and similar income	95	28
Interest and similar expenses	-1,093	-1,151
Total	**-998**	**-1,123**

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

26. INCOME TAX EXPENSE

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

in €k	2015	2014
Income tax expense	-825	-1,057
Deferred taxes		
from time differences	-72	-43
from loss carryforwards	-723	-862
Total deferred taxes	-795	-905
Total income tax expense	**-1,620**	**-1,962**

The following reconciliation of income tax expense for the 2015 financial year is based on an overall tax rate of 30.0 percent (previous year 30.0 percent) reconciled to an effective tax rate of 41.8 percent (previous year 37.8 percent):

in €k	2015	2014
Net profit before income taxes	3,872	5,194
Expected tax expense 30 percent	-1,162	-1,559
Changes to deferred tax assets for tax loss carryforwards and the use of loss carryforwards in the financial year / unused losses	-419	-319
Tax refunds / tax payments for previous years	-64	4
Effect of non-deductible expenses and tax-exempt income	-82	-57
Other	-57	-31
Total income tax expense	**-1,620**	**-1,962**

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:

	31.12.2015		31.12.2014	
in €k	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	1,805	0	2,528	0
Non-current assets	245	991	245	941
Stocks on hand	19	0	29	0
Receivables	4	20	25	0
Other assets	71	0	102	0
Provisions	0	0	0	35
Liabilities	223	188	246	250
Before offsetting	**2,367**	**1,199**	**3,175**	**1,226**
of which non-current	1,513	1,061	1,993	1,072
Offsetting	-527	-527	-622	-622
Consolidated balance sheet	**1,840**	**672**	**2,553**	**604**

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 2015, Masterflex recognised deferred tax assets for tax loss carryforwards in the amount of € 1,805 thousand (previous year € 2,528 thousand).

For foreign companies, the applicable tax rates vary between 19.0 percent and 39.0 percent.

No deferred tax assets were recognised for tax loss carryforwards in the amount of € 6,915 thousand (previous year € 4,588 thousand), 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 € 29 thousand (previous year € 7 thousand) 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	2015	2014
Earnings from discontinues business units		
Other expenses	-374	-154
Earnings after taxes from discontinued business units	**-374**	**-154**

in €k	2015	2014
Cash flows from discontinued business units		
Net cash flows from operating activities	-85	-154
Total net cash flows	**-85**	**-154**

28. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	Continuing business unit	Discontinued business units	Continuing and discontinued business units
Earnings for 2015 financial year (€k)	2,322	-374	1,948
Weighted average number of shares in circulation	8,731,748	8,731,748	8,731,748
Earnings per share (€)	0.26	-0.04	0.22

	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	8,731,748	8,731,748	8,731,748
Earnings per share (€)	0.36	-0.02	0.34

There were no dilutive effects in the 2015 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 2015 reported a net profit of € 4,116 thousand. The Executive Board and the Supervisory Board propose carrying the balance sheet profit forward to new account.

As of 31 December 2015, the amounts excluded from distribution by Masterflex SE amounted to € 1,951 thousand in total of which € 1,805 thousand was allocated to deferred tax assets and € 146 thousand 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 percent 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 € 199 thousand.

Counterparty Default Risk Management

At Masterflex Group, 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 Group-wide controlling system including fully consolidated forecasts, monthly consolidated financial statements and regular discussions of the course of business.

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:

2015

in €k	Carrying amount	2016	2017	2018	2019	2020	≥ 2021
Trade payables	1,476	1,476	0	0	0	0	0
Liabilities to banks	20,061	8,908	3,941	7,212	0	0	0
Other liabilities	802	802	0	0	0	0	0
Other financial liabilities	50	50	0	0	0	0	0
Total	**22,389**	**11,236**	**3,941**	**7,212**	**0**	**0**	**0**

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
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**

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 € 1,243 thousand (previous year € 1,375 thousand) does not have a cash impact. Its reversal is therefore not presented in this table.

