

INTERIM REPORT

1st half year 2008



one step ahead

Masterflex at a Glance

- Strong core business in H1 2008
- New CEO presents strategy
- Write-offs and provisions for three projects totalling €8.1 million
- Executive Board confirms operating EBIT forecast of +6–12%

IFRS	June 30, 2008 (incl. adjustments)	June 30, 2008 (excl. adjustments)
Revenue (€ thou.)	69,498	69,498
EBITDA (€ thou.)	7,987	8,370
EBIT (€ thou.)	4,457	6,797
EBT (€ thou.)	-3,152	5,253
Consolidated net profit after minority interests (€ thou.)	-2,469	3,604
Earnings per share (€)	-0.55	0.80
EBIT margin	6.4 %	9.8 %
Net profit margin	-3.6 %	5.2 %
Number of employees	758	758
	June 30, 2008 (incl. adjustments)	June 30, 2008 (excl. adjustments)
Equity (€ thou.)	28,252	34,324
Total assets (€ thou.)	129,554	135,426
Equity ratio (%)	21.8 %	25.4 %



The Executive Board of Masterflex AG

Dr. Andreas Bastin, Chief Executive Officer

Ulrich Wantia, Chief Financial Officer

The Supervisory Board of Masterflex AG

Friedrich-Wilhelm Bischooping, Chairman of the Supervisory Board

Prof. Dr. Detlef Stolten, Deputy Chairman of the Supervisory Board

Detlef Herzog, Member of the Supervisory Board

June 30, 2007	Change in % (incl. adjustments)	Change in % (excl. adjustments)
63,662	9.2 %	9.2 %
7,764	2.9 %	7.8 %
6,263	-28.8 %	8.5 %
5,166	-161.0 %	1.7 %
3,170	-177.9 %	13.7 %
0.71	-177.5 %	12.7 %
9.8 %	-34.7 %	
5.0 %	-172.0 %	
785	-3.4 %	-3.4 %
December 31, 2007	Change in % (incl. adjustments)	Change in % (excl. adjustments)
34,772	-18.8 %	-1.3 %
130,087	-0.4 %	4.1 %
26.7 %	-18.4 %	-4.9 %



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Dear Shareholders,

For the first time in my role as CEO of Masterflex AG, I would like to present to you this report containing an overview of the business development under my management.



Ladies and Gentlemen, the name Masterflex has been synonymous with leading expertise in the development and production of High-Tech Hose Systems for more than 20 years. This approach has proved extremely successful to date, although it has recently become clear that the synergies achievable between the markets served by Masterflex AG, some of which are extremely diverse in nature, are not sufficiently appropriate to allow us to leverage the Company's continued potential. We intend to change this situation, which is far from unusual for a rapidly growing company, in order to expand our highly profitable core activities further and more rapidly than before. Accordingly, this report also contains additional information on Masterflex AG's new strategic concept.

However, let me start by addressing the first six months of 2008, in which we continued on our growth path, increasing consolidated revenue to €69.5 million – up 9.2 % on the previous year (€63.7 million).

Our core High-Tech Hose Systems business unit accounted for around one-third of total revenue – but more than two-thirds of consolidated net profit.

Masterflex AG therefore intends to make the most of its superior technological expertise in future, focusing on the development and production of high-quality connector and hose systems using innovative high-tech plastics. As this area clearly offers the greatest potential for success, we intend to monitor continuously all non-core activities in order to assess their value to the Group.



In early July 2008, we resolved to recognise a non-cash valuation allowance of €8.1 million for three projects. Provisions were also recognised in the amount of €0.3 million. In accordance with IFRS, these measures are already included in the interim financial statements for the period ended June 30, 2008. The resulting effects are discussed in detail under “Net Assets, Financial Position and Results of Operations” in the Management Report.

It is important to stress that we examined all of Masterflex AG’s major projects in the course of this process. This was an important element of the new strategic concept, the aim being to allow us to focus all of our efforts on the expansion of our successful core High-Tech Hose Systems business unit.

Our operating performance (without adjustments) developed in accordance with the principles of our new strategy, with High-Tech Hose Systems again making a key contribution to the improvement in consolidated net profit in the first six months of 2008. Consolidated earnings before interest and taxes (EBIT) increased by 8.5 % to €6.8 million (previous year: €6.3 million). This puts us well within our forecast range of +6–12 % for the year as a whole.

We expect business development to remain positive throughout the rest of the current financial year, particularly in our core operations. Incoming orders for hoses in particular have been extremely high in recent months.

In terms of financing, we are working on improving our equity ratio towards a target of around 30%. In addition to operating cash flow, the planned divestment measures forming part of our new strategy will make a key contribution to this development, as well as allowing us to increase the level of growth investments from Company funds.



All of our activities and our timeline are systematically focused on growth and value appreciation in our core business unit – in the interests of our customers, shareholders and employees!

August 2008

Dr. Andreas Bastin

A handwritten signature in black ink, appearing to read 'A. Bastin', with a stylized flourish at the end.

Chief Executive Officer



Interim Management Report

Group structure and business activities

Masterflex AG, Gelsenkirchen, is a specialist for the development and production of high-quality connector and hose systems. In the past, the Company primarily used polyurethane; today, however, we also process a number of other innovative high-tech plastics.

Over the years, the Company has expanded its business activities into the areas of Medical Technology, Surface Technology, Mobile Office Systems and Fuel Cell Technology.

In future, Masterflex AG intends to concentrate on its superior materials and technological expertise to a greater extent, with a particular focus on the successful core High-Tech Hose Systems business unit.

