

MASTERFLEX SE
INTERIM REPORT
1ST HALF-YEAR 2017

Highlights in the first six months

Revenue increases by a good 13%
Operating result largely keeps pace
Earnings per share up 25%

Masterflex at a Glance

in k€

	30.6.2017	30.6.2016	Change
Consolidated revenue	38,768	34,279	13.1 %
EBITDA	5,416	4,773	13.5 %
EBIT (operational)	3,820	3,451	10.7 %
EBIT	3,492	3,451	1.2 %
EBT	2,990	2,682	11.5 %
Financial result	-502	-769	34.7 %
Consolidated earnings from continued business units*	1,968	1,972	-0.2 %
Consolidated earnings from discontinued business units	-36	-529	93.2 %
Consolidated net income	1,940	1,430	35.7 %
Earnings per share (€)			
from continued business units	0.20	0.22	-9.1 %
from discontinued business units	0.00	-0.06	
from continued and discontinued business units	0.20	0.16	25.0 %
EBIT margin	9.9 %	10.1 %	
Employees	629	609	3.3 %
	30.6.2017	31.12.2016	Change
Consolidated equity	35,520	28,701	23.8 %
Consolidated total assets	72,150	60,412	19.4 %
Consolidated equity ratio	49.2 %	47.5 %	

* without minority interests

The Group



MASTERFLEX

Spiral hoses and connection systems for all industrial applications



MATZEN & TIMM

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



NOVOPLAST

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



FLEIMA-PLASTIC

Injection moulded parts and components for the medical technology



MASTERDUCT

High-tech hoses and connection systems and HVAC elements



APT

Hoses of fluoropolymers with permanently resistance to almost all chemicals

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Foreword by the CEO

Dear Shareholders,

We made a successful start to the 2017 financial year with growth of a good 14% in the first quarter. This makes it all the more pleasing for me to report that our growth continued almost unabated in the second quarter, despite the fact that April, May and June are when all the public holidays in the first half of the year are concentrated. All in all, our revenue with high-tech hoses and connection systems increased by 13.3% in the first six months. Although this was primarily attributable to the acquisition of APT, organic growth of 5% represents an encouraging result.

We are also maintaining our focus on profitability. After adjustment for non-recurring effects such as the ancillary costs of the APT acquisition and the capital increase, our operating EBIT margin amounted to 9.9%. This means we have already almost reached our full-year target of a margin in the low double digits. In other words, we are also well on track to achieve our earnings goals.

Profitability is a topic that I expect to become an even greater challenge in future – not only for the Masterflex Group, with its traditional of small-batch production and marketing, but for many other industrial companies too. The growing digitalisation of the economy and the accompanying market transparency will place growing cost pressure on almost all manufactured products, which will need to be marketed on more than image alone. Alongside our sustained innovative strength (such as in the area of digital hoses) and our pronounced customer focus, we are therefore concentrating on making our internal production and administrative processes as simple, streamlined and cost-effective as possible.

We have adopted "Operational Excellence" and "Digital Transformation" as additional strategic principles of the Masterflex Group. We presented our amended growth strategy in detail at the Annual General Meeting in late June. These two principles – along with the existing pillars of Internationalisation and Innovation – will guide our actions in restructuring the Masterflex Group in future.

Speaking of the Annual General Meeting, some of you may have been taken aback by the change in our dividend policy. We had initially intended not to pay a dividend this year in order to further reinforce our crisis-resistance by strengthening our equity base.

Ultimately, however, the decision rests with you, our shareholders. And as the counter-motion submitted by a particularly qualified shareholder in this respect was entirely reasonable in nature, we opted for legal certainty over another debate that could even have ended up in court. Since we are also confident – as we have communicated for a number of years – that the Masterflex Group is a dividend-paying stock on account of its profitable business model, we made a point of defining our strategy for the coming years ahead of the Annual General Meeting. As we want you, our shareholders, to participate in our company's success to an appropriate extent in line with the requirements of our growth, we are targeting a continuous dividend that is at least equivalent to the amount paid for the previous year. To this end, we are continuing to work hard on our innovation, our customer orientation and simplifying our internal processes to the greatest possible extent – and I am sure you will await our results for the full 2017 financial year with considerable anticipation.

Gelsenkirchen, 31 July 2017

Yours



Dr. Andreas Bastin
Chief Executive Officer

Interim Management Report

GROUP STRUCTURE AND BUSINESS ACTIVITIES

Founded in 1987, the Masterflex Group with its parent company Masterflex SE, Gelsenkirchen (hereinafter also referred to as the "Masterflex Group") focuses on the development, production and marketing of high-tech hoses and connection systems for a wide range of applications in industry and manufacturing. The Group has also recently started offering consulting and hose development as separate services.

