Masterflex

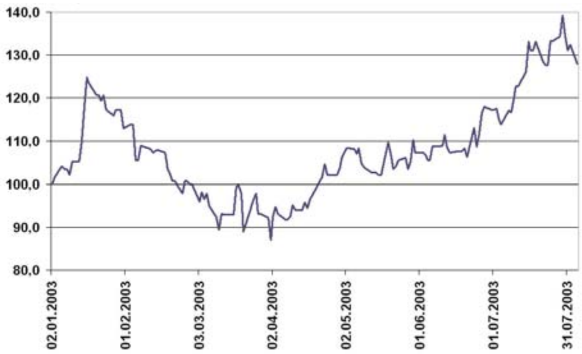
Half year report as of June 30, 2003

- Revenue growth +12,8%
- EBIT +31,8%
- Net profit +92,5%
- H1 confirms that the forecasts for the year as a whole (revenue +11%, EBIT +21-29%) are based on conservative assumptions

QUARTERLY REPORT 2/2003

	June 30, 03	June,30, 02	+/-
Revenue (€ thou.)	31,070	27,539	12.8%
EBITDA (€ thou.)	4,064	3,268	24.4%
EBIT (€ thou.)	2,731	2,072	31.8%
EBT (€ thou.)	2,164	1,602	35.1%
Net profit (€ thou.)	980	509	92.5%
Earnings per share (€)	0.23	0.12	91.7%
Number of employees	344	338	1.8%
Equity (€ thou.)	25,346	25,763	-1.6%
Total assets (€ thou.)	59,061	56,235	5.0%
Equity ratio (%)	43.0%	45.8%	-6.1%

share price development



Date

Dear Shareholders,

Masterflex AG continued its growth in Q2 2003, increasing its half-yearly revenue by 12.8% to €31.1 million compared with the same period in 2002 (€27.5 million). In particular, we are extremely satisfied with the quality of our Company's growth: all key performance indicators improved substantially as against the prior-year period.

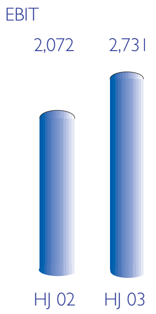
Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 24.4% to €4.1 million, while earnings before interest and taxes (EBIT) jumped 31.8% to €2.7 million (2002: €2.0 million). The trend towards a sustained increase in net earnings continued undiminished in the first half of 2003, rising by 92.5% year-on-year to nearly €1.0 million (2002: €0.5 million). Earnings per share improved in line with this, rising 91.7% to €0.23 (H1 2002: €0.12).

These figures are proof that the investments we made in recent years have put us on track for the future. As a result, we are highly confident that we will reach our targets for the year as a whole: revenue growth of 11% and earnings growth of 21-29%.

Income statement

Our income statement as of June 30, 2003 reveals that the improvement in earnings is the result of both higher revenue and a moderate increase in expenses. The ratio of cost of materials to revenue remained virtually unchanged at 49% (H1 2002: 48%).

The same also applies to our staff costs, which rose by 4% year-on-year to €7.0 million. At 344, the number of employees remained unchanged on Q1 2003, but was 1.8% higher year-on-year. The staff costs ratio fell slightly to 23% from 24% in H1 2002. Other operating expenses also decreased in relation to revenue. Depreciation and amortization expense rose as a result of investments in noncurrent assets, while goodwill amortization remained constant.

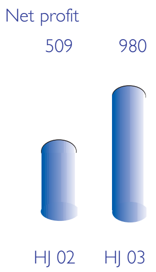


Net profit from ordinary activities (EBT) improved by 35.1% in Q2 2003, rising to €2.2 million (previous year: €1.6 million). The consolidated net profit increased year-on-year by approx. 93% to €980 thousand due to an improved tax result.

Change in individual balance sheet items

There were no material changes in noncurrent assets. The rise in receivables, particularly trade receivables, primarily relates to our subsidiary DICOTA GmbH, which granted major corporate clients an extension on their payment periods.

