WE ARE THERE FOR YOU WHENEVER AND WHEREVER YOU NEED US!

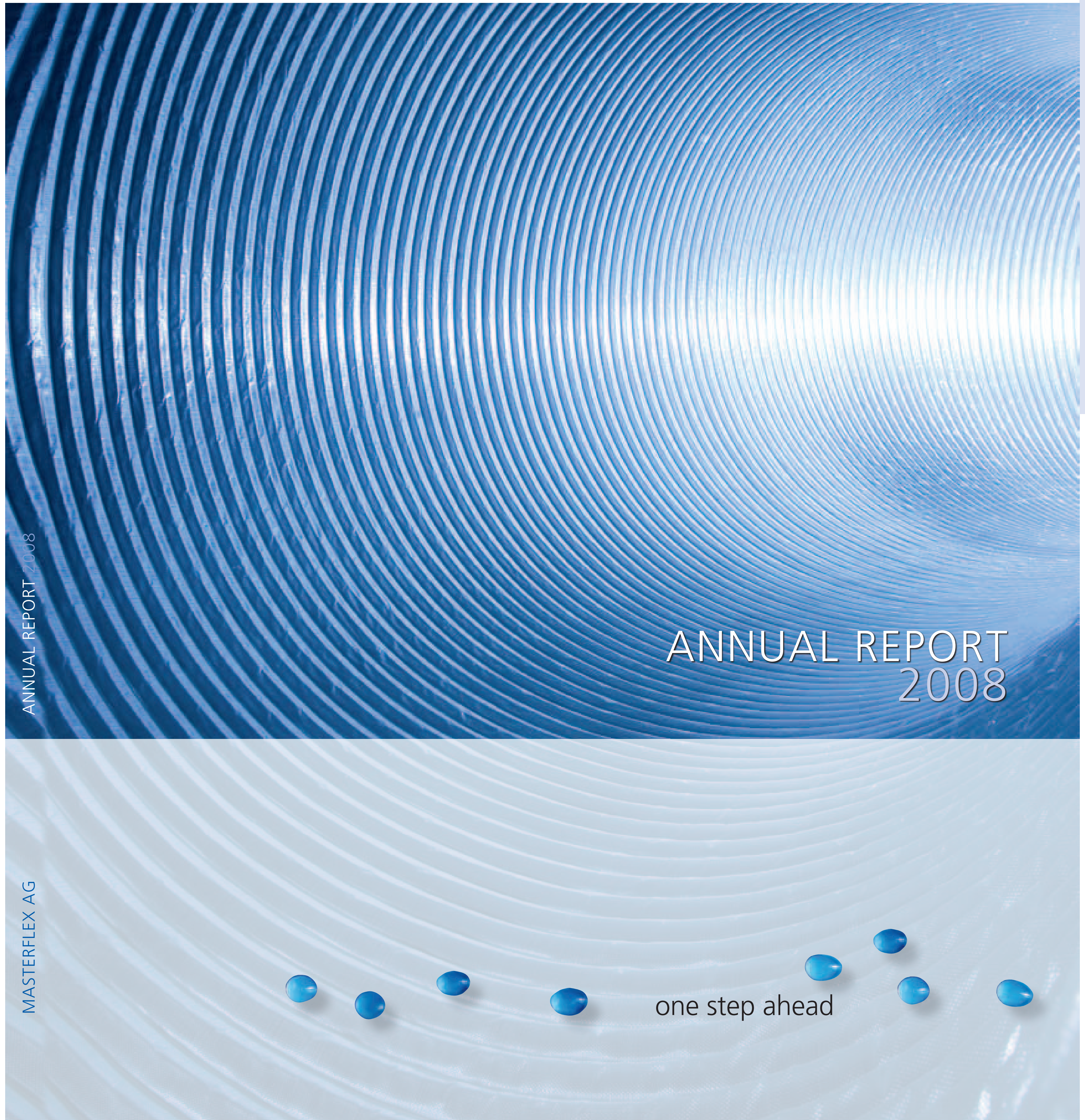
To find out more about the Masterflex Group, please log on to:
www.masterflex.de > Company > Locations

Masterflex AG

Willy-Brandt-Allee 300
D-45891 Gelsenkirchen

fon +49 209 970770
fax +49 209 9707720
mail info@masterflex.de
www.masterflex.de

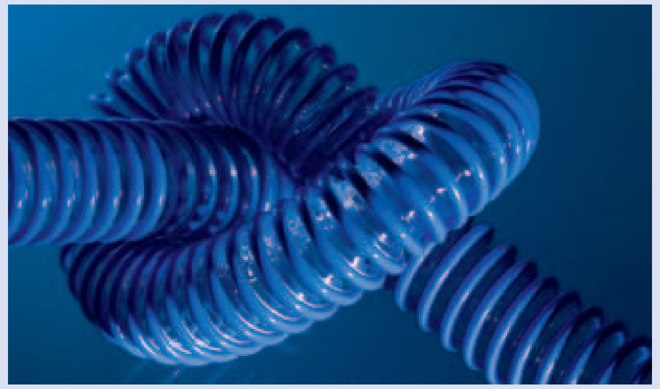
Masterflex

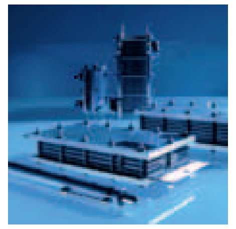


Masterflex AG

High-Tech Hose Systems

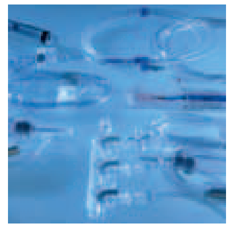
In our core business unit, using high-performance plastics and woven fabrics, we produce high-tech hoses and connecting systems for complex industrial applications in various areas. We have production sites in Germany, France, Great Britain, the Czech Republic and the USA. In other countries, our products are sold by local dealers.





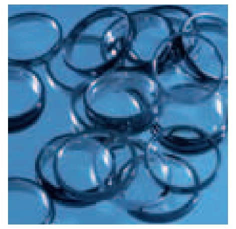
Mobility

We offer fuel cells offering a mobile power supply in the range between 25 and 250 watts as well as environmentally-friendly light mobility vehicles with electric and fuel cell drive systems.



Medical Technology

We produce medical technology components (infusion tubes, catheters etc.) made of high-quality special plastics. In addition, we provide operation sets specially prepared for individual customers, especially for angiographic examinations and operations.



Advanced Material Design

We finish product surfaces with high levels of functionality and unique design attributes using stainless steel and precious metals.

OUR NEW CREDO

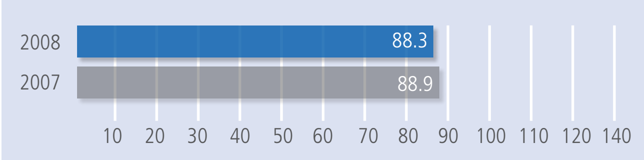
Ideas represent the capital of the future. With this credo we have been successful since 1987 in our core business unit, High-Tech Hose Systems. Our focus is innovation and sustainable growth. It is for this reason that we are again increasingly concentrating on our virtues:

- With our outstanding materials and technical expertise, we also process the most challenging high-performance plastics into products which set international benchmarks and create new markets.
- With our innovative ability we make it possible for our customers to have better or completely new applications on an ongoing basis.
- With our creative workforce and the close collaboration with our customers, we advance our research and development.
- We have the claim always to be an efficient, competent and reliable partner for our customers.
- Our earnings power allows a permanent search to the answers of the challenges of our customers and society.
- Increasing value and our long-term strategy determine our portfolio.
- Acquisitions and de-investments take place in line with their contribution to enterprise value.

CONTINUED BUSINESS UNITS

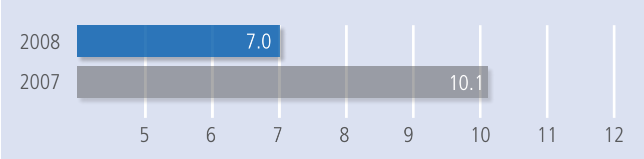
Consolidated revenue

in EUR millions



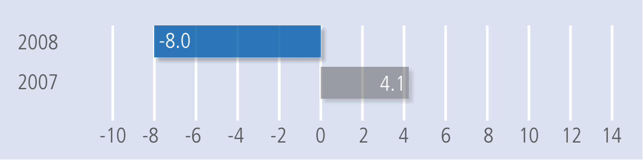
Consolidated EBIT

in EUR millions



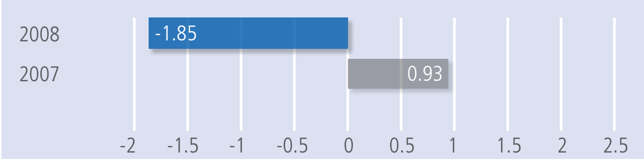
Consolidated net income

in EUR millions



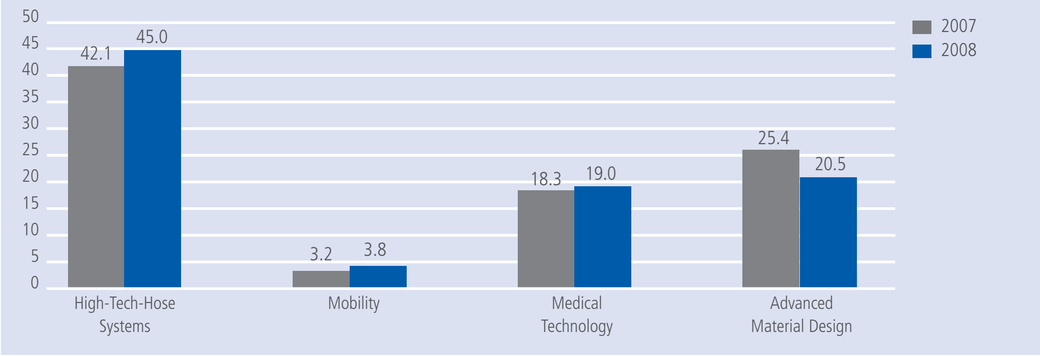
Consolidated earnings per share

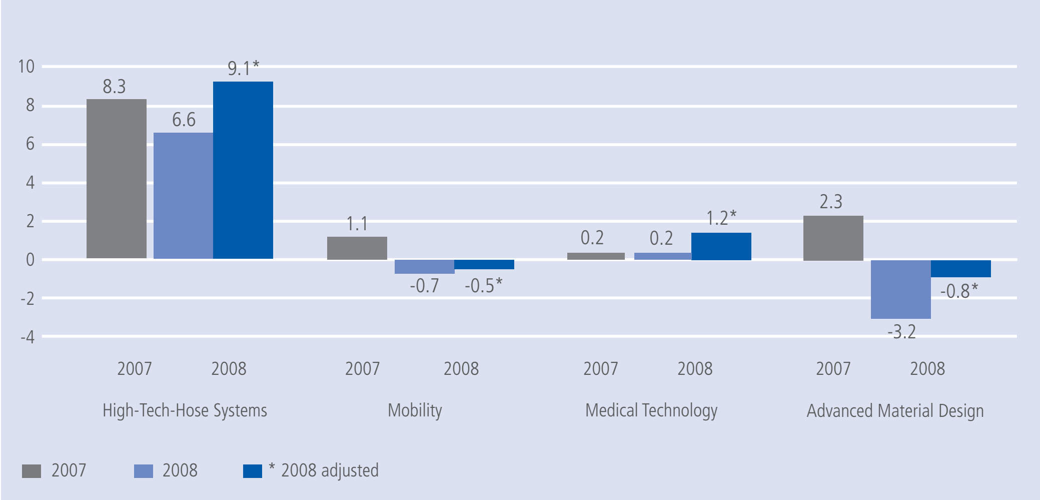
in EUR millions



Segment revenue

in EUR millions





Masterflex at a glance	December 31, 2008	December 31, 2007	Change in %
Consolidated revenue (EUR thousand)	88,302	88,943	-0.7 %
EBITDA (EUR thousand)	10,386	13,276	-21.8 %
EBIT (EUR thousand)	7,027	10,365	-32.2 %
EBT (EUR thousand)	3,797	7,101	-46.5 %
Consolidated earnings from continued business units (EUR thousand)	-7,985	4,166	-291.7 %
Consolidated earnings from discontinued business units (EUR thousand)	-7,663	3,391	-326.0 %
Consolidated net income/loss (EUR thousand)	-15,734	7,469	-310.7 %
Consolidated equity (EUR thousand)	14,840	34,772	-57.3 %
Consolidated total assets (EUR thousand)	101,475	130,087	-22.0 %
Consolidated equity ratio %	14.6 %	26.7 %	
Staff (December 31)	742	872	-14.9 %
EBIT-Margin	8.0 %	11.7 %	
Return on sales	-17.8 %	8.4 %	
Consolidated earnings per share (EUR)			
from continued business units	-1.85	0.93	-298.9 %
from discontinued business units	-1.75	0.78	-324.4 %
from continued and discontinued business units	-3.60	1.71	-310.5 %
Net dividend per share (EUR)	0.00*	0.80	-100.0 %
Net dividend yield (December, 31)	0.0 %	4.2 %	

* Proposal to the Annual General Meeting on August 11, 2009

Imprint

Masterflex AG
Investor Relations
Willy-Brandt-Allee 300
D-45891 Gelsenkirchen

Contact
Fon: (+49) 209 9707744
Fax: (+49) 209 9707720
info@masterflex.de
www.masterflex.de

Layout by
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Estimates
This annual report contains a number of forecasts and estimates which are based on present expectations, anticipations and predictions on the part of the Executive Board and the information it currently has. Such estimates should not be construed as a warrenty that the future developments and results therein stated will in fact materialize since these hinge on a host of factors, and encompass a variety of risks and imponderables while resting on assumptions that might be inappropriate. We therefore incur no obligation to update any forecasts or estimates herein made.

Highlights of the year 2008

January
Master-PUR inline hoses named best product of the year for 2007 in a readers poll by the journal P&A – Process Technology & Automation
Nortec Manufacturing Technology trade show (Masterflex AG)
February
Deutsche Telekom to test 14 fuel-cell powered Cargobikes in Berlin
WIN – World of Industry, Turkey (Masterflex AG)
March
Financials press conference and DVFA analysts press conference; announcement of data for financial year 2007
Computing trade fair CeBit (DICOTA GmbH)
April
Change at the top: Dr.-Ing. Andreas Bastin succeeds Detlef Herzog as CEO of Masterflex AG
International road show
Masterflex produces first Master-Clip hoses with two meter diameter
Hanover trade fair: Presentation of innovative connecting systems (Masterflex AG) and "Lopes", low pressure security system for Cargobikes (Masterflex fuel cell technology); Deutsche Telekom uses four Cargobikes at the fair
Aircraft Interiors Expo (AIE), Hamburg (Matzen & Timm GmbH)
May
International road show
Masterflex AG makes second donation to the charity football tournament organized by HeartKick e.V., an organization that assists people in crisis
June
Annual General Meeting attended by over 300 individuals
Opening of new production hall (Novoplast Schlauchtechnik GmbH)
"Innovations-Technologies-Machines Poland" (ITM Poland) trade fair in Poznan (Masterflex AG and distribution partner Masterflex Polska)
Industria – Hungary's largest industrial trade fair (Masterflex AG)
Masterflex actively promotes information sharing with suppliers in connection with the EU REACH Ordinance on the registration, evaluation and authorization of chemical substances
July
The DICOTA Take.Off Sport notebook backpack receives a "very good" distinction from Macwelt computer magazine (1.4 test result)
DICOTA partners with Turtle Entertainment, operator of the Electronic Sports League (ESL)
August
Novoplast Schlauchtechnik GmbH and Formula 1 driver Adrian Sutil sign two-year endorsement deal
The core High-Tech Hose Systems business posts major growth in the first half of 2008. The US business already reaches targets for full year
September
Powtech – the Mechanical Processing Technologies and Instrumentation trade fair (Masterflex AG)
October
FAKUMA European Plastics Processing trade fair, Friedrichshafen (Masterflex AG)
November
Presentation at German Equity Forum in Frankfurt held by Deutsche Börse
December
ComPaMed medical technology trade fair, Düsseldorf (Novoplast Schlauchtechnik GmbH and Angiokard Medizintechnik GmbH & Co. KG)
Masterflex donates to Verein Herzenswünsche e.V., an organization that helps critically ill children and youths; adopts a lion at the Zoom Erlebniswelt adventure Park in Gelsenkirchen
Masterflex sells subsidiary DICOTA GmbH

Dear Shareholders,

Dr. Andreas Bastin, Chief Executive Officer

The 2008 financial year was in many respects an eventful year for Masterflex AG. The strategic realignment of the Group was accompanied by the sale of our subsidiary DICOTA and other extensive adjustments. At the end of the year, further necessary value adjustments were made following the write-downs that were carried out during the year. At the same time, our operating business – particularly the core business unit High-Tech Hose Systems – continued to post stable performance. The significant positive free cash flow for the past year documents the profitability and efficiency of our Company.

The write-downs of the past year had a considerable impact on the balance sheet. Adjusted operating EBIT of continued business units – i.e. EBIT without all non-recurring effects incurred in 2008 – was within our forecast range at 7.0 million €. Consolidated net income after minority interests was at € -15.7 million. In order to secure our business performance, we propose that a dividend should not be paid for 2008.

Without doubt, the adjustment of our consolidated balance sheet was essential in order to bring about a new beginning. We have created the necessary conditions to ensure that the Company is sustainable for the long-term, and to free the Group from possible risks. We also see this as a key condition for establishing firm relations with our equity providers and lenders based on trust.

On this basis, and with our focused strategy, we will continue to extend our expertise as a specialist in High-Tech Hose Systems using innovative plastics and woven fabrics in coming years. Using the specific, global market analyses we have developed in the last two years and our long-term action plan, we will tap into growth potential particularly in the areas in which we are pursuing innovation and internationalisation.

The economic data from the early months of 2009 shows that we are in the grip of a global recession of an unpredictable duration. For 2009, we have therefore adopted all necessary measures to reduce the negative impact on the Company as much as possible. As well as extensive cost-saving and liquidity-generating measures, this also includes reduced working hours in some of our sites in Germany.

Thanks to a range of measures, particularly the sale of DICOTA GmbH at the end of the year, we succeeded in reducing the high net debt of Masterflex AG at the beginning of 2008 by 7.2% to € 58.1 million. However, further measures are necessary to allow us to restore our usual ability to operate and to meet the objective of tapping into our strategic growth potential. The development of a sustainable medium and long-term realignment of our Group financing will have top priority in 2009. We are therefore in the process of a close and constructive cooperation with our lending banks.

The restructuring of the Group will not be completed by the end of 2009. In addition, Masterflex AG will be unable to escape the impact of the severe economic crisis that we are currently experiencing. As a result, we will be unable to implement our expansion plans as rapidly as we had intended and planned.

2009 will not be an easy year, but we can see opportunities and will make effective use of these. We will therefore focus our efforts on our core competencies. Masterflex AG will return to success in its High-Tech Hose Systems business unit, which has stood out as our strong core business unit for more than twenty years. We created the necessary conditions for this in 2008. This year, we will also bring a range of high-value innovations onto the market. In March 2009, we also founded a new sales company in Sweden as part of our further internationalisation. We therefore expect additional business from this in the current year.

On behalf of the Executive Board, I would like to thank all employees for their high level of commitment in difficult times, and our customers and business partners for their trust and support.

Dear shareholders, I would also thank you for placing your trust in our Company. The stability and profitability of our core business is a very sound foundation for investment in Masterflex AG, now and in the future. I would like to assure you that we will concentrate on our core competencies and work with the highest degree of commitment to make Masterflex a high-growth and profitable company in the long term.

Dr. Andreas Bastin
(Chief Executive Officer)


Focus on INNOVATION.
Masterflex has a worldwide reputation
for state of the art solutions
in developing the most advanced materials.

Overview of the 2008 financial year

GROUP MANAGEMENT REPORT

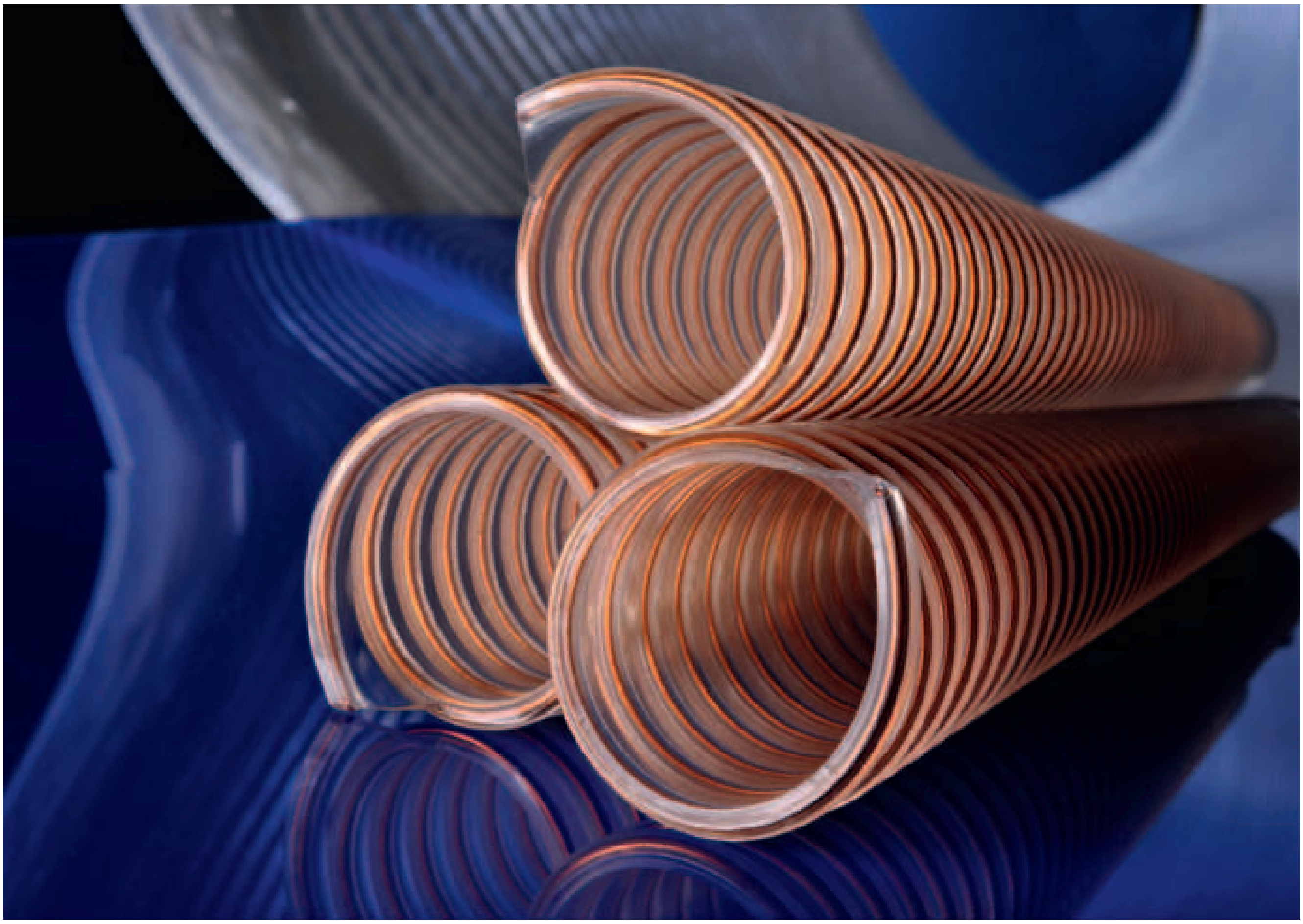
The 2008 financial year was dominated by the strategic realignment and restructuring of the Masterflex Group. The new CEO, Dr Andreas Bastin, placed the focus on the High-Tech Hose Systems core business unit and the value-oriented development of all Group activities as the central component of the Group strategy and the actions of the management.

In the 2008 financial year, extensive impairment tests were carried out on projects and goodwill in order to remove all unsuccessful and unprofitable business from the Company and to adjust goodwill to current performance. These write-downs hit the Company hard, because, on top of other non-recurring charges, including the deconsolidation of DICOTA GmbH, which was sold in December 2008, these had a considerable impact on consolidated earnings performance. The following disclosures on the net assets, financial position and results of operations relate exclusively to continued operating activities (IFRS 5), i.e. following elimination of the data for the deconsolidated DICOTA GmbH.