31. OTHER FINANCIAL COMMITMENTS

As at 31 December 2015, other financial commitments related to lease obligations and other commitments.

a) Lease Obligations

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

in €k	2016	2017–2020	2021
Notional amount of future minimum lease payments	262	228	0

The operating lease liabilities relate primarily to office and operating equipment. Payments recognised as expenses amount to € 657 thousand (previous year € 580 thousand).

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‘. 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 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 for business units:

2015

in €k	HTS	Total for continued business units	Reconciliation	Discontinued business units	Group
Revenue from non-Group third parties	64,112	64,112	0	0	64,112
EBIT	7,055	7,055	-2,185	-374	4,496
Investments in property, plant and equipment and intangible assets	3,499	3,499	0	0	3,499
Scheduled depreciation and amortisation	2,802	2,802	0	0	2,802
Assets	52,370	52,370	2,109	5	54,484

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

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:

2015

in €k	Revenue from non-Group third parties	Of which continued business units
Germany	30,737	30,737
Rest of Europe	15,022	15,022
Rest of the World	18,353	18,353
Total	**64,112**	**64,112**

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**

In the 2015 financial year, revenue equalling more than 10 percent 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	2015	2014
Adjusted EBIT from continued business units	7,055	8,348
Extraordinary earnings from continued business units	0	0
Reconciliation	-2,185	-2,032
EBIT from continued business units	**4,870**	**6,317**
Interest income/income from equity interests	95	28
Interest expense etc.	-1,093	-1,151
EBIT from continued business units	**3,872**	**5,194**
Income taxes	-825	-1,057
Deferred taxes	-795	-905
Minority interests	70	-35
Earnings after taxes (EAT) from continued business units	**2,322**	**3,197**
Earnings from discontinued business units	-374	-154
EAT	**1,948**	**3,043**

Rounding differences may occur

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	2015	2014
Germany	21,332	21,170
Rest of Europe	1,346	1,403
Rest of the world	4,722	4,164
Total	**27,400**	**26,737**

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

RECONCILIATION TO CONSOLIDATED INCOME STATEMENTS

in €k	2015	2014
Total assets of continued segments	52,370	49,023
Assets of discontinued segments	5	4
Deferred tax assets	1,840	2,553
Tax receivables	3	82
Non-current financial assets	266	320
Total consolidated assets	**54,484**	**51,982**

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 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	2015	2014
Cash and cash equivalents at the end of the period	4,002	4,425
Cash in hand and bank balances included in assets held for sale	5	3
Cash in hand and bank balances	**3,997**	**4,422**

34. GOVERNMENT GRANTS

Government grants related to income were collected in the 2015 financial year (previous year € 0 thousand). 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.

The reportable remuneration of the key management positions in the Group in accordance with IAS 24 comprises the remuneration of the Executive Board and the Supervisory Board.

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 the remuneration for the Chairman takes place in individualised form as it recommends in the German Corporate Governance Code and the standardised reference tables (as amended). 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	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*
Fixed remuneration	337	337	337	337	233	233	233	233
Fringe benefits	30	33	33	33	32	39	39	39
Total	367	370	370	370	265	272	272	272
Annual variable remuneration								
Bonus	95	112	0	158	51	61	0	86
Multi-annual variable remuneration								
Bonus 2015 - 2017		58	0	82		31	0	44
Bonus 2014 - 2016	49		0	82	27		0	44
Total compensation	**511**	**540**	**370**	**692**	**343**	**364**	**272**	**446**

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	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*	2014 *Initial value*	2015 *Initial value*	2015 *Minimum*	2015 *Maximum*
Fixed remuneration	337	337	337	337	233	233	233	233
Fringe benefits	30	33	33	33	32	39	39	39
Total	367	370	370	370	265	272	272	272
Annual variable remuneration								
Bonus	126	138	0	158	69	75	0	86
Multi-annual variable remuneration								
Bonus 2012 - 2014		41	0	82		22	0	44
Bonus 2011 - 2013	76		0	82	41		0	44
Total compensation	**569**	**549**	**370**	**692**	**375**	**369**	**272**	**446**