Similarly, there were no significant changes on the equity and liabilities side. Additional provisions were set up for expected tax payments in the coming quarters. At €59.1 million, total assets were up 5.0% year-on-year (H1 2002: €56.2 million). The equity ratio remained almost constant year-on-year at an extremely sound 43%.



Cash flow statement

One major change as against the prior-year period is in the net cash from operating activities, which was lower at June 30, since the 2003 dividend was paid in the second quarter. In 2002, the dividend was not paid until Q3 due to the postponement of the Annual General Meeting.

Investments

2001 and 2002 saw extensive investment in the expansion of the Group's business activities. Investments totaling approx. €841 thousand were made in the first half of the current year.

High-tech Hose systems

The food hoses launched in April by the High-tech Hose Systems business unit have met with a positive response from the market. Masterflex is the first manufacturer to offer profile-extruded hoses which are fully food-safe and comply with all European and US regulations. Other innovative products include hoses with greater pressure resistance and thermal stability.

We are continuing to expand our market position in the USA and are confident that the forecast economic upturn in the USA will bolster our business there. Experts expect that economic recovery in the US could also improve the business climate in Europe, which is why we are anticipating additional growth in our High-tech Hose Systems business unit.

Medical Technology

In H1 2003, we further expanded our business activities in the Medical Technology unit. Increased sales of our medical sets in southern Germany and neighboring countries expanded our market share and generated substantial revenue growth.

Fuel Cell Technology

Our Fuel Cell Technology business unit is making excellent progress in its preparations for series production. To date, our fuel cell prototype has performed perfectly in long-term testing, confirming our excellent technological position. We have now set ourselves the goal of further minimizing the size of our fuel cells by 2004 so that our subsidiary DICOTA can install these in its mobile office systems as a first step.

In addition, we won a contract from Airbus Deutschland GmbH in July to develop a fuel cell system that will test potential applications for fuel cells in commercial aircraft. We are convinced that fuel cells will be the energy source of the future and that aircraft manufacturers will also be able to benefit from the advantages they offer.

Investor Relations

Continued positive developments at the Masterflex Group are also mirrored in the Company's share price. Since falling to a low of €9.95 in the third quarter of 2002, the share price has almost doubled, reaching a new 52-week high of €20.19 on July 28. This has brought us considerably closer to our goal of a sustained improvement in our share price. In the fall, we aim to present the Company at roadshows and investor conferences in order to expand our investor base. A further goal is to gain readmittance to the SDAX, from which we were excluded following the resegmentation of the stock market in March. We missed being admitted on the most recent reference date of July 31 by only a couple of places. We therefore intend to work towards improving both our free float and our market capitalization.

Our shareholders expressed their satisfaction with developments at our third Ordinary General Meeting in Gelsenkirchen on June 18. All items on the agenda requiring resolution, including the payment of a €0.40 dividend, were passed with large majorities.

Key events after the end of the quarter

As we already mentioned, Masterflex AG won a development contract from Airbus Deutschland GmbH in July to test the use of fuel cells in commercial aircraft. No other key events occurred after the end of the quarter. In August, Masterflex AG has signed an agreement with Flexschlauch GmbH, a company registered in Lübeck, to acquire the assets of Matzen & Timm, which is located in Hamburg. Matzen & Timm is a trading division of Flexschlauch, a wholly owned subsidiary of Smiths Group plc, of the UK, and operates within Smiths Speciality Engineering Division.

Subject to the conditions of Closing, the acquisition will take economic effect from 1st September 2003. By execution of this acquisition, Masterflex AG completes its product portfolio by offering a full range of high-tech flexible tube systems. Matzen & Timm supplies inter alia, the international aeronautical industry with highly specialised products such as flexible tubes and formed components. Matzen & Timm has approximately 50 employees.

Information on material risks to future development

We believe that our core business of high-tech hose systems has a very sound base and that there are no material risks to its continued existence.

