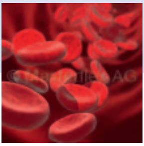
Masterflex

QUARTERLY FINANCIAL REPORT 1/2012



one step ahead

MASTERFLEX AT A GLANCE

Highlights in the first three months

Strategic development
Establishment of the management company in Singapore
Licensing underway in China
Market launch of the new XFlame® product family

	31 Mar. 2012
Consolidated revenue (€ thousand)	14,511
EBITDA (€ thousand)	2,761
EBIT (€ thousand)	2,124
EBT (€ thousand)	1,734
Consolidated earnings from continued business units (€ thousand)	1,137
Consolidated earnings from discontinued business units (€ thousand)	-6
Consolidated net income/loss (€ thousand)	1,063
Earnings per share (€)	
from continued business units	0.12
from discontinued business units	0.00
from continued and discontinued business units	0.12
EBIT margin	14.6 %
Employees	472

	31 Mar. 2012
Consolidated equity (€ thousand)	17,460
Consolidated total assets (€ thousand)	51,017
Consolidated equity ratio %	34.2 %

Operating trends

Further increase in demand for high-tech connector systems

Very stable results of operations

Equity ratio now more than 34 %

31 Mar. 2011	Change in %
13,929	4.2 %
3,014	-8.4 %
2,399	-11.5 %
1,764	-1.7 %
1,252	-9.2 %
-278	97.8 %
935	13.7 %
0.14	-14.3 %
-0.03	
0.11	9.1 %
17.2 %	
431	9.5 %

31 Dec. 2011	Change in %
16,239	7.5 %
50,930	0.2 %
31.9 %	

Only the German version of this report is legally binding.

Dear shareholders,

We have had a good start to 2012. Revenue in the first quarter rose by 4.2 % to € 14.5 million. This revenue increase is even more remarkable as the comparable prior-year period, the first quarter of 2011, was particularly dynamic with revenue growth of 24% due to the escalating economy. Our operating result of € 2.1 million in the first three months of 2012 (Q1) also clearly demonstrates this: With an EBIT margin of 14.6 %, we are slightly above our 2012 forecast in the region of 14 %. This again shows clearly that our business model – the development, production and consultation-oriented sale of high-tech connector solutions – is highly profitable.

However, we do not want to settle for this. We are investing in the future with a transparent vision: We intend to be a global market leader in all of the markets we serve. Extending from our German and European basis, we are creating today the foundation for the additional business of tomorrow, in order to be more strongly anchored in the most dynamic regions of the world, in particular the BRIC countries.

The first signals from our new locations are remarkably good. The subsidiaries founded in 2010 in Brazil and Russia are generating notable revenue and earnings contributions, which being incorporated into our ambitious growth plans. In Singapore as well, the first orders are already coming in, where we established the company for the entire Asian business in February and where the licensing for our Chinese subsidiary has not yet been completed. We expect to open our site in Kunshan, a 1.5 hour-drive from Shanghai, in summer 2012.

We are also making good progress with our second growth pillar, production innovation. With a completely new product generation of flame-resistant hoses, the XFlame® series, we are taking into account the particularly stringent requirements governing the use of hoses, for example in welding equipment, welding robots, spot welding guns and grinding machines. These hoses demonstrate important characteristics such as flammability resistance, the ability to self-extinguish, freedom from halogens, kink resistance and spectacular abrasion resistance. The XFlame® hoses are developed and produced by our subsidiary Novoplast Schlauchtechnik GmbH. This is a feature of our internal division of labour at Masterflex: Each subsidiary focuses on one product area of high-tech hoses (spiral and clip hoses, smooth hoses, components), in order to expand technology leadership in this area.

To further drive forward the reorganisation of our company, we will propose to the Annual General Meeting on 19 June to change Masterflex AG to a European Company, Masterflex SE. This will give us greater acceptance among our global customers as well as investors. However, we will propose the spin-off of the operating business only at a later Annual General Meeting: In light of the taxation laws (edict of 2011 regarding the changes of corporate forms), the all-important obtaining of legal security will take some time. Incidentally, the costs for the SE conversion are taken into account in our profit forecast.