The members of the Supervisory Board were compensated as follows:

in €k	Fixed	Performance-related compensation	Total attendance allowance	Total compensation relevant to payment 2015
Chairman of the Supervisory Board Mr Friedrich W. Bischoping	30	0	2	32
(Previous year)	(14)	(0)	(2)	(16)
Deputy Chairman of the Supervisory Board Mr Georg van Hall	25	0	2	27
(Previous year)	(14)	(0)	(2)	(16)
Supervisory Board member Mr Axel Klomp	20	0	2	22
(Previous year)	(14)	(0)	(2)	(16)
Total compensation	**75**	**0**	**6**	**81**
(Previous year)	**(42)**	**(0)**	**(6)**	**(48)**

Members of the Supervisory Board have not received any additional remuneration in the reporting year and/or benefits for services provided personally, in particular, consulting and brokerage services. No credit or advances were granted to Supervisory Board members over the past year nor were any contingent liabilities in their favour entered into.

36. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

In December 2015, 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's website, **www.masterflexgroup.com/investor-relations/corporategovernance.**

37. NUMBER OF EMPLOYEES

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

	2015	2014
Production	387	358
Distribution.	111	112
Administration	85	68
Technology	26	29
Number of employees in Group	**609**	**567**
of which trainees	21	13

38. AUDIT AND ADVISORY FEES

The fees expensed (provision) in the 2015 financial year for the auditors of the consolidated financial statements, Baker Tilly Roelfs AG, Wirtschaftsprüfungsgesellschaft, amounted to € 110 thousand 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 § 264 (3) of the HGB, 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
- FLEIMA-PLASTIC GmbH.

40. EVENTS AFTER THE BALANCE SHEET DATE

In February 2016, the commissioning of 850 square metre warehouse for finished products took place at the site in Gelsenkirchen. At the same time, the Masterflex Group announced that they will enlarge their production, research and warehousing capacities at the Gelsenkirchen site in 2016 with a two-storey extension with a gross floor space of around 7,700 sqm. The costs for this investment in buildings and machinery are scheduled to total around € 7 million.

In order to finance this investment, the syndicated loan agreement was adjusted at about the same time. The short term overdraft was increased by € 4.0 million and the acquisition line of credit reduced by the same amount. The financing of the syndicated loan now amounts to € 20.3 million in addition to two open lines of € 18 million in total. The intention is to extend the syndicated loan over the course of 2016 with a structure adjusted to business performance taking into account the site investment.

41. PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved for publication by the Executive Board on 16 March 2016 and will be published on 30 March 2016.

42. SIGNIFICANT EQUITY INVESTMENTS

The complete list of equity investments of Masterflex AG is published in the Bundesanzeiger (Federal Gazette).

Gelsenkirchen, 16 March 2016

The Executive Board

Dr. Andreas Bastin
(Chief Executive Officer)

Mark Becks
(Chief Financial Officer)

Consolidated Statement Of Changes in Non-Current Assets 2015

€k	Historical costs 01.01.2015	Changes in the scope of consolidation	Additions	Disposals	Reclassifi-cations	Currency translation differences	Historical costs 31.12.2015
Intangible Assets							
Concessions, industrial and similar rights and assets, licences	2,774	0	109	34	0	0	2,849
Development costs	163	0	22	0	0	0	185
Goodwill	9,161	0	0	0	0	0	9,161
Advance payments	183	0	29	0	0	0	212
Total	**12,281**	**0**	**160**	**34**	**0**	**0**	**12,407**
Property, plant and equipment							
Land, land rights and buildings on third-party land	18,406	0	116	0	125	190	18,837
Technical equipment and machinery	24,074	-387	912	121	877	477	25,832
Other equipment, operating and office equipment	7,632	-77	618	87	57	168	8,311
Advance payments and assets under development	633	0	1,693	0	-1,059	0	1,267
Total	**50,745**	**-464**	**3,339**	**208**	**0**	**835**	**54,247**
Non-current financial assets							
Non-current financial instruments	817	0	0	0	0	0	817
Other loans	180	0	0	45	0	0	135
Total	**997**	**0**	**0**	**45**	**0**	**0**	**952**
	64,023	**-464**	**3,499**	**287**	**0**	**835**	**67,606**