The main production sites of the international Masterflex Group and its 13 operating subsidiaries are Gelsenkirchen, Halberstadt, Norderstedt, Neuss and Houston (United States). In addition, the Masterflex Group has subsidiary branches with small production lines or sales partnerships at various locations in Europe, America and Asia.

Masterflex SE shares have been traded in the Prime Standard of the Frankfurt Stock Exchange since 2000 under German securities identification number (WKN) 549 293.

MARKET AND COMPETITION

The global market for high-tech hoses and connection systems comprises many rather regionally-oriented specialist markets, which are mostly served by SMEs. Its customers primarily come from the manufacturing sector, including industrial applications (B2B market).

Given the difficulty in acquiring expertise in the production, processing and application of the high-tech polymers and the variety of possible applications of flexible connections, this is an attractive market with great future potential.

Refined Growth Strategy

Since the end of its restructuring phase in 2010, the Masterflex Group has pursued a long-term, value-driven growth strategy. To date, this strategy has been founded on the pillars of Internationalisation and Innovation. This has enabled the Masterflex Group to generate average annual growth of 6.7%.

Our business model is characterised by extremely broad diversification in terms of customers, customer industries and the applications in which our connector products are used. The multi-faceted nature of our business, combined with extremely small batch sizes in some cases, means the Group would be unable to continue on its planned growth path without adjusting its strategy unless it was willing to do so at the expense of internal efficiency. In addition, the market transparency that is accompanying the digitalisation of the economy is placing growing cost pressure on almost all manufactured products. We expect this development to continue over the coming years.

We have refined our growth strategy to take account of these requirements. In addition to the targeted Internationalisation and intensive Innovation, we have adopted Operational Excellence and Digital Transformation as strategic business principles to be implemented throughout all areas of the Masterflex Group. This implementation is now being initiated successively, starting with the German locations.

Business Development in the First Half of the Year

The global economic environment in the first half of 2017 was largely favourable. The upturn in Germany and the rest of Europe continued thanks to industry and services, while the USA enjoyed positive development and economic momentum in China picked up on the back of increased investment activity.

Our business is also benefiting from the healthy economic climate, with almost all companies recording revenue growth. We also began marketing two new products that have entered series production for the first time:

- a special hose for the paint industry from the Novoplast Schlauchtechnik brand and
 - the Twin Hose from the Novoplast Schlauchtechnik brand.
- The newly applied technology of double hose extrusion means the gluing step is no longer required. As well as simplifying our production process, this avoids the use of adhesives and improves the tearing properties of the hoses.

We have also given the green light for the digitalisation of our connection solutions, i.e. the combination of material and data flows. All of the smart hoses in this new product series will be marketed under the registered brand name AMPIUS. These hoses have functions that can be read digitally and integrated into the customer-specific network. One example is the monitoring of wear and tear and the resulting steps in terms of preventive maintenance. Requiring intensive consulting in the early stages, these connection solutions will be specified and programmed for a wide range of customer requirements and subsequently implemented.

Now that the new facilities at the Gelsenkirchen site have been commissioned, activities are concentrated on fitting them with new production machinery. The integration of the new equipment and technology progressed according to plan in the first half of 2017.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

Results of Operations

In the first half of 2017, revenue with high-tech hoses and connection systems rose by 13.1% to € 38.8 million. Around eight percent of this increase is attributable to APT, the company which was acquired in January, with organic growth accounting for a good five percent. The order backlog is also stable.

Consolidated EBITDA increased by 13.5% in the period under review, from € 4.8 million to € 5.4 million, thereby slightly outperforming revenue. This was driven by below-average increases in staff costs (+10.6% to € 14.4 million) and, in particular, other expenses (+6.7% to € 6.7 million). By contrast, the cost of materials rose by 18.6% to € 12.6 million. The cost of materials ratio (cost of materials as a proportion of total operating performance) now amounts to 32.5% (first half of 2016: 31.0%). On the other hand, the staff cost ratio (staff costs as a proportion of total operating performance) declined slightly from 38.0% to 37.2%.

These slight shifts reflect the acquisition of APT, which operates successfully on the market with a higher cost of materials ratio but a lower staff cost ratio. One of the aims of our strategic focus on Operational Excellence and Digital Transformation is to stabilise these ratios or reduce them in the medium term.