The main area of risk that does not affect our core business is the market risk to which all our growth areas are exposed - i.e., the acceptance of our innovative products by the market. A detailed risk report can be found on page 36 of the Annual Report 2002.

Outlook

Growth in revenue and, in particular, the development of our key performance indicators to date have confirmed that our full-year forecasts are based on conservative assumptions. However, despite initial indications above and beyond this of a recovery in the economy as a whole - a development which could further boost our business - we are standing by our original assumptions. In 2003, we

are therefore expecting revenue to rise by around 11% and EBIT by between 21% and 29%.

August 2003

Detlef Herzog	Hiltrud Mütherich
Chairman of the Board	Board Member

Notes to the quarterly report

1. Accounting principles

This quarterly report was prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IASs) promulgated by the International Accounting Standards Board (IASB), and complies with the Company's key accounting principles as presented here. The accounting policies applied were the same as those applied in the preparation of the consolidated financial statements for the fiscal year ended December 31, 2002 and the report on the first quarter of 2003.

2. Consolidated group

There were no changes to the consolidated group during the first half of 2003.

3. Dividend

The Annual General Meeting of Masterflex AG on June 18, 2003 resolved to pay a dividend of €0.40. A total of €1,714,000 was distributed on June 20, 2003.

4. Segment reporting

30.06.2003	HTS € thou.	MT € thou.	FCT € thou.	Segment aggre-gate € thou.	Recon-ciliation € thou.	Elimi-nation € thou.	Revenue € thou.
Result	15,747	6,022	9,301	31,070	0	0	31,070
Segment result (EBIT)	2,940	-495	607	3,052	-321	0	2,731
Investments in property, plant and equipment and intangible assets	702	98	41	841	0	0	841
Assets	25,915	17,077	13,130	56,122	2,939	0	59,061
Amortization and depreciation	755	409	169	1,333	0	0	1,333
Liablities	10,659	2,235	2,563	15,457	16,608	0	32,065

2002	HTS € thou.	MT € thou.	FCT € thou.	Segment aggre-gate € thou.	Recon-ciliation € thou.	Elimi-nation € thou.	Revenue € thou.
Result	29,751	10,866	16,206	56,823	0	0	56,823
Segment result (EBIT)	5,495	- 998	1,684	6,181	- 571	0	5,610
Investments in property, plant and equipment and intangible assets	2,476	408	141	3.024	0	0	3.024
Assets	24,267	16,182	13,382	53,831	4,972	0	58,803
Amortization and depreciation	1,260	823	321	2,404	0	0	2,404
Liablities	5,106	1,744	3,252	10,101	21,254	0	31,555

The primary reporting format for segment reporting under IAS is business segments, based on the Company's product lines. Masterflex AG has three business units: High-tech Hose Systems (HTS), Medical Technology (MT) and Fuel Cell Technology (FCT).

5. Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing Group earnings by the weighted average of shares outstanding during the period under review. Earnings per share as of June 30, 2003 amounted to €0.23 on the basis of a weighted average of 4,328,646 shares. The stock option program (see section 24, page 63 f. of the Annual Report 2002) is taken into account in the calculation of diluted earnings per share, but does not lead to a significant dilution of earnings as the number of subscription rights granted is relatively low.

6. Own shares

As of June 30, 2003, Masterflex AG's Treasury portfolio comprised 104,125 own shares carried at a price of €14.77. During the period under review, there were no changes made to the stock options and other subscription rights disclosed in the Annual Report 2002.

7. Employees

At 344, the number of employees as of June 30, 2003 was up 1.8% on June 30, 2002.