In the near future, we will also combine our fuel cell activities with our Cargobike and electric bicycle operations to create a new, high-performance "Climate-Neutral Mobility" business unit.

Market and competition

High-Tech Hose Systems – core business unit enjoys dynamic development

The upturn in the German plastics industry continued in the first six months of 2008. Recently published figures show that a record 20.8 million tonnes of plastics were produced in 2007. According to the industry association PlasticsEurope, plastics production and consumption will continue to grow in future. Plastics will also play a key role in resource and energy efficiency in terms of the increased awareness of climate change: for example, plastics offer the advantage that they are lighter than metal.



According to the Kunststoff Information industry news service, there are fears that the sharp increase in raw material, energy and transportation costs and the turbulent environment on the financial markets could have an impact on the previously robust development of the plastics sector.

On account of its broad customer base, Masterflex AG has traditionally been better positioned to withstand economic fluctuations, while its specialised product range and the use of high-performance plastics mean that it is exposed to price increases to a lesser extent than mass producers of plastics.

In accordance with our new strategy and in order to ensure transparency, we are already reporting our core operations and our fuel cell activities separately in this interim report.

The High-Tech Hose Systems business unit continued to enjoy dynamic operating performance in the second quarter of 2008. In the first six months of the year, segment revenue increased by 8.9 % to €23.2 million (H1 2007: €21.3 million). Operating segment EBIT before reconciliation improved by 9.1 % to €5.0 million (previous year: €4.6 million), resulting in an impressive EBIT margin of 20.4 %.

In the interim financial statements for the period ended June 30, 2008, a partial valuation allowance was recognised for various purchased services relating to the inner-coated hose development project that did not result in the desired development progress. We are still confident that this project will be a success, but intend to focus on applying our in-house expertise in future. Adjusted for this valuation allowance, segment EBIT amounted to €4.3 million.

The German market for High-Tech Hose Systems continues to develop extremely positively. The intensification of our marketing and sales activities has opened up new market segments. With demand still on the rise, a new production building was opened at our subsidiary Novoplast Schlauchtechnik GmbH, Halberstadt, in June 2008. Novoplast is the leading specialist for extruded thermoplastic hoses and profiles, and has made substantial investments in state-of-the-art production technology



and cleanrooms. In future, it also intends to produce customised hoses for technical and medical applications.

We also successfully presented our products at various national and international trade fairs. In addition to general industry fairs like Hannover Messe and specialist events such as the Aircraft Interiors Expo (AIE) in early April 2008, we focused in particular on trade fairs in Eastern Europe, as this region is a core element of the further internationalisation of our business activities.

Our activities in the USA also developed extremely positively in the second quarter of 2008, with our targets for the year as a whole achieved in just six months. We are yet to notice any tangible effects as a result of the difficult economic environment in the USA. Indeed, we expect development in the second half of 2008 to remain essentially unchanged thanks to our highly specialised product range. Exchange rate effects are largely negligible, as orders in the USA are invoiced in U.S. dollars.

We have generally optimised the processes within our development projects in order to enable a shorter time-to-market.

Fuel Cell Technology/Climate-Neutral Mobility business unit

Our activities in this business unit cover fuel cell technology, Cargobikes and electric bicycles. The partnership with T-Com, which is using Cargobikes with fuel cell drive systems, continued in the first half of 2008. Additional Cargobikes were supplied in Germany as part of the HyChain project, with further units scheduled to be shipped to Spain by the end of the year. In addition, the innovative fuel cell safety concept developed by Masterflex was completed and presented at Hannover Messe 2008.

Revenue in this new segment developed extremely encouragingly as against the previous year, improving from €0.5 million to €1.4 million. Due to increased start-up costs for planned projects, segment EBIT was negative at €-516 thousand compared with €-54 thousand in the same period of the previous year. In accordance with our strategy, we intend to develop our activities in this area over the next two to three years with a view to making a decision as to whether the Climate-Neutral

Mobility business unit should become a second pillar of Masterflex AG's operations in the long term or whether it should be spun off to form a separate company. In any case, this area of application and the progress made in terms of our fuel cell technology will provide a strong basis for future economic success.

Medical Technology – expanding our earnings strength

We remain satisfied with the performance of the Medical Technology business unit in the current financial year. Development in the highly specialised area of medical components (known as medical devices), which includes the production of infusion tubes and catheters, remains highly promising. These successes serve to underline the materials and technological expertise of the Masterflex Group, which processes high-performance plastics for specialised medical applications by extrusion in the same way as it does for technical products. These products help to improve traditional examination methods, as well as opening up entirely new areas of application.

Medical sets are now flourishing under our new, clearly prioritised profitability targets. It is clear that the programme of measures relating to the streamlined product range and sales optimisation at our subsidiary Angiokard Medizintechnik GmbH & Co. KG has resulted in significant improvements in efficiency.

All in all, segment revenue in the Medical Technology business unit increased by 7.6 % in the first half of 2008 to €9.9 million (H1 2007: €9.2 million), while operating segment EBIT before reconciliation enjoyed dynamic development for the first time, improving by 537.8% year-on-year to €721 thousand (H1 2007: €113 thousand). The patented Lary-Vent respirator mask project was written off in full as of June 30, 2008 and will not be continued. This resulted in the extraordinary elimination of the corresponding operating earnings in the first half of the current financial year (segment EBIT including valuation allowance: €-409 thousand); at the same time, however, this measure will heighten the focus of our development and project resources on our successful business activities.