Dear shareholders,
Our business model with high-tech connector systems is profitable, increasingly independent of the economy, and forward-looking with its global orientation. We are all aware of these opportunities and are ready to take them – in our and in your interests!

Gelsenkirchen, 30 April 2012

Yours sincerely,
Andreas Bastin

Dr. Andreas Bastin
Chief Executive Officer

INTERIM MANAGEMENT REPORT

Group structure and business activities

The Masterflex Group, whose parent company is Masterflex AG, Gelsenkirchen, (hereafter Masterflex Group or Masterflex) is a global specialist in the development and production of high-quality hoses and connector systems using high-tech plastics and fibres. Most of Masterflex's products are developed in house and are developed, produced and sold for a vast range of industrial and medical applications.

The main production sites of the international Masterflex Group with twelve significant operating subsidiaries are located in Gelsenkirchen, Halberstadt, Norderstedt and Houston (USA). In addition, Masterflex has branches or sales partnerships at various sites in Europe and America. As part of the internationalisation strategy, the management company for Asian business was established in Singapore in the first quarter of 2012.

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

Compared with the 2011 year-end, the consolidated group was expanded with the newly established company Masterflex Asia Pte. Ltd., Singapore. As at 31 March 2012, the Masterflex Group holds 80% of shares in this new company.

Market and competition

The global market for high-tech hoses comprises many, rather regional specialist markets, which are mostly served by SMEs. Customers primarily come from manufacturing, including industry (B2B market). Due to the hard-to-come-by expertise in materials, processing and application of the demanding polymers (such as polyurethane), and the diverse possible applications, it is an attractive market characterised by small batch sizes, development expertise for customer-specific solutions, and intensity of consulting in sales.

As at the beginning of 2012, manufacturing continued to move on a growth path in the countries and regions important for Masterflex. Since the turbulence returned to the capital markets in the middle of last year, our business partners have become more uncertain with regard to the future course of business, although this has not been reflected in our incoming orders to date. However, the euphoria that reigned a year ago at the beginning of 2011 has evaporated.

Development in the regions in which Masterflex is active was very varied. The Euro zone was impacted more severely by general uncertainty than the USA, Brazil or Asia. In this respect, our decision to expand internationally has proved correct.

At the same time, we succeeded in further expanding the Masterflex Group's lack of dependence on the economy as a whole, based on its extremely broad customer structure. Our clients come from sectors such as mechanical engineering, aviation, the automotive industry, energy, food, pharmaceuticals and, increasingly, medicine.

Business development in the first quarter of 2012

We have had a good start to 2012. Revenue in the first three months increased from € 13.9 million (Q1 2011) by 4.2% to a current € 14.5 million. This is even more encouraging as the comparable prior-year period, the first quarter of 2011, was marked by a very high momentum due to the escalating economy at that time. With this revenue growth, we are continuing on the path of our long-term, value-oriented growth, which rests on the two pillars of internationalisation and innovation.

Internationalisation

In the past year, Masterflex expanded its international presence with own direct sales activities in the Czech Republic; previously only one production site had been located there. Notable incoming orders and revenue from this new activity have been recorded as a result in the first three months of 2012. Sales measures in the USA were also intensified. The aim is to increase market penetration in this large and industrially varied region.

Following the foundation of the German intermediate holding company Masterflex Asia Holding GmbH at the end of 2011, the management company for expansion in Asia, Masterflex Asia Pte Ltd. in Singapore, was formally registered in February 2012. The restructuring process for employees was started subsequently. A licence for a subsidiary in China was also applied for. We will begin sales on the Chinese market in Kunshan near Shanghai over the course of this year, and will start up production for a number of products.

Innovation

Masterflex has taken a further step ahead in the area of product innovation. With an innovative product generation of flame-resistant hoses – the XFlame® series – our subsidiary Novoplast Schlauchtechnik GmbH has met the particularly high requirements of our customers concerning the use of hoses, for example in welding equipment, welding robots, spot welding guns and grinding machines.