Depreciation and amortisation of assets increased by 20.7% to € 1.6 million in the first half of 2017 as planned; this was due in particular to the site expansion in Gelsenkirchen.

EBIT before non-recurring effects therefore rose by 10.7% to € 3.8 million. This resulted in an operational EBIT margin of 9.9%. With these figures, we have exceeded our forecast for the 2017 financial year in terms of revenue and almost achieved our profitability target. Non-recurring effects in the first half of the year in the amount of € -0.3 million (legal and consulting costs in connection with the APT acquisition and the capital increase in particular) meant that EBIT remained essentially unchanged, increasing by just 1.2% to € 3.5 million.

The financial result saw a more pronounced improvement from € -0.8 million to € -0.5 million. This is mainly because the prior-year figure included the reversal of capitalised ancillary costs for the remaining term of the former syndicate loan.

At € 1.0 million, income taxes were higher than in the previous year (€ 0.7 million). Accordingly, the tax ratio increased from 26.5% to 34.2% of EBT. This was primarily attributable to prior-period income taxes and unrecognised deferred taxes for tax losses.

Earnings from continuing operations therefore remained largely unchanged year-on-year, declining slightly by -0.2% to € 2.0 million.

By contrast, the cost attributable to discontinued operations decreased significantly by 93.2% to € 0.1 million. This was solely due to the addition to provisions that was required in the previous year following the unexpected decision of the Dusseldorf Higher Regional Court on the sale of the former subsidiaries Clean Air Bike GmbH and Velodrive GmbH in 2011 and 2012. We have lodged a non-admission complaint against this decision with the German Federal Court of Justice. A ruling is still outstanding.

The above developments meant that the Group result after minority interests increased by an encouraging 35.7% to € 1.9 million (first half of 2016: € 1.4 million). Earnings per share amounted to € 0.20 compared with € 0.16 in the same period of the previous year.

Net Assets

Total assets amounted to € 72.2 million as of 30 June 2017, up 19.4% as against the end of 2016.

This was due in particular to the increase in non-current assets of a good 23% to € 43.3 million. In turn, this primarily reflects the acquisition of APT and the expansion of the Gelsenkirchen site.

The 14.2% or € 3.6 million increase in current assets is, as is typical for the time of year, attributable in particular to increased receivables from our business with high-tech hoses (+36.6% to € 8.5 million). Inventories also rose by around € 1.2 million or 9.2% as usual.

Financial Position

In the first half of 2017, the Masterflex Group's equity increased by 23.8% to € 35.5 million. This corresponds to an equity ratio of 49.2%. This expansion of the equity base, which comfortably exceeds the increase in total assets of just over 19%, is primarily attributable to the 10% capital increase of € 5.9 million that was implemented in the spring. This was partially offset by a dividend payment to the shareholders of € 0.5 million in late June.

Non-current borrowings declined slightly, from € 22.7 million to € 21.8 million, as a result of scheduled repayments. By contrast, current financial liabilities increased from € 2.4 million to € 7.4 million, largely as a result of the APT acquisition.

The operating cash flow of € 2.1 million in the first half of the year was significantly higher than in the previous year (€ 0.9 million). Among other things, this reflects the improvement in the result for the period. The more than threefold increase in cash flow from investing activities to € 10.7 million primarily reflects the acquisition of APT, which was completed in the first quarter of 2017, as well as the investment of almost € 2 million in new production technology at the Gelsenkirchen site in particular. The capital increase of € 5.9 million and credit facilities of € 9.0 million were used for financing. This was offset by the dividend payment and loan repayments of € 5.25 million, resulting in a net cash flow from financing activities of € 8.8 million.

The Masterflex Group was solvent at all times in the reporting period. In addition, Masterflex SE has an available unutilised credit facility under the syndicated loan.

Staff Report

In the first six months of 2017, the number of employees increased by 3.3% year-on-year to 629 employees as an average for the first two quarters following the acquisition of APT. There were no significant

changes at the other Group companies. A few new production jobs were created for the Matzen & Timm brand in Hamburg in order to ensure that delivery times remain competitive.

Research and Development

We are continuing to develop R&D projects all the time. In the period under review, we launched two new product innovations from the Novoplast Schlauchtechnik brand: a series-ready hose for the paint industry and the Twin Hose.

The Masterflex Group also became the first company on the hose market to present a range of digital hoses, AMPIUS.

As at 30 June 2017, there were no other material changes since the statements made in the 2016 Group management report.