This development clearly shows that the effective measures implemented in the Medical Technology business unit have succeeded in improving the profit situation on a sustainable basis in just a short period of time. The operating EBIT margin amounted to 7.3 %, placing us at the top end of our forecast range of 5–7 %. This development is driven by the general trend in the healthcare sector towards medical products that are both safe and cost-effective – something that is ideally reflected in our product range.

Advanced Material Design – business model analysis

The Advanced Material Design business unit comprises the operations of the SURPRO Group, which specialises in the area of surface technology. SURPRO is a highly specialised niche provider for the production and finishing of precision surfaces.



The revenue and EBIT development of the SURPRO Group again failed to meet our expectations in the second quarter of 2008, although the situation has improved compared with the unsatisfactory start to the year. SURPRO's business performance is traditionally far stronger in the second half of the year. We still believe that our targets will be achieved by the end of the year on the back of the productivity and quality enhancement measures that were implemented in the second half of 2007, particularly in terms of increased process automation.

In early 2007, Masterflex AG invested in a start-up company that had developed a new, high-tech surface coating procedure. This investment was originally expected to make a sustainable contribution to the expansion of the Group's technology leadership in the Advanced Material Design business unit (surface technology). However, hopes of a quick market launch for the new procedure have remained unfulfilled, with discussions with potential clients and strategic investors proving unsuccessful. Accordingly, as outlined in the Risk Report contained in the 2007 Annual Report, Masterflex has exercised its option to recognise a valuation allowance and has recognised provisions with a corresponding adverse effect on segment earnings.

All in all, segment revenue increased by 12.7 % in the first half of 2008 to €11.0 million (H1 2007: €9.8 million), while operating segment EBIT before reconciliation amounted to €413 thousand (H1 2007: €451 thousand; segment EBIT including valuation allowance: €30 thousand).

Mobile Office Systems – strong market position maintained

After a strong end to 2007, the Mobile Office Systems business unit recorded comparatively modest development in the first quarter of 2008. However, this deficit was reversed in Q2 by the operating subsidiary in this business unit, DICOTA GmbH – a leading one-stop provider of cases and bags for the transportation of notebooks and office systems.

The primary growth drivers in this segment are Eastern Europe and, in particular, Asia. The DICOTA Group further increased its revenue and earnings from these regions in the period under review. All in all, the business unit generated segment revenue of €23.9 million in the first half of 2008, up 4.7 % year-on-year (H1 2007: €22.9 million), while segment EBIT before reconciliation increased by 20.8 % to €2.0 million (H1 2007: €1.7 million).



The sale of the DICOTA Group is currently being examined.

Net Assets, Financial Position and Results of Operations

Results of operations

The results of operations of Masterflex AG for the period under review were impacted by a valuation allowance that was resolved on July 3, 2008 and announced on July 4, 2008. In accordance with IFRS, the carrying amounts affected by the write-offs and the provisions have been adjusted as of June 30, 2008. It is important to note that the development of the Group's operating business remains extremely positive. The following section contains a presentation of the Group's figures both with and without the relevant adjustments.



As part of its refocusing on systematic earnings growth and the resulting examination of all activities not forming part of the core High-Tech Hose Systems business unit, Masterflex AG recognised a non-cash value impairment (in accordance with IFRS) of €8.1 million in the period under review. Provisions were also recognised in the amount of €0.3 million.

The projects affected include the Group's investment in a start-up company that had developed a new, high-tech surface coating procedure. The write-off for goodwill and receivables from this company totalled €6.2 million. Provisions were also recognised in the amount of €0.3 million.

Write-offs were also recognised for two long-running development projects that failed to meet certain risk/reward criteria. The LaryVent respirator mask project was written off in full of €1.1 million consisting of development costs in the amount of €0.8 million and purchased licences and industrial rights in the amount of €0.3 million. A partial write-off of €0.8 million was also recognised for various purchased services relating to the inner-coated hose project.



Financial statements for the period	January 01– June 30, 08* € thou. (incl. adjustment)	January 01– June 30, 08* € thou. (excl. adjustment)	January 01– June 30, 07* € thou.
Revenue	69,498	69,498	63,662
Gross profit	74,824	74,824	68,008
Cost of materials	-35,102	-35,102	-33,162
Staff costs	-16,691	-16,691	-15,353
Other operating expenses	-15,044	-14,661	-11,729
EBITDA	7,987	8,370	7,764
Depreciation and amortisation expense	-3,530	-1,573	-1,501
EBIT	4,457	6,797	6,263
Net finance costs	-7,609	-1,544	-1,097
EBT	-3,152	5,253	5,166
Income tax expense and minority interests	683	-1,649	-1,996
Consolidated net profit after minority interests	-2,469	3,604	3,170

* Adjustment = write-offs and provisions

The following section discusses the key operating earnings figures for the Group's primary business development. Amounts adjusted for the write-offs and provisions recognised are shown in parentheses ("Adj" for short).

In the first six months of 2008, consolidated revenue increased by 9.2 % to €69.5 million (H1 2007: €63.7 million), while consolidated gross profit improved by 10.0 % to €74.8 million (H1 2007: €68.0 million). This was primarily attributable to the dynamic development of the core High-Tech Hose Systems business unit.



The cost of materials as a percentage of revenue decreased year-on-year to 46.9 % (H1 2007: 48.7 %), largely as a result of the successful reduction in the volume of work in progress at the SURPRO Group.