The XFlame® product generation not only demonstrates impressive flammability resistance according to the regulations UL 94-V2 to V0, but also boasts the all-important characteristic of being halogen-free so that no corrosive acids are released in the worst-case scenario. The welding-spatter-resistant hoses are even self-extinguishing in the event of a fire: The development engineers achieve this particular characteristic – which extends far beyond flammability resistance – by introducing specific additives that do not adversely affect the desired hose properties. To meet the requirements of the automotive industry, for example, all XFlame® hoses are also free from substance-inhibiting materials that could prevent the application of lacquer to metal surfaces. In addition, these hoses are also distinguishable by their specific kink resistance, high elasticity and spectacular abrasion resistance.

Further innovations are in the product development pipeline.

Results of operations, net assets and financial position

Results of operations

Revenue across the Group increased by 4.2 % in the first three months of 2012 to total € 14.5 million. The continuing good demand for our high-tech connector systems contributed to this, as well as now notable revenue from our companies in Russia and Brazil, which were established in 2010.

Total operating performance slightly increased to an above-average extent compared with revenue, to a current € 15.1 million (+5.4 %). This is chiefly attributable to the growth in our warehouse stock, which we increased further due to brisk demand.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) for the first three months decreased year-on-year from € 3.0 million to € 2.8 million. This is due to the initial costs for internationalisation and project costs in the course of the conversion process into an SE. In addition to the increase in other expenses (+11.1 %), this can also be seen in the slight rise in the ratio of staff costs to sales of 32.6 % as against 31.4 % in Q1 2011. EBITDA for the first quarter of 2012 was also impacted by rising commodity prices, which we were not always able to pass on immediately via pricing. The trend of increasing commodity prices is reflected in the slight gain in the materials usage rate (31.8 %, prior-year period: 31.1 %).

Depreciation for the first three months remained almost stable at € 0.6 million.

As a result, EBIT at € 2.1 million fell € 0.3 million short of EBIT for the comparable period last year (€ 2.4 million). A current EBIT margin of 14.6 % clearly demonstrates that our business with high-tech connector systems is highly profitable despite the initial costs for further internationalisation.

As a result of the continuous decrease in financial debt since 2010 and the long-term syndicated loan agreement, in which declining credit risk premiums and increasing credit rating for Masterflex were also agreed, the financial result of € -0.4 million improved accordingly as against the first quarter of 2011 (€ -0.6 million). These volume and price effects will also have a positive influence on the financial result in subsequent periods.

Consolidated earnings amounted to € 1.1 million (previous year: €: 0.9 million). Earnings per share improved by a good 9 % compared with the first quarter of 2011 to currently € 0.12, due to the absence of burdens from discontinued business units.

Net assets

As at 31 March 2012, non-current assets at € 30.8 million declined slightly as against 31 December 2011 (€ 31.3 million). This is also due to the decrease in Deferred taxes, which fell by 4.2 % to € 5.4 million as a result of the positive earnings situation.

By contrast, current assets rose by 3.0 % to € 20.2 million as against € 19.6 million. There were two opposing developments here: Inventories and receivables and other assets together increased more strongly by 15.1 % and thus also reflect the rising revenue performance. On the other hand, cash in hand declined by 35.7 % to € 2.9 million. This is primarily attributable to the one-off payments traditionally due in the first quarter (various bonuses and insurance premiums, etc.)

Total assets climbed slightly as at 31 March 2012 to € 51.0 million (31 December 2011: € 50.9 million) due to the opposing developments.

Financial position

As at 31 March 2012, equity and liabilities were characterised by two opposing developments: Debt was reduced, with current liabilities falling more sharply by 6.3 % to currently € 12.8 million (€ 13.5 million) compared with non-current liabilities, which fell to € 20.5 million (-1.4%). At the same time, equity rose by 7.5 % from € 16.2 million to € 17.5 million due to the net profit for the period. This corresponds to a very satisfactory equity ratio of 34.2 %.

In current equity and liabilities, trade payables rose somewhat more strongly by 29 % to a current € 1.9 million and financial liabilities by 7.3 % to € 6.0 million. In contrast, other liabilities fell by € 0.7 million to currently € 1.0 million, particularly following the offsetting of tax liabilities.