Report on Post Balance Sheet Date Events

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

Opportunities and Risks Report

In the first half of 2017, there were no changes to the opportunity and risk situation as presented in the 2016 Group report.

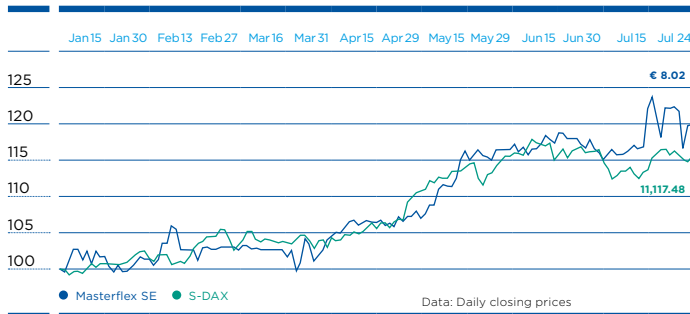
Outlook

The situation of the economy in the regions of the world in which the Masterflex Group has operations is developing positively to extremely positively. Due to various geopolitical conflicts, however, uncertainty has not diminished. Unfortunately, this trend has been in place for a number of years. The result is that entrepreneurial investments requiring a stable economic and political environment have not become any easier.

Our refined growth strategy is based on structured internationalisation, continued product innovation, operational excellence and digital transformation in terms of our products and operating processes. To this end, areas for action have been analysed, planned and initiated as part of internal change management for some time now. Our aim is to ensure that the expanding Masterflex Group is equipped to deal with the increasingly stringent requirements of the market and the rising complexity resulting from its growth. We are also continuing our search for appropriate acquisitions in the market for special hoses.

At the start of the year, we forecast revenue growth of between six and ten percent for 2017 as a whole. This target was more than fulfilled in the first six months. As the second half of the year is typically slightly weaker for the Masterflex Group, however, we are reiterating our forecast. The same is true for the operating EBIT margin, which amounted to 9.9% after the first six months. Our forecast at the start of the year was a margin of just over ten percent. Although we have almost achieved this level already, we are maintaining our target.

Masterflex Shares



The value of the Masterflex share increased by 19.4% in the first half of the year, while the index rose by just 15.4%.

The share price largely moved sideways in the first quarter before seeing a sharp rise in late March, a few days after the capital increase on 15 March 2017 at a weighted closing price of € 6.70. The share price increased by a good 15% during this rally, from some way below € 7.00 to just over € 8.00, before consolidating around the time of the Annual General Meeting in late June.

The closing price on 30 June 2017 was € 7.75. Overall, the share price fluctuated between a high of € 8.46 and a low of € 5.45.

The IR team maintains continuous contact with investors and analysts. This includes the analysts' conference as well as discussions with private and institutional investors. Talks with foreign shareholders were also held in the run-up to the Annual General Meeting.

Annual General Meeting

The Annual General Meeting (AGM) was held at Schloss Horst in Gelsenkirchen on 27 June 2017. At around 63%, the volume of share capital represented was higher than in the previous year. This is attributable to the increased involvement of blockholders and a slight decline in the free float.

The management had originally proposed waiving a dividend payment again this year in order to strengthen the equity base. Following a countermotion by Stichting Administratiekantoor Monolith, a qualified shareholder in accordance with section 254 of the German Stock Corporation Act, and a proposal that the management considered to be reasonable, the management concurred with the countermotion in advance of the Annual General Meeting. The Annual General Meeting subsequently resolved the payment of a dividend of € 0.05 with a majority of 77.4%. All of the other agenda items were also approved with a qualified majority of more than 75% of the share capital represented, including Authorised Capital 2017 in the amount of € 1.3 million.

Dividend

In accordance with the resolution by the Annual General Meeting on agenda item 2, a dividend of € 0.05 per no-par value share was paid on 30 June 2017.

Masterflex SE's dividend strategy was announced at the Annual General Meeting the previous day: Starting from the 2017 financial year, the company is targeting a dividend that is at least equivalent to the amount paid for the previous year in the interests of continuous development. This is intended to allow shareholders to participate in the success of the Masterflex Group to an appropriate extent in line with the requirements of the company's growth.