BALANCE SHEET-IAS

ASSETS	Jun. 30, 03* € thou.	Dec. 31, 02 € thou.	Jun. 30, 02* € thou.
NONCURRENT ASSETS			
Intangible assets			
Concessions, industrial and similar rights and assets, licenses	529	404	420
Development costs	726	712	214
Goodwill	16,209	16,685	17,161
Advance payments	0	137	0
Property, plant and equipment			
Land, land rights and buildings including buildings on third-party land	7,810	7,967	8,155
Plant and machinery	4,632	4,939	3,259
Other equipment, operating and office equipment	763	1,064	1,107
Advance payments and assets under development	1,697	819	2,702
Long-term investments			
Investment securities	653	734	895
Other loans	178	161	35
CURRENT ASSETS			
Inventories			
Raw materials and consumables used	3,838	3,576	2,561
Finished goods and goods purchased and held for resale	6,726	6,272	7,548
Advance payments	162	172	585
Trade accounts and notes receivable			
Trade receivables	11,219	10,275	7,089
Receivables from shareholders	0	0	47
Other assets	1,666	1,710	1,635
Marketable securities			
Other securities	0	0	0
Cash and bank balances	1,787	2,671	2,182
DEFERRED TAX ASSETS	320	376	510
PREPAID EXPENSES	146	129	130
Total Assets	59,061	58,803	56,235

* Unaudited

BALANCE SHEET-IAS

EQUITY AND LIABILITIES	Jun. 30, 03* € thou.	Dec. 31, 02 € thou.	Jun. 30, 02* € thou.
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	4,396	4,353	4,356
SHARE PREMIUM	19,062	18,570	18,275
RETAINED EARNINGS			
Retained profits brought forward	3,126	3,809	3,550
REVALUATION RESERVE	-699	-650	-351
EXCHANGE DIFFERENCES	-539	-333	-67
TOTAL EQUITY	25,346	25,749	25,763
MINORITY INTEREST	1,650	1,699	1,607
PROVISIONS			
Provisions for taxes	1,647	1,344	718
Other provisions	1,676	1,125	1,174
CURRENT LIABILITIES			
Bank loans and overdrafts	15,692	14,532	14,091
Advances received from customers	2	2	32
Trade payables	3,780	4,432	3,856
Shareholder payables	101	598	593
Other current liabilities	6,922	6,786	6,233
DEFERRED TAX LIABILITIES	345	438	251
DEFERRED INCOME	1,900	2,098	1,917
Total equity and liabilities	59,061	58,803	56,235

* Unaudited

INCOME STATMENT-IAS

Financial statements as of	Apr.-Jun., 03* € thou.	Apr.-Jun., 02* € thou.
Revenue	15,695	13,820
Changes in inventories of finished goods and work in progress	315	104
Work performed by the enterprise and capitalized	47	117
Other operating income	116	276
Gross revenue	16,173	14,317
Cost of materials	-7,674	-6,673
Staff costs	-3,524	-3,501
Depreciation and amortization expense	-697	-618
Other operating expenses	-2,848	-2,410
Total operating expenses	-14,743	-13,202
Income from investments	8	8
Other interest and similar income	18	7
Amortization of long-term investments	0	0
Interest and similar expenses	-299	-286
Net profit from ordinary activities	1,157	844
Extraordinary gains	0	0
Extraordinary losses	0	0
Income tax expense	-701	-537
Deferred taxes	110	60
Other taxes	-55	-61
Income attributable to minority interest	-32	-35
Net profit for the period	479	271

* Unaudited

Financial statements as of	Jan.-Jun., 03* € thou.	Jan.-Jun., 02* € thou.
Revenue	31,070	27,539
Changes in inventories of finished goods and work in progress	445	183
Work performed by the enterprise and capitalized	93	192
Other operating income	257	515
Gross revenue	31,865	28,429
Cost of materials	-15,214	-13,310
Staff costs	-7,035	-6,763
Depreciation and amortization expense	-1,333	-1,196
Other operating expenses	-5,552	-5,088
Total operating expenses	-29,134	-26,357
Income from investments	13	14
Other interest and similar income	24	15
Amortization of long-term investments	0	0
Interest and similar expenses	-604	-499
Net profit from ordinary activities	2,164	1,602
Extraordinary gains	0	0
Extraordinary losses	0	0
Income tax expense	-1,046	-1,000
Deferred taxes	34	87
Other taxes	-111	-128
Income attributable to minority interest	-61	-52
Net profit for the period	980	509