The staff cost ratio declined slightly to 22.3 % (H1 2007: 22.6 %).

Other operating expenses increased from €11.7 million in the previous year to €14.6 million (Adj: +28.3 % to €15.0 million). This item includes expenses relating to exchange rate hedges in the amount of €2.9 million. The corresponding income item totalled €3.1 million and is reported in other operating income.

Operating EBITDA increased by 7.8% year-on-year to €8.4 million (Adj: +2.9 % to €8.0 million).

Depreciation and amortisation expense attributable to operating activities increased slightly to €1.6 million (Adj: +135.2 % to €3.5 million as a result of the write-offs on the LaryVent and inner-coated hose projects).

Net operating finance costs increased slightly from €1.1 million in the previous year to €1.5 million in the first six months of 2008 (Adj: increase of €6.5 million to €-7.6 million due to the loans extended to the start-up company).

This resulted in a 1.7 % improvement in consolidated operating earnings before taxes (EBT) to €5.3 million (Adj: -161.0 % to €-3.2 million).

The tax ratio improved year-on-year to 29.8 % (H1 2007: 36.0 %). Consolidated operating net profit after minority interests increased by 13.7 % to €3.6 million (Adj: -177.9 % to €-2.5 million), resulting in earnings per share of €0.80 compared with €0.71 in the previous year (Adj: €-0.55).

Net assets

Masterflex AG's asset position deteriorated between December 31, 2007 and July 30, 2008 as a result of the adjustments, with total assets amounting to €129.5 million (-0.4 %). Noncurrent assets declined by €5.6 million, while equity decreased from €34.8 million to €28.3 million. As a result,

the equity ratio fell by -4.9% to 21.8%. The number of treasury shares held by the Company remained unchanged at 134,126, the cost of which is deducted from equity. Net indebtedness decreased by €0.6 million to €62.0 million.

The acquisition of land and the erection of production and administrative buildings in the period under review were financed by publicly subsidised funds.

Financial position

Masterflex AG's successful operating performance can be seen from the consolidated cash flow statement. Net cash from operating activities was clearly positive at €5.5 million, compared with net cash used in operating activities of €-696 thousand in the previous year. This is primarily due to the strong business development in the High-Tech Hose Systems business unit. The increase in liabilities is attributable to the higher volume of sales.

Net cash used in investing activities relates in particular to the funds provided to the start-up company and investments in the construction of the new production building at Novoplast Schlauchtechnik GmbH.

Net cash used in investing activities includes the dividend paid to the Company's shareholders, which totalled €3.5 million.

Employees

The Group had a total of 758 employees at June 30, 2008, down 3.4% on the same period of the previous year (785 employees). This was primarily due to the significant progress made in terms of the automation and productivity enhancement measures implemented in the Advanced Material Design business unit in the past financial year.

Research and Development, Investment

There were no significant changes compared with the disclosures provided in the 2007 Annual Report.



Report on Post-Balance Sheet Date Events

Significant events after the end of the reporting period

As part of the announced refocusing on systematic earnings growth and the resulting examination of all activities not forming part of the core High-Tech Hose Systems business unit, the Executive Board of Masterflex AG resolved the recognition of a non-cash valuation allowance (in accordance with IFRS) in the amount of €8.1 million on July 3, 2008. Provisions were also recognised in the amount of €0.3 million. This event is discussed in detail in the “Net Assets, Financial Position and Results of Operations” section above.

Risk Report

A detailed presentation of the risk management system and a discussion of the potential risks affecting the Group can be found in the 2007 Annual Report. The general information contained therein remains essentially unchanged. No risks that could endanger the continued existence of the Masterflex Group are currently identifiable.

As mentioned elsewhere in this report, valuation allowances have been recognised for the start-up company, LaryVent respirator mask and inner-coated hose projects discussed in the Risk Report.

Based on the results of a comprehensive examination, no further valuation allowances are required to be recognised at present, either for these projects or other major development projects at Masterflex AG.

Outlook and Opportunities

Strategic reorientation of Masterflex AG

The name Masterflex has been synonymous with leading expertise in the market for High-Tech Hose Systems for more than 20 years. Over the years, we have expanded into the areas of Medical Technology, Surface Technology, Mobile Office Systems and Fuel Cell Technology. It has become clear over time that the synergies achievable between

the individual business units and the markets they serve are extremely diverse in nature.

Although the expansion of our business activities means that our core hose activities “only” account for one-third of total revenue, they are also responsible for more than two-thirds of consolidated net profit.

Accordingly, we have initiated measures aimed at refocusing our business models and consolidating our corporate structure. We have established a clear vision that provides a roadmap for the future, with a focus on Masterflex AG’s successful and superior core competencies.

In concrete terms, this means that Masterflex AG intends to primarily concentrate on the development and production of high-quality connector and hose systems using innovative high-tech plastics in future.

Our measures will reflect this vision and help to ensure that Masterflex AG expands to become a focused technology company over the coming years.

In order to realise these growth factors, we intend to make further investments and targeted acquisitions in addition to the projects that are already in progress.

We also consider the area of fuel cell technology as offering significant potential. We have separated our activities in this area from our core business unit, combining them with our successful electric bicycle and Cargobike operations to form the new “Climate-Neutral Mobility” business unit. A decision will then be taken in the medium term as to whether these activities should become a second pillar of Masterflex AG’s operations or whether a profitable spin-off to form a separate company would be more appropriate for strategic purposes.

We will continue to closely monitor the rest of the Group’s activities in terms of their contribution to enterprise value and their relevance for our long-term strategy, and will act accordingly.