FINANCIAL CALENDAR

Dates for 2017

7 August	Half-Year Report 2017
6 November	Quarterly Release III/2017
27-29 November	German Equity Forum, Frankfurt

Interim Financial Statements

Consolidated Statement of Financial Position

Assets in k€	30.6.2017*	31.12.2016
NON-CURRENT ASSETS		
Intangible assets	10,904	4,499
Concessions, industrial and similar rights	866	483
Development costs	499	464
Goodwill	9,187	3,258
Advance payments	352	294
Property, plant and equipment	31,075	29,033
Land, land rights and buildings	16,676	17,094
Technical equipment and machinery	9,722	8,802
Other equipment, operating and office equipment	2,592	2,407
Advance payments and assets under development	2,085	730
Non-current financial assets	108	91
Non-current financial instruments	108	91
Other assets	28	49
Other financial assets	25	25
Deferred taxes	1,184	1,463
	43,324	35,160
CURRENT ASSETS		
Inventories	14,804	13,562
Raw materials and consumables used	7,455	6,397
Work in progress	846	878
Finished products and goods purchased and held for sale	6,497	6,266
Advance payments	6	21
Receivables and other assets	9,371	7,254
Trade receivables	8,525	6,240
Other assets	839	1,007
Other financial assets	7	7
Income tax assets	517	431
Cash in hand and bank balances	4,134	3,994
	28,826	25,241
Assets held for sale	0	11
	28,826	25,252
Total Assets	72,150	60,412

* unaudited

Consolidated Statement of Financial Position

Equity and Liabilities in k€	30.6.2017*	31.12.2016
SHAREHOLDERS' EQUITY		
Consolidated equity	35,859	29,033
Subscribed capital	9,618	8,732
Capital reserve	31,306	26,252
Retained earnings	-3,882	-5,341
Revaluation reserve	-599	-616
Exchange differences	-584	6
Minority interest	-339	-332
Total equity	35,520	28,701
NON-CURRENT LIABILITIES		
Provisions	109	197
Financial liabilities	19,495	20,694
Other financial liabilities	998	977
Deferred taxes	1,221	849
	21,823	22,717
CURRENT LIABILITIES		
Provisions	1,931	2,135
Financial liabilities	7,412	2,432
Income tax liabilities	927	163
Other liabilities	3,479	3,236
Payments received on account	339	0
Trade payables	1,874	2,232
Other liabilities	1,266	1,004
	13,749	7,966
Liabilities directly connected with assets held for sale	1,058	1,028
	14,807	8,944
Total equity and liabilities	72,150	60,412

* unaudited

Consolidated Income Statement

Continued business units in k€	1.1.- 30.6.2017*	1.1.- 30.6.2016*
1. Revenue	38,768	34,279
2. Changes in inventories of finished goods and work in progress	-135	-63
3. Work performed by the enterprise and capitalised	157	89
Total operating performance	38,790	34,305
4. Other operating income	329	395
Gross revenue	39,119	34,700
5. Cost of materials	-12,597	-10,620
6. Staff costs	-14,428	-13,051
7. Depreciations	-1,596	-1,322
8. Other expenses	-6,678	-6,256
9. Financial result		
Financial expenses	-509	-772
Other financial result	8	3
10. Operating profit before taxes and non-operating expenses	3,319	2,682
11. Non-operating expenses	-328	0
12. Earnings before taxes	2,991	2,682
13. Income tax expense	-1,022	-710
14. Earnings after taxes from continued business units	1,969	1,972
Discontinued business units in k€		
15. Earnings after taxes from discontinued business units	-36	-529
16. Consolidated net income/loss	1,933	1,443
thereof minority interests	-7	13
thereof attributable to Masterflex SE	1,940	1,430
Earnings per share (diluted and non-diluted)		
from continued business units	0.20	0.22
from discontinued business units	0.00	-0.06
from continued and discontinued business units	0.20	0.16

*unaudited

Consolidated Statement of Comprehensive Income

in k€	1.1.- 30.6.2017*	1.1.- 30.6.2016*
Consolidated net income	1,933	1,433
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 instruments	-622	-406
2. Changes in fair values of financial instruments	17	-29
3. Income taxes	32	-13
4. Other earnings after taxes	-573	-422
5. Overall result	1,360	1,021
Overall result	1,360	1,021
thereof minority interests	-7	13
thereof attributable to Masterflex SE	1,367	1,008