In the 2008 financial year Masterflex AG posted a clear decline in adjusted EBIT from € 10.4 million to € 7.0 million. This was even within our forecast of our continued operating activities. However, results-influenced measures were imperative and indispensable to protect future Group development from specific and deferred risks.

The operating development of the Masterflex Group was initially pleasing, up to and including September 2008. However, in individual areas, Masterflex AG was unable to escape the escalating financial and economic crisis. In the 2008 financial year, consolidated revenue from continued operations was € 88.3 million, representing a 0.7% decline of € 641 thousand compared to the previous year's level of € 88.9 million. This slight decline is generally attributable to the considerably weaker closing quarter in 2008 in comparison with the previous year and in particular to business performance in the Advanced Material Design segment. Adjusted operating EBIT of continued business units – i.e. EBIT without all non-recurring effects incurred in 2008 – was within our forecast range at 7.0 million €.

In 2008, primarily as a result of non-recurring effects and losses from the deconsolidation of DICOTA GmbH, equity decreased by € 19.9 million from € 34.7 million to € 14.8 million. As a result of the high financial liabilities totalling € 69.1 million assumed as a result of the substantial expansion of operating activities in recent years, clear distortions in the capital structure were recognised in the balance sheet as at 31 December 2008. In 2008, together with banks and consultants, Masterflex AG began to develop a sustainable plan for restructuring Group financing in order to improve the ability of Masterflex AG to operate and allow the Group to continue to expand its promising core business. In 2009, optimisation of the capital structure will remain our top priority.



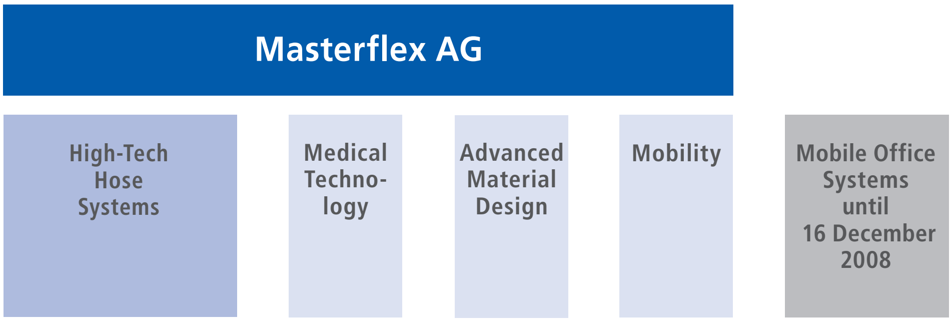
A. Business development and business environment

I. Group structure and business activities

The Masterflex Group is primarily a specialist in the effective development and production of high-quality connector and hose systems using innovative high-tech plastics, both within and outside Germany. The core business unit of the Company, which was formed in 1987, is the manufacture of High-Tech Hose Systems primarily for the handling and extraction of aggressive materials and media. The Masterflex Group is now a market and technology leader, with seven production sites (including subsidiaries) and cooperations in Germany and abroad.

The Group's main production site is in Gelsenkirchen, Germany. Masterflex is represented at seven locations in Germany, France, the United Kingdom, the Czech Republic and the USA through its High-Tech Hose Systems business unit, and at further five locations through its other business activities. Shares in Masterflex AG have been traded on the Frankfurt Stock Exchange since 16 June 2000.

The other business units that are not currently part of this main focus are Medical Technology, Advanced Material Design (surface technology) and Fuel Cell Technology, which was made into a separate business unit in 2008 with its activities centralised in a new subgroup, Mobility.



The Medical Technology business unit primarily manufactures and distributes technical medical devices for customer-specific sets for cardiology, radiology, anaesthetics and intensive care. Hose systems such as infusion tubes, catheters and multi-lumen tubes made from special plastics are also produced using in-house extrusion equipment. The Advanced Material Design business unit comprises all activities associated with the SURPRO Group's metal surface coating. The Mobility business unit develops, produces and markets climate-neutral mobility solutions (fuel cells, electric drive systems, Pedelecs and Cargobikes).

The Mobility business unit was integrated into the organisational structure of Masterflex Mobility GmbH founded on 12 March 2008, which at the same time exercises an interim holding function. Another purely organisational measure taken was the founding of Masterduct Holding Inc. on 1 August 2008, which operates exclusively in the management of equity holdings operating in the USA.

On 16 December 2008, the Mobile Office Systems unit was discontinued with the sale of DICOTA GmbH. There will therefore only be a short report on the activities of this segment in 2008.

II. Management and control

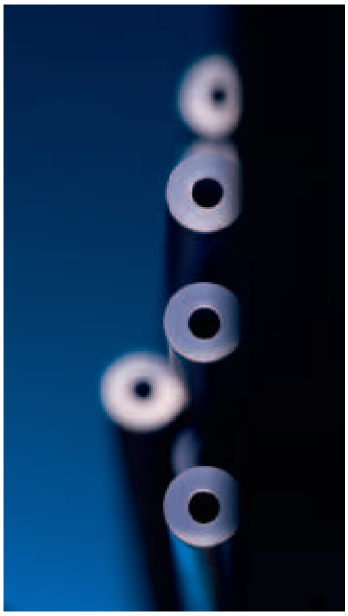
1. The Executive Board

As at the end of March 2008, Masterflex AG was managed by a three-man Executive Board. The Chief Executive Officer was Mr Detlef Herzog, one of the three founders of the Company. With effect from 1 April 2008, the new CEO is Dr Andreas Bastin, who has been with the Group since December 2006. Mr Ulrich Wantia has been the Chief Financial Officer since the end of 2004. On 15 May 2009, Mr Wantia will leave the Company. The Supervisory Board of Masterflex AG has appointed Mr Mark Becks as the new Chief Financial Office with effect from 1 June 2009. The 42-year-old qualified industrial engineer has extensive experience in controlling and finance management following many years of work for different medium-sized companies.

In the 2008 financial year, the main task of the Executive Board was the introduction of all measures required to restructure the Group in line with its long-term strategy and refocusing the Group structure to the high-margin core business unit High-Tech Hose Systems. The necessary processes and sub-targets were defined. Together with parts of the Group management and advisers, a specific business plan for the next few years was produced. A precise roadmap will support implementation alongside measurable sub-targets.

At the end of 2008, the measures designed to cushion the impact of the financial and economic crisis also came into focus. The opinion of the banks regarding the credit rating of Masterflex AG based on the very high net debt built up in recent years and regarding the impact on the balance sheet of the extensive write-downs carried out in 2008, disposal losses realised and other non-recurring charges changed considerably at the end of the year. These developments influenced the attention and work of the Executive Board in the last few months of the year and at the beginning of 2009.

In 2008, the Executive Board also focused on carrying out impairment tests on all activities and business units, with the aim of eliminating any future negative impact on business performance. The restructuring programme in Medical Technology introduced in 2007 resulted in sustained operational success in 2008, which far exceeded planning expectations. The impairment tests carried out in all development projects and future investments resulted in extensive write-downs in summer 2008. Furthermore, when preparing the annual financial statements, sufficient provisions were set up for further deferred risks. These measures were needed to re-establish a solid foundation of trust in the net assets, financial position and results of operations of the Masterflex Group, particularly in ongoing negotiations with banks. The precise impact of these measures will be explained in detail in the annual report under "Net assets, financial position and results of operations".



2. The Supervisory Board

The Supervisory Board of Masterflex AG has three members. Friedrich Wilhelm Bischoping, graduate of engineering, is one of the founders of the Company, and has been the Chairman of the Supervisory Board since 2000.

Prof. Detlef Stolten, Director of the Institute for Materials and Processes in Energy Systems at Forschungszentrum Jülich GmbH, has been a member of the Supervisory Board since 9 June 2004. Prof. Paulus Cornelis Maria van den Berg, an expert in anaesthetics and intensive care, resigned from the Supervisory Board on 4 June 2008. On the same day, the Annual General Meeting elected Detlef Herzog, former CEO of Masterflex AG, as a new member of the Supervisory Board.

The deliberately small size of the Supervisory Board means that no separate Supervisory Board committees are formed. Between meetings, the Executive Board and the Supervisory Board discuss key topics in telephone conferences and strategy discussions arranged at short notice. The Chairman of the Supervisory Board also receives regular information on Masterflex AG's business development and forthcoming projects.

The detailed report by the Supervisory Board can be found on page 127 of this annual report.

III. Objectives, strategies and corporate management

1. Objectives and strategies

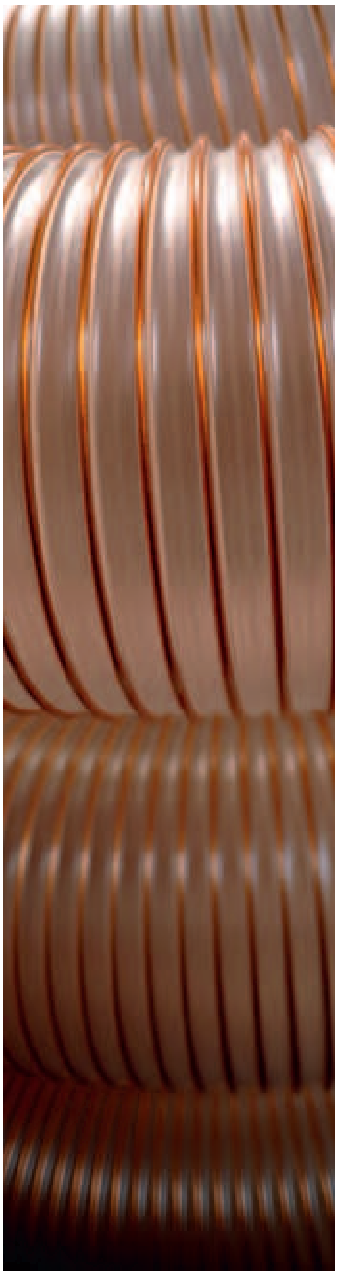
Objectives
Focus on Hose Systems
Extending product range
Rapid internationalization
Expanding materials expertise
Innovations
Opportunity to expand in Mobility
Focus on sustainable value
Strengthening the equity basis

1.1 Focus on the profitable core business unit High-Tech Hose Systems

For over twenty years, the name Masterflex has stood for outstanding expertise in the High-Tech Hose Systems market. Over the years, the Company has expanded its business activities into the areas of Medical Technology, Surface Technology and Fuel Cell Technology. It has shown that the synergies that can be generated between the business units and the markets they serve are very low.

Hose activities alone represented "only" a third of revenue from continued operations. However, in the 2008 financial year, they contributed to almost three quarters of consolidated net income. As a logical consequence of this, it was decided that Masterflex AG should re-focus on its core competencies and consolidate the corporate structure, since the core business continues to offer considerable growth potential.

The long-term strategy was clearly defined: Masterflex AG will focus on developing and manufacturing high-quality connector and hose systems using innovative high-tech plastics. All measures, investments and acquisitions will have a consistent focus on growth and adding value in the core business area, allowing Masterflex AG to develop into a specialist technology company in the next few years.



The growth philosophy of Masterflex AG is largely based on the following factors:

• Expansion of the product portfolio

Masterflex AG will increasingly offer whole systems, e.g. hoses with associated connector elements, and application-oriented systems as integrated supply solutions.

• Accelerated internationalisation

Our first step was to expand further the marketing activities we had already successfully begun in North America and Eastern Europe. In Asia and overseas, Masterflex AG is operating only in scattered areas. Here, strategic options for a market launch are being assessed.

• Development of materials expertise

Over the years, Masterflex AG developed a high degree of materials expertise. Whilst we previously processed primarily polyurethane (PUR), the proportion of other high-performance plastics used is currently approximately 50%. These materials require extremely sophisticated processing and a high level of experience. It is this technological expertise that has distinguished Masterflex for more than 20 years, and offers potential for further opportunities.

In order to realise these growth factors, further investments should be made in addition to ongoing projects, and, if now permitted again by balance sheet structures, targeted acquisitions should be carried out.

• Focus on innovations

One of the overriding aims of strategic corporate planning at Masterflex AG is safeguarding our innovative strength. The development of innovative new products has always formed the basis of our success. This particularly applies to our core business unit, High-Tech Hose Systems. By focusing on this area, we will continue to intensify our product development processes and develop modern and efficient innovation management. Current development projects will be explained in detail in another section of this report.

1.2 Expansion opportunities for Mobility

Masterflex AG continues to see good opportunities for the Mobility business unit, with fuel cell technology as its key competency. Nevertheless, only in the medium term will we decide whether to develop the segment further independently or with partners, or whether to sell the segment.

1.3 Focus on sustained value

All activities in the Group are reviewed regularly with regard to their contribution to corporate value and long-term strategy. If certain reward and risk criteria are not fulfilled, corresponding consequences are taken. Larger valuation risks are not expected in the future following the necessary, comprehensive adjustment of balance sheet risks in the 2008 financial statements.

1.4 Sustainable financing concept aimed at strengthening the equity base

Masterflex has grown considerably since its IPO. This growth was primarily based on acquisitions and corporate investments outside its core business. However, some of these investments have not achieved the necessary requirements for sustainable value. This additional purchasing strategy also resulted in a considerable increase in net debt.

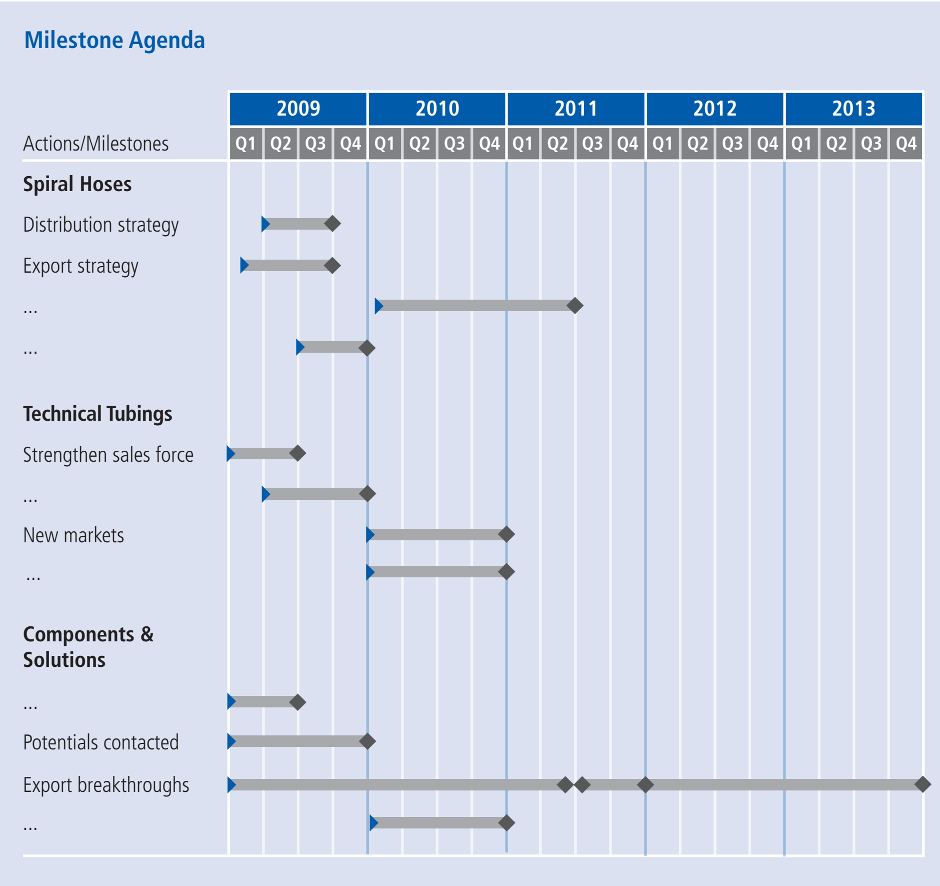
The future of Masterflex AG and the successful implementation of its long-term strategy with the expansion of the High-Tech Hose Systems core business require a sustainable financing concept and secure liquidity. As a result, key priorities are therefore reducing debt and achieving a sound ratio of equity to debt. In the medium term, our objective is to achieve a stable equity ratio of at least 30%. We are reviewing all options to achieve these objectives, particularly de-investments.

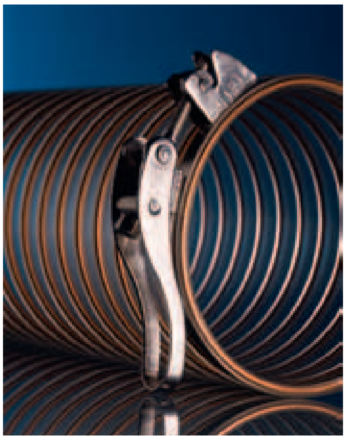
2. Internal corporate management system

With the focus on the profitable High-Tech Hose Systems core business area, the value-oriented focus of operations is becoming an increasing priority in corporate management at Masterflex AG.

Results after the impairment tests of projects and parts of companies in 2008 revealed clear potential for improvement in the Company's internal management systems. As a result, under the new CEO, a range of measures have been introduced to improve the tools and processes of internal controlling for business and action planning.

In order to make rapid and tangible advances, we worked with an external management consultant. In particular, with the "Move" efficiency programme, we restructured and significantly expanded our internal reporting system. This allowed us to develop a road map with strategic and operational milestones and defined time frames.





To enable us to react more quickly to deviations from planning, we extended our two-phase monthly Group-wide reporting system in all units with the addition of weekly status reports on the target/actual situation. The subsidiaries report revenues, incoming orders, receivables, liabilities and the liquidity and bank status.

As was previously the case, interim financial statements, a qualitative report on sales, human resources and finances and a market and competitive analysis are then prepared to the middle of the month. Quarterly financial statements are also prepared at Group level in accordance with International Financial Reporting Standards (IFRS). In 2008, the Group accounting guidelines were also revised to ensure further standardisation of reporting.

We use key performance indicators for the purposes of corporate management, with key indicators for income taking priority over revenues. In the past, earnings before interest, taxes, depreciation and amortisation (EBITDA), earnings before interest and taxes (EBIT), and the EBIT margin (EBIT/revenue) were used for corporate management. Targets were defined for the individual segments and the Group as a whole.

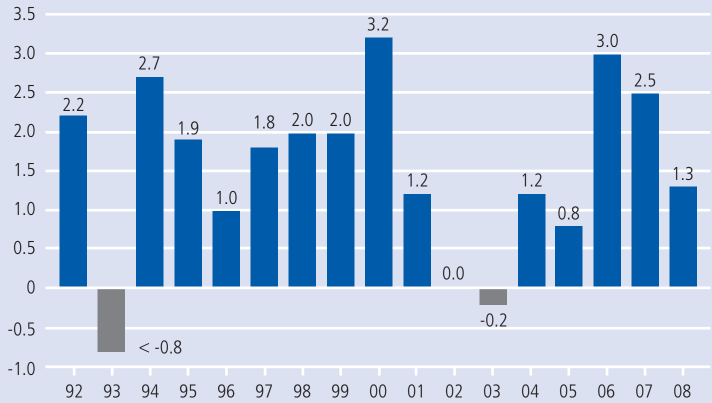
Our long-term strategy is focused on the intensive expansion of our core High-Tech Hose Systems business. Our growth, acquisition and investment targets require sufficient capital resources and a balanced ratio of equity to debt. In future, our corporate planning will therefore have a stronger focus on cash flow from operating activities in individual cash-generating units (CGUs) and business units. Cash flow reflects the extent to which Masterflex AG generates cash from its operating activities, and hence its ability to fund the planned development of the Company from its own operations. Future investments will be subject to demanding requirements regarding yield expectations and ROI (return on investment) before a decision is made to proceed. In future, greater consideration will be given to balance sheet key performance indicators that reflect the liquidity situation.

IV. Market and competition

1. General economic situation in 2008

Economic growth

Gross domestic product – price adjusted, concatenated
Change compared to previous year in %



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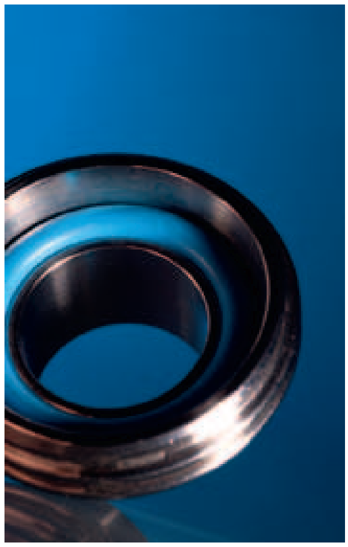
In 2008, the financial crisis plunged the world economy into downturn. Whilst economic performance remained positive overall in the first half of the year, the full force of the downturn set in globally in the second half of the year following the collapse of Lehman Brothers, leading to increasing reports of bad news.

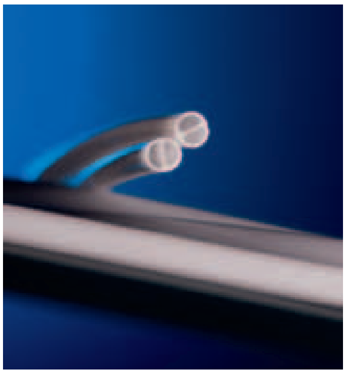


In the fourth quarter of 2008, the US economy experienced the worst downturn for 26 years. Gross domestic product shrank by 6.2%. This was caused by sharp drops in exports, consumption and investments. Consumer expenditure alone makes up two thirds of US economic performance. As a result of the positive start to the year, the US economy grew by 1.3% in 2008. However, this growth was the weakest since 2001, when a positive value of 2.0% was posted.

In 2008, according to the credit reference agency Creditreform, the number of company insolvencies in Western Europe increased by 11.0% to 150,000. In Germany, this figure increased by 2.2%, following a 10.4% decrease in the number of company insolvencies in the previous year.

In 2008, German economic performance was considerably weaker than in the two preceding years. In the second half of the year, the global economic crisis intensified and hit German industry hard. In December 2008, for example, according to the German Engineering Association (Verband Deutscher Maschinen- und Anlagenbau – VDMA), incoming orders in mechanical engineering declined in real terms by 40.0%. Demand in Germany decreased by 39.0% compared to the equivalent month in the previous year, whilst demand from abroad sank by 41.0%.

The German Federal Statistical Office estimates that price-adjusted GDP for 2008 will be 1.3% higher than in the previous year. In 2007, growth was 2.5%, whilst in 2006 it was as high as 3%. As a result of its export-oriented nature, the German economy was particularly badly



hit by the global recession, as demand from abroad declined significantly. In November and December, the slump in exports was the worst since reunification. Overall, exports increased by only 2.8% in 2008. Nevertheless, according to calculations by the WTO, Germany defended its position as the leading global exporter for the sixth time in succession. At the same time, exports increased by 5.8%. As a result, the foreign trade balance decreased compared to 2007, resulting in a slowdown in economic performance.

Domestic demand increased by 6.1% as a result of the positive effects of gross investments. Company equipment investment increased by 5.3%, whilst building investments increased by 2.7%. State consumption increased significantly by 2.2%, whilst private consumption remained constant. Overall, positive performance was posted in all sectors of the economy.

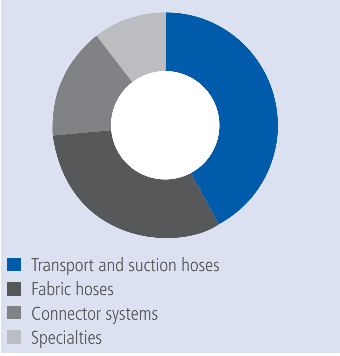
2. High-Tech Hose Systems: the Group's core business area

In the core business unit High-Tech Hose Systems, Masterflex AG and its subsidiaries operate at seven of its own production and distribution sites in Europe and the USA. Cooperations also exist with business partners in Poland and Russia.

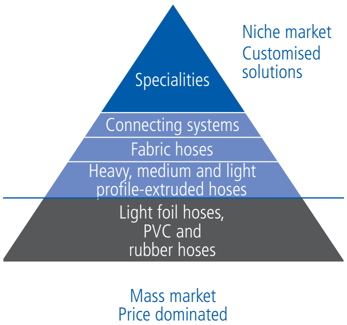
The key positive competitive factors of the Masterflex Group include the Company's high level of materials and processing expertise in special plastics and a high degree of innovation. Masterflex has been developing new product innovations for more than 20 years, with no contract production. There are also significant barriers to new competitors entering the market, since extensive materials and processing expertise is required, whilst proprietary manufacturing processes hinder the development of competitive production.