Our revised Group strategy will allow us to achieve our targets in the most efficient and effective manner possible, thereby enabling us to return to an improved equity base.

In the short to medium term, we are aiming to achieve a stable equity ratio of around 30%. This will be achieved at all stages of our strategic reorientation by way of targeted divestment measures and the earnings strength of our core activities, which will continue to generate positive cash flows on a sustainable basis. In terms of debt capital, we continue and optimise our successful long-term financing structure with our banks.

Opportunities

On account of its superior materials and technology expertise, a large number of promising opportunities for the future are available to Masterflex AG. We have identified a number of attractive business opportunities, which are presented in detail in the 2007 Annual Report. The general information contained therein remains essentially unchanged.

Our future lies squarely in the core High-Tech Hose Systems business unit. We believe that concrete opportunities will be provided by the following factors:

- **Expansion of our product range**
We intend to offer full systems to a greater extent, e.g. hoses with connector elements and application-oriented systems as comprehensive supply solutions.
- **Intensified internationalisation process**
We intend to intensify the marketing activities that we have successfully initiated in North America and Eastern Europe. In the USA in particular, developments in the first half of 2008 were more successful than expected. To date, our activities in Asia and the Rest of the World have been limited, but we are currently examining strategic options for market entry in these regions.
- **Expansion of materials expertise**
Ten years ago, some 80% of our plastics processing activities involved polyurethane (PUR). Since then, however, the share attribu-



table to other high tech plastics has risen steadily, with PUR now only accounting for around 50 %. The high-performance plastics used in our products demand extremely complex processing and a high level of experience. Masterflex has demonstrated the required technological expertise for more than 20 years, thereby opening up additional opportunities for our Company.

Outlook for the 2008 financial year

The positive operating performance recorded in the 2008 financial year to date shows that we are on the right track with our strategic focus on our profitable core business unit. Between now and the end of the year, we intend to press ahead with the internationalisation of our High-Tech Hose Systems activities while optimising the conditions for a further improvement in our innovative ability. To this end, we are currently developing a milestone program that will allow us to measure our progress and success.

The spin-off of Fuel Cell Technology as a separate business unit will continue as planned in the second half of 2008. We also intend to press ahead with our activities aimed at positioning ourselves in the market for climate-neutral mobility.

As previously announced, all business units not forming part of the Group's core activities will continue to be monitored in order to assess their contribution to our development.

Within the Medical Technology business unit, the medical components business model is based to a large extent on our expertise in the area of high-tech plastics for extrusion and plastic injection moulding, whereas the set business involves an entirely different range of market drivers and core competencies. Accordingly, our analysis of the business unit is broken down into these individual areas. The strong performance of the set business in the first half of 2008 raises optimism that it will make a promising strategic contribution in future.



As mentioned previously, the strategic review of the Advanced Material Design business unit will continue at least until the end of the year and will be accompanied by the evaluation of the business measures initiated.

The Mobile Office Systems business unit is enjoying encouraging development at present. As announced, we are working towards generating attractive options for the sale of these operations. In order not to compromise this process, however, we are not making any concrete disclosures as to the potential date of any such transaction.

In addition to the successful continuation of our operating activities, we intend to develop a high-performance financing concept with a view to improving our equity structure on a sustainable basis. As previously announced, this will include targeted divestments.

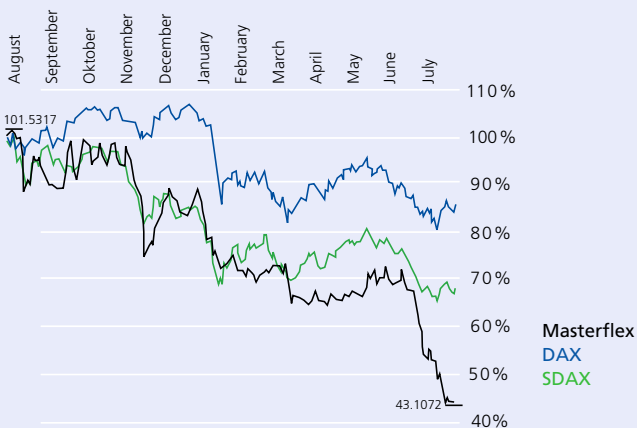
On account of the positive conditions, we are maintaining our outlook for the 2008 financial year as a whole. For example, the High-Tech Hose Systems business unit generated a record level of incoming orders in July 2008. Accordingly, we are reiterating our operating earnings forecasts and still expect to generate consolidated EBIT growth (adjusted for valuation allowances) of 6–12%.

The Masterflex Share

After opening at €15.09 (Xetra) on April 1, Masterflex AG's share price initially remained relatively stable in a difficult stock market environment, and actually outperformed the benchmark indices to record a quarterly high of €16.55 (Xetra) on June 3.

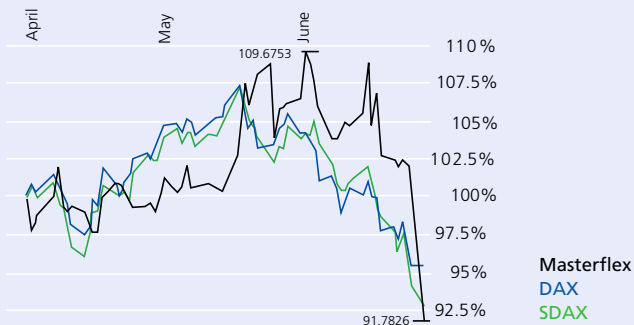
However, a sharp downturn towards the end of the quarter saw the Company's shares closing at €13.85 on June 30, 2008. This corresponds to quarterly performance of -8.2%. As a result of the ad hoc disclosure on the valuation allowance on July 4, 2008 and further bad news from the financial markets, Masterflex's share price continued to fall, reaching a 12-month low of €9.85 on July 29, 2008. This also represented a new all-time low (previously €9.95). The share price then recovered to close at €10.36 on July 31, 2008, corresponding to year-on-year performance of -55.9% (previous year: €23.51).