* unaudited

Consolidated Income Statement

Continued business units in k€	1.4.- 30.6.2017*	1.4.- 30.6.2016*
1. Revenue	18,800	16,818
2. Changes in inventories of finished goods and work in progress	125	67
3. Other operating income	101	9
Total operating performance	19,026	16,894
4. Other operating income	163	163
Gross revenue	19,189	17,057
5. Cost of materials	-6,196	-5,249
6. Staff costs	-7,163	-6,335
7. Depreciations	-822	-658
8. Other expenses	-3,141	-3,186
9. Financial result		
Financial expenses	-209	-545
Other financial result	7	1
10. Operating profit before taxes and non-operating expenses	1,665	1,085
11. Non-operating expenses	-125	-0
12. Earnings before taxes	1,540	1,085
13. Income tax expense	-533	-212
14. Earnings after taxes from continued business units	1,007	873
Discontinued business units in k€		
15. Earnings after taxes from discontinued business units	-35	-526
16. Consolidated net income	972	347
thereof minority interests	-10	20
thereof attributable to Masterflex SE	982	327
Earnings per share (diluted and non-diluted)		
from continued business units	0.10	0.09
from discontinued business units	0.00	-0.06
from continued and discontinued business units	0.10	0.03

*unaudited

Consolidated Statement of Comprehensive Income

in k€	1.4.- 30.6.2017*	1.4.- 30.6.2016*
Consolidated net income	972	347
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 instruments	-524	-455
2. Changes in fair values of financial instruments	8	-10
3. Income taxes	14	-10
4. Other earnings after taxes	-502	-475
5. Overall result	470	-128
Overall result	470	-128
thereof minority interests	-10	20
thereof attributable to Masterflex SE	480	-148

* unaudited

Consolidated Cash Flow Statement

in k€

	30.6.2017*	30.6.2016*
Result for the period before taxes, interest expenses and financial income	3,499	3,052
Income taxes paid	-802	-881
Depreciation expense for property, plant and equipment and intangible assets	1,596	1,322
Change in provisions	-261	625
Other non-cash income and gains from the disposal of property, plant and equipment and intangible assets	-167	-76
Increase of inventories	-251	-349
Increase of trade receivables and other assets that cannot be allocated to investment or financing activities	-1,363	-2,257
Decrease of trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	-189	-546
Net cash from operating activities	2,062	890
Proceeds from the disposal of non-current assets	3	0
Payments to acquire property, plant and equipment	-1,944	-3,301
Changes in cash and cash equivalents due to the repayment of financial assets	0	135
Payments for the acquisition of consolidated companies	-8,755	0
Net cash used in investing activities	-10,696	-3,166
Proceeds from capital increases	5,940	0
Dividend to Masterflex shareholders	-481	0
Interest and dividend receipts	3	3
Interest expenditure	-447	-784
Proceeds from raising loans	9,000	28,500
Payments for the repayment of loans	-5,250	-22,806
Net cash from financing activities	8,765	4,913
Net change in cash and cash equivalents	131	2,637
Changes in cash and cash equivalents due to exchange rates and other factors	-590	150
Change in the basis of consolidation	588	0
Cash and cash equivalents at the start of period	4,005	4,002
Cash and cash equivalents at the end of period	4,134	6,789

*unaudited

Consolidated Statement of Changes in Equity

in k€	Subscribed capital	Capital reserve	Retained earnings
Equity at 31.12.2016	8,732	26,252	-5,341
Dividends	0	0	-481
Capital measures	886	5,054	0
Overall result	0	0	1,940
Group result	0	0	1,940
Other earnings after taxes	0	0	0
Changes in fair values of financial instruments	0	0	0
Exchange differences on translation of foreign financial statements	0	0	0
Income taxes on other comprehensive income	0	0	0
Equity at 30.6.2017	9,618	31,306	-3,882
Equity at 31.12.2015	8,732	26,252	-7,726
Other changes	0	0	-543
Overall result	0	0	1,430
Group result	0	0	1,430
Other earnings after taxes	0	0	0
Changes in fair values of financial instruments	0	0	0
Exchange differences on translation of foreign financial statements	0	0	0
Income taxes on other comprehensive income	0	0	0
Equity at 30.6.2016	8,732	26,252	-6,839

Consolidated Statement of Changes in Equity

Revaluation reserve	Exchange differences	Equity attributable to Masterflex SE	Minority interest	Total
-616	6	29,033	-332	28,701
0	0	-481	0	-481
0	0	5,940	0	5,940
17	-590	1,367	-7	1,360
0	0	1,940	-7	1,933
17	-590	-573	0	-573
17	0	17	0	17
0	-622	-622	0	-622
0	32	32	0	32
-599	-584	35,859	-339	35,520
-576	-623	26,059	-47	26,012
0	543	0	-93	-93
-29	-393	1,008	13	1,021
0	0	1,430	13	1,443
-29	-393	-422	0	-422
-29	0	-29	0	-29
0	-406	-406	0	-406
0	13	13	0	13
-605	-473	27,067	-127	26,940

Notes to the Interim Report

1. REPORTING PRINCIPLES

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and International Accounting Standards (IAS) of the International Accounting Standard Board (IASB) and is in keeping with the company's key accounting principles presented here. The same accounting principles were applied as in the consolidated financial statements for the financial year that ended on 31 December 2016. A condensed reporting format compared with the consolidated financial statements was selected in accordance with IAS 34.