Employees

The Masterflex Group has created a number of new jobs as part of its growth strategy. As at 31 March 2012, the number of employees in the Group increased by 9.5 % year-on-year to 472. In addition to the increase in staff due to production and revenue factors, a good quarter of the new employees work at foreign companies in Brazil and Russia.

Research and Development

With the market launch of XFlame®, a product family of flame-resistant hoses, our subsidiary Novoplast Schlauchtechnik GmbH has addressed the particularly high requirements of our customers concerning the use of hoses, for example in welding equipment, welding robots, spot welding guns and grinding machines.

Further R&D projects are ongoing. As at 31 March 2012, there were no further significant changes against the statements made in the 2011 Group management report.

Report on post-balance sheet date events

There were no events after the balance sheet date affecting results of operations, net assets and financial position.

Opportunity and risk report

There were no changes to the opportunity and risk situation as described in the 2011 Group report.

Outlook

Economic development remains ambivalent. In the Euro zone, which is still the most significant region for Masterflex, political turbulence also continues to impact the financial markets. More severe economic declines or capital and investment outflows are not yet perceptible, but can no longer be excluded. In the other regions of the world, in which Masterflex is increasingly active, the signals point more or less strongly to further economic growth. This applies to BRIC countries as well as – to a lesser extent – the USA.

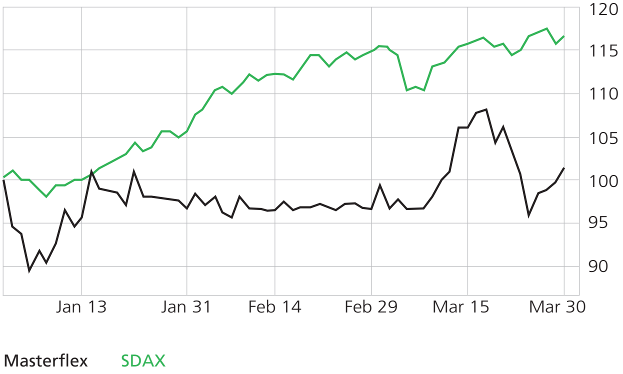
The Masterflex Group will continue its growth strategy based on the continued structured internationalisation of its business, innovations, and a broader, more economically independent customer base. With the establishment of own activities in almost all BRIC countries, we are increasingly anchored in the most dynamic regions of the world. This is to be followed by further steps targeted at opening new markets not addressed by us before. Our development engineers and our sales team are working constantly on new, more efficient solutions for connector issues. We intend to continue as a technology leader with these product innovations.

Masterflex is also expanding under its own momentum. Potential efficiency gains from internal synergies, which have not been realised to date, are now being identified. In the next stage, measures are planned or have already begun to systematically realise these synergies.

We are maintaining our forecast: For 2012 as a whole, we expect revenue of € 57 million to € 58 million. Due to up-front costs for further internationalisation, the SE conversion as well as further internal synergy projects and rising commodity prices, we anticipate EBIT of € 8.0 million for 2012 and an EBIT margin derived from this of around 14 %.

At the Annual General Meeting on 19 June 2012, we will propose the change in legal form from an AG to an SE (European Company). The internationally prevailing legal form of an SE is better suited for acceptance among global customers and investors.

Share development up to 31 March 2012



THE MASTERFLEX SHARE

On the basis of daily closing prices during the first three months of 2012, Masterflex's share price did not perform as well as the S-DAX (+16.6 %), increasing by 1.5 %. While the share followed the general rise in German share prices at the middle of January, it subsequently moved sideways up to mid-March. Following publication of the provisional figures for the year on 5 March, the share price rose strongly to € 5.75 (19 March). Due to the resulting profit-taking, the share price came under pressure and closed the quarter at a final price of € 5.41.

The share price fluctuated in the first quarter between a low of € 4.69 (9 January 2012) and a high of € 5.75 (15 and 19 March 2012).

Liquidity in the shares was further increased in the first three months of 2012. More than 696,000 shares were traded on Xetra and the trading floor in this period. This averaged around 10,720 shares per trading day. In the same period in 2011, this amounted to 6,970 shares per trading day or a total of 446,000 shares.