Y-o-y comparison July 2007 vs. July 2008



Since last year, the market environment for small and mid-caps has become significantly more difficult than for blue chips. Although share prices have fallen, experts are warning investors not to take the resulting low valuations as a green light to invest, as three negative developments are currently coinciding to make life difficult for such companies: the slowdown in the economy, the lower level of liquidity available to small and mid-caps, and the negative investor sentiment that is reflected in the extremely low trading volumes on the small and mid-cap indices over recent weeks.

Share price development Q2 2008





Masterflex's significant growth potential will remain the key element of any upturn in the Company's share price. With this in mind, the primary objective of our investor relations activities is to build confidence in our corporate strategy, which is focused on earnings growth. Masterflex AG has recorded steadily increasing revenues for more than 20 years, and our numerous innovations have had a decisive impact on our core market, the profitable High-Tech Hose Systems segment. Opportunities are provided by our innovative ability, the potential offered by our high-tech materials and the further internationalisation of our activities. This is confirmed by most analysts, the majority of which have issued Buy or Hold recommendations for the Company's shares.

Analysts	Investment recommendation	
Bankhaus Lampe	Buy	update July 2008
Berenberg Bank	Buy	update July 2008
First Berlin	Buy	update July 2008
HSBC Trinkaus & Burkhardt	Overweight	update May 2008
Dresdner Kleinwort	Hold	
West LB	Hold	
GSC Research/ Nebenwerte-Insider	Sell	July 2008
Wertpapier	Sell	July 2008
neue märkte supertrade	Buy	July 2008

Annual General Meeting 2008

The Annual General Meeting was held at Schloss Horst in Gelsenkirchen on June 4, 2008. As in previous years, the event was well attended, with around 300 participants. All of the agenda items were passed by large majorities, reflecting positively on the work of the Executive Board, the Supervisory Board and the auditors.

Detlef Herzog, CEO of Masterflex AG until the end of March 2008 and one of the co-founders of the Company, was elected to the Supervisory Board by a large majority. The Annual General Meeting also resolved the payment of a dividend of €0.80 per share, which was distributed on June 5, 2008.

The results of the votes can be found on our website, www.masterflex.de, under Investor Relations/Annual General Meeting.



Notes to the Interim Financial Statements (H1 2008)

1. Accounting principles

The interim report of Masterflex AG for the period ended June 30, 2008 was prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) 34 ("Interim Financial Reporting") issued by the International Accounting Standards Board (IASB) and the "near final draft" requirements contained in German Accounting Standard No. 16 ("Interim Financial Reporting") issued by the German Accounting Standards Committee (GASC), and is consistent with the key accounting principles of the Company presented herein. The interim report was prepared using the same accounting policies as the consolidated financial statements for the year ended 31 December 2007 and the quarterly report for the first three months of 2008.

2. Basis of consolidation

The basis of consolidation was unchanged as against December 31, 2007 and the first quarter of 2008.

3. Dividend

The Annual General Meeting of Masterflex AG on June 4, 2008 resolved the payment of a dividend of €0.80 per share. Accordingly, a total of €3,492,699.20 was distributed on June 5, 2008.

4. Segment reporting

IAS 14 states that primary segment reporting must be prepared on the basis of product-related business units. Masterflex AG has five business units: High-Tech Hose Systems, Fuel Cell Technology, Medical Technology, Advanced Material Design and Mobile Office Systems.

Segment reporting (incl. adjustments)	HTS High-Tech Hose Systems	FCT Fuel Cell Technology/ Climate-Neutral Mobility
June 30, 2008	€ thou.	€ thou.
Revenue	23,181	1,435
Earnings (EBIT)	4,260	-516
Earnings (EBIT) (excl. adjustments)	5,030	-513
Investments in property, plant and equipment and intangible assets	1,680	131
Assets	36,552	6,914
Depreciation and amortisation	1,767	23
Liabilities	7,354	1,933

Segment reporting	HTS High-Tech Hose Systems	FCT Fuel Cell Technology/ Climate-Neutral Mobility
June 30, 2007	€ thou.	€ thou.
Revenue	21,292	504
Earnings (EBIT)	4,667	-54
Investments in property, plant and equipment and intangible assets	1,565	352
Assets	43,020	3,014
Depreciation and amortisation	836	31
Liabilities	9,722	1,264

5. Earnings per share

In accordance with IAS 33, basic earnings per share is calculated by dividing the consolidated net profit for the period by the weighted average number of shares outstanding during the period under review. At June 30, 2008, basic earnings per share (adjusted for the valuation allowance) amounted to €-0.55 based on a weighted average of 4,365,874 shares outstanding.

6. Treasury shares

As of June 30, 2008, Masterflex AG held a total of 134,126 treasury shares.