Strengths High-Tech Hose Systems
Attractive, profitable specialty markets with growth potential
Considerable potential for substituting conventional materials
Masterflex products cannot easily be substituted with other materials
Core competency: developing and processing special plastics, as well as special machines and tools for processing high-tech plastics
High level of customer focus, excellent quality of products offered and of price-performance ratio
High degree of innovation
No contract production
Significant barriers to market entry – long-term process expertise and experience create distinct learning curve
Long-standing customer relations

Hose product range



However, as a result of their versatility, materials used by Masterflex are often superior to traditional materials such as metal, glass and rubber, and thus often allow for completely new applications. Since 1987, Masterflex AG has successfully developed this substitute market for hose systems.



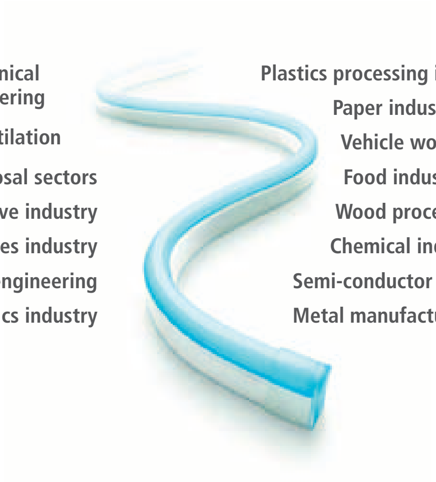
Companies in the Masterflex Group offer suction and transport hoses, including highly abrasion-resistant extruded wire-reinforced hoses, special fabric suction and blow hoses, connector systems and moulded parts. In addition to standard products, it also develops tailor-made individual hose solutions in close collaboration with customers.

2.1 Relevant market

In 2007, we began an extensive market analysis, in particular involving suppliers of special hoses and hoses and connector systems made of high-tech plastics. At the same time, different sources and analysis options were used to gain more structured and extensive insights into these speciality markets. In 2008, on the basis of this data, the first tangible information was collected and evaluated.

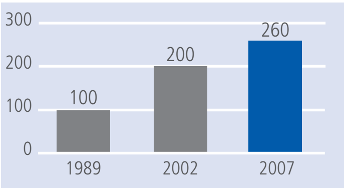
Areas of application

Vehicle construction/mechanical engineering
Air conditioning and ventilation
Waste disposal sectors
Automotive industry
Textiles industry
Electrical engineering
Glass/ceramics industry



Plastics processing industry
Paper industry
Vehicle workshops
Food industry
Wood processing industry
Chemical industry
Semi-conductor technology
Metal manufacturing and processing industry

Global plastics consumption
(millions of tonnes)



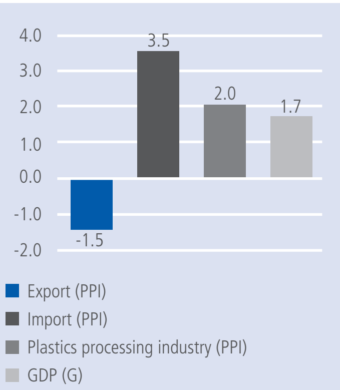
Source: PlasticsEurope

2.2 The plastics market

Plastics are now indispensable in many industries. In recent years, production has been expanded ever further. In 2007, approximately 260 million tonnes of plastic materials were produced, more than double the quantity produced in 1989 (100 million tonnes). In 2007, demand for the plastics processing industry increased by 3.0% to 52.5 million tonnes compared to 2006 (source: PlasticsEurope). PUR made up 7.0% of the 52.5 million tonnes of plastics processed in Europe, emphasising its position as a special material.

In view of the significant drop in demand since the fourth quarter of 2008, it remains to be seen whether plastics production will have declined for the first time in many years, or whether this decline will first be posted in 2009.

Revenue of plastics processing industry 2008 (in percent)



2.3 The plastics processing industry in 2008

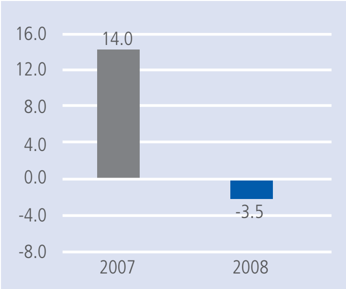
With 292,000 employees, the plastics processing industry – which includes Masterflex AG – is one of the most important economic sectors in Germany. In recent years, this sector has been highly dynamic and experienced considerably stronger growth than the economy as a whole.

The worldwide economic and financial crisis has also had a significant impact on the plastics processing industry in the 2008 financial year. A business survey carried out by the sector service Kunststoff Information (KI) in early 2009 indicated that over 70% of companies in the sector posted a downturn in business performance in the second half of 2008. In 2008, despite the significant economic downturn, particularly in the fourth quarter, revenue increased by 2.0% to € 54.0 billion. The performance of the plastics processing industry was again better than the gross domestic product, which increased by 1.7%. Performance was also better than that of many other economic sectors.

Performance of the individual sectors in the plastics processing industry was varied. According to reports by the National Association of Plastics Processors (GKV), the significant declines in revenue were caused primarily by the drop in demand from abroad, particularly Asia and Eastern Europe. Whilst exports increased by 9.5% in the previous year, in 2008 they decreased for the first time by 1.0%. In Germany, the trend remained positive until August 2008. From then onwards, business weakened. Overall, revenue generated within Germany increased by 3.5%.

The most significant increase in revenue was generated by the plastic packaging industry with an increase of 6%. Masterflex AG is allocated to the "Technical parts" sector. This sector suffered the full impact of the financial crisis due to the high number of suppliers from the automotive and electrical industry. In the fourth quarter of 2008, incoming orders declined significantly, resulting in a production decline of approximately 18.0%. In 2008, the "Technical parts" sector posted an overall revenue decrease of 3.5%. This followed a considerable revenue increase of almost 14.0% in 2007.

Technical parts revenue, 2008 (in percent)



Source: GKV

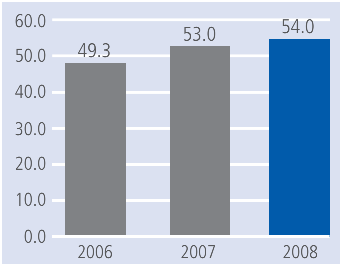
The earnings position of German companies remained considerably strained due to the significant rise in energy and raw material prices. In particular, there was additional pressure on margins of mass plastics processors. However, at the end of the year, prices decreased again. This trend continued into the first quarter of 2009.

Thanks to the quality-focused nature of its individual products, its long delivery terms and its high level of bargaining power as a qualified buyer of high-performance plastics, Masterflex AG was able to cushion this buyer-side price pressure for many years. In 2008, ongoing price pressure in raw materials and energy led to price adjustments which were successfully implemented in all areas. The area of special and high-performance plastics was not affected by the downturn in prices at the end of the financial year in the area of mass plastics, which resulted from the high surplus capacity of plastics manufacturers.

2.4 High-Tech Hose Systems in 2008

Until September 2008, our core business unit High-Tech Hose Systems developed very successfully overall. However, in the fourth quarter, the impact of the financial and economic crisis was felt strongly.

Revenue of the plastics processing industry (€ billion)

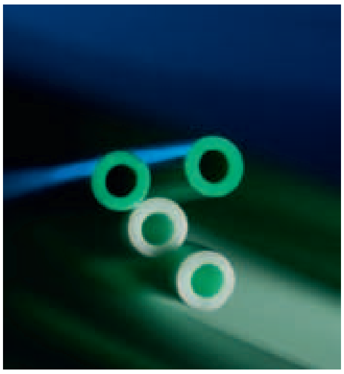


Source: National Association of Plastics Processors (GKV)

Overall, revenue development by industry was very mixed. In some areas, such as mechanical engineering, there was significant growth, whilst in others, such as supplier operations for the automotive industry, the economic downturn had a noticeable impact. We were also particularly successful with our hose systems in the construction and chemical industries. With intensified marketing and sales activities, we also tapped into new market segments such as health and the beverages industry.

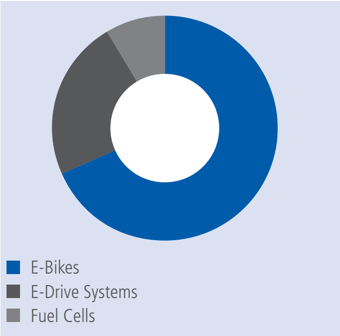
In June 2008, a new production plant was inaugurated in Halberstadt. Our subsidiary Novoplast Schlauchtechnik has invested extensively in the newest production technologies and cleanrooms.

In 2008, internationalisation progressed further, although the Executive Board identified considerable organic growth potential in this field. In the USA, we had already achieved our annual targets by the middle of 2008. In the 2008 financial year, slow-down effects caused by the difficult economic environment in the USA did not have a noticeable impact on the hose business.



Our products were successfully presented at a range of national and international trade fairs. As well as general industrial trade fairs such as the Hanover Trade Fair, and speciality trade fairs such as the Aircraft Interiors Expo (AIE) and Motek (for Assembly and Handling Technology), we also concentrated on Eastern European trade fairs, where, in addition to the USA, there is a focus on expansion.

Mobility



3. The Mobility business unit

For the last few years, Masterflex AG has been intensively involved with the topic of alternative energy sources and innovative environmentally friendly mobility concepts. Until the middle of 2008, these activities were carried out under the heading of fuel cell technology within the core business unit, High-Tech Hose Systems.

In mid-2008, the new segment Mobility was established for reasons of transparency. This incorporates the business activities Fuel Cell Technology, Electric Bicycles (E-Bikes and Pedelecs) and Electric Drive Systems/Components.

In past years, Masterflex AG has developed a high degree of technological expertise in the area of fuel cell technology, which is underlined by the successful development of stable hydrogen-based fuel cells for mobile applications which can run without access to the grid.

The focus of fuel cell activities is on 250 watt output hydrogen-based PEM (proton exchange membrane) fuel cells, which are currently considered by experts to offer the greatest potential as a non-mains dependent energy supply as well as an alternative drive concept for the transportation industry.

The product range of electric bicycles, which is operated by the subsidiary Clean Air Bike GmbH (CAB), comprises the following:

- The Cargobike with and without fuel cell technology
- Electric bicycles, utility and speciality bicycles, which can also be equipped with electric drive systems.
- Mobility solutions (system solutions for urban and business mobility)

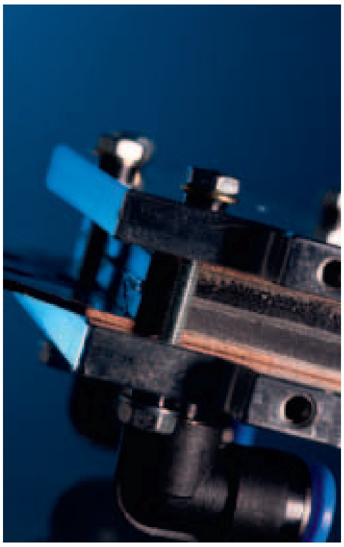
The Cargobike is an environmentally-friendly solution for the transportation of loads in urban and industrial areas. The Cargobike is equipped with an integrated fuel cell and has a modular structure that allows it to be equipped with different superstructures for different areas of application. As well as the motor power, a 250-watt fuel cell system provides additional electricity for vehicle lighting, cooling transported goods, etc. Significant advances were made in the area of hydrogen supply in the financial year: hydrogen is stored in a standard cartridge that can be refilled or easily exchanged. Another important element in the completion of the fuel cell system is the development of a safety valve. Work on this has largely been completed. This gives the Cargobike an approximate range of between 100 and 150 kilometres, depending on the distance profile.

We significantly improved our market position and profile with the subsidiary Clean Air Bike GmbH. According to our own calculations, CAB is the largest German manufacturer of electric bicycles and has a market share of approximately 12%. Its target groups include municipalities to be equipped with environmentally-friendly Pedelecs in order to develop tourism in local towns, as well as providers of postal and parcel services and operators of local light vehicle fleets.

3.1 The market for renewable energies

Climate change and its associated risks, and the search for alternative environmentally-friendly energy sources, were the focus of public attention in 2008. The strategic aspects of German energy policy for future years include improving energy efficiency and developing low-CO_2 energy technology. The German government has therefore extended its fifth energy research program "Innovation and new energy technologies" by two years until 31 December 2010.

In 2006, the "National innovation program for hydrogen and fuel cell technology", with an investment volume of € 1.4 billion, established a clear foundation for positively influencing development processes in Germany and accelerating important market preparations for Germany and Europe through targeted support and funding for the emerging hydrogen and fuel cell technology sector in Germany. Germany has thereby instigated a long-term program, which is outstanding even by international standards, for the promotion and development of hydrogen and fuel cell technology.



These general conditions, as well as the fact that oil and gas prices are expected to become even more expensive due to their finite nature, create a favourable environment for the Mobility business unit. In addition, promoting bicycle use is considered by the Federal Minister of Transport an essential component of urban development.

The European Union aims to reduce the dependence of European energy supplies on fossil fuels and associated climatic change. Two targets have been set for the increased use of renewable energy sources in 2010. By 2010, the proportion of electrical energy generated by renewable fuels is to be increased to 22% in the EU15 states (compared to 14% in 2000). For this purpose, the use of hydrogen by means of fuel cells offers very good prospects in the long term.

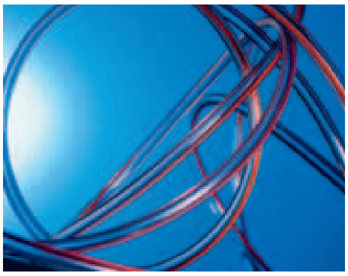
3.2 The market for light mobility vehicles

The market for light mobility vehicles is a growth market with large global demand, including around a million electric bicycles with battery-powered drive systems. The power output of these bicycles, which are known as Pedelecs (derived from "pedal electric"), is automatically coupled with the muscle power of the rider via a force/movement sensor. The engine, which is only active when the bicycle is being pedalled, reinforces the rider's action with additional energy. Pedelecs with accumulators have a range of between 20 and 50 kilometres. Market observers from the Zweirad-Industrie-Verband (ZIV) estimate that between 80,000 and 100,000 were sold in 2008. This compares to only 25,000 in 2005.

The trend towards increased bicycle use is also confirmed by Matthias Horx in his 2008 trend report. In 2008, 57% of dealers reported increasing bicycle sales (source: specialist magazine aktivRadfahren).

Bicycles with accumulators continue to dominate the range of products available, since a cost-effective solution to the problem of storing hydrogen for e-bikes with a fuel cell drive has not yet been found. According to expert opinion, the use of hydrogen fuel cells will initially only reach niche markets. However, this will be followed by a more large-scale circulation in the foreseeable future. As expected, fuel cells are employed in three areas: transportation, stationary power supply and portable power supply without access to the grid.

According to a study, it would take some time before light mobility vehicles are available for marketing. Development of fuel cell technology in the Masterflex Group has already overtaken this estimate, as active marketing of the Cargobike started in 2007. In the area of fuel cell technology, we are supported in the development of marketable products by the NRW (North-Rhine Westphalia) state, which is actively pursuing the evolution of "early markets". Fuel cell projects in particular are promoted by the "Fuel Cell and Hydrogen Network NRW", which was formed in 2000 by the NRW Energy Agency.



The need to develop sustainable, environmentally-friendly mobility concepts is driven by the fact that, in the EU alone, CO2 emissions are to be reduced by 30% by 2020. There is also a growing trend towards the creation of environmental zones from which vehicles exceeding certain emission levels can be banned. These developments serve to underline the potential offered by Masterflex's environmentally-friendly light mobility vehicle projects.

3.3 Mobility in 2008

In the 2008 financial year, the organisational requirements for an independent segment were met and, at the end of the first half-year, the Mobility business unit was created. The three activities fuel cell technology, electric drive systems and electric bicycles with a focus on light mobility vehicles are operated in a holding structure.

An important fuel cell project in 2008 was the development of the low pressure security system. As well as a high level of safety, the patent-pending "Lopes" also makes system integration considerably easier as it is possible to dispense fully with any additional safety devices. This system was presented at the Hanover Trade Fair 2009.

In 2008, preparations were made for a number of cooperations, including an agreement made with digomed: medical IT solutions GmbH, Castrop-Rauxel, at the start of 2009 on the future marketing of fuel cells in the indoor applications of mobile ward round and workshop trolleys. It is conceivable that the "Lopes" indoor applications of fuel cells will contribute to the general spread of this technology.

The complete integration of fuel cells into these applications without our own safety technology was made possible for the first time by "Lopes". Since the safety system can be marketed independently, there are plans to develop a licensed model so that other manufacturers of fuel cell systems can also use this safety technology. Another possibility may also be applications that do not use fuel cells in which combustible and/or toxic gases are used.

4. The Medical Technology business unit

The Masterflex Group offers two different product groups in its Medical Technology business unit:

4.1 Medical components

Special plastics are among the most innovative materials in the Medical Technology industry on account of their versatility and their hard-wearing properties. An expert in the field of extrusion technology, our subsidiary Novoplast Schlauchtechnik GmbH produces individual medical components, known as medical devices. This includes high-quality infusion and multi-lumen tubes and catheters. The manufacture and the processed materials show a high potential for synergy with our industrial hose business. For example, our materials can be manufactured with anti-bacterial, anti-thrombogenic or biodegradable properties.

Through Fleima Plastic GmbH, we also offer connecting elements made of special plastics manufactured using the injection moulding method by a recognised specialist for the provision of components to the pharmaceutical and medical technology industries.

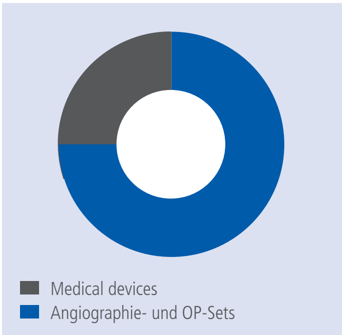
We will continue to expand this area, carrying it over in our core business unit in 2009 based on the processing of high-tech plastics, and technology and production-oriented medical activities.

4.2 Medical sets

In the second sub-segment, through our subsidiary Angiokard Medizintechnik GmbH & Co. KG, we offer individual customer sets (customer procedure trays – CPTs), particularly for coronary angiographic examinations. A few years ago, we started to expand the set concept to other areas, and now offer operation sets, for example for (heart) surgery. Angiokard is one of three market leaders in Germany. The company also operates in Europe and the Middle East with leading partner companies in the field of angiographic sets.

The sets are in line with the trend for increasing cost cuts in the healthcare sector, and in particular with "flat rate per case" regulations by providing a guaranteed basis of calculation, as sets are sold as disposable products at a fixed price. They significantly reduce the preparation time for operations and examinations, as all of the necessary components are assembled individually, sterilised, and delivered. This helps to optimise warehouse logistics.

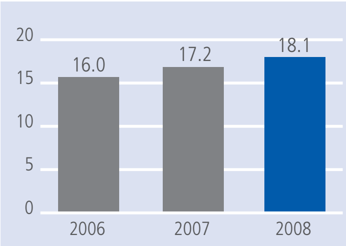
Medical technology products



The main competitive advantage of Angiokard is its flexibility, since it is able to assemble components independent of the manufacturer, whereas many of our competitors are subsidiaries of large corporations and are generally required to use in-house products in their sets.

This sets business does not have any potential for synergy with the hose business, since the focus is on assembly and logistics services, rather than on materials and production expertise. As a result of the focus on our core business field, we are therefore assessing whether to dispose of this area, providing an adequate purchase price can be realised.

Revenue of the medical technology sector in Germany
(€ billion)



4.3 Medical Technology in 2008

According to reports by the industry association, the medical technology industry continued to develop positively in 2008. According to a survey from the German Medical Technology Association, BVMed, the effects of the economic crisis are still only minimal. In 2008, revenue increased by approximately 5.4%.

Masterflex AG is very satisfied with the development of the Medical Technology business unit. In 2008, there were successful developments in the still small area of medical devices, both in hoses and in plastic injection moulding parts. Important customers were acquired in the Hose segment in the area of infusion technology and the product range for urological and cardiology catheters was expanded. Key trade fairs such as MedTec in Stuttgart and ComPaMed in Düsseldorf were used to present this innovative product range. The order situation for the current 2009 financial year is also encouraging.

Development in the larger area of sets was excellent and was better and faster than we expected. The restructuring measures introduced in 2007 including streamlining our product range, intensified marketing and sales activities as well as strict cost management have significantly improved the revenue situation and in particular the performance result.

In addition to the two product segments medical devices and sets, we have also been working on a major development project for a number of years. The LaryVent respirator mask project, which was developed according to a patented procedure, allows vocal cord damage, which often arises when inserting the tube, to be prevented.

In 2008, in the course of the impairment test carried out we came to the decision to discontinue the project. The main reason for this was that development has taken too long over the past few years and the realisation that achieving success on the market would not have been possible without additional extensive investments. In addition, there were no synergies with our core business or our core competencies.

This write-off had a negative impact on segment earnings, yet operating development shows that the Medical Technology segment has performed very efficiently throughout this strategy of systematic value orientation.

5. The Advanced Material Design business unit

The Advanced Material Design business unit (surface finishing) has been a component of Masterflex activities since 2005 and is operated by the SURPRO Group. The name SURPRO is derived from the phrase "surface protection".

In surface technology, a general distinction can be made between surface treatment and surface coating. Examples of surface coating techniques include galvanising, hot-dip galvanising and varnishing, or heat treatment and hardening technology.

SURPRO is a provider of galvanisation, metal processing and assembly services for functional and decorative goods. Functional galvanisation is used for the corrosion and abrasion protection of components, the improvement of electrical conductivity or catalysis. Decorative galvanisation is primarily used for the adornment of objects which are required to meet certain minimum technical standards. An example is the gilding of jewellery, writing implements, cutlery etc. At SURPRO, the products that are finished in this manner are primarily decorative components for high-quality consumer goods, as well as technical components for the electronics, dental, medical and aviation industries.

5.1 The market for surface technology

Surface technology is used in almost all areas of today's manufacturing industry and is one of the fastest-growing industries in Germany. Over the past few years, the industry has grown continuously, sometimes with double-digit growth rates. Germany is one of the two leading countries for surface technology in the European Union, the other being Italy. Galvanisation is the largest segment of the surface technology industry, accounting for a market share of around 26% (source: German Federal Statistical Office). Galvanisation is generally performed by a large number of small and medium-sized companies. According to a study by Industriekreditbank (IKB) from 2005 to 2009, the order situation in the surface technology industry was expected to remain stable in future.

In a survey conducted earlier in 2009 by the Zentralverband für Oberflächentechnik (German Association for Surface Technology), its members appeared optimistic despite the shrinking overall economy and the financial crisis. However, in 2008, the double-digit growth seen in some areas weakened as a result of the financial crisis. This is combined with surging raw materials prices which have placed surface technology under enormous pressure and squeezed margins for the predominantly small and medium-sized enterprises.

5.2 Advanced Material Design in 2008

In the 2008 financial year, the SURPRO Group was severely impacted by the escalating explosion in raw materials prices at the same time as falling demand in the luxury goods industry, the main consumer market for SURPRO services, shaken to its core by the crisis. This resulted in a sharp fall in revenue and income. An action plan was therefore drawn up in good time in 2008, in conjunction with the Company management, to restructure the business and as a consequence to establish it on a broader basis. Although the initial success of the project was already apparent at the end of 2008, it will still take some time before the measures have an impact.

B. Net assets, financial position and results of operations

In the 2008 financial year, Masterflex AG underwent a realignment and placed its emphasis on the core business unit High-Tech Hose Systems and a stronger focus on value. As a result of the sale of DICOTA GmbH on 16 December 2008, the disclosures on the deconsolidated segment Mobile Office Systems have been explained in detail in the notes and presented in condensed form in the consolidated income statement under the item "Discontinued business unit". The contribution to results consolidated until the sale is therefore no longer included in the comparative presentation of 2007. Furthermore, in 2008, non-recurring effects are recognised separately in order to ensure comparability with the previous year. For completeness, the comparative figures for 2006 and 2005 have been given, but without adjustment of the Mobile Office Systems segment.