* Unaudited

Financial statements as of	Jun. 30, 03* € thou.	Dec. 31, 02 € thou.	Jun.30, 02* € thou.
Net profit for the period	980	2,518	509
Depreciation and amortization expense	1,333	2,404	1,196
Change in provisions	785	742	97
Other non-cash expenses/income and gain/loss on disposal of non-current assets	-39	-979	-137
Changes in inventories, trade receivables and other assets	-1,567	-4,065	-1,530
Changes in trade payables and other equity and liabilities	-4,567	941	-294
Amounts paid out for extraordinary items	0	0	0
Net cash from/used in operating activities	-3,075	1,561	-159
Proceeds from asset disposals	16	53	33
Purchase of noncurrent assets	-841	-1,454	-1,072
Changes in cash and cash equivalents due to the acquisition of consolidated subsidiaries	0	0	0
Net cash from/used in investing activities	-825	-1,401	-1,039
Proceeds from additions to equity (capital increases, sales of treasury shares)	1,740	2,000	720
Dividends paid to owners and minority interests (dividends, acquisition of treasury shares)	399	-5,083	-2,383
Proceeds from finance facilities raised	2,869	3,454	975
Repayment of borrowings	-1,732	-1,781	-492
Net cash from/used in financing activities	3,276	-1,410	-1,180
Net change in cash and cash equivalents	-624	-1,250	-2,378
Changes in cash and cash equivalents due to exchange rates and other factors	-260	-483	156
Cash and cash equivalents at beginning of period	2,671	4,404	4,404
Cash and cash equivalents at end of period	1,787	2,671	2,182

* Unaudited

Calendar 2003

March

CEBIT-fair, Hanover, Presentation of Masterflex' mini fuel cell

April

Hannover-Exhibition (Exhibitor)
April, 25, Press Conference, Presentation of the Annual Report 2002, Düsseldorf
April, 28, DVFA-Analyst-Meeting, Frankfurt

May

Quarterly report I/2003

June

June, 18, General Annual Meeting, Gelsenkirchen

August

August, 18, Quarterly report II/2003

September

September, 1st, Frankfurt's 1. Investment-Day

November

Quarterly report III/2003

CHANGES IN EQUITY-IAS

Consolidated statement of changes in equity

	Issued capital (€ thou.)	Share premium	Retained earnings (retained profits brought forward) (€ thou.)	Revaluation reserve of financial instruments (€ thou.)	Exchange differences (€ thou.)	Total (€ thou.)
Equity at Dec. 31, 2001	4,446	19,729	2,996	-146	-223	26,802
Net profit	0	0	509	0	0	509
Changes in fair values of financial instruments*	0	0	0	-205	0	-205
Currency translation gains/losses from translation of foreign financial statements	0	0	0	0	313	313
Sale of treasury shares*	40	658	0	0	0	698
Purchase of own shares	-130	-2,112	0	0	0	-2,242
Dividend distributions	0	0	0	0	0	0
Translation differences from net investments in foreign entities*	0	0	0	0	-157	-157
Other changes	0	0	45	0	0	45
Equity at June 30, 2002	4,356	18,275	3,550	-351	-67	25,763
Equity at Dec. 31, 2002	4,353	18,570	3,809	-650	-333	25,749
Net profit	0	0	984	0	0	984
Changes in fair values of financial instruments*	0	0	0	-49	0	-49
Currency translation gains/losses from translation of foreign financial statements	0	0	0	0	-261	-261
Sale of treasury shares*	120	1,620	0	0	0	1,740
Purchase of own shares	-77	-1,128	0	0	0	-1,205
Dividend distributions	0	0	-1,714	0	0	-1,714
Translation differences from net investments in foreign entities*	0	0	0	0	55	55
Other changes	0	0	47	0	0	47
Equity at June 30, 2003	4,396	19,062	3,126	-699	-539	25,346

*) net of income tax effects

Investor Relations

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