Consolidated Statement Of Changes in Non-Current Assets 2015

€k	Cumulative depreciation and amortisation 01.01.2015	Changes in the scope of consolidation	Depreciation and amortisation for fiscal year	Disposals	Fair value changes recognised directly in equity	Currency translation difference	Cumulative depreciation and amortisation 31.12.2015	As of 31.12.2015	As of 31.12.2014
Intangible assets									
Concessions, industrial and similar rights and assets, licences	2,279	0	253	34	0	0	2,498	351	495
Development costs	22	0	17	0	0	0	39	146	141
Goodwill	5,903	0	0	0	0	0	5,903	3,258	3,258
Advance payments	0	0	0	0	0	0	0	212	183
Total	**8,204**	**0**	**270**	**34**	**0**	**0**	**8,440**	**3,967**	**4,077**
Property, plant and equipment									
Land, land rights and buildings on third-party land	6,993	0	583	0	0	92	7,668	11,169	11,413
Technical equipment and machinery	15,661	-134	1,389	120	0	321	17,117	8,715	8,413
Other equipment, operating and office equipment	5,450	-32	560	84	0	133	6,027	2,284	2,182
Advance payments and assets under development	0	0	0	0	0	0	0	1,267	633
Total	**28,104**	**-166**	**2,532**	**204**	**0**	**546**	**30,812**	**23,435**	**22,641**
Non-current financial assets									
Non-current financial instruments	686	0	0	0	0	0	686	131	131
Other loans	0	0	0	0	0	0	0	135	180
Total	**686**	**0**	**0**	**0**	**0**	**0**	**686**	**266**	**311**
	36,994	**-166**	**2,802**	**238**	**0**	**546**	**39,938**	**27,668**	**27,029**

Consolidated Statement Of Changes in Non-Current Assets 2014

€k	Historical costs 01.01.2014	Changes in the scope of consolidation	Additions	Disposals	Reclassi-fications	Currency translation differences	Historical costs 31.12.2014
Intangible Assets							
Concessions, industrial and similar rights and assets, licences	2,702	0	127	83	27	1	2,774
Development costs	151	0	12	0	0	0	163
Goodwill	9,161	0	0	0	0	0	9,161
Advance payments	206	0	4	0	-27	0	183
Total	**12,220**	**0**	**143**	**83**	**0**	**1**	**12,281**
Property, plant and equipment							
Land, land rights and buildings on third-party land	17,625	0	629	0	12	140	18,406
Technical equipment and machinery	22,379	0	1,017	251	640	289	24,074
Other equipment, operating and office equipment	7,155	0	724	401	55	99	7,632
Advance payments and assets under development	215	0	1,239	114	-707	0	633
Total	**47,374**	**0**	**3,609**	**766**	**0**	**528**	**50,745**
Non-current financial assets							
Non-current financial instruments	817	0	0	0	0	0	817
Other loans	770	0	0	590	0	0	180
Total	**1,587**	**0**	**0**	**590**	**0**	**0**	**997**
	61,181	**0**	**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	Changes in the scope of consolidation	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	0	298	83	0	1	2,279	495	639
Development costs	9	0	12	0	0	1	22	141	142
Goodwill	5,903	0	0	0	0	0	5,903	3,258	3,258
Advance payments	0	0	0	0	0	0	0	183	206
Total	**7,975**	**0**	**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	0	540	0	0	84	6,993	11,413	11,256
Technical equipment and machinery	14,099	0	1,420	121	0	263	15,661	8,413	8,280
Other equipment, operating and office equipment	5,147	0	585	378	0	96	5,450	2,182	2.008
Advance payments and assets under development	0	0	0	0	0	0	0	633	215
Total	**25,615**	**0**	**2,545**	**499**	**0**	**443**	**28,104**	**22,641**	**21,759**
Non-current financial assets									
Non-current financial instruments	700	0	0	0	-14	0	686	131	117
Other loans	545	0	0	545	0	0	0	180	225
Total	**1,245**	**0**	**0**	**545**	**-14**	**0**	**686**	**311**	**342**
	34,835	**0**	**2,855**	**1,127**	**-14**	**445**	**36,994**	**27,029**	**26,346**