Significant key performance indicators of the Group, based on continued operating activities and earnings adjusted for non-recurring effects, are as follows:

T €	2008	2007
EBITDA	10,386	13,276
EBIT	7,027	10,365
EBIT margin	8.0 %	11.7 %
Non-recurring effects – Group	-13,320	0
Consolidated net result – continued	-7,985	4,166
Consolidated net result	-15,734	7,469
Earnings per share – continued	-1.85	0.93
Earnings per share	-3.60	1.71

I. Results of operations

	2008		2007		+/-		2006		2005	
	€ thou.	%	€ thou.	%	€ thou.	%	€ thou.	%	€ thou.	%
Revenue	88,302	98	88,943	95	-641	-1	115,706	96	87,773	93
Changes in inventories	25	0	1,788	2	-1,763	-99	561	0	1,164	1
Other own work capitalised	896	1	1,089	1	-193	-18	959	1	1,066	1
Other operating income	1,030	1	1,577	2	-547	-35	3,276	3	4,203	4
Gross revenue	**90,253**	**100.0**	**93,397**	**100.0**	**-3,144**	**-3**	**120,502**	**100.0**	**94,206**	**99**
Cost of materials	-39,429	-44	-41,010	-44	1,581	-4	-55,123	-46	-40,637	-43
Staff costs	-26,689	-30	-26,501	-28	-188	1	-26,859	-22	-21,309	-23
Depreciation, amortisation and write-downs	-3,359	-4	-2,910	-3	-449	15	-7,096	-6	-2,321	-2
Other operating expenses	-13,540	-15	-12,409	-13	-1,131	9	-21,281	-18	-17,676	-19
Other taxes	-209		-202	0	-7	3	-212	0	-246	0
Total operating expenses	**-83,226**	**-93**	**-83,032**	**-88**	**-194**	**25**	**-110,571**	**-92**	**-82,189**	**-87**
Adjusted EBIT	**7,027**	**7**	**10,365**	**12**	**-3,338**	**-32**	**9,931**	**8**	**12,017**	**12**
Net finance costs	-3,230		-3,264		34		-2,229		-2,544	
Non-operating expenses – Group	-13,320		0		-13,320		-731		0	
Net profit before income taxes	**-9,523**		**7,101**		**-16,624**		**6,971**		**9,473**	
Income taxes	1,538		-2,935		4,473		-2,248		-3,315	
Income after taxes from continued activities	-7,985		4,166		-12,151		4,723		6,158	
Income after taxes from discontinued activities	3,285		3,391		-106		0		0	
Non-operating expenses from discontinued activities	-10,948		0		-10,948		0		0	
Consolidated net profit for the period	**-15,648**		**7,557**		**-12,256**		**4,723**		**6,158**	
thereof minority interests	86		88				245		-193	
thereof attributable to shareholders of Masterflex AG	-15,734		7,469		-23,203		4,478		5,965	

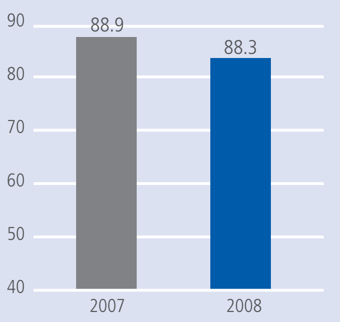
In the financial year, operating performance decreased by € 3,144 thousand to € 90,253 thousand, which impacted all items to varying degrees.

1. Revenue performance

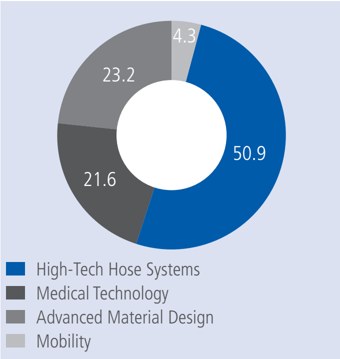
In 2008, consolidated revenue amounted to € 88.3 million, almost at the previous year's level of € 88.9 million. A more positive consolidated revenue performance was prevented by the impact of the financial and economic crisis from the fourth quarter of 2008.

Revenues increased in the High-Tech Hose Systems, Medical Technology and Mobility business units. The Advanced Material Design business unit was particularly badly hit by the financial crisis as a result of its considerable dependence on the luxury goods market. As a result, revenues were significantly below forecasts, as we reported in during the course of the 2008 financial year.

Consolidated revenue in 2008
(€ million)



Proportionate segment revenue 2008
(in percent)



The core business unit High-Tech Hose Systems posted very good performance until October 2008, much better than the plastics processing industry (PPI) and the overall economy. As a result of our increased marketing and sales activities, we were able to tap into new markets. We tapped into new customer segments and pushed forward with our expansion particularly in the USA. The performance of US operations was not impacted by the severe recession that developed as a result of the financial crisis. With the founding of our sales company in Scandinavia in March 2009; we were also able to create the necessary conditions to enable us to work on this interesting market in a more targeted and lucrative manner.

Following the fourth quarter of 2008, the economic crisis had a more noticeable impact particularly in our core business unit, which supplies hose systems to sectors that are sensitive to overall economic developments, such as the automotive industry or mechanical engineering. There were significant declines in these sub-markets. However, as a result of a broad sector orientation, the impact of the economic crisis was less severe than in other (plastics) supply sectors. Segment revenue increased overall by 6.7% to € 45.0 million (2007: € 42.1 million), (PPI: 2%, GDP: 1.3%). This corresponds to 50.9% of total consolidated revenue (2007: 47.4%).

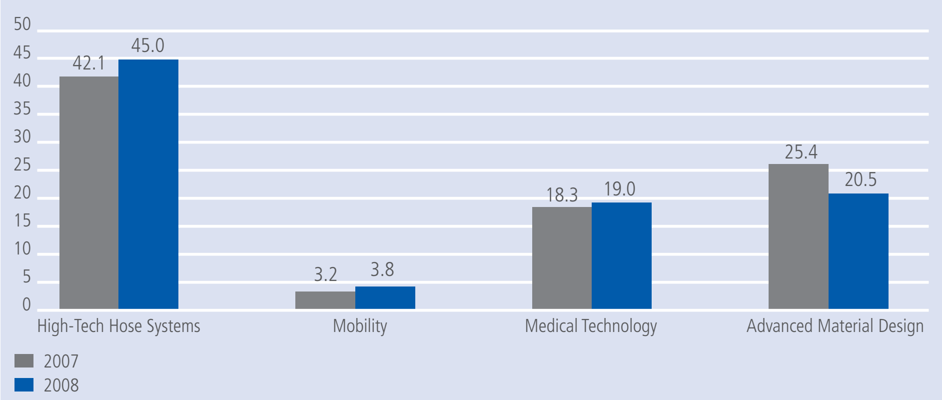
In 2008, revenue in the Mobility business unit increased significantly year-on-year. Segment revenue increased by 20.8% to € 3.8 million (2007: € 3.2 million). Its share of consolidated revenue remains low at 4.3%.

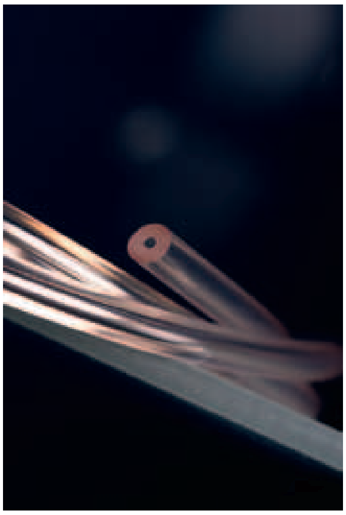
Medical Technology posted a very pleasing performance, better than we expected, following the extensive restructuring program introduced in 2007. Revenue increased by 4.2% to € 19.0 million (2007: € 18.3 million). This corresponds to 21.6% of consolidated revenue (2007: 20.5%). Medical sets remained the largest sub-segment.

In the Advanced Material Design business unit, revenue declined sharply by 19.3% to € 20.5 million (2007: € 25.4 million). This corresponds to 23.2% of consolidated revenue (2007: 18.3%).

Segment revenue

(€ million)





In regional terms, Germany remains the most important sales market for Masterflex AG. As a result of the discontinuation of the Mobile Office operations, which had a strong presence in Asia, this will remain so for the present time. In future, we expect the accelerated internationalisation in the core business unit to result in a greater share being attributable to other countries and regions.

The scope of the changes in inventories of finished goods and work in progress changed only slightly year-on-year. However, inventories decreased significantly. This is due to the reduction of the inventory of raw materials and merchandise in the various segments, both as a result of the financial and economic crisis and a liquidity policy designed to preserve liquidity.

The scope of work performed and capitalised decreased from € 1.1 million to approximately € 896 thousand, since the scope of capitalisable development costs declined as a result of the discontinuation of our own projects and the focus of R&D on product innovations.

Combined with the decrease in other operating income, gross profit decreased by € 3,144 thousand or 3.3% to € 90,253 thousand.

The decrease in material expenditure of € 1,581 thousand or 3.9% offset a significant proportion of the decline in operating profit. By contrast, other operating expenses increased by € 1,775 thousand, particularly due to an increase in staff costs of € 188 thousand, an increase of € 449 thousand in write-downs, a € 594 thousand increase in selling costs, and an increase of € 362 in general operating costs.

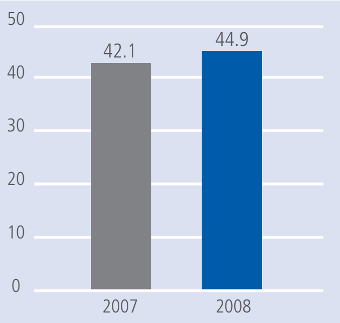
Adjusted consolidated EBIT from continued business units decreased by € 3,338 thousand to € 7,027 thousand.

Adjusted net finance costs, composed of interest income, write-downs on current and non-current committed financial instruments and interest expense, remained high at € 3,230 thousand.

The non-recurring effects of € 13,320 thousand mentioned above, recognised under the item "Non-operating expenses – Group" had a considerable negative impact on the 2008 net result. This item includes expenses due to write-downs of current and non-current financial assets and write-downs on goodwill and intangible assets and associated assets (discontinued project developments). In 2008, these expenses had a cash impact of approximately € 3,247 thousand.

The effects on the net profit from the discontinuation (sale) of the Mobile Office Systems business unit (DICOTA GmbH) are reported separately in the lines "Net profit after taxes from discontinued business units" and "Non-operating expenses from discontinued business units". The non-operating non-recurring effects from discontinued business units amount to a total of € 10,948 thousand and are composed of the write-down of goodwill and the costs of the sale.

Segment revenue High-Tech Hose Systems
(€ million)



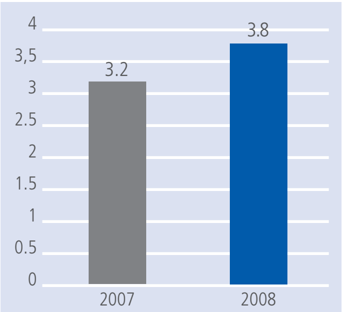
2. Segment performance

2.1 High-Tech Hose Systems

The focus on our core business unit High-Tech Hose Systems made results in this business unit more dynamic until the end of September 2008, before the financial crisis had a noticeable impact on sub-segments in the fourth quarter. Last year, negative currency effects also had an impact as a result of the depreciation of the British pound and the US dollar. Nevertheless, revenue in High-Tech Hose Systems decreased by € 2,818 thousand or 6.7% to € 44,962 thousand. Adjusted segment profit increased from € 714 thousand to € 9,058 thousand due to low costs increases. Without adjusting for the non-recurring effects relating to this business unit, segment profit decreased by € 1,730 thousand to € 6,614 thousand. Currency effects of approximately € 100 thousand also had a negative impact on earnings before interest and taxes (EBIT).

The non-recurring effects charged to this segment, which amounted to € 3,145 thousand, are composed of write-downs on intangible assets and associated developments and on goodwill, write-offs on current and non-current financial assets, and consultancy fees and settlement payments.

Segment revenue Mobility
(€ million)

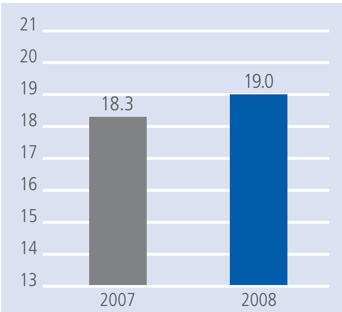


2.2 Mobility

In the new Mobility business unit, revenue increased by € 659 thousand or 17.2% to € 3,830 thousand, largely due to expanding the manufacture and sale of E-Bikes and the increased sales of electric components for light vehicles and e-bikes. Revenue from the previous year includes income from the sale of developments (exploitation rights), for which there were no material expenses. With the high level of material costs and the staff costs recognised as expenses for the development of the fuel cells system, adjusted segment EBIT amounted to € -549 thousand in 2008, compared to € 1,146 in the previous year.

Non-adjusted segment earnings amounted to € -723 thousand (previous year: € 1,146 thousand) and includes non-recurring effects of € 456 thousand from write-downs on current and non-current financial assets.

Segment revenue Medical Technology
(€ million)



2.3 Medical Technology

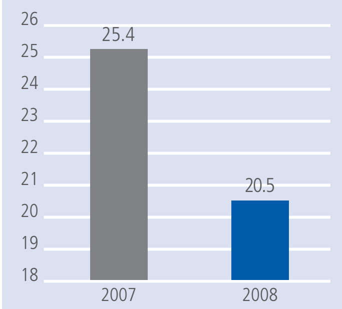
Revenue in the Medical Technology segment increased by € 775 thousand or 4.2% to € 19,043 thousand. As a result of the cost-reduction and efficiency measures introduced in 2007, adjusted segment EBIT increased from € 193 thousand to € 1,201 thousand. The operating margin was therefore within the target margin range for 2008. In 2008, the Medical Technology segment EBIT was also negatively impacted by non-recurring effects of € 1,110 thousand. As a result, non-adjusted EBIT decreased from € 193 thousand to € 158 thousand. These non-recurring negative effects result primarily from write-downs on intangible assets and associated development work (LaryVent project), which was discontinued due to lack of success in 2008.

2.4 Advanced Material Design

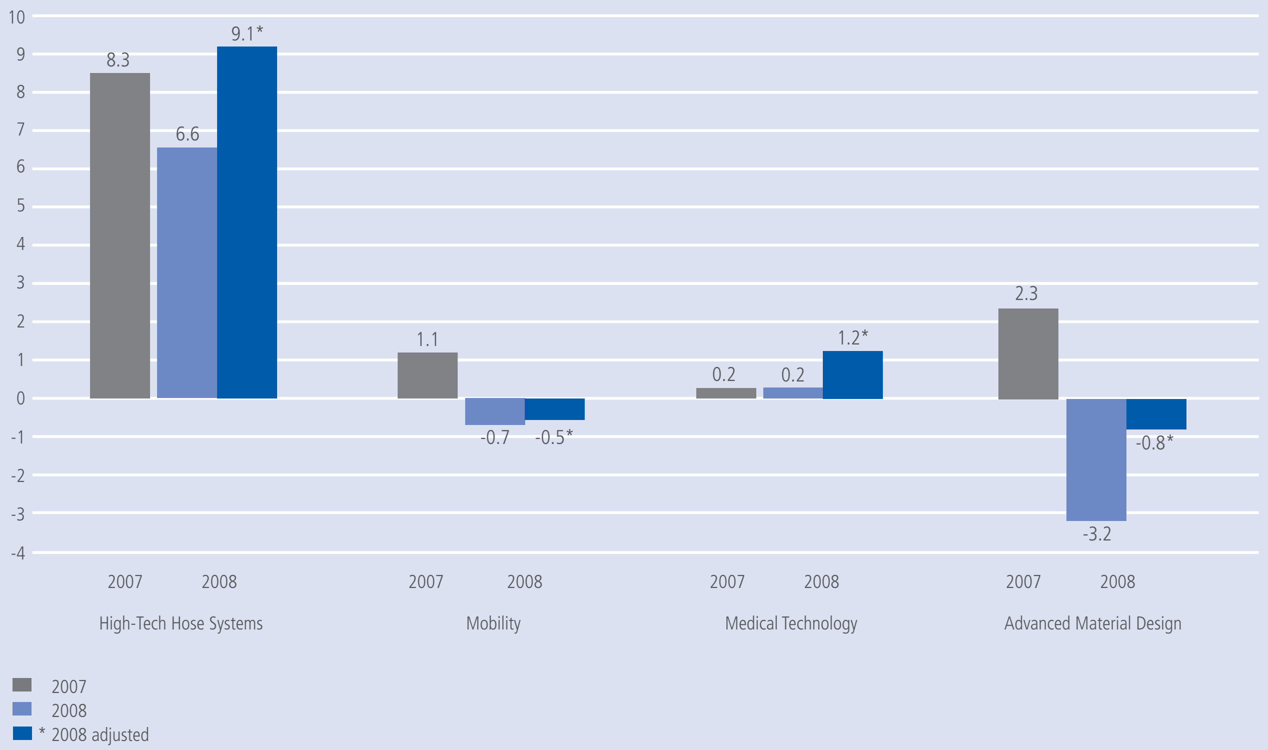
As mentioned above, operations in the Advanced Material Design business unit suffered particularly from a severe revenue decline in the second half of 2008. As a result, the revenue slid by € 4,895 thousand or 19.3% to € 20,467 thousand. An extensive range of appropriate cost reduction measures were introduced. However, the full impact of these measures will not be seen until 2009. As a result, in 2008 this segment posted negative adjusted EBIT of € -750 thousand (previous year: positive EBIT of € 2,255 thousand).

The non-recurring effects attributable to this segment amounted to € 8,607 thousand and include expenses of € 6,471 thousand for write-downs on non-current financial assets in connection with the financing of a start-up company. In addition, it was necessary to carry out write-downs on goodwill, non-current assets and inventories due to the decision to close a production site. The restructuring of business activities in this business unit also requires appropriate provisions to be established.

Segment revenue Advanced Material Design
(€ million)



Segment earnings (€ million)



II. Net assets

When comparing net assets it is important to note that, in accordance with IFRS 5.40, the discontinuation/sale of the Mobile Office Systems segment does not result in an adjustment of the values for the previous year, since the Mobile Office Systems unit was not classified as a discontinued business unit in the previous year.

1. Asset structure

	2008 € thou.	%	2007 € thou.	%	+/- € thou.	2006 € thou.	2005 € thou.
Intangible assets	14,633	14	29,589	23	-14,956	28,343	32,716
Property, plant and equipment	28,701	28	29,147	22	-446	25,746	23,221
Non-current financial assets	4,729	5	9,544	7	-4,815	1,215	1,315
Other assets	900	1	453	0	447	0	0
Deferred taxes	3,431	3	1,768	1	1,663	1,799	709
Non-current assets	**52,394**	**51**	**70,501**	**53**	**-18,107**	**57,103**	**57,961**
Inventories	21,114	21	28,219	22	-7,105	23,771	20,573
Prepaid expenses	601	1	760	1	-159	760	743
Receivables and other assets	16,354	16	24,712	19	-8,358	25,666	13,660
Current assets	**38,069**	**38**	**53,691**	**42**	**-15,622**	**50,197**	**34,976**
Cash flow	**11,012**	**11**	**5,895**	**5**	**5,117**	**5,419**	**4,895**
	101,475	**100**	**130,087**	**100**	**-28,612**	**112,719**	**97,832**

As a result of the non-operating non-recurring effects described above, particularly the write-downs of goodwill and other write-downs of intangible assets (licenses, developments etc.) connected with the discontinuation/sale of the Mobile Office Systems business unit, this item decreased by € 14,956 thousand to € 14,633 thousand. The remaining intangible assets were tested for impairment or are subject to amortisation.

The changes to financial assets are largely in connection with non-operating non-recurring effects, particularly with the write-down of non-current financial assets from the financing of a start-up company.

The increase in deferred taxes is principally due to expected tax credits on tax loss carryforwards.

The decrease in inventory assets is due to the disposal of discontinued business units amounting to € 9,860, and the remainder to a slight increase in raw materials and merchandise.

The decrease in receivables and other assets is due to the disposal of assets from discontinued business units in the amount of € 12,484 from the disposal of the assets of discontinued business units, which was offset by exchange with a purchase price claim of € 6,000 thousand.

The increase in liquid funds results primarily from the inflow of the first purchase price instalments from the sale of the Mobile Office Systems segment.

2. Capital structure

	2008 € thou.	%	2007 € thou.	%	+/- € thou.	2006 € thou.	2005 € thou.
Consolidated equity	14,644	14	33,975	26	-19,331	30,875	30,606
Minority interest	196	0	797	1	-601	645	434
Total equity	**14,840**	**14**	**34,772**	**27**	**-19,932**	**31,520**	**31,040**
Provisions	1,263	1	1,308	1	-45	1,320	1,289
Financial liabilities	21,536	21	39,316	30	-18,480	31,116	28,799
Deferred income	2,817	3	3,198	2	-381	2,814	2,616
Other non-current liabilities	111	0	0	0	111	0	0
Deferred tax liabilities	1,665	2	1,749	1	-84	2,283	2,444
Noncurrent liabilities	**27,392**	**27**	**45,571**	**34**	**-18,179**	**37,533**	**35,148**
Provisions	3,539	3	5,189	4	-1,650	3,833	4,504
Financial liabilities	47,544	48	29,183	22	19,061	19,330	14,590
Defrered income	231	1	297	0	-66	221	233
Other current liabilities	7,929	8	15,075	13	-7,146	20,282	12,317
Current liabilities	**59,243**	**60**	**49,744**	**39**	**9,499**	**43,666**	**31,644**
	101,475	**100**	**130,087**	**100**	**-28,612**	**112,719**	**97,832**

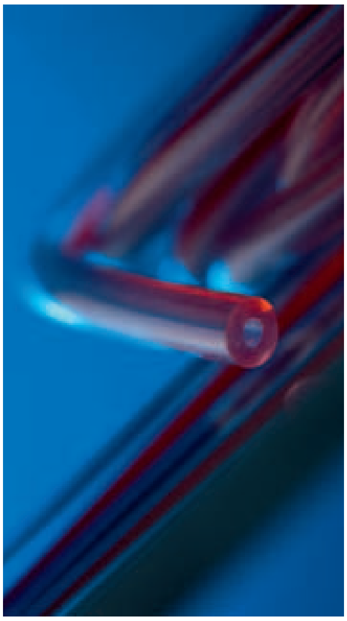
The change in consolidated equity results from the proportionate net loss for the year and the dividend of € 3,493 thousand paid in 2008. The change in the minority interests item is primarily due to the de-consolidation of minority interests in the Mobile Office Systems business unit. The consolidated equity ratio decreased from 27% to 14%.

The reduction in non-current financial liabilities is primarily due to the reclassification of the portion of a borrower’s note loan due in mid-2009 in the amount of € 12,000 thousand, and the remainder is due to the scheduled repayment of amortising loans and lease liabilities.

The reclassification of the borrower’s note loan therefore accounts for the increase in current financial liabilities. The increase is also due to the granting of additional short-term loans.

Taking into account the liquid funds available at the balance sheet date, net debt (financial liabilities less liquid funds) decreased by € 4,536 thousand to € 58,068 thousand.

The decrease in other current liabilities is due to the disposal of discontinued business units in the amount of € 7,540 thousand.



III. Financial position

Principles and objectives of financial management

The Masterflex Group aims to be the technological leader in its target markets. This strategy requires an efficient financial management system. The purpose of financial management is to provide liquidity for the successful expansion of the Group's business activities at a low cost, in order to generate an above-average return on equity using the borrowed capital employed.

With a view to continuing the Company's successful business development, particularly in difficult economic times, securing liquidity therefore has the highest priority.

The write-offs and write-downs in 2008, in the high net debt, had a negative impact on equity. Ensuring the Company's ability to operate in financial, technical and economic terms is therefore of key significance. However, the expansion of the core business requires a stable financing structure. In 2008, together with banks and consultants, the Executive Board therefore began to develop a sustainable plan for improving the Group's equity ratio. The main elements of this include de-investment measures, optimisation of cost structures and significantly improving the Company's self-financing ability by generating positive cash flow.

An important element in the reduction of debt was the sale of the Mobile Office Systems business unit (DICOTA GmbH). Improving the capital structure will be a central focus of the strategic realignment in the 2009 financial year.

The Executive Board of Masterflex AG maintains a continuous and transparent dialogue with providers of capital on the status of the Company's development and the necessary financing measures with current and potential banks, whilst at the same time ensuring our financial independence.

IV. Liquidity position

Despite the many non-recurring effects that negatively impacted the consolidated net result, the Masterflex Group generated significant positive cash flow in 2008. The analysis of the Group's liquidity position is hindered by the limited comparability of the balance sheet structure with values for the previous year. As a result, in the presentation of the liquidity position in the context of the cash flow statement, the effects from the disposal of the discontinued business units have been eliminated.