Financial calendar 2012

29 March	Financials press conference, presentation of 2011 annual report, Dusseldorf
29 March	DVFA analysts' conference, Frankfurt/Main
7 May	Quarterly financial report 1/2012
19 June	Annual General Meeting, 11:00 a. m., Gelsenkirchen
13 August	Interim report for first half of 2012
12 November	Quarterly financial report 3/2012
12–13 November	German Equity Forum, Frankfurt/Main

INTERIM FINANCIAL STATEMENTS

Consolidated balance sheet

Assets	31 Mar. 2012* EUR thou.	31 Dec. 2011 EUR thou.
NON-CURRENT ASSETS		
Intangible assets	**4,079**	**4,107**
Concessions, industrial and similar rights	749	774
Development costs	25	29
Goodwill	3,258	3,258
Advance payments	47	46
Property, plant and equipment	**20,558**	**20,881**
Land, land rights and buildings	11,408	11,504
Technical equipment and machinery	6,967	6,975
Other equipment, operating and office equipment	1,836	1,952
Advance payments and assets under development	347	450
Non-current financial assets	**719**	**615**
Non-current financial instruments	82	74
Other loans	637	541
Other assets	**28**	**30**
Other financial assets	**30**	**51**
Deferred taxes	**5,403**	**5,641**
	30,817	**31,325**
CURRENT ASSETS		
Inventories	**10,207**	**9,295**
Raw materials and consumables used	5,971	5,566
Work in progress	388	303
Finished products and goods purchased and held for sale	3,777	3,389
Advance payments	71	37
Receivables and other assets	**6,932**	**5,600**
Trade receivables	6,151	4,942
Other assets	770	641
Other financial assets	11	17
Income tax assets	**119**	**144**
Cash in hand and bank balances	**2,922**	**4,544**
	20,180	**19,583**
Assets held for sale	**20**	**22**
	20,200	**19,605**
Total Assets	**51,017**	**50,930**

* unaudited

Equity and liabilities	31 Mar. 2012* EUR thou.	31 Dec. 2011 EUR thou.
SHAREHOLDERS' EQUITY		
Consolidated equity	**16,796**	**15,682**
Subscribed capital	8,732	8,732
Capital reserve	26,252	26,252
Retained earnings	-17,011	-18,075
Revaluation reserve	-740	-747
Exchange differences	-437	-480
Minority interest	**664**	**557**
Total equity	**17,460**	**16,239**
NON-CURRENT LIABILITIES		
Provisions	**242**	**242**
Financial liabilities	**18,011**	**18,262**
Other financial liabilities	**168**	**184**
Other liabilities	**1,629**	**1,629**
Deferred taxes	**441**	**431**
	20,491	**20,748**
CURRENT LIABILITIES		
Provisions	**2,809**	**3,561**
Financial liabilities	**6,021**	**5,612**
Other financial liabilities	**42**	**44**
Income tax liabilities	**1,018**	**1,042**
Other liabilities	**2,931**	**3,202**
Trade payables	1,937	1,498
Other liabilities	994	1,704
	12,821	**13,461**
Liabilities directly connected with assets held for sale	**245**	**482**
	13,066	**13,943**
Total Equity and liabilities	**51,017**	**50,930**

* unaudited

Consolidated income statement

		01 Jan. – 31 Mar. 12* EUR thou.	01 Jan. – 31 Mar. 11* EUR thou.
Continued business units			
1.	Revenue	14,511	13,929
2.	Changes in inventories of finished goods and work in progress	513	301
3.	Work performed by the enterprise and capitalised	0	31
4.	Other operating income	112	106
	Gross profit	**15,136**	**14,367**
5.	Cost of materials	-4,807	-4,473
6.	Staff costs	-4,940	-4,515
7.	Depreciations	-637	-615
8.	Other expenses	-2,628	-2,365
9.	Financial result		
	Financial expenses	-404	-694
	Other financial result	14	59
10.	**Earnings before taxes**	**1,734**	**1,764**
11.	Income tax expense	-597	-512
12.	**Earnings after taxes from continued business units**	**1,137**	**1,252**
Discontinued business units			
13.	**Earnings after taxes from discontinued business units**	**-6**	**-278**
14.	**Consolidated net income/loss**	**1,131**	**974**
	thereof minority interests	68	39
	thereof attributable to shareholders of Masterflex AG	**1,063**	**935**
	Earnings per share (diluted and non-diluted)		
	from continued business units	0.12	0.14
	from discontinued business units	0.00	-0.03
	from continued and discontinued business units	0.12	0.11