Other Information

Responsibillity 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, 16 March 2016

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 group management report, which is combined with the management report of the company, for the business year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the combined management report 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 combined management report 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 combined 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 combined management report 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 combined management report. 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 combined management report 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, 16 March 2016

Baker Tilly Roelfs AG
Wirtschaftsprüfungsgesellschaft

Thomas Gloth	Alexandra Sievers
German Public Auditor	*German Public Auditor*

Report of the Supervisory Board

Dear Shareholders,

The past financial year was a somewhat mixed year for Masterflex SE. The continued growth trajectory should be noted as a clear positive and for the sixth year in succession. Never has the Group sold as many hoses as in the previous financial year. Even if the Executive Board and management team had set themselves the target of stronger growth for 2015, as a Supervisory Board we can look back with satisfaction on the past year.

Nevertheless, 2015 was also a year of transition and upheaval. Missing targets on growth and profitability were an occasion for us, and particularly for the Executive Board, to scrutinise the precise reasons behind this and to take steps towards rectifying the causes. Finally, many of the issues to be monitored correspond with those of the management personnel. Thus, the Executive Board has made some personnel changes at management level of the Group in order to achieve more ambitious, long term growth targets in the future. The most important decision here was the replacement staff for the USA business which has been under new management since September 2015. In Germany, particularly in the brand company Novoplast Schlauchtechnik, several changes of management positions have been made.

For 2016, the focus is on the return to a double-digit EBIT margin. The Executive Board has put a package of measures in place for this and implementation of these commenced at the end of 2015. The package of measures comprise savings both in the personnel area as well as in material costs and other operating expenses. In principle, turnover per employee should increase again. To achieve this, complexity should be removed from the system and the organisation work more efficiently. This is also in the best interests of the customer if he supplied with the right product faster, simpler and more efficiently.

Reports and Meetings

In the 2015 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 2015 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, further development of the Compliance System, the personnel and organisational changes, 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. In addition, various meetings amongst Supervisory Board members have taken place with the Executive Board providing professional support of their activities.

2015 Focus Issues

The first Supervisory Board meeting took place on 18 March 2015. In the Accounting Supervisory Board meeting, the Supervisory Board discussed the separate financial statements and the consolidated financial statements for the 2014 financial year in detail. Furthermore, the corporate governance report and the updated declaration of compliance were subsequently published by the Company together with the 2014 annual 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 2014 financial year as well as the fixing of targets for the bonus agreements with the Executive Board members for the 2015 financial year. Moreover, the proposed draft on the Supervisory Board remuneration, which was submitted for approval at the annual general meeting, was passed. The Executive Board also reported on the business development in the first two months of the 2015 financial year.

Following the Annual General Meeting on 16 June 2015, the Supervisory Board, in its meeting, was briefed on the current economic development by the Executive Board. The focus was on the difficult development of Novoplast Schlauchtechnik, the status of the search for the new managing director for the USA business and the positive development in China. The Executive Board informed the Supervisory Board about the increasing strategic differences between Masterflex SE and the Russian joint venture partner in terms of geopolitical development. The Supervisory Board approved the sale of the majority share in the subsidiary and creating a new distribution channel and charged the Executive Board with the implementation of this. Further, the Executive Board communicated the status of the planning for potential site expansion in Gelsenkirchen.