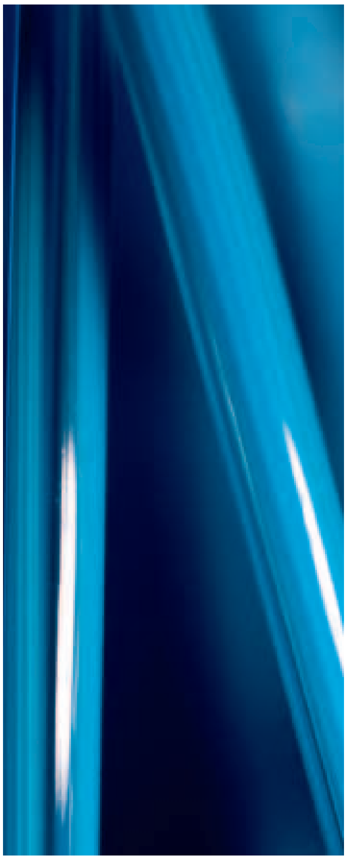
For a more detailed interpretation of the liquidity position, we refer you to the Cash Flow Statement attached to the consolidated financial statements.

C. Disclosures in accordance with sections 289 (4) and 315 (4) of the German Commercial Code

The share capital of Masterflex AG amounts to € 4,500,000 and is divided into 4,500,000 no-par value bearer shares each with a notional interest in the share capital of € 1.00. Each share grants the holder a voting right.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions until 7 June 2010 by a total of up to € 2,225,000 by issuing up to 2,225,000 new no-par value bearer shares in exchange for cash and/or non-cash contributions (authorised capital).

In accordance with sections 76 and 84 of the German Stock Corporation Act and Article 7 of the Articles of Association of Masterflex AG, the Executive Board consists of at least one person. In accordance with Article 7 of the Articles of Association, the Supervisory Board is responsible for appointing the members of the Executive Board and determining the number of members. In accordance with Article 18 of the Articles of Association, resolutions at the Annual General Meeting are passed by a simple majority of the votes cast unless otherwise required by law. If a majority of the share capital represented at the passing of the resolution is also required by law, a simple majority of the capital represented is sufficient, to the extent that this is permitted by law.



The Annual General Meeting on 4 June 2008 authorised the Executive Board and the Supervisory Board to acquire treasury shares with a notional interest in the Company's share capital of up to € 450,000 until 4 December 2009. This represents 10% of the Company's share capital of € 4,500,000 at the date of the Annual General Meeting. The acquired shares, together with the other treasury shares held by the Company or attributable to it in accordance with sections 71a ff. of the German Stock Corporation Act, may not exceed 10% of the Company's share capital at any time, including on the exercise date.

The Executive Board was also authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares to third parties with shareholders' subscription rights disapplied in exchange for non-cash contributions, particularly in connection with business combinations and the acquisition of companies, parts of companies and/or equity interests in companies. The Executive Board is authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares with shareholders' subscription rights disapplied in exchange for cash contributions in a manner other than via the stock exchange or the circulation of an offer to shareholders.

The Executive Board was also authorised to retire the acquired treasury shares without this requiring an additional resolution by the Annual General Meeting. Furthermore, the Executive Board is authorised to retire the relevant shares either with or without implementing a capital decrease. If the shares are retired without a capital decrease, this serves to increase the notional interest in the Company's share capital attributable to the other shares in accordance with section 8 (3) of the German Stock Corporation Act. In this case, the Executive Board is also authorised to amend the number of shares of the Company as set out in the Articles of Association (section 237 (3) no. 3 of the German Stock Corporation Act).

Furthermore, the Executive Board was authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares to third parties with shareholders' subscription rights disapplied in exchange for non-cash contributions, particularly in connection with business combinations and the acquisition of companies, parts of companies and/or equity interests in companies. The Executive Board was also authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares with shareholders' subscription rights disapplied in exchange for cash contributions in a manner other than via the stock exchange or the circulation of an offer to shareholders.

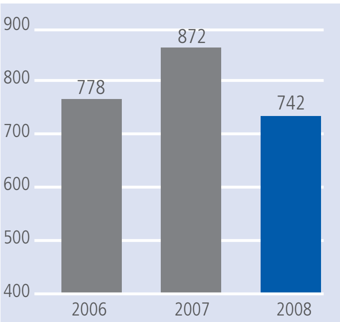
The Company is not aware of any direct or indirect interests in the Company's share capital exceeding 10% of the voting rights.

D. Human resources and compensation report

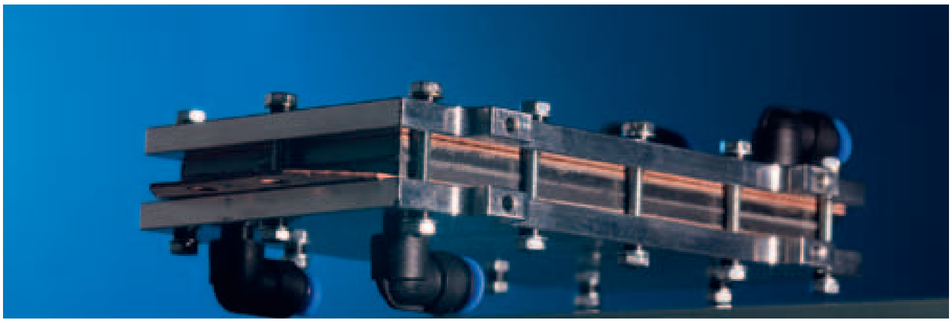
I. Human resources report

As of 31 December 2008, there were 742 employees in the Masterflex Group. This is 14.9% less than the previous year (2007: 872). This is primarily due to the sale of DICOTA GmbH and capacity utilisation effects at SURPRO GmbH resulting from the automation and productivity enhancement measures initiated in 2007. SUPRO also adjusted its staffing levels as a result of struggling business development.

Staff development



The innovations developed over the years, and the technological leadership obtained as a result in the core High-Tech Hose Systems business unit, would have been impossible without the creativity and commitment of our employees. Reliability and trust are the basis for constructive cooperation. Our developments often come about in collaboration with our customers. We therefore rely on well-trained employees with a feel not only for what is currently achievable in technical terms, but also for marketable, future-oriented products. Our sales team enters into constant dialogue with customers and passes their recommendations and suggestions on to the R&D department. This committed work is duly rewarded by our customers, who have again described us as a reliable partner in a recent survey at the start of 2009.



The Masterflex Group is aware of its social responsibility. This includes expressing its commitment to Germany as a business location, as well as providing apprenticeships. Training facilities have been in place at our head office in Gelsenkirchen and many of our subsidiaries for a number of years. In the 2008 financial year, a total of 20 trainees were employed throughout the Group (2007: 23). We intend to continue our commitment to providing placements for trainees in 2009. We will again offer an industrial manager trainee position in Gelsenkirchen. In addition, after several years we will again provide technical and industrial training.

We also regularly offer internships and work placements to students and school pupils. In the 2008 financial year, we developed a concept for increased cooperation with universities. We wish to step up the search again for qualified young professionals. We will therefore increase our participation in university open days and other educational events.

We believe in providing a healthy working environment that encourages innovative ideas and committed work. A large number of our employees have worked for the Group for many years. This is also highly regarded by our customers who frequently receive personal consultations and who still mainly place their orders over the telephone.

Our good working environment means that the number of work days lost to sickness is significantly below the average for German industry as a whole. We are fully aware that a committed and satisfied workforce is no less important than the satisfaction of our customers. Employees who are due to become parents are therefore given the option of working part-time. This helps to ensure that we do not lose the expertise of experienced staff members. Due to the further globalisation of our activities, we have offered English courses since the 2008 financial year.

II. Compensation report

1. Executive Board compensation

The compensation paid to the members of the Executive Board consists of an annual salary with a fixed and a variable component. The total compensation paid to the Executive Board and the distribution of this is presented in the following table:

	Fixed compensation 2008	Variable compensation 2008	Total 2008
	€ thou.	€ thou.	€ thou.
Chief Executive Officer, Dr Andreas Bastin	261	135	396
Executive Board member, Mr Ulrich Wantia	211	25	236
Executive Board member, Mr Detlef Herzog (until 31 March 2008)	65	268*	333
Total	537	428	965

(*Transitional payments due on leaving the Company)

Performance-related compensation was paid for the 2008 financial year.

2. Supervisory Board compensation

The compensation paid to the members of the Supervisory Board consists solely of fixed components. The Annual General Meeting has the right to authorise payment of variable compensation, but has yet not exercised this option. Fixed compensation is paid after the end of the respective financial year.

The Chairman of the Supervisory Board receives double the compensation paid to an ordinary member, while the Deputy Chairman receives one-and-a-half times the compensation paid to an ordinary member. Persons who are only members of the Supervisory Board for part of a given financial year receive pro rata compensation on the basis of the length of time served. The publication of payments to Supervisory Board members for services provided individually is consistent with the relevant statutory requirements.

The following table shows the total compensation paid to the Supervisory Board:

	2008 € thou.	**2007 € thou.**
Chairman of the Supervisory Board, Mr. Friedrich Wilhelm Bischoping	14	14
Deputy Chairman of the Supervisory Board, Prof. Detlef Stolten	11	11
Supervisory Board Member, Prof. Paulus Cornelis Maria van den Berg (until 4 June 2008)	7	7
Supervisory Board Member, Mr. Detlef Herzog (since 4 June 2008)	0	0
Total	**32**	**32**

3. Employee remuneration system

The Masterflex Group has a remuneration system which also includes variable component for managers. The variable component is based on the performance of the respective employee and of the Company as a whole. The variable component will be developed further and will be aligned primarily to the new management ratios. Payment takes the form of a bonus. The Company does not operate a stock option plan.

The Masterflex Group also offers all of its employees the opportunity to participate in an occupational pension plan. Employees can choose between the so-called Riester pension, a regular pension fund or direct insurance, or a combination of these options.

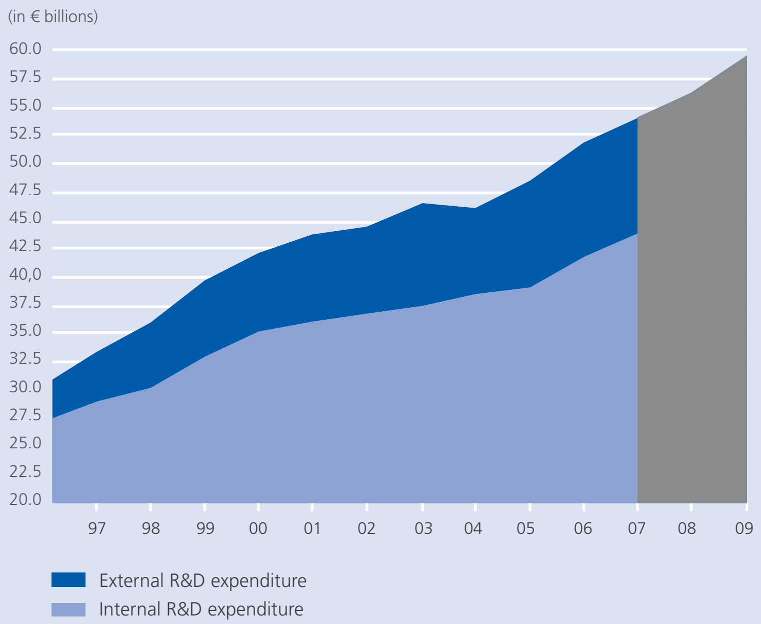
4. Social commitment

Masterflex AG is committed to the principles of corporate responsibility at all levels, from its economic actions, the responsible use of raw materials and resource-friendly production, right through to its social responsibility. The Masterflex Group intends to expand its social commitment further in future.

In 2008, Masterflex AG and its subsidiaries also showed commitment by giving several grants (donations of money and in kind) to charitable organisations which operate in the Group's locations and across different regions. Examples of our involvement include grants to the organisations "Herzenswünsche e.V" and "Haus der Familie" in Halberstadt, and the initiative "Ärzte ohne Grenzen e.V."

E. Research and Development

R&D expenditure in the economic sector 1997–2009



2007: Provisional data
2008 and 2009: Planning data from the 2007 R&D study

Source: Donor's Association for the Promotion of Sciences and Humanities, as at 28 November 2008

According to the Official Journal of the European Commission from October 2008, global expenditure on research and development fell from 10.0% last year to 9% in the 2007/2008 financial year. By contrast, R&D spending in the European Union (EU) increased from 7.4% to 8.8%. The growth rate for companies in the EU was thus at the level recorded by US companies which were included in the Journal, whose R&D growth rate fell considerably from 13.3% to 8.6%. The figures published in the Official Journal are based on the information provided by the 1,000 companies with the highest research and development (R&D) spend.

According to the Donors' Association for the Promotion of the Sciences and Humanities, total R&D expenditure in the German economy increased by 2.8% to € 53.5 billion in 2007, which was a more moderate increase than in previous years. Of this, € 43.0 billion was used for internal R&D and € 10.5 billion for research contracts (external R&D).

According to corporate planning from the first six months of 2008, R&D costs for all German companies were set to increase to € 56.8 billion in 2008. A further increase to € 59.3 billion was scheduled for 2009. Since these plans were largely made in the first six months of 2008, i.e. before the financial and economic crisis and the subsequent recession, it will only be shown in the 2008 study to what extent the planned R&D budget has been implemented in practice in view of altered general conditions resulting from the economic crisis. The possibility that corporations will make a downward adjustment to plans for 2009 should not be ruled out.

According to the information available, R&D expenditure for 2007 in the rubber and plastics industry dominated by small and medium-sized enterprises is estimated at approximately € 829 million. A further increase to approximately € 869 million was planned for 2008 and € 960 million for 2009.

In 2007, the share of R&D in the gross domestic product remained unchanged at 1.77%. Combined with the share of research attributable to universities and the government (0.77%), R&D intensity in Germany of 2.54% is still considerably below the 3% target of the German government.

I. Research and Development in the Masterflex Group

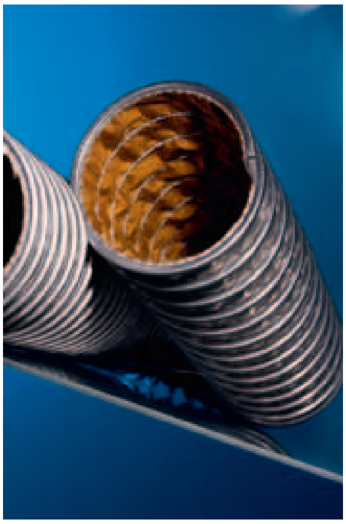
One of the overriding aims of our strategic corporate planning is the safeguarding of our innovative strength. The development of innovative new products has always formed the basis of our success. By focusing on our core High-Tech Hose Systems business unit, we will optimise our processes in the area of research and development further and implement up to date and efficient innovation management. In so doing, we will draw on all available sources of information in order to ensure the success of our company on a sustained basis. We will utilise both internal and external competencies to strengthen our product portfolio and to expand into new markets.

In the Masterflex Group, our main focus is on application development. We work with innovative materials, production processes and new product applications. This often takes place in close collaboration with our customers. We develop material-based standards regularly, in close cooperation with our raw material suppliers. Even in the early stages, our quality standards are aimed at meeting the demands of the various markets in which we are active, right down to the specific requirements and expectations of our clients.

The Masterflex Group's expenditure on these development projects primarily relates to staff costs, as we do not perform a significant amount of asset- and cost-intensive development. In 2008, our research and development expenses totalled € 1,071 thousand (2007: € 1,216 thousand), corresponding to 1.2% of consolidated revenue (previous year: 1.4%). Of this amount, development costs totalling € 602 thousand were capitalised (2007: € 814 thousand). The majority of the remaining expenditure of € 469 thousand (2007: € 402 thousand) was attributable to staff costs. The overlap between the areas of technology, production and construction means that R&D expenses cannot be accurately allocated to the employees involved in the respective activities.

The measures initiated in 2007 with the aim of establishing an efficient innovation process were expanded further in 2008 in order to optimise conditions for effective, synergy-based interdisciplinary development expertise. Structured innovation processes and target-oriented project management are vital in ensuring that the innovative ability of the Masterflex Group continues in the future. For this reason, cooperation with universities and institutions has been further expanded with a particular focus on the optimisation of material properties.

II. R&D projects 2008/2009 – High-Tech Hose Systems



In our core High-Tech Hose Systems business unit, we focus on the development of highly abrasion-resistant hose systems with various diameters. When on the constant search for new applications, we are always discovering innovative materials which could replace the currently dominant rubber hoses in many areas requiring the handling and extraction of extremely abrasive materials.

Masterflex-PUR inline houses were recently developed as a new hose variety which features a seamless and smooth inner lining. Since they are easy to clean, they will also be suitable to use in the food industry in the future when finished with the appropriate materials. Thanks to the high strength of the lining and the particularly good abrasion resistance of the specially developed lining material, it can be used in extremely abrasive operating conditions. Further development varieties varying in shore hardness will be produced.

In order to connect wire-reinforced hoses using a reusable connecting system, a clamp collar fitting has been developed with which standard connecting elements can be adjusted to different hoses.

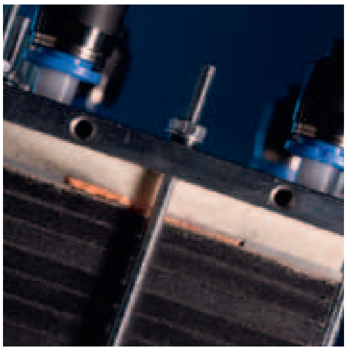
We also work with materials derived from reusable raw materials. We are currently working on a completely new type of extruded profile hose which combines a number of features which up until now were only provided on an individual basis by different products. This all-rounder has good chemical resistance, excellent quality in terms of abrasion resistance and good flexibility at low temperatures. This innovation will be first presented to a specialist audience at ACHEMA in May 2009, the world's biggest trade fair for chemical engineering.

Hoses have been developed for exhaust gas routeing for engine test stands which can withstand exposure to high temperatures and vibrations. Furthermore, production capacity was expanded in the 2008 financial year in order to be able to produce new varieties in wire-reinforced hose production.

Further projects are working on the development of new optical fibre products (sidelight fibres), which are expected to promising applications particularly in vehicle construction and structural engineering. A range of further development projects are aimed at improving material properties, which will provide our hose systems with further areas of application and therefore sales markets.

1. Cooperations

The cooperation commenced in 2007 with the Innovation Centre at the Harz University of Applied Sciences, Halberstadt, was continued in 2008. Here, we are researching the possibility of transferring data using polymer optic fibres (POF) instead of glass fibres in future. This project requires the application of Novoplast Schlauchtechnik GmbH's extensive expertise in the area of extrusion technology. The products are currently at the trial stage, the initial sampling processes having been carried out.



III. R&D projects 2008 – Mobility

The objective of operating activities in the Mobility segment is to develop innovative, environmentally-friendly mobility concepts. In the Fuel Cell Technology business unit, Masterflex AG focuses on systems of between 50 and 250 watts. Owing to the modular design of our fuel cell systems, output ranges of up to 1,000 watts can be generated. Fuel cell systems are regularly employed in mobile, portable applications without access to the mains. As well as light mobility vehicles with fuel cell drive systems such as the Cargobike, we are also working with applications in areas such as medicine (functional trolleys for hospital rounds) and emergency power supply.

We are in close contact with our partners in the Fuel Cell and Hydrogen Network NRW with the aim of accelerating the development of fuel cell technology. Our Cargobike activities include cooperations with a number of local companies, as well as at a European level via the HyChain project.

In 2008, the innovative "Lopes" low pressure security system for fuel cell systems was developed. As well as a high level of safety, "Lopes" also makes system integration considerably easier as it is possible to fully dispense with any additional safety devices.

IV. R&D projects 2008 – Medical Technology

In the area of medical components, the range of catheters available was expanded. A particular innovation of 2008 was a balloon tube for catheters with unusual sizes, e.g. inner diameter of 2.0 mm and a wall thickness of 0.08 mm. Examples of where it is used are in cardiology, urology (catheterisation of the urinary bladder) and angiology.

A balloon catheter is a plastic catheter which has an inflatable balloon (occlusion balloon) filled with compressed air or liquid at its tip. An occlusion balloon is the inflatable part of a catheter with which the lumen of an anatomical structure can be occluded or expanded. For this purpose, the balloon is briefly inflated under high pressure and then emptied again.

V. Environmental protection/REACH

We are committed to the principles of product responsibility and ensuring the quality of our products. This requires us to combine environmental protection for people and for nature with economic objectives. In order to meet these different demands, we involve external safety experts to ensure compliance with changes in environmental legislation and advise on the ways in which these changes can be implemented within our operating activities, as well as regularly monitoring our compliance with the relevant provisions. With regard to the materials employed by Masterflex, we use primarily polyurethane and other polymers that do not contain any toxic component and which require lower energy consumption for processing than other materials.

The production of our extruded profile PUR hoses is practically waste-free. Any rejects produced in the start-up and shut-down phases are recycled. Wires and polyurethane are separated and resold or reused in production without a loss in quality.

Environmental protection and climate change are becoming increasingly important topics at a global level. With the development of our light vehicles with Fuel Cell Drive Systems, we are aiming to make an active contribution to solving traffic problems and the related pollution in the form of CO_2 emissions.

The EU regulation on chemicals and their safe use (REACH) aims to improve the safety of all parties involved in the product chain, as well as consumer safety and environmental protection.

REACH stands for the registration, evaluation and authorisation of new and existing chemicals that are manufactured in or imported into the EU. REACH establishes Europe-wide legal standards and replaces the former of existing substances evaluation and notification of new chemical substances. With the adoption of this regulation, responsibility for the safety of chemicals has been transferred to the industry.

In the REACH supplier chain, the Masterflex Group, as a product supplier, has the status of a downstream user and for this reason has not carried out any pre-registrations itself. When REACH came into effect on 1 June 2007, all necessary measures were adopted responsibly and well-founded exchange of information was carried out with suppliers in order to examine its implementation. A summary of information on REACH can be found at www.masterflex.de in the Products/REACH section and is constantly updated.

F. Report on post-Balance Sheet Date events

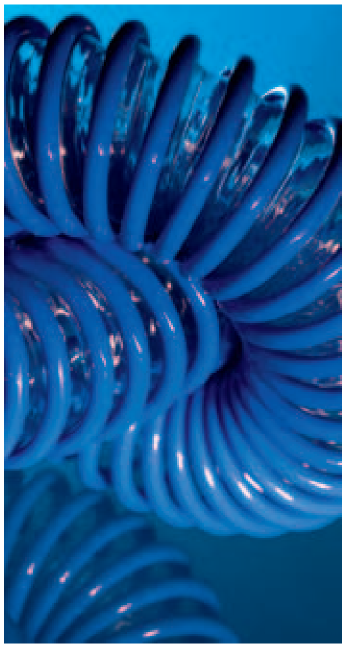
Significant events after the end of the financial year

The following significant events affecting the net assets, financial position and results of operations of the Group occurred after the balance sheet date:

In early 2009, as a result of the decline in demand in High-Tech Hose Systems, a few Group companies requested reduced working hours in order to avoid redundancies of qualified employees as far as possible. The same applies to the Advanced Material Design business unit.

As a result of the dramatic earnings development in 2008 and the resulting reduction in the equity ratio, it should also be noted that the Executive Board, in consultation with lenders, is pressing for a restructuring of Company financing. The talks and negotiations to be held with providers of capital have been initiated. However, these did had not produced a conclusive result by the date on which this report was produced. The talks and negotiations to be held with banks are being conducted involving and under the leadership of two leading German banks. The Executive Board expects that the future financing concept will be completed by mid 2009. The annual financial statements have therefore been prepared on a going concern basis, even though a few banks have since announced the discontinuation of loans. All banks declared jointly, with effect on 10 March 2009 and observing certain conditions, that no loans will be discontinued and that existing, known termination rights will not be exercised until 30 June 2009, and that existing credit lines will remain available until 30 June 2009.

G. Risk report



I. Risk management system for value-oriented corporate management

All corporate activity involves risks and rewards. Risk describes the possibility of unfavourable future developments with a realistic, though not necessarily significant, probability of occurrence.

At Masterflex, risk management stands for the targeted safeguarding of existing and future earnings potential, as well as the specific reduction of known risks. Our risk management system comprises the identification, assessment and management of risks. This systematic process is aimed at ensuring the early identification of potential risks within the Group as a whole, monitoring these risks, and limiting or preventing them through the implementation of appropriate countermeasures. This controlled approach to risk is intended to safeguard the net assets, financial position and results of operation of the Group.