2. BASIS OF CONSOLIDATION

The basis of consolidation has changed compared with 31 December 2016. All shares in the fluoropolymer specialist APT Advanced Polymer Tubing GmbH, Neuss, were acquired in January of the current financial year.

3. COMPANY ACQUISITION

All shares in the fluoropolymer specialist APT Advanced Polymer Tubing GmbH, Neuss, were acquired with effect from 4 January 2017. The interest in the share capital corresponds to the interest in the voting rights. The purchase price of € 8.755 million was paid in cash. There are no contingent consideration or claims for compensation.

APT specialises in the manufacture of high-tech hoses made from fluorinated ethylene propylene (FEP), perfluoroalkoxy alkanes (PFA) and polytetrafluoroethylene (PTFE) as well as other fully or partially fluorinated polymers. With this acquisition, the Masterflex Group is extending its technological expertise to include additional highly interesting plastics for technical connection solutions, thereby allowing it to offer an even wider range of innovative product variants.

The acquisition cost of the net assets of APT Advanced Polymer Tubing GmbH was € 8.755 million. Costs of € 166 thousand in connection with the acquisition have been recognised as non-operating expenses in 2017. The acquisition facility contained in the syndicated loan agreement was used to finance the acquisition.

BASIS OF CONSOLIDATION

Company Name	Company Headquarters		Equity Interests held by Masterflex SE (%)
Masterflex SARL	F	Béligneux	80
Masterflex Technical Hoses Ltd.	UK	Oldham	100
Masterduct Holding, Inc.*	USA	Houston	100
Flexmaster U.S.A, Inc.	USA	Houston	100*
Masterduct, Inc.	USA	Houston	100*
Masterduct Holding S.A., Inc.	USA	Houston	100*
Masterduct Brasil LTDA.	BR	Santana de Parnaíba	100*
Novoplast Schlauchtechnik GmbH	GER	Halberstadt	100
FLEIMA-PLASTIC GmbH	GER	Wald-Michelbach	100
Masterflex Handelsgesellschaft mbH	GER	Gelsenkirchen	100
Masterflex Česko s.r.o.	CZ	Planá	100
M & T Verwaltungs GmbH*	GER	Gelsenkirchen	100
Matzen & Timm GmbH	GER	Norderstedt	100*
Masterflex Scandinavia AB	S	Kungsbacka	100
Masterflex Entwicklungs GmbH*	GER	Gelsenkirchen	100
Masterflex Vertriebs GmbH	GER	Gelsenkirchen	100*
APT Advanced Polymer Tubing GmbH	GER	Neuss	100*
Masterflex Asia Holding GmbH*	GER	Gelsenkirchen	80
Masterflex Asia Pte. Ltd.	SG	Singapur	100*
Masterflex Hoses (Kunshan) Co., Ltd.	CN	Kunshan	100*

*) = Subgroup

The net assets acquired were composed as follows at the acquisition date:

in k€	Fair value at the acquisition date
CURRENT ASSETS	
Cash	588
Trade receivables	361
Inventories	992
Other	179
NON-CURRENT ASSETS	
Intangible assets	433
Property, plant and equipment	1,581
	4,134
CURRENT LIABILITIES	
Trade payables	-71
Provisions	-134
Other	-637
NON-CURRENT LIABILITIES	
Other	-21
Deferred taxes from revaluation	-444
	-1,307
Total identifiable net assets at fair value	2,827
Goodwill resulting from the acquisition	5,928
Consideration transferred	8,755

Cash outflow resulting from the acquisition:

in k€	
Cash acquired with the subsidiary	588
Cash outflow	-8,755
Actual cash outflow resulting from the acquisition	-8,167

All the assets and liabilities acquired were recognised at fair value at the acquisition date. Additional intangible assets (customer relationships and similar rights) not included in the company's statement of financial position were also recognised. The corresponding deferred

tax liabilities were recognised accordingly. The multi-period excess earnings method was applied in measuring the customer relationships. There are no significant deviations between the gross amount and the carrying amount of the receivables. There are no minority interests. The fair value of the net assets acquired gives rise to goodwill which cannot be amortised for tax purposes in the amount of € 5,928 thousand. Accordingly, this goodwill is not subject to scheduled amortisation. Goodwill is determined on the basis of the growth opportunities resulting from the acquisition. The acquisition of APT Advanced Polymer Tubing GmbH will allow the Group to expand and reinforce its services for existing customers and directly enhance them with the additional components acquired.