* unaudited

Consolidated statement of comprehensive income

		01 Jan. – 31 Mar. 12* EUR thou.	01 Jan. – 31 Mar. 11* EUR thou.
	Consolidated net income/loss	**1,131**	**974**
	Other result		
1.	Currency translation differences from the translation of foreign operations	43	8
2.	Net result from "available-for-sale" financial assets	7	-33
3.	**Other result for the period under review, after taxes**	**50**	**-25**
4.	**Overall result**	**1,181**	**949**
	Overall result:	**1,181**	**949**
	thereof minority interests	68	39
	thereof attributable to shareholders of Masterflex AG	1,113	910

* unaudited

Connecting part of the vacuum toilet system of the Airbus A 380 (MATZEN & TIMM GmbH)

Consolidated cashflow statement

As of	31 Mar. 2012 * EUR thou.	31 Mar. 2011 * EUR thou.
Result for the period before taxes, interest expenses and financial income	2,054	2,128
Income taxes paid	-294	-458
Depreciation expense for property, plant and equipment and intangible assets	637	624
Change in provisions	-766	-786
Other non-cash expenses/income and gains/losses from the disposal of property, plant and equipment and intangible assets	62	5
Changes in inventories	-913	-690
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	-1,046	-2,014
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	-740	62
Net cash from operating activities	**-1,006**	**-1,129**
Proceeds from the disposal of non-current assets	5	3
Payments to acquire intangible assets	-381	-672
Changes in cash and cash equivalents due to the sale of consolidated subsidiaries	40	800
Net cash from/used in investing activities	**-336**	**131**
Interest and dividend receipts	11	45
Interest expenditure	-475	-738
Proceeds from raising loans	500	0
Payments for the repayment of loans	-360	-3,879
Net cash from/used in financing activities	**-324**	**-4,572**
Net change in cash and cash equivalents	**-1,666**	**-5,570**
Changes in cash and cash equivalents due to exchange rates and other factors	43	8
Cash and cash equivalents at start of period	**4,561**	**14,493**
Cash and cash equivalents at the end of period	**2,938**	**8,931**

* unaudited

Outer cover of a templine® heated hose; protective braid with high abrasion resistance (Masterflex AG)

Consolidated statement of changes in equity

	Subscribed capital	Capital reserve	Retained earnings (retained profits brought forward)
	€ thou.	€ thou.	€ thou.
Equity at 31 Dec. 2011	**8,732**	**26,252**	**-18,075**
Consolidated net income/ Minority interests	0	0	1,063
Changes in fair values of financial instruments	0	0	0
Currency translation gains/losses from translation of foreign financial statements	0	0	0
Overall result for the financial year	**0**	**0**	**1,063**
Dividend distributions	0	0	0
Change due to equity decreases	0	0	0
Other changes	0	0	1
Equity at 31 Mar. 2012	**8,732**	**26,252**	**-17,011**
Equity at 31 Dec. 2010	**8,732**	**26,252**	**-21,952**
Consolidated net income/ Minority interests	0	0	935
Changes in fair values of financial instruments	0	0	0
Currency translation gains/losses from translation of foreign financial statements	0	0	0
Overall result for the financial year	**0**	**0**	**935**
Dividend distributions	0	0	0
Other changes	0	0	0
Equity at 31 Mar. 2011	**8,732**	**26,252**	**-21,017**

Revaluation reserve	Exchange differences	Minority interest	Total
€ thou.	€ thou.	€ thou.	€ thou.
-747	**-480**	**557**	**16,239**
0	0	68	1,131
7	0	0	7
0	43	0	43
7	**43**	**68**	**1,181**
0	0	0	0
0	0	40	40
0	0	-1	0
-740	**-437**	**664**	**17,460**
-629	**-590**	**400**	**12,213**
0	0	39	974
-33	0	0	-33
0	8	0	8
-33	**8**	**39**	**949**
0	0	0	0
0	0	0	0
-662	**-582**	**439**	**13,162**

Notes to the interim financial statements

1. Accounting principles

This quarterly financial report was prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU and the International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB) and conforms to the Company's accounting principles as outlined below. It was prepared using the same accounting policies as the consolidated financial statements for the year ended 31 December 2011.