II. Efficient risk management organisation

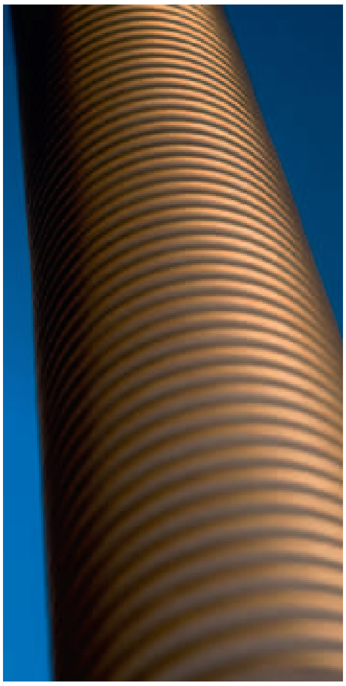
The Executive Board of Masterflex AG has established a decentralised risk management system that – not least following the considerable impact of non-recurring effects of last year – has been and will continue to be considerably revised.

The forecast/actual system, which is based on the Group's strategic planning and medium-term financial planning, means that potential risks can be identified and assessed at an early stage and incorporated into the decision-making process in order to allow the timely implementation of appropriate risk mitigation measures.

The economic risks arising from the Group's operating activities are monitored and controlled using standardised internal reporting, which is performed on a Group-wide basis in accordance with uniform requirements. This serves to ensure that the Executive Board is informed on a monthly basis about the current economic situation and the extent to which the Group's objectives have been achieved. Market and competitive analyses are also performed in order to further increase risk transparency.

The measures described above also include the subsidiaries. The wide range of business activities performed in the High-Tech Hose Systems, Medical Technology, Mobile Office Systems and Advanced Material Design business units gives rise to risk profiles requiring methods that are precisely tailored to the specific risks in the various business units.

Decentralised risk management is responsible for performing regular risk reporting with the aim of identifying risks, assessing them in terms of the potential damages and the probability of their occurrence, and documenting and communicating them. The relevant on-site risk officers are also responsible for developing and, where appropriate, initiating measures aimed at preventing, reducing and mitigating risk.



The decentralised risk officers are supported by decentralised Group risk management, which is responsible for coordinating risk management tasks and formulating the uniform terms and conditions and guidelines for the Group as a whole. Decentralised risk management also calculates the consolidated risk position of the Masterflex Group, full details of which are provided to the Executive Board on a regular basis.

The following section contains information on the key risk areas potentially affecting our business development and net assets, financial position and results of operations. The Group may also be exposed to risks that are not yet known, as well as risks that we currently consider to be negligible but that could have an adverse affect in the event of a change in circumstances.

III. Risk Management in 2008

Results after the impairment tests of projects and enterprise values in 2008 revealed clear potential for improvement in the Company's internal management systems. As a result, under the new CEO, a range of measures have been introduced to improve the tools and processes of internal controlling and business and action planning.

In autumn 2008, reporting was remodelled and expanded and the early warning system significantly optimised. To enable us to react more quickly to deviations from planning, we extended our two-phase monthly Group-wide reporting system in all units with the addition of weekly status reports on the target/actual situation. The subsidiaries report revenues, incoming orders, receivables, liabilities and the liquidity and bank status.

As was previously the case, interim financial statements, a qualitative report on sales, human resources and finances and a market and competitive analysis are then prepared to the middle of the month. Quarterly financial statements are also prepared at Group level in accordance with International Financial Reporting Standards (IFRS). In 2008, a Group-wide accounting manual was also produced to ensure further standardisation of reporting.

Our long-term strategy is focused on the intensive expansion of our core High-Tech Hose Systems business. Our growth, acquisition and investment targets require sufficient capital resources and a balanced ratio of equity to debt. In future, our corporate planning will therefore have a stronger focus on cash flow from operating activities. Cash flow reflects the extent to which each CGU within the Masterflex Group generates cash from its core activities, and hence its ability to fund the planned business development from its own operations. Future investments will be subject to tougher requirements regarding yield expectations and ROI (return on investment) before a decision is made to proceed.

In future, greater consideration will be given to balance sheet key performance indicators that reflect the liquidity situation. We also strive to secure the level of borrowed capital employed in the long term in order to ensure that Masterflex AG has a reliable basis of calculation for financial transactions.

IV. Risk factors

1. Market risks

The Masterflex Group companies are exposed to potential market risks in their procurement and sales activities.

On the procurement side, the availability and purchase prices of raw materials and intermediate products constitute a potential risk for our companies. We strive to reduce these price and availability risks through our international purchasing activities, the conclusion of long-term supply agreements and the continuous optimisation of our supplier portfolio. We also enter into agreements with price adjustment clauses in order to minimise the adverse effect of changes in purchase prices. When selecting suppliers, the Masterflex Group focuses on efficiency and quality. For particularly important bought parts, we aim to ensure close cooperation with the respective suppliers and incorporate them into new development projects at an extremely early stage in order to safeguard our economic success. This cooperative approach means that the Masterflex Group is also exposed to the risk of dependence on specific suppliers.

On the sales side, risks may arise as a result of the severe recession. Parts of the Masterflex Group also cannot entirely escape current economic trends. The further business development of Masterflex AG is dependent on the effectiveness of the global economic stimulus programme and thus on the sales markets steadying. We are currently not certain when exactly our customers will return to normal ordering patterns appropriate to the respective market situation.

Overall, we will counteract the potential increase in competitive pressure in our business units by continuously improving our products, services, business processes and cost structures. However, price pressure has increased in recent times.

We aim to mitigate general customer-related risks (e.g. the loss or insolvency of major customers, increased price pressure due to competitive hegemony) by ensuring a broad-based customer structure and avoiding dependencies.

2. Financial risks

Financial risks include liquidity risk, market price risk and counterparty default risk. These risks may arise from the transactions conducted by the Group in the course of its operating activities and their hedging, financing decisions, or changes in the value of the financial items recognised in the balance sheet. Financing and the limitation of financial risks are controlled and monitored centrally within the Masterflex Group.

Within the Group, there are binding provisions on the types of financial instruments that may be used, the limits for their conclusion and the banks with which such instruments may be entered into. Compliance with all limits is examined on a regular basis and permanently revised. Counterparty default risk is reduced by systematically obtaining trading information, setting credit limits and performing active debtor management, including dunning and proactive collection measures.

The fundamental risk strategies for interest rate, exchange rate and liquidity management are determined on a centralised basis. Financing and hedging decisions are made on the basis of our financial and liquidity forecasts, which incorporate all key business units.

Business and financing activities in currencies other than the respective local currency are only conducted to a limited extent, but automatically result in foreign-currency cash flows. The individual business units are obliged to monitor the resulting risks and hedge the relevant cash flows in consultation with Group management where appropriate and to the extent that this is not prohibited due to country-specific restrictions or other reasons. Hedging instruments may include currency forwards, currency swaps and simple currency options.

If interest rate risks arise when raising funds on the capital markets, these risks are managed centrally and, on an individual basis, reduced or limited using interest rate derivatives. Foreign exchange risks arising from the translation of the financial statements of companies not reporting in euros are not hedged using financial instruments.

3. Production risks

We counteract the risk of production downtimes, e.g. due to disasters or fire damage, by performing preventive maintenance work and maintaining adequate inventories of key replacement parts, as well as through fire prevention measures, employee training and the establishment of a network of external suppliers. We also have reasonable insurance coverage for any damages that may arise in spite of these measures.

In order to control quality risks relating to its goods and services, Masterflex gives a high degree of priority to quality assurance. By setting ambitious quality standards for its development activity, intensively examining the entire process chain and maintaining permanent contact with suppliers, quality-specific risks within the Masterflex Group are limited in a systematic manner.

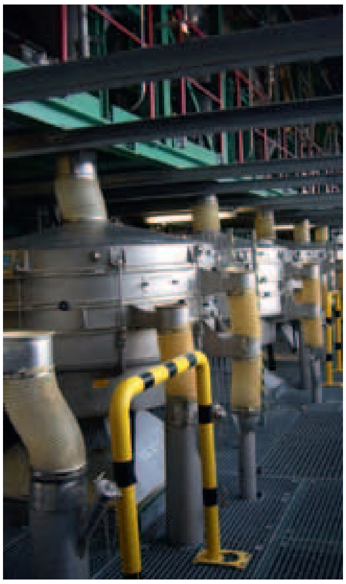
4. Technology and quality risks

The Masterflex Group strives to reinforce its market position by offering globally competitive products and services. This requires a permanent innovation and development process in order to meet the demanding requirements of its customers. The Group also aims to maintain close cooperation with its customers in order to help it to develop new applications and leverage new markets at an early stage. This frequently results in innovative business ideas, some of which eventually become standard applications.

The position of Masterflex Group as an innovation and quality leader sets it apart from its competitors. Failures in quality assurance or products that do not meet the needs of the market can have an adverse effect on the Group's sales potential. The quality of Masterflex's products and services is not only a prerequisite for repeated customer orders, but also serves to reduce the additional expense resulting from warranty and compensation payments. Accordingly, targeted innovation and quality management enjoy the highest priority.

5. IT risks

The continuous availability of IT systems is a vital factor in ensuring the operationality of the Group's individual sites and offices. Accordingly, internal and external experts work permanently with a view to optimising the Group's central and decentralised information security systems. The hardware and software components currently available on the market are employed to protect the Group against potential system failures due to external disruptions, e.g. the infection of computer systems with viruses. The protective measures implemented include the use of the latest virus scanners and state-of-the-art firewall systems, as well as extensive user access controls. Masterflex AG and a few of its subsidiaries also use a computer centre operator in order to fulfil these service requirements.



6. Legal risks

The Group is not aware of any current or potential legal proceedings that could have a tangible effect on the net assets, financial position and results of operations of Masterflex AG or the Group. However, the possibility that such risks will arise in future cannot be fully excluded. Appropriate but sufficient provisions were set up for pending or imminent legal proceedings.

7. Personnel risks

The performance of our employees is a vital factor in our Company's continued growth and development. We compete with other companies in our efforts to attract highly qualified employees and managers. We do not consider there to be any significant risk to our ability to employ the necessary specialist staff and managers to achieve our growth targets.

8. Acquisitions and de-investments

The strategy of Masterflex includes both company sales and strengthening business units via mergers and company acquisitions.

Despite careful planning, company mergers and acquisitions are exposed to risks which can negatively impact the net assets, financial position and results of operations. Moreover, there is the risk that considerable costs may be incurred as a result of such measures. Company acquisitions can have a negative impact on the financing structure of the company carrying out the acquisition. There is also the risk that write-downs on non-current assets including goodwill may ensue as a result of unscheduled developments.

With regard to de-investments, there is the risk that planned company sales may negatively impact the net assets, financial position and results of operations both in terms of time and commercial conditions.

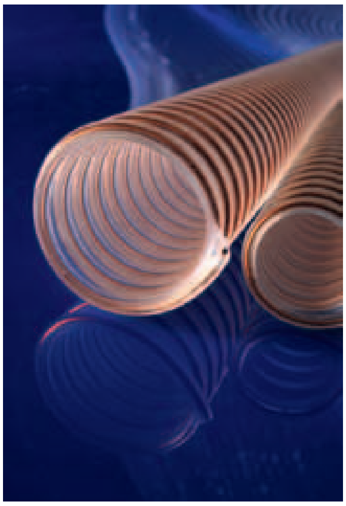
9. Overall assessment of the Group's current risk situation

Since autumn 2008, the capital and financial market has changed unexpectedly and in an unprecedented manner. We cannot rule out the possibility of this having significant negative consequences for the net assets, financial position and results of operations of the Masterflex Group and thus the Company's ability to secure financing.

In addition to global risk factors, the expected positive development of the net assets, financial position and results of operations of the Masterflex Group may be considerably negatively impacted by negative business trends in individual sectors or economies. Recessive trends in the overall economy will also have an impact on the Group.

Our net assets, financial position and results of operations may be considerably adversely affected in the future if the Masterflex Group is unable to adapt to market changes and particularly if it is unable to develop, manufacture and distribute new, high-quality products. This undesirable development could lead to extraordinary write-downs on internally-created assets and intangible assets.

However, revenue and income may also decline if Masterflex AG invests in technologies, manufacturing processes and products which do not prove to be marketable or are not launched at the right time. The same applies if Masterflex misjudges regional markets in the context of its internationalisation strategy or if it does not comprehensively prepare and implement the market launch.



10. Risks endangering continued existence

Masterflex AG and the Masterflex Group are subject to risks endangering its continued existence due to conditions that have worsened as a result of the financial crisis and the current liquidity situation.

From the current perspective and in the context of the measures introduced and described above, the Executive Board assumes that the necessary capital measures can be implemented.

The consolidated financial statements have thus been prepared on a going concern basis, for all legally autonomous entities and business units. This does not include business activities which we have decided to dispose of or discontinue.

V. Individual risks

We cannot currently rule out the possibility that developments may deviate from our forecasts in the following three areas.

1. Financing

As a result of the international financial crisis and a reduced credit rating, the Masterflex Group's access to the capital and financial markets has become considerably more difficult. On 31 July 2009, the first tranche amounting to € 12.0 million of the borrower's note loan falls due. There have been loan terminations of € 4 million and the partial termination of a credit line of € 2 million. As a result of the current financial situation, partial refinancing is necessary in order to pay liabilities due in the short term, and is currently being negotiated. The Executive Board expects these negotiations to be concluded successfully and to be able to service the repayment of this financing from existing liquidity and new loans to be negotiated.

2. SURPRO Group

In the 2008 financial year, SURPRO GmbH, which is primarily a manufacturer of preliminary products for the writing implement industry (luxury goods market), saw considerable declines in both incoming orders and revenue. We cannot rule out the possibility that the net assets, financial position and results of operations may continue to be negatively impacted despite the measures introduced. As a result of the profit transfer agreement agreed with SURPRO Verwaltung GmbH, the effect on SURPRO GmbH would have a direct impact on Masterflex AG.

3. DICOTA GmbH

A possible risk may arise from retroactive guarantee and liability claims. However, at present there is no evidence of any such claims.

H. Report on expected developments

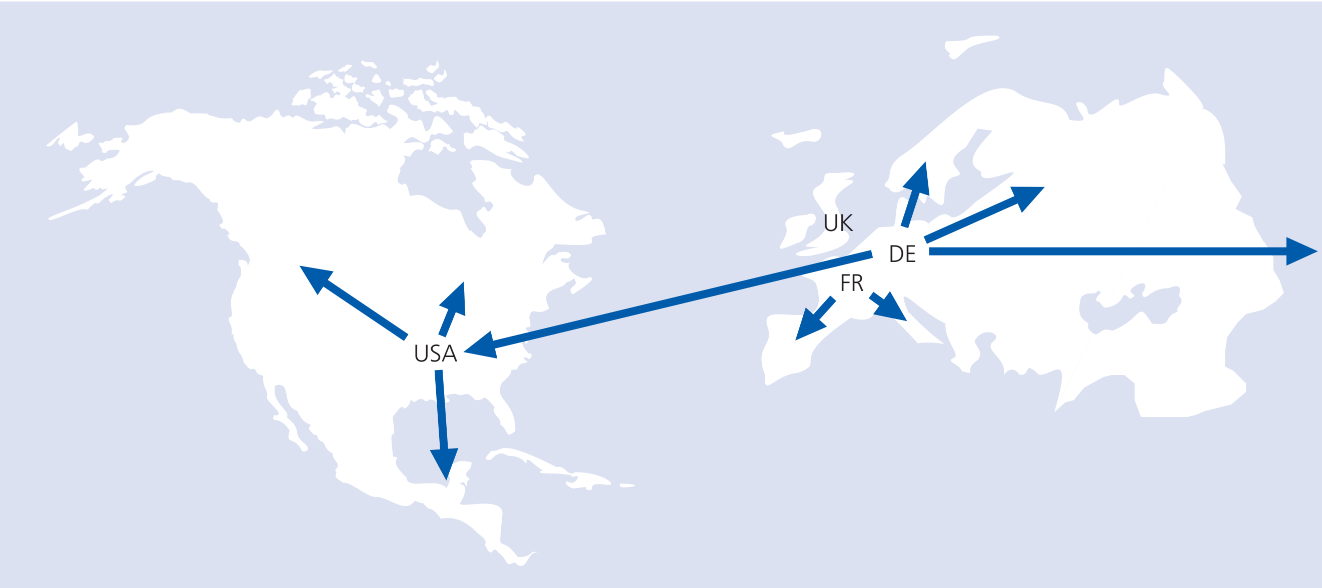
The following statements on the future business development of the Masterflex Group and on the assumptions therefore deemed material concerning the economic development of markets and industries are based on our estimates which we currently regard as realistic according to information we have available. However, these are associated with a high degree of uncertainty as a result of the current economic environment and thus carry the unavoidable risk that forecast developments will not actually occur, either in terms of general trends or to the extent forecast.

I. Opportunities

1. Economic environment

The majority of economic experts expect the 2009 financial year to be defined by a deep recession which will have a particularly severe impact in Germany. According to expert opinion, the situation is not expected to pick up any earlier than the end of 2009 or in 2010. As a result, the opportunities we have identified are of a general nature and should be seen in the context of a longer-term time horizon.

2. High-Tech Hose Systems



In contrast to other companies in the supplier industry, we operate in many industries in our core High-Tech Hose Systems business unit and serve more than 10,000 customers. Despite this broad-based structure, the High-Tech Hose Systems business unit has also been affected by the most severe recession since the Second World War. However, based on the lower dependency of individual industries, we expect to be able to recover from the recession quicker than the overall market.

Opportunities for High-Tech Hose Systems: the Group's core business unit

- **Materials of the future with substitution potential**
- **High degree of material and processing expertise**
- **Profitable niche markets**
- **Customer-oriented products demanding high degree of problem-solving**
- **Scale effects as market leader**
- **High level of innovations**
- **High barriers to market entry**

Our long-term strategy includes entering into new markets with existing products and creating new markets with product innovations. Thanks to this strategy, we successfully tapped into new customer segments in 2008. We see huge potential in accelerated internationalisation, as in many markets we are barely represented, or not represented at all. Our target markets include Europe, the USA and Asia.

We have identified the following opportunities which will provide us with a good starting position from which to pursue successful growth in our core High-Tech Hose Systems business unit. At the same time, these opportunities constitute significant barriers to market entry which guarantee us a competitive advantage:

2.1 We work with materials of the future

High-performance plastics, such as polyurethane, are increasingly proving to be a vital component in the development of high-end applications. They are being used to an ever-greater extent where PVC, rubber, steel and other materials reach their limits. Conversely, there are currently no alternative materials with comparable properties which could replace high-performance plastics.

For this reason, plastic is becoming indispensable in an increasing number of areas. There is yet more future potential in developing this material further e.g. using nanotechnology. There is also increasing focus on biocompatible plastics due to the positive contribution they can make to the environment. Experts from the Plastics Europe association firmly believe that plastics can make a decisive contribution to solving problems such as climate change, energy efficiency and shortages of resources.

2.2 We have a high degree of materials expertise

In the market for industrial hoses, the qualities of polyurethane and other polymers have been highly regarded for some time. In recent years, however, Medical Technology has also discovered the versatility of high-performance plastics, such as anti-bacterial plastics that can help to reduce the risk of infection. Today, polyurethane products are already substituting traditional materials thanks to their excellent properties.

These high-performance materials require a high standard of processing. In this regard, we consider Masterflex AG in an excellent position to develop new products for new areas of application as a result of its many years' technological expertise using proprietary processes and equipment. Furthermore, we also see opportunities to expand our core competencies via targeted acquisitions in the area of our core business.

For a number of years, we have applied our materials expertise in the industrial hose industry to manufacture medical infusion hoses and catheters.

These are also produced using an extrusion procedure. Medical technology is a profitable sub-segment of the healthcare market and one of the few growth areas in the difficult German market, which is currently dominated by cost savings. Our markets are areas where we can benefit from this trend by offering products with genuine value added and a reliable basis of calculation. Our catheters and infusion hoses minimise the risk of thrombosis and infection, thereby helping to reduce subsequent complications and the length of hospital stays. This is also a profitable niche market with a low level of competitive pressure and a promising outlook for the future.

2.3 We focus on profitable niche markets

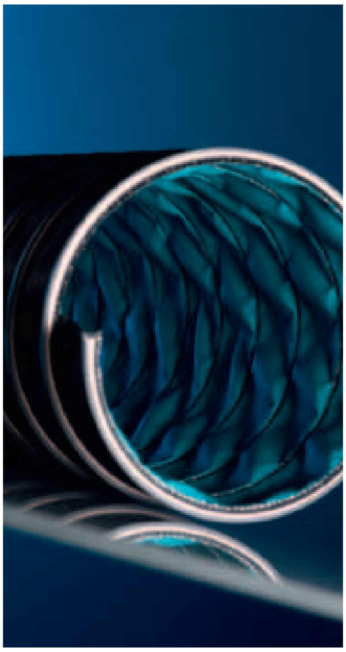
As a provider of high-quality, complex, specialist product and system solutions, our focus is on profitable, future-oriented niche markets that are driven by the quality and problem-solving ability of the available products rather than price and volume considerations. The structure of these markets is characterised by a small number of competitors, the majority of which are SMEs. This market situation provides us with opportunities to extend our skill base e.g. via targeted acquisitions, to add to our product range and to establish new hose and connector systems markets.

2.4 We achieve economies of scale through market leadership

We have a market share larger than that of our competitors in a number of sub-markets. As market leader, we have a competitive edge in terms of our expertise and can utilise economies of scale in production, sales and marketing thanks to our size. Entering a new market with the development of our own production will mean high fixed set-up costs in the first few years, and therefore lower margins. As these products are highly complex, it will take a certain amount of time to acquire new customers. However, average costs are falling thanks to an increasing market presence, as subsequent costs are considerably lower, meaning that we are able to generate significant economies of scale. This means we are well positioned compared to any potential new competitors.

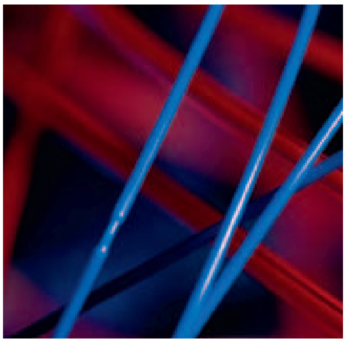
2.5 We develop product innovations

Product innovations are one of the pillars of Masterflex AG's success. In the High-Tech Hose Systems business unit, Masterflex has been a recognised specialist for the solution of highly complex technical problems for a number of years. New developments are extremely important, as can be seen from its wide range of product innovations and the permanent (further) development of its materials and production and process technologies. This includes the first flame-retardant PUR hose for the wood industry, the master PUR inline hose with a reinforced inner lining, as well as the first connector systems made of polyurethane. Many of Masterflex's past innovations have become standard industrial solutions. For this reason, we will continue to expand innovation management and thereby draw on knowledge from all our companies.



3. Mobility

In view of increasing environmental and traffic problems as well as the finite nature of fossil fuel supplies, the search for environmentally-friendly alternatives is a top priority. Experts believe that fuel cell technology offers the greatest potential for the future. In the traffic and transport sector, decisions have largely been taken in favour of hydrogen-based fuel cells. However, substantial technical problems and the lack of a hydrogen infrastructure mean that it will still be some time before a broad-based market launch is possible. Battery-driven electric vehicles are thus seen as an interim solution.



Masterflex AG sees good opportunities in the light electric vehicles niche market. We already offer both battery-driven and fuel cell-driven mobility solutions. The Cargobike using fuel cells, which is almost ready for series production, is already in use at T-Com as well as in the European HyChain project and already offers a functioning hydrogen supply, which was developed in cooperation with external partners.

The market for light electric vehicles is a growth market which we consider to offer even greater future potential thanks to the launch of fuel cell drive systems, as this will significantly increase the range of such vehicles as well as their attractiveness from an economic perspective.

4. Medical Technology

For the Masterflex Group, medical technology offers significant future potential on account of its growth prospects in the area of medical devices (infusion tubes, catheters, etc.). In this regard, expansion of this market segment as an area of application or sales market for our high-tech plastics products is relevant to the core business unit.

For a number of years, we have applied our materials expertise in the industrial hose industry to manufacture medical infusion hoses and catheters.