MT Medical Techno- logy	AMD Advanced Material Design	MOS Mobile Office Systems	Segment totals	Reconcilia- tion	Group
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
9,928	11,020	23,934	69,498	0	69,498
-409	30	2,046	5,411	-955	4,456
721	413	2,046	7,697	-900	6,797
189	387	200	2,587	0	2,587
16,648	20,726	29,527	110,366	19,188	129,554
1,379	286	76	3,530	0	3,530
1,436	5,008	9,543	25,275	76,027	101,302

MT Medical Techno- logy	AMD Advanced Material Design	MOS Mobile Office Systems	Segment totals	Reconcilia- tion	Group
€ thou.	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
9,223	9,775	22,868	63,662	0	63,662
113	451	1,694	6,870	-607	6,263
586	232	103	2,838	0	2,838
18,269	19,192	28,743	112,238	9,264	121,503
253	312	69	1,501	0	1,501
2,199	5,904	8,770	27,859	62,627	90,486

7. Employees

The Group had a total of 758 employees at June 30, 2008, down 3.4 % on the same period of the previous year (785 employees).

8. Income tax expense

Income tax expense in the interim report is determined on the basis of the estimated effective tax rate for Masterflex AG for the 2008 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. Related party disclosures

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

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

Detailed information on this related party can be found in the 2007 Annual Report under note 38 (p. 119f.) of the notes to the consolidated financial statements. There were no changes to this information during the period under review.

10. Review report

The consolidated financial statements and the Group management report contained in the report on the first six months of the financial year have not been audited in accordance with section 317 of the German Commercial Code or reviewed by an auditor.

11. Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial 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, and 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 for the remaining months of the financial year.

August 2008



Dr. Andreas Bastin
Chief Executive Officer



Ulrich Wantia
Member of the Executive Board



Shareholdings

Company name	Company headquarters	Equity interest held by MASTERFLEX in %
MASTERFLEX S.A.R.L.	F-Béligneux	80
MASTERFLEX Technical Hoses Ltd.	GB-Oldham	100
FLEXMASTER USA, Inc. (subgroup)	USA-Houston	100
TechnoBochum GmbH	D-Bochum	100
MASTERFLEX Cesko s.r.o.	CZ-Plana	100
ANGIOKARD Medizintechnik GmbH & Co. KG (subgroup)	D-Friedeburg	100
ANGIOKARD Medizintechnik Verwaltungs-GmbH	D-Friedeburg	100
SURPRO-Verwaltungs GmbH (subgroup)	D-Wilster	100
DICOTA-Group (subgroup)	D-Bietigheim-Bissingen	100
Matzen & Timm GmbH	D-Norderstedt	100
MASTERFLEX Brennstoffzellen-technik GmbH (subgroup)	D-Herten	100

Financial calendar of the Masterflex AG 2008

31 March	Financials press conference, presentation of 2007 Annual Report, Düsseldorf
31 March	DVFA Analyst Conference, Frankfurt
April	International Roadshow
15 May	Quarterly Report for Q1 2008
4 June	Annual General Meeting, Gelsenkirchen
15 August	Quarterly Report for Q2 2008
7 November	Quarterly Report for Q3 2008
10–12 December	Eigenkapitalforum, Frankfurt
December	International Roadshow

Interim Financial Statements

Consolidated Balance Sheet

Assets	30.06.2008 * € thou.	31.12.2007 € thou.
NON-CURRENT ASSETS		
Intangible assets	27,886	29,589
Concessions, industrial and similar rights	1,584	2,252
Development costs	3,791	4,834
Goodwill	22,511	22,474
Advance payments	0	29
Property, plant and equipment	29,905	29,147
Land, land rights and buildings	13,797	11,687
Technical equipment and machinery	10,018	9,854
Other equipment, operating and office equipment	5,009	5,286
Advance payments and assets under development	1,081	2,320
Non-current financial assets	4,717	9,544
Non-current financial instruments	481	752
Other loans	4,236	8,792
Other assets	470	453
Deferred taxes	1,962	1,768
	64,940	70,501
CURRENT ASSETS		
Inventories	27,823	28,219
Raw materials and consumables used	8,654	8,379
Work in progress	6,040	6,248
Finished products and goods purchased and held for sale	13,012	13,470
Advance payments	117	122
Prepaid expenses	1,003	760
Receivables and other assets	24,850	21,563
Trade receivables	19,950	17,882
Other assets	4,900	3,681
Income tax assets	3,711	3,149
Cash in hand and bank balances	7,227	5,895
	64,614	59,586
Total Assets	129,554	130,087

* Unaudited



Equity and liabilities	30.06.2008 *	31.12.2007
	€ thou.	€ thou.
SHAREHOLDERS' EQUITY		
Consolidated equity	27,494	33,975
Subscribed capital	4,366	4,366
Capital reserve	17,521	17,521
Retained earnings	8,798	14,756
Revaluation reserve	-405	-176
Exchange differences	-2,786	-2,492
Minority interest	758	797
Total equity	28,252	34,772
NON-CURRENT LIABILITIES		
Provisions	1,344	1,308
Pensions	1,183	1,157
Other liabilities	161	151
Non-current financial liabilities	38,947	39,316
Prepaid expenses	3,176	3,198
Deferred taxes	1,800	1,749
	45,267	45,571
CURRENT LIABILITIES		
Provisions	4,319	5,189
Current financial liabilities	30,294	29,183
Prepaid expenses	209	297
Income tax liabilities	3,411	2,717
Other current liabilities	17,802	12,358
Trade payables	12,379	8,384
Other current liabilities	5,423	3,974
	56,035	49,744
Total Equity and liabilities	129,554	130,087