APT Advanced Polymer Tubing GmbH generated revenue of € 2,741 thousand and contributed earnings after taxes of € 389 thousand in the period from the acquisition date to the current reporting date.

4. EQUITY

In the first half of 2017, the Executive Board made use of the authorisation to increase the share capital with existing shareholders' subscription rights disapplied by issuing 886,586 new no-par value bearer shares each with a notional interest in the share capital of € 1.00 in exchange for cash contributions.

The subscribed capital of Masterflex SE therefore increased by € 886,586.00 on 21 March 2017, from € 8,865,874.00 to € 9,752,460.00.

The capital increase, which was entered in the commercial register on 21 March 2017, served to increase the capital reserve by € 5,053,540.20 compared with the previous year. The shares were placed at a price of € 6.70 per share. The increase corresponds to the premium on the shares issued.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The accounting treatment of forward contracts and options is discussed in note 16 of the notes to the consolidated financial statements in the 2016 Annual Report. The fair value remains unchanged at € 32 thousand.

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

6. DIVIDEND

The Annual General Meeting of Masterflex SE on 27 June 2017 approved the payment of a dividend of € 0.05 per share. The distribution, which totalled € 480,916.70, took place on 30 June 2017.

7. SEGMENT REPORTING

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

The basis of segmentation has changed compared with the consolidated financial statements for the year ended 31 December 2016. Following the acquisition of APT Advanced Polymer Tubing GmbH by Masterflex Vertriebs GmbH, Masterflex Entwicklungs GmbH and Masterflex Vertriebs GmbH are no longer presented under discontinued operations. The Masterflex Group thus has one operating segment, the core High-Tech hose systems business unit (HTS).

SEGMENT REPORTING 30.6.2017

in k€	High-tech hose systems	Continued operations	Discon- tinued operations	Total segments
Revenue from non-Group third parties	38,768	38,768	0	38,768
EBIT operational	3,820	3,820	-2	3,818
EBIT	3,492	3,492	-2	3,490
Investments in property, plant and equipment and intangible assets	1,944	1,944	0	1,944
Depreciations	1,596	1,596	0	1,596
Assets	72,150	72,150	0	72,150

SEGMENT REPORTING 30.6.2016

in k€	High-tech hose systems	Continued operations	Discon- tinued operations	Total segments
Revenue from non-Group third parties	34,279	34,279	0	34,279
Earnings (EBIT)	3,451	3,451	-386	3,065
Investments in property, plant and equipment and intangible assets	3,301	3,301	0	3,301
Depreciations	1,322	1,322	0	1,322
Assets	61,619	61,619	2	61,621

8. EARNINGS PER SHARE

Basic earnings per share is calculated in accordance with IAS 33 by dividing consolidated net income by the weighted average of the number of shares in circulation during reporting period. As at 30 June 2017, basic earnings per share from continued operations amounted to € 0.20 and earnings per share from continued and discontinued operations amounted to € 0.20; both figures are based on a weighted average number of shares of 9,618,334.

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

9. TREASURY SHARES

As of 30 June 2017, Masterflex SE held a total of 134,126 treasury shares.

10. EMPLOYEES

In the reporting period, the number of employees was 629, up 3.3% on the previous year period (609 employees).

11. INCOME TAX

In the calculation of income tax expense in the half-year financial report, the estimated effective income tax rate for the current financial year 2017 is included in the intra-year calculation of tax expense. The effective tax rate is based on current earnings and tax planning.

12. CASH FLOW STATEMENT

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

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

k€	30.6.2017	30.6.2016
Cash and cash equivalents at the end of period	4,134	6,789
Cash in hand and bank balances included in assets held for sale	0	2
Cash in hand and bank balances	4,134	6,787

13. RELATED PARTY DISCLOSURES

The relationships are explained in the notes to the consolidated financial statements under note 35 in the 2016 Annual Report.

14. AUDITOR'S REVIEW OF THE INTERIM REPORT

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

15. RESPONSIBILITY STATEMENT

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

31 July 2017



Dr. Andreas Bastin
CEO



Mark Becks
CFO



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