These are also produced using an extrusion procedure. Medical technology is a profitable subsegment of the healthcare market and one of the few growth areas in the difficult German market, which is currently dominated by cost savings. Our markets are areas where we can benefit from this trend by offering products with genuine value added and a reliable basis of calculation. Our catheters and infusion hoses minimise the risk of thrombosis and infection, thereby helping to reduce subsequent complications and the length of hospital stays. This is also a profitable niche market with a low level of competitive pressure and a promising outlook for the future.

Healthcare is one of the largest and most important sectors of the Germany economy. A total of approximately € 245 billion is spent on healthcare. This represents 10.6% of the gross domestic product (source: 2006 report on healthcare expenditure by the German Federal Statistical Office, April 2008). Medical technology is a sub-segment of this market. The global market for medical technology had a volume of around € 200 billion in 2006. Germany is the third largest individual market after the USA and Japan, and had a market volume of over € 22 billion in 2006. The medical technology market offers a significant degree of global potential, particularly in the countries of Central and Eastern Europe, some of which are lagging behind in terms of medical equipment.

In the last few years, the Medical Technology business unit has been very successfully placed and now generates the target yield. However, the Executive Board, together with the Supervisory Board, is currently reviewing the sale of the subsidiary Angiokard Medizintechnik GmbH & Co. KG, not including its equity interests in Novoplast Schlauchtechnik GmbH and Fleima Plastic GmbH.

5. Advanced Material Design

The current business model is strongly oriented to the luxury goods market. As a result of the negative performance in the 2008 financial year, we developed new market strategies in conjunction with the management of SURPRO GmbH. The Company will subsequently broaden its spectrum of activities with a focus on its high degree of processing expertise in the area of galvanised surface coating. This focus is expected to lead to higher profit margins. In addition, the further automation and outsourcing of certain workflows will lead to greater flexibility to react to fluctuations in capacity utilisation with a focus on profits, particularly during times of crisis. To achieve this aim, appropriate investments are required and have been scheduled for 2009 and 2010.

II. Financial outlook

Financing concept
Sustainable cash flows
Equity investment with sustained value
Strong working capital
Equity ratio > 30 %

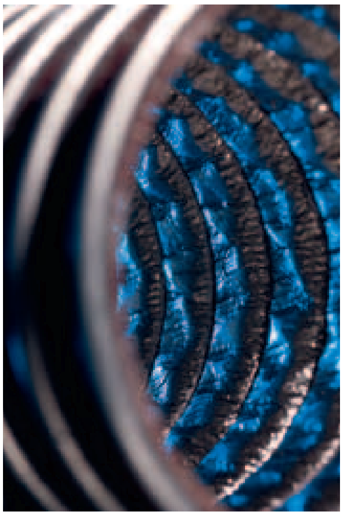
The 2008 financial year for the Masterflex Group was considerably impacted by non-recurring expenses. Based on the new Group strategy of focusing on the core business unit High-Tech Hose Systems, extensive accounting measurement changes and de-investments resulted in substantial expenses (see further details under "Net assets, financial position and results of operations"). These adjustments were essential for bringing about a new beginning in order to create the specific conditions necessary for the further successful development of the Group and to create a firm basis of trust for our equity and external capital providers. A clear distinction should be made between the assessment of performance from an accounting and an operating perspective. The Masterflex Group – and, in particular, the High-Tech Hose Systems core business unit – remains profitable and therefore offers promising potential for the Company.

On this basis, we will push ahead with expanding our expertise as a specialist in High-Tech Hose Systems using innovative plastics and woven fabrics in coming years. Using the specific, global market analyses we have prepared in the last two years and our long-term action plan, we will tap into growth potential particularly in the areas in which we are pursuing innovation and internationalisation.

However, we will be unable to implement our expansion plans as rapidly as we had intended and assumed up to now. The restructuring of the Group will still not be completed in 2009, and the Masterflex Group will also not be able to escape the severe economic crisis which is currently taking place.

The development of a sustainable realignment of our Group financing will have top priority in 2009. We are therefore in the process of a close and constructive cooperation with our lending banks to reduce net debt further and again be in a position to act to exploit our growth potential rigorously. We see ourselves on track here. In the medium term, our objective is to achieve an equity ratio of at least 30%.

Whilst the outlook for the 2009 financial year is positive overall for a few areas and submarkets of High-Tech Hose Systems, Medical Technology and Mobility, in the first months of 2009, noticeable revenue declines were posted in Surface Technology and in sub-markets of High Tech Hose Systems which are sensitive to developments in the overall economy. These include mechanical engineering, the chemical industry and the automotive industry, which also posted high sales downturns.



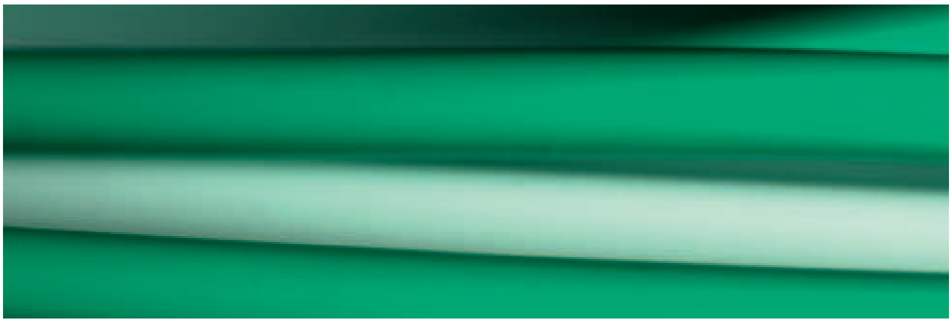
The further business development of the Masterflex Group is also to a significant extent indirectly dependent on the effectiveness of global economic stimulus programmes and thus on sales markets calming. We are currently not certain when exactly our customers will return to normal ordering patterns appropriate to the respective market situation. As a result, it is not possible to produce reliable revenue and results forecasts for 2009 and 2010. If the economic situation remains tense, we will be unable to compensate for the downturn revenue that has occurred to date, and will therefore unable to generate the revenue achieved in the previous year.

For 2009, we have therefore adopted added measures to cushion and reduce the negative impact on the Company as much as possible. As well as extensive cost-saving and liquidity-generating measures, this also includes the introduction of reduced working hours in some of our sites in Germany.

Nevertheless, we are convinced that with its strong market position, technology expertise and high-quality products, the Masterflex Group is well placed to tackle this unusually difficult market phase. With capacity adjustments and a strict cost and working capital management strategy, we intend to ensure our profitability and liquidity both in the current crisis and in the longer term.

Even if the Executive Board wishes to remain cautious with a quantitative results forecast, we still expect a significant positive operating EBIT. Non-recurring charges are not expected in 2009, or only to a limited extent.

2009 will not be an easy year, but the opportunities are there and will make effective use of these. Important conditions for this were created in 2008. Masterflex AG has great potential to return to success in its High-Tech Hose Systems business unit, which has stood out as our strong core business unit for more than twenty years. We will therefore focus our efforts on our outstanding core competencies. This year, as in previous years, we will continue bring a range of high-value innovations onto the market.

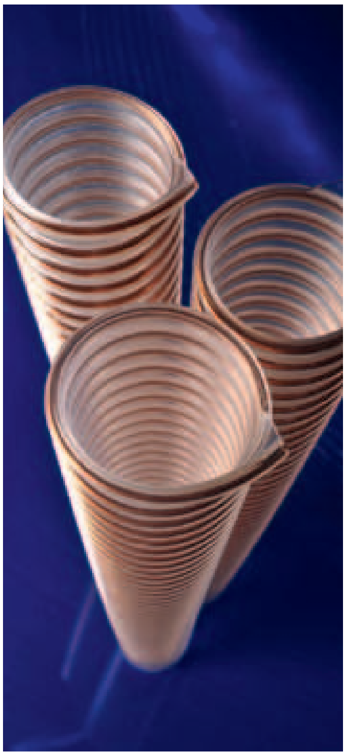


III. Business units

1. High-Tech Hose Systems: the Group's core business area

Development over the past few months has shown that, despite a broad customer and industry orientation, the Masterflex Group cannot break free from the overall trend as a result of the deep recession. As a supplier, we are also feeling the effects of the dramatic downturn seen in many industries which we supply. For example, in February 2009, the mechanical engineering industry posted a drop in incoming orders of almost 50%. The German Engineering Association (VDMA) expects a fall in production of between 10% and 20% in 2009. IKB Deutsche Industriebank AG anticipates revenue in the chemicals industry to contract by 7%. And even the automotive industry expects a fall in performance despite the scrappage scheme. Nevertheless, increasing numbers of commentators believe that we are gradually approaching a plateau at a reduced level.

The National Association of Plastics Processors (GKV) has not given a forecast for 2009. The expectation that there would be varying development in individual sub-markets appears to be confirmed in initial figures for 2009. In January 2009, the plastics processing industry posted a fall in revenue of 22%. Domestic revenue shrank by almost 20%, exports within the euro zone by 24% and exports outside this area by 29%. January's figures confirm GKV's expectation of varying performance in sub-segments. While the building materials industry posted a fall in revenue of 10.3%, the decline in the segment relevant to Masterflex – films, sheets, hoses and profiles – was over 23% (source: DESTATIS).



According to GKV, the industry anticipates a difficult year overall, but is cautiously optimistic, as innovative ability is an important basis for success. When assessing the situation, it is important to bear in mind that the level to be taken as a comparison is very high as a result of the strong growth of previous years.

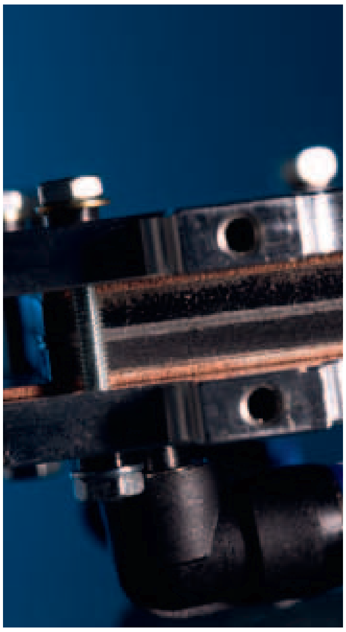
Experts from the specialist magazine Plastverarbeiter expect a downward trend which it may only be possible to halt from the second half of 2009. A fall in production of 3.2% is forecast, assuming that the situation improves in the second half of the year. A particularly severe -5.5% decline for manufacturers of technical parts is expected, which have several boom years behind them. For manufacturers of semi-finished products (profiles, sheets, pipes, films), a 3.4% decline is anticipated.

For Masterflex AG, this means that we will focus all of our market efforts on further differentiation and internationalisation. For example, we still expect relatively stable performance from the aircraft industry and medical components which to date have shown little sensitivity to the economic situation as a result of long-term supply agreements and political/legal influence.

The main focus of our internationalisation strategy is further successful leveraging of the American market in 2009. The markets served by us have to date proved stable. We will also widen the scope of our expansion in Europe. We founded Masterflex Scandinavia AB and opened a sales office in the vicinity of Gothenburg on 1 April 2009. Furthermore, we will introduce marketing and sales measures which we will synchronise even more intensively on a national and international basis in order to exploit all potential. We have developed a range of new product innovations which we will present at various trade fairs such as that in Hanover.

In terms of cost, we had already started to react to the economic crisis in 2008. For example, production adjustments were carried out at some plants. We will continue to analyse commercial viability in order to generate synergies and optimise cost structures.

2. Mobility



We see interesting potential for expansion in the new Mobility business unit which will allow us to develop the unit into an economically successful unit over the next few years.

Our strategy consists of making use of good future prospects, building on the high technological standard achieved and already ongoing successful projects, in order to develop the business unit over the next two to three years with a view to deciding whether the Mobility business unit should be expanded as the second pillar of the Masterflex Group or whether we should work towards making it into a spin-off. In any case, the possible applications and the technological status achieved by our fuel cell technology means we are in a good position to achieve rapid economic success.

This technological success can be seen in the fact that we have continually developed our fuel cell systems over the course of the past few years and that today these are performing in a stable and reliable manner. System efficiency, which we see at a minimum of 50%, is important when assessing performance. Thus, the efficiency of our fuel cell systems is considerably better and more advanced compared with other systems, and in particular with combustion engines.

Our technological aim for the coming years is to increase fuel cell efficiency further. From 2009, we will also be able to offer 500 watt systems. We are already able to provide module solutions with parallel systems. A further milestone for 2009 is the start of a real series production which can be switched from manual production to contract production.

In 2009, we will press ahead with actively marketing our fuel cells and our patent-pending Lopes security system. Further cooperations are planned, such as with digomed GmbH. Mobility experts are also represented at conferences and in standardisation committees and will publish several specialist papers.

The use of our Cargobikes in the European HyChain project will be extended further in 2009. We are also well-positioned in terms of our electric bicycles. Clean Air Bike GmbH is one of two suppliers of postal workers' bicycles for Deutsche Post AG.

In terms of revenue and profitability considerations, we are optimistic that we will considerably increase our revenues. Our topmost priority is achieving positive contributions to earnings, after continuing to see losses in 2008 as a result of ongoing production and market development. We are confident that we will be able to improve our revenue and results of operations significantly thanks to the measures introduced.

3. Medical Technology

The general outlook for the field of Medical Technology is primarily driven by products that allow cost-effective treatment, as the new "flat rate per case" regulations mean that procurement is increasingly being performed on the basis of economic considerations (e.g. reducing the length of hospital stays).

The German Industry Association for Optical, Medical and Mechatronical Technologies (Spectaris) anticipates growth of 2% to 3% in 2009 despite the financial crisis. The final figures will not be released until after the publication of this Annual Report.

Further trends include the increased use of keyhole surgery and the intensive employment of coating procedures and new materials that are harder-wearing or that have risk-reducing properties. Experts are also forecasting that, by 2010, only a small proportion of medical products will still be purchased directly by hospitals. This will benefit products that help to reduce costs.

As a provider of system solutions and products which significantly reduce the length of hospital stays, we see ourselves as well positioned to benefit from this trend, whereas providers of standard products are increasingly being squeezed out by competitors from low-wage countries.

In 2009, we intend to continue with the successful development of the Medical Technology business unit and further expand the still small area of "medical devices". All in all, we expect Medical Technology to record further revenue growth and further improvement of segment EBIT in the 2008 financial year.

4. Advanced Material Design

Our subsidiary SURPRO has been severely affected by economic trends resulting from the financial crisis. This difficult situation will not change in the 2009 financial year.

Extensive restructuring is required to make SURPRO more efficient. An important element of this will be reducing the company's dependency on individual industries and tapping into new markets. Over the years, SURPRO has gained a high level of expertise in precious metal coating which we must make available for use in new customer areas.

Income management is still our topmost priority. Extensive capacity adjustments have already been carried out as a result of the financial crisis. Automation has made good progress over the past year. We have also commenced the introduction of a modern inventory management system. We will examine to what extent production adjustments are necessary. However, from today's perspective, the measures we have introduced to give the business a broader base will not begin to take effect until 2010. It is also not possible to predict when the economy will pick up again. All in all, we therefore expect a further decline in revenue and EBIT for the Advanced Material Design business unit in the 2009 financial year.

Vision
International market leader
Clear focus on core competencies
Expansion of materials expertise to further plastics applications
Acquisitions in core business unit (buy-and-build-strategy)

IV. Operating outlook

Our vision for the future focuses on returning to the successful and superior core competencies of the Masterflex Group, and defines our company activities. Our investments and acquisitions will comply with this vision and will help us to develop the Masterflex Group into a specialist technology company in the next few years and to exploit the growth potential we have defined.

In the next few years, we will use all measures available to use to pursue a return to our former profitability on the basis of our "Move" strategy concept. Our medium-term targets are sustainable consolidated revenue growth and consolidated earnings that are at least stable, thereby allowing us to maintain an attractive consolidated EBIT margin.

We are confident that we have the right long-term strategy. Important elements of "Move" are the realignment of the Company structure with a focus on our core competencies, and the objective of becoming the clear market leader. We will further expand our project management. We will also develop our internal organisation and correct shortcomings in organisational processes. Responsibilities will be defined more clearly and controlling will be developed. We are confident that this process will strengthen the Masterflex Group, and that it will develop its position as the market leader for High-Tech Hose Systems for the long term.

This will result in the following strategies for the individual business units:

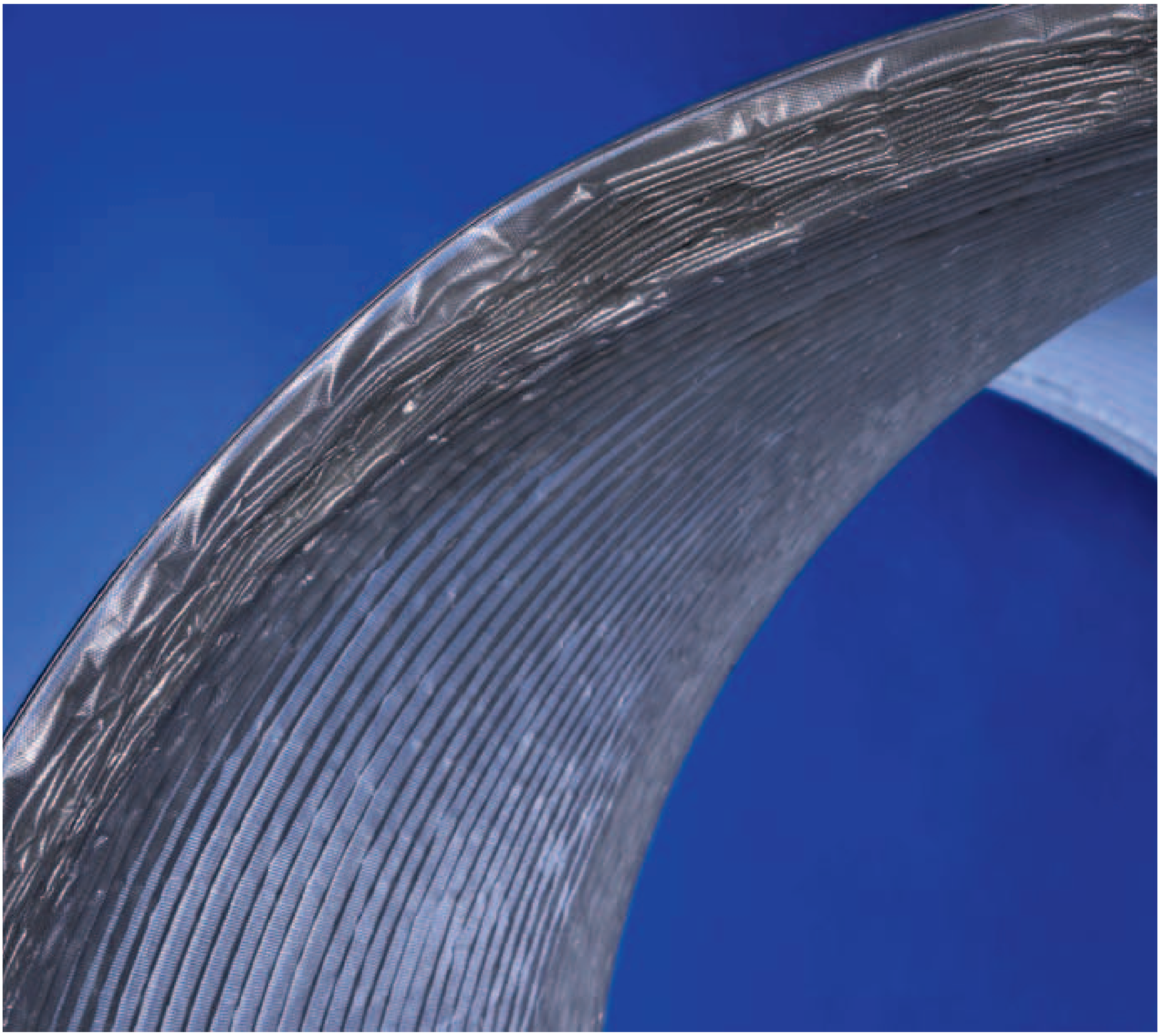
1. Our core business is the profitable High-Tech Hose Systems. The basis for further successful development is our high level of technological materials expertise and the experience we have built up over twenty years in high-performance plastics processing. Our leading position in technology, production and in competition is based on the development of our own plastic formulas and the production of hoses using equipment which we have developed and built in-house.

2. The optimisation of the innovation process introduced in 2007 and the development of new management and sales structures will be cultivated further and will strengthen our market position. Our activities are focused on improving innovation efficiency and our time to market, i.e. a quicker market launch with corresponding value creation. Our aim is to retain and, where possible, to increase our productivity and profitability in the long term.

3. We see considerable amount of earnings potential for the future, since we are only just at the start of our internationalisation project and there is still a wide array of unutilised opportunities for synergies within the business unit. We will carry out targeted investments in the expansion of our market position. With regard to connector and hose systems, we envisage two instances of future potential, both for acquisitions aimed at adding to the product portfolio and for accelerated internationalisation.

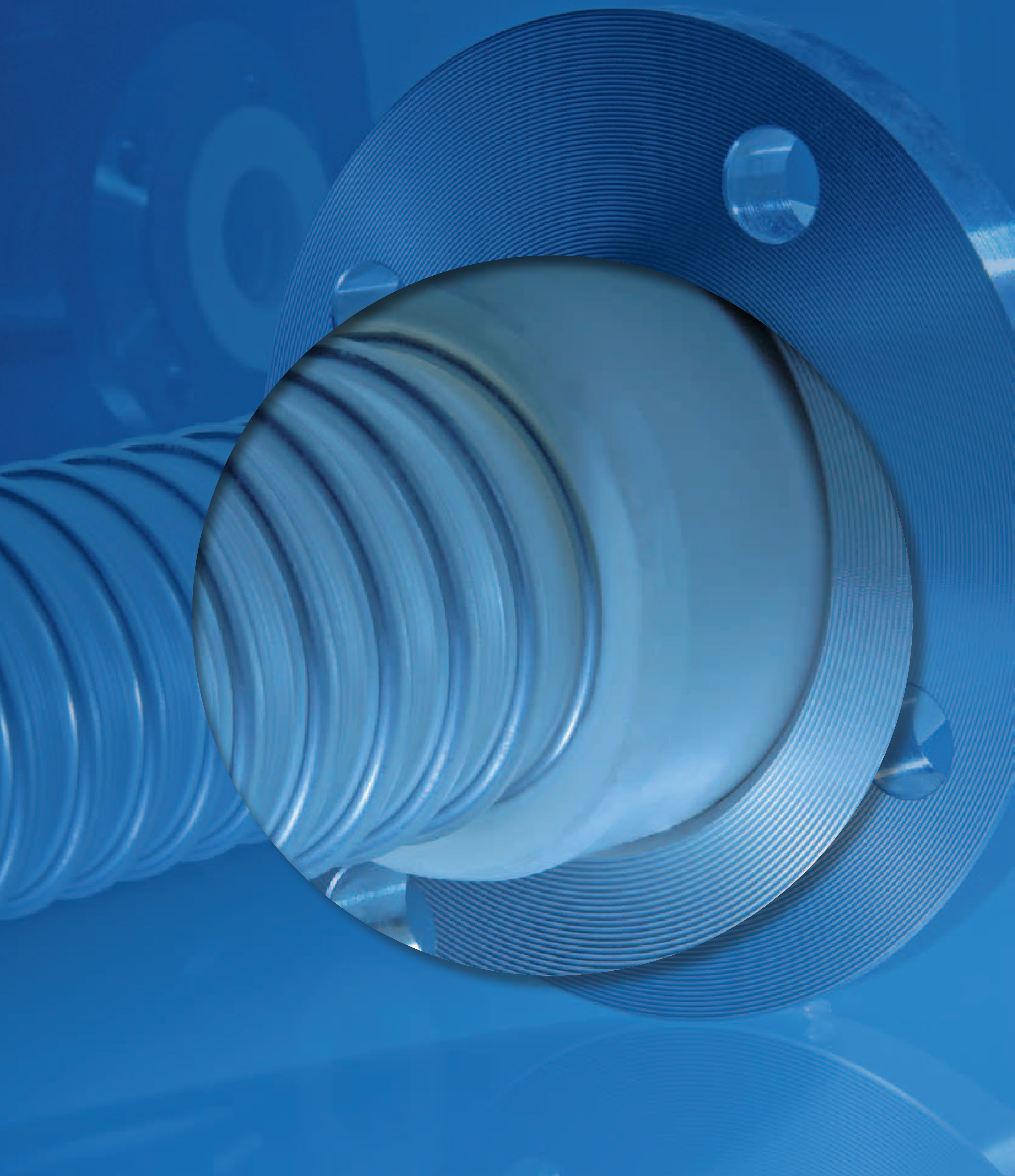
4. We foresee good opportunities for fuel cell technology. The 2009 financial year will help us to decide whether to develop the Mobility unit as a single entity or with a partner, or whether it would make more economic sense to dispose of this area.