2. Basis of consolidation

The basis of consolidation has changed in comparison with the previous year. Masterflex Asia Pte. Ltd., Singapore, the Republic of Singapore, was established on 1 February 2012. The shares of Masterflex Asia Pte. Ltd. are held by Masterflex Asia Holding GmbH, Gelsenkirchen.

On 14 February 2012, the Group sold a 20% holding in Masterflex Asia Holding GmbH, Gelsenkirchen at a purchase price of € 40 thousand. As a result, the non-controlling interest increased by € 40 thousand.

3. Dividend

The Executive Board and Supervisory Board of Masterflex AG will propose at the Annual General Meeting on 19 June 2012 to waive the payment of a dividend.

4. Segment reporting

The Masterflex Group divides up its operating segments in accordance with the criteria of IFRS 8. Reporting for operating segments subject to reporting requirements 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), SUPRO Verwaltungsgesellschaft mbH, Masterflex Entwicklungs GmbH and Masterflex Vertriebs GmbH are presented on a uniform basis under "Discontinued business units". Masterflex AG thus has one operating segment, the core business unit (HTS).

Segment reporting 31 March 2012	High-Tech Hose systems € thou.	Total for continued business units € thou.	Discontinued business units € thou.	Totial € thou.
Revenue from non-Group third parties	14,511	14,511	0	14,511
Earnings (EBIT)	2,124	2,124	-3	2,121
Investments in property, plant and equipment and intangible assets	381	381	0	381
Depreciations	637	637	0	637
Assets	50,997	50,997	20	51,017

Segment reporting 31 March 2011	High-Tech Hose systems € thou.	Total for continued business units € thou.	Discontinued business units € thou.	Totial € thou.
Revenue from non-Group third parties	13,929	13,929	564	14,493
Earnings (EBIT)	2,399	2,399	-231	2,168
Investments in property, plant and equipment and intangible assets	650	650	22	672
Depreciations	615	615	8	623
Assets	58,247	58,247	3,515	61,762

5. Earnings per share

In accordance with IAS 33, basic earnings per share is calculated by dividing the consolidated net income/loss for the period by the weighted average number of shares outstanding during the period under review. As at 31 March 2012, the basic earnings per share from continuing operations amounted to € 0.12 and the basic earnings per share from continuing and discontinued operations amounted to € 0.12 as well based on a weighted average number of shares of 8,865,874.

Since the Company does not operate a stock option plan, it is not necessary to calculate diluted earnings per share.

6. Treasury shares

As at 31 March 2012, Masterflex AG held a total of 134,126 treasury shares.

7. Employees

The Group had a total of 472 employees as at 31 March 2012, up 9.5% on the same period of the previous year (431 employees).

8. Income taxes

Income tax expense in this quarterly financial report is determined on the basis of the estimated effective tax rate for Masterflex AG for the 2012 financial year as a whole, which is applied to the pre-tax profit for the quarter. The effective tax rate is based on current earnings and tax forecasts.

9. Cashflow statement

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

Medical components, including Y connectors (FLEIMA PLASTIC GmbH)

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

	31 March 2012 € thou.	31 March 2011 € thou.
Cash and cash equivalents at the end of period	2,938	8,931
Cash in hand and bank balances included in assets held for sale	16	132
Cash in hand and bank balances	**2,922**	**8,799**

10. Related party disclosures

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

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

Information on these related parties can be found in the 2011 Annual Report in section 36 of the notes to the consolidated financial statements. There were no changes to this information during the period under review.

11. Audit review of the quarterly financial report

The quarterly financial report has not been audited in accordance with section 317 of the German Commercial Code (HGB) or reviewed by an auditor.

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To find out more about the Masterflex Group, please log on to:
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