In the meeting on 16 September 2015, the Executive Board reported on the current business development, personnel channels at Novoplast Schlauchtechnik and about the recruitment of a managing director for the US business. In addition, the contents and requirements in accordance with the law for the equal participation of men and women in management positions was discussed and the targets for the Supervisory and Executive Boards defined.

In the last Supervisory Board meeting of the year on 10 December 2015, the Executive Board reported on the current business position and described in details the background behind the decline in turnover at Novoplast Schlauchtechnik, details of the sale of the majority share in the Russian joint venture and the establishment of a new distribution channel as well as further personnel changes. Further, the status of M&A activities was discussed as well as several market-ready innovations that are anticipated for 2016. Additionally, the Supervisory Board endorsed the updating of the Declaration of Compliance for the Corporate Governance Code. Other topics discussed in this meeting were the site expansion at the Gelsenkirchen site and the impact of Industry 4.0 on the Masterflex Group.

The Supervisory Board received regular information on the Company's sales and earnings development and changes in key balance sheet items. Developments in the personnel area also played a key role in 2015. The Executive Board provided the Supervisory Board with extensive information on the current developments of the individual subsidiaries. The Executive Board reported in writing and verbally in meetings, periodic discussions and telephone conferences during the year, including on the preparation and content of the six-month and quarterly reports, discussing these extensively with the Supervisory 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 Chairman of the Executive Board 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.

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.

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 2015, the Supervisory Board and Executive Board discussed in depth the recommendations and suggestions of the Code along with the amendments that were made in 2015. 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 2014, 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 24 June 2014. This was made permanently available to shareholders on the Company website. In March 2015, this was updated again and, in December 2015, the Executive and Supervisory Boards adopted and submitted the most recent Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code as updated on 5 May 2015.

The Company is also committed to the principles of the German Corporate Governance Code. Current changes to our Corporate Governance Code are based on amendments to the Code and amendments to our Articles of Association which were made in 2015. The declaration of conformity submitted on the basis of the above-mentioned version and the previous explanations can be found at any time on the company website **www.masterflexgroup.com**. In addition, the Executive Board reported on corporate governance in the Company Corporate Governance Report – including on behalf of the Supervisory Board – in accordance with Section 3.10 of the Code.

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

The financial statements of Masterflex SE and the consolidated financial statements and the combined management report for the Group and Masterflex SE for 2015 as submitted by the Executive Board, 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 16 June 2015, 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, Thomas Gloth, has been entrusted with this task since the 2012 financial year. On a revolving basis, the auditor presented the mandate on the required declarations of independence prior to the audit to the Supervisory Board. 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 16 March 2016 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 financial statements and the 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 financial statements and approved the consolidated financial statements.

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 (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.

There were no conflicts of interest affecting Supervisory Board members in the period under review. The members of the Supervisory Board did not hold any positions in the executive bodies of other companies.

There have not been any changes to the Supervisory Board or Executive Board during the financial year.

Our heartfelt appreciation and thanks go to everyone involved for their huge commitment in 2015. The Supervisory Board would like to take this opportunity to thank the Executive Board and all of Masterflex's employees for their commitment as well as their constructive, trusting and successful work in the past year.

Gelsenkirchen, 16 March 2016

For the Supervisory Board

Friedrich Wilhelm Bischoping
Chairman of the Supervisory Board

The Executive 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 Dusseldorf. Additionally, he is appointed as a lecturer at the Academy for taxation, law and economics, Cologne.

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 and also Deputy Head of the Association of Tax Consultants, Dusseldorf.

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

Imprint

IMPRINT

Masterflex SE
Willy-Brandt-Allee 300
45891 Gelsenkirchen, Germany

Contact:
Tel +49 209 97077 0
Fax +49 2 09 97077 33
info@MasterflexGroup.com
www.MasterflexGroup.com

Layout:
www.con-tigo.de
Picture credits: All pictures: © Masterflex SE

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.

MASTERFLEX GROUP
Connecting Values

MASTERFLEX MATZEN & TIMM NOVOPLAST SCHLAUCHTECHNIK FLEIMA-PLASTIC MASTERDUCT