* Unaudited

Consolidated Income Statement

Income Statement as of	01.01.– 30.06.08 * € thou.	01.01.– 30.06.07 * € thou.
Revenue	69,498	63,662
Changes in inventories of finished goods and work in progress	240	2,352
Work performed by the enterprise and capitalised	159	197
Other operating income	4,927	1,797
Gross profit	74,824	68,008
Costs of materials	-35,102	-33,162
Staff costs	-16,691	-15,353
Depreciation and amortization expense	-3,530	-1,501
thereof valuation allowances	-1,952	0
Other operating expenses	-15,044	-11,729
Income from investments	0	496
Other interest and similar income	355	143
Write-downs of noncurrent financial assets	-6,065	0
Interest and similar expenses	-1,899	-1,736
Net profit from ordinary activities	-3,152	5,166
Income tax expense	836	-2,216
Deferred taxes	104	391
Other taxes	-119	-114
Group net income	-2,331	3,227
thereof minority interests	-138	-57
thereof attributable to shareholders of Masterflex AG	-2,469	3,170
Earnings per share (diluted and non-diluted)	-0.55	0.71

* Unaudited



Income Statement as of	01.04.– 30.06.08 *	01.04.– 30.06.07 *
	€ thou.	€ thou.
Revenue	35,987	31,226
Changes in inventories of finished goods and work in progress	-312	276
Work performed by the enterprise and capitalised	74	141
Other operating income	2,595	651
Gross profit	38,344	32,294
Costs of materials	-18,032	-15,712
Staff costs	-8,605	-7,741
Depreciation and amortization expense	-2,758	-741
thereof valuation allowances	-1,952	0
Other operating expenses	-8,130	-5,203
Income from investments	0	0
Other interest and similar income	150	67
Write-downs of noncurrent financial assets	-6,065	0
Interest and similar expenses	-921	-674
Net profit from ordinary activities	-6,017	2,290
Income tax expense	1,646	-1,064
Deferred taxes	91	179
Other taxes	-62	-49
Group net income	-4,342	1,356
thereof minority interests	-28	-31
thereof attributable to shareholders of Masterflex AG	-4,370	1,325
Earnings per share (diluted and non-diluted)	-0.97	0.29

* Unaudited

Consolidated Cash Flow Statement

Cash Flow	June 30, 2008 * € thou.	June 30, 2007 * € thou.
Result for the accounting period before taxes, interest income and financial income	-1,865	6,092
Income taxes paid	-1,626	-2,105
Depreciation and amortization expense	3,530	1,501
Change in provisions	-834	123
Other non-cash expenses/income and gains/losses from the disposal of non-current assets	-10	-185
Changes in inventories	396	-6,680
Changes in trade receivables and other assets that can not be allocated to investment or financing activities	-153	-1,079
Changes in trade payables and other equity and liabilities that can not be allocated to investment or financing activities	6,083	1,637
Net cash from operating activities	5,521	-696
Proceeds from the disposal of non-current assets	36	70
Payments to acquire non-current assets	-3,824	-2,647
Net cash used in investing activities	-3,788	-2,577
Payments to shareholders including dividends, acquisition of treasury shares	-3,670	-3,613
Interest and dividend receipts	87	621
Interest expenditure	-1,099	-1,671
Proceeds from the sale of term deposits/securities	63	618
Payments to acquire term deposits/securities	0	-1,499
Proceeds from raising loans	5,893	8,698
Payments for the repayment of loans	-1,381	-1,171
Net cash from/used in financing activities	-107	1,983
Net change cash and cash equivalents	1,626	-1,290
Changes in cash and cash equivalents due to exchange rates and other factors	-294	-263
Cash and cash equivalents at start of period	5,895	5,419
Cash and cash equivalents at the end of period	7,227	3,866

* Unaudited



Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Retained earnings (retained profits brought forward)
	€ thou.	€ thou.	€ thou.
Equity at December 31, 2007	4,366	17,521	14,756
Group net income	0	0	-2,469
Changes in fair values of financial instruments	0	0	0
Currency translation gains/losses from translation of foreign financial statements	0	0	0
Sale of treasury shares	0	0	0
Purchase of own shares	0	0	0
Dividend distributions	0	0	-3,493
Change due to equity decreases	0	0	0
Other changes	0	0	4
Equity at June 30, 2008	4,366	17,521	8,798
Equity at December 31, 2006	4,366	17,521	10,780
Group net income	0	0	3,170
Changes in fair values of financial instruments	0	0	0
Currency translation gains/losses from translation of foreign financial statements	0	0	0
Sale of treasury shares	0	0	0
Purchase of own shares	0	0	0
Dividend distributions	0	0	-3,493
Change due to equity decreases	0	0	0
Other changes	0	0	0
Equity at June 30, 2007	4,366	17,521	10,457



Revaluation reserve	Exchange differences	Minority interest	Total
€ thou.	€ thou.	€ thou.	€ thou.
-176	-2,492	797	34,772
0	0	138	-2,331
-229	0	0	-229
0	-294	0	-294
0	0	0	0
0	0	0	0
0	0	-177	-3,670
0	0	0	0
0	0	0	4
-405	-2,786	758	28,252
-419	-1,373	645	31,520
0	0	57	3,227
146	0	0	146
0	-263	0	-263
0	0	0	0
0	0	0	0
0	0	-120	-3,613
0	0	0	0
0	0	0	0
-273	-1,636	582	31,017

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To find out more about the Masterflex Group, please log on to:
www.masterflex.de > Company > Locations

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