5. We will carry out a strict review of how all other activities in the Group contribute to corporate value and long-term strategy and will react with corresponding consequences.



Focus on MARKET LEADERSHIP.

Masterflex deals in long-term and realistic market leadership to face strategic challenges for the future.



THE MASTERFLEX SHARE

The stock market in 2008

The year 2008 was fateful for stock markets, as the financial crisis that was emerging in the summer of 2007 erupted dramatically, affecting economies and markets worldwide. Global market capitalisation crumbled by an estimated € 21.5 trillion. The DAX fell by 44.0% to close the year at a level of 4,810.20 (previous year: 8,641), the MDAX by more than 43.0%, and the TecDAX by nearly 48.0%; the Entry Standard fared the worst, down 51.36%. Only the year 2002 was tougher for equities since indexes were launched in Germany.

The IPO market shrank in 2008, with major offerings like Deutsche Bahn AG being postponed indefinitely in view of the financial crisis. The number of new exchange listings was 185 (previous year: 208). The number of additions to the Prime Standard was twelve (previous year: 33), ten of which were transfers from other market segments. Thus only two IPOs took place.

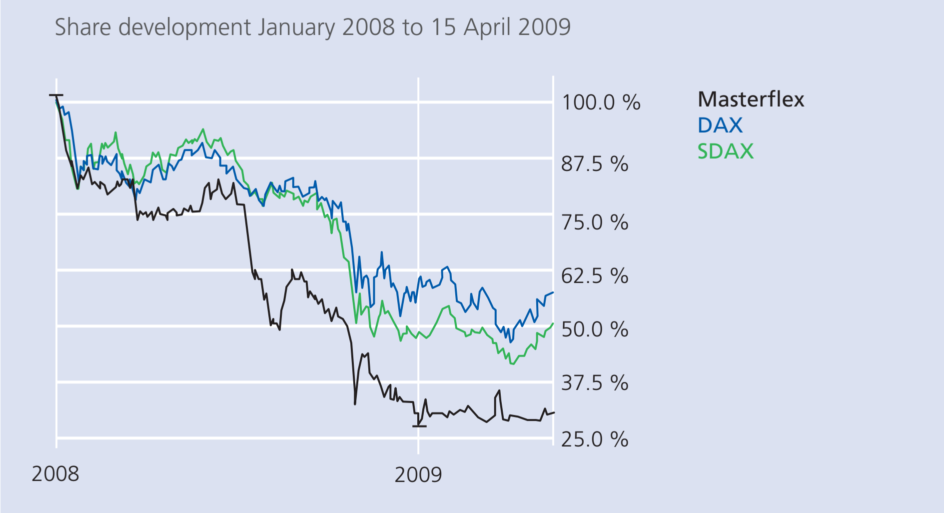
The Dow Jones, Standard & Poor and Nasdaq indices fell by more than 33.0%, 38.0% and 40.0% respectively. The grave banking situation gave rise to surprise changes in the financial sector. The bankruptcy of Lehman Brothers on 15 September 2008 had a catastrophic impact on the financial industry worldwide. Credit became extremely restricted. A collapse of the global financial system and economy was only averted through government guarantees in the billions and sharp interest rate cuts by several central banks in a concerted action.

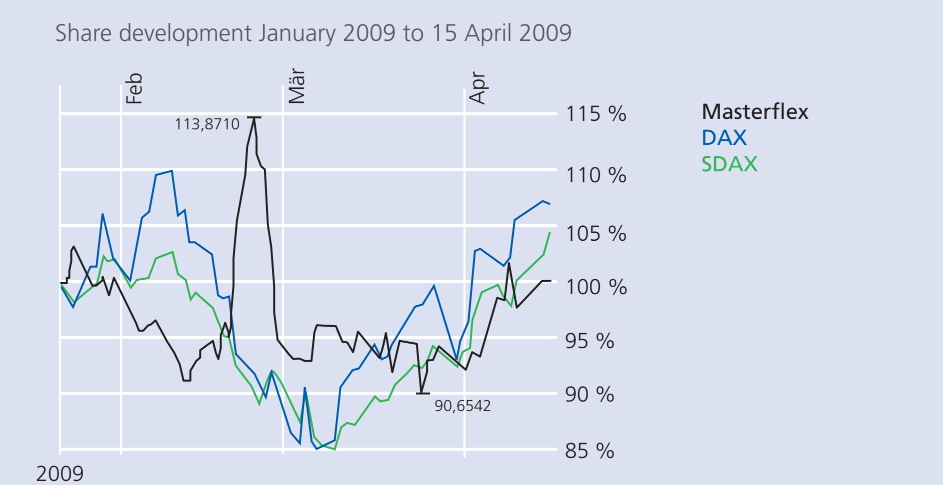
Many countries plunged into recession, including the US, Japan, Germany and other European states. However, analysts believe that stock markets may revive somewhat in the second half of 2009. It is hoped that further negative news and earnings announcements are mostly priced in already, and that the recession will not be protracted. The USD rose 4.3% for the year versus the EUR to USD 1.3973.

Share information	
ISIN	DE 000 549 293 8
German Securities Code Number (WKN)	549 293
Class of shares	No par value bearer shares
Exchange symbol	MZX
Bloomberg symbol	MZX.GR
Reuters symbol	MZXG.F
Market segment	Prime Standard
Member of the following indices	CDAX, Prime All Share Index
	Classic All Share Index
	Prime Industrial Index
Designated sponsors	HSBC Trinkaus & Burkhardt
Number of shares	4.5 million
Theoretical interest in share capital per share	€ 1.00

Masterflex AG share performance

Masterflex share price compared with the DAX and the SDAX in 2008





Small and mid-cap shares were hit particularly hard in the market sell off due to a configuration of three negative factors: economic slowing, an exacerbated liquidity crunch and negative investor sentiment, reflected in extremely low trading volume in small and mid cap indices. Masterflex shares declined in 2008 in line with the overall market trend, but substantially underperformed the benchmark indices. From an initial € 20.36 at the start of the year, the shares closed 2008 at € 6.00 (Xetra), down 70.0%. Selling intensified in the first quarter as markets reacted to the continuing financial crisis.

In the second quarter of 2008, the shares largely stabilised around the starting price level of 1 April € 15.09 (Xetra) despite the adverse circumstances, outperforming the benchmark indices in June. The shares traded up to a high of € 16.55 on 3 June 2008 (Xetra) before falling sharply to € 13.85 to finish the quarter down 8.2%.

Masterflex AG shares hit a record low in the third quarter of 2008 following an ad-hoc disclosure of impairments recognised on 4 July 2008 and other negative financial news, trading at € 9.85 on 29 July 2008 (former record low: € 9.95). The price then recovered to € 12.49 (Xetra) on 13 August 2008 before the Lehman Brothers bankruptcy hit the market in September. Masterflex shares initially outperformed the SDAX in September, until the financial crisis deepened in mid-month. The shares closed on 30 September 2008 at € 10.16 (previous year: € 20.75), off 51.0% for the year.

In October, a new wave of bad news on the capital markets triggered a downward spiral that affected stock exchanges around the world; Masterflex AG was unable to escape the effects of this development. On 10 October 2008, now referred to as "Black Friday", Masterflex shares fell to a new all-time low of € 6.45. The following Monday, the Company's shares rebounded by 28.3%, closing the day at € 8.28 (floor trading). Despite the government rescue package for the banking system, recession fears still weighed heavy. The drumbeat of unfavourable economic data and earnings announcements continued, coupled with Masterflex's profits warning in an ad-hoc release, put further pressure on the shares. The shares reached a new low of € 5.44 on 9 December 2008 (floor trading). This was followed by a 12.3% recovery for the shares, which closed out the year on 30 December 2008 at € 6.11.

Share price statistics

Xetra		2009 02 Jan. through 15 April	2008	2007
Highest variable price	€	7.06	20.36	26.80
Lowest variable price	€	5.62	5.47	17.00
Opening price	€	6.00	20.10	23.40
Closing price on 30 December/ 15 March	€	6.22	6.00	19.30
Performance		3.67 %	-70.15 %	-17.52 %
Floor trading				
Highest variable price	€	6.98	20.25	26.70
Lowest variable price	€	5.44	5.44	17.28
Opening price	€	6.10	20.11	23.40
Closing price on 30 December/ 15 April	€	6.10	6.11	19.18
Performance		0.00 %	-69.62 %	-18.00 %

All-time high	€	39.00
All-time low	€	5.44

The appreciation potential of Masterflex shares lies in the strong growth prospects of the core business, which the Company is now focusing more sharply on. The sale of DICOTA GmbH was an important step in this direction. Our primary investor relations objective is thus to communicate the potential our core business holds and to outline in transparent fashion the measures we intend to take to restore Masterflex AG to a profitable and well-capitalised enterprise. Opportunities lie in exploiting our innovative capability, the sophistication of our high-tech materials and our international positioning. This potential is confirmed by analysts, a majority of whom maintained a 'hold' recommendation on the Company's shares at the end of 2008.

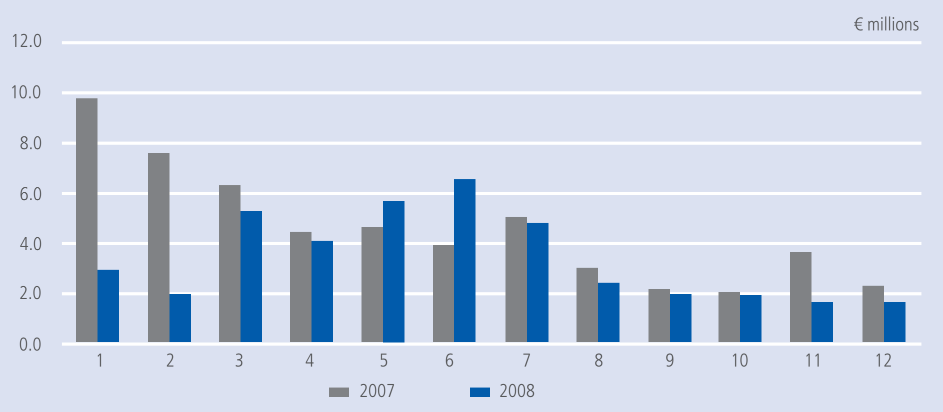
Coverage

The following banks covered Masterflex AG shares in 2008 and regularly issue reports on the Company (investment recommendations as of April 2009):

Bank	Investment recommendation	Bank	Investment recommendation
Bankhaus Lampe	Hold	HSBC Trinkaus & Burkhardt	Hold
Berenberg Bank	Hold	First Berlin	Hold
Dresdner Kleinwort	Hold	West LB	Hold

Analyst recommendations are also published in the Investor Relations/Analysts & Press section of our website, www.masterflex.de.

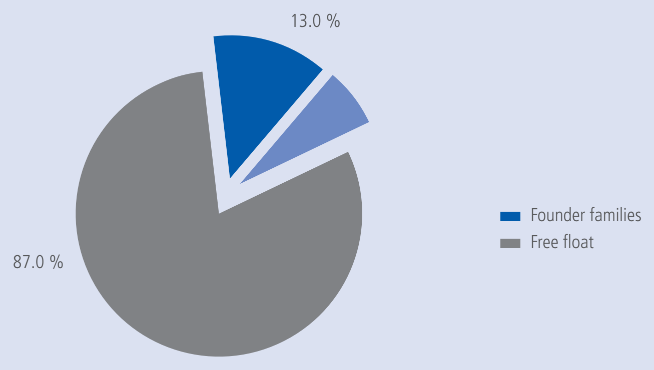
Masterflex AG order book turnover in 2008



Average monthly order book turnover for Masterflex stock in Xetra trading in 2008 was 215,746 shares, up 51.03% on the previous year (142,848 shares). This corresponds to a monthly average volume of € 2.6 million (previous year: € 3.4 million). Average trading floor turnover was 52,614 shares (previous year: 53,269 shares), a year-on-year decrease of 1.23% in terms of volume and a roughly 38 % decrease in value terms at approximately € 0.6 million (previous year: € 1.0 million).

A total of 3.2 million Masterflex shares changed hands in 2008 in combined Xetra and floor trading (previous year: 2.4 million). This represents an increase of nearly 37 %. In value terms turnover ran to € 39.9 million (previous year: € 55.5 million) for a year-on-year decline of almost 28 %.

There were changes in the shareholder structure in 2008 relative to the previous year. On 7 February 2008, UBS AG notified us that it had acquired Masterflex AG shares, thus holding a current 6.65% interest in Company share capital. This interest was reduced to 4.38% on 9 May 2008 and to 1.81% on 2 June 2008, falling below the disclosure threshold. Former CEO and present Supervisory Board member Detlef Herzog increased his holding with the purchase of 7,000 shares on 25 January, and of 6,500 shares on 9 October. As of 31 December 2008, the free float was just under 87%, unchanged year-on-year.



Shareholder structure as of March 2009

Masterflex AG shareholders have participated in Company profits through a dividend paid every year since initially going public. The Executive Board is now pursuing a clear-cut strategy of earnings growth and generating cash flow. Steps were taken in 2008 to reduce net indebtedness. The sale of DICOTA GmbH was key in this regard, lowering debt. All cost generating activities were carefully examined. A total € 3.5 million was distributed in 2008 for the € 0.80 per share dividend.

The Executive and Supervisory Boards intend to propose the suspension of dividend payments for the 2008 financial year to shareholders at the Annual General Meeting on 11 August 2009. The Boards concur that this temporary measure is important for solidifying Masterflex AG's liquidity and financial position so as to once again reposition Masterflex AG as a true growth and value story over the short to medium term.

2008 Annual General Meeting

The Ordinary General Meeting was held 4 June 2008 at Schloss Horst in Gelsenkirchen, and was very well attended by approximately 300 participants. All agenda items were passed by a large majority. The valuable contributions of the Executive Board, Supervisory Board and auditor were thus recognised.

Detlef Herzog, company founder and CEO of Masterflex AG through the end of March 2008 was appointed to the Supervisory Board by a broad majority. He succeeds Professor Paulus Cornelis Maria van den Berg, who resigned from the Supervisory Board on 9 June 2004 for career and time-commitment reasons. Shareholders also approved the payment of an € 0.80 per share dividend, which was distributed on 5 June 2008.

Earnings performance in 2008

Key figures		2008	2007
Share capital	€ million	4.5	4.5
Number of shares	million	4.5	4.5
Closing share price 2008 (floor)	€	6.11	19.18
Market capitalisation as of 31 Dec.	€ million	27.5	86.31
Market capitalisation as of 31 Dec. (excl. treasury shares)	€ million	26.6	83.7
Free float as of 31 Dec.		86.8 %	86.9 %
Earnings per share	€	-3.60	1.71
Net dividend per share	€	0.00*	0.80
Net dividend yield (basis 31 Dec.)			4.2 %

*Proposed to the Annual General Meeting on 11 August 2009

Investor Relations

Our investor relations work centres on providing open, transparent and simultaneous communications to all capital market participants. Additionally, we comply with the Corporate Governance Code. The Corporate Governance Report and declaration of conformity are provided elsewhere in this annual report.

Increased dialogue with capital market participants is among the goals pursued by the reconstituted Executive Board. Executive Board and Investor Relations worked to communicate the details of the strategic realignment in numerous meetings, teleconferences, one-and-one talks and road shows. In today's difficult market environment we have focused our communications efforts on players specifically involved with small to mid-cap companies.

The larger conferences we participated in were our DVFA analysts' press conference in March 2008 and the German Equity Forum held in Frankfurt in November, which has become a key event for smaller enterprises and Europe's biggest capital markets conference. At the latter we conducted a succession of one-on-ones as part of the so-called "speed dating" process which we participated in for the first time, involving twelve back-to-back 20-minute presentations of our company to international investors and analysts.

Also in 2008 we presented to an investor at the Hanover Trade Fair, providing our counterpart an overview of the Masterflex AG product range.

Contact with the financial press was intensified, and several interviews conducted. Additionally, a statement was released outlining the thrust and scope of the strategic realignment.

Investor Relations services were expanded on our website, www.masterflex.de in 2008. For the first time an online annual report and an advanced stock chart module were offered. Shareholders and other interested parties can subscribe to an e-mail newsletter to receive regular information and updates. There is also a mailing list for distributing interim and annual reports.

In particular, shareholders have direct contact with the Company at the Annual General Meeting and shareholder meetings. The reconstituted Executive Board presented the realigned strategy to shareholders at the Annual General Meeting held 4 June 2008.

Investor Relations 2009 – highlighting growth potential in our core business

Given the negative sentiment on the capital markets, the principal task of Investor Relations is to promote confidence in the strategic realignment and retrenchment around High-Tech Hose Systems through transparent communications, pointing out the growth and earnings potential these offer. Opportunities lie in our materials expertise, our innovative ability and the further internationalisation of our operations.

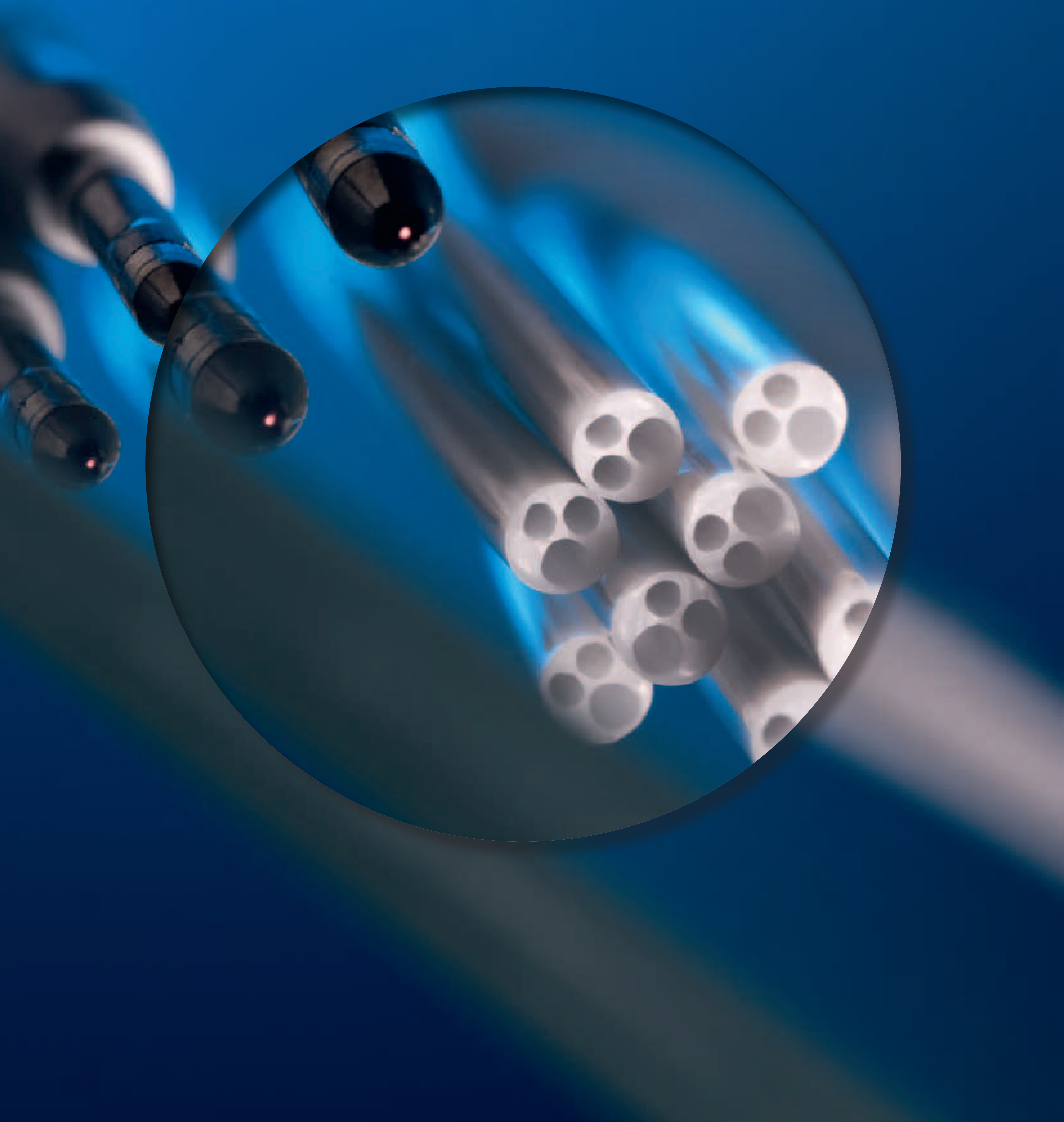
The Annual General Meeting will again be held at Schloss Horst in Gelsenkirchen on 11 August, 2009.

Masterflex AG financial calendar 2009

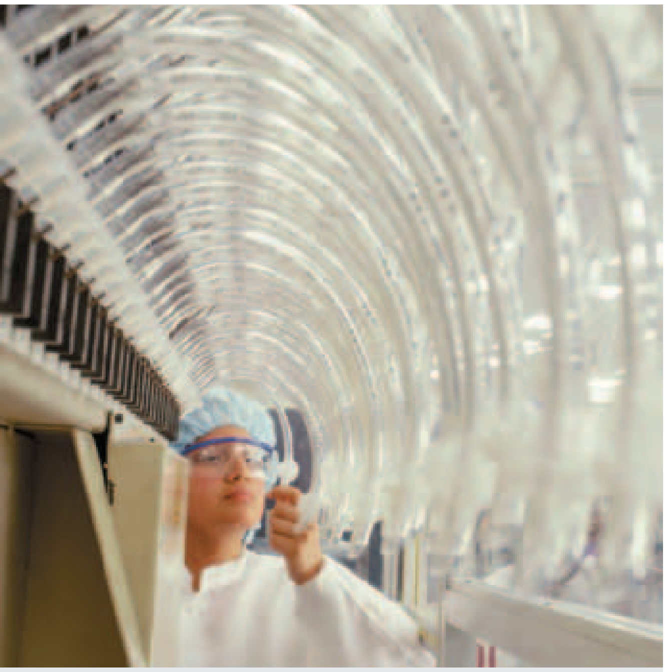
30 April	Financials press conference, presentation of 2008 annual report, Düsseldorf
30 April	DVFA analysts' conference, Frankfurt
14 May	Interim report I/2009
11 August	Annual General Meeting, 11.00 a.m., Gelsenkirchen
11 August	Interim report II/2009
5 November	Interim report III/2009

Focus on KNOW-HOW.

Masterflex works at the forefront of research for the continous improvement of technology, processes and know-how.



MASTERFLEX AG
CORPORATE GOVERNANCE REPORT



The Executive Board reports on corporate governance at Masterflex AG – simultaneously on behalf of the Supervisory Board – in accordance with Section 3.10 of the German Corporate Governance Code.

Corporate governance is understood as the responsible management and supervision of a firm geared toward long-term value creation. Key aspects of good corporate governance include

- efficient cooperation between the Executive and Supervisory Boards
- protection of shareholders' interests, and
- open and transparent corporate communication.

Corporate governance traditionally enjoys high priority at Masterflex AG. The vast majority of the provisions and recommendations of the German Corporate Governance Code are already embodied in the Company's corporate culture. The Compliance Officer at Masterflex AG, a position created in the 2002 financial year to address corporate governance matters, regularly informs the Executive and Supervisory Boards about the status of implementation of the German Corporate Governance Code and new developments in Germany, as well as the extent to which the Code is observed throughout the Group.

Masterflex AG is committed to the principles of the German Corporate Governance Code, which sets out guidelines for responsible company management. The Code was presented by the Government Commission on the German Corporate Governance Code on 26 February 2002 and published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette on

26 November 2002. In the years since the introduction of the Code, new recommendations and supplementary provisions have been published with the aim of improving the transparency of Executive Board and Supervisory Board compensation and strengthening the role of the Supervisory Board in particular.

The Code sets out the material statutory provisions on the management and supervision of German listed corporations, and contains internationally and nationally recognised standards of prudent and responsible company management (in the form of "recommendations" and "suggestions"). The Code is intended to improve the transparency and better the understanding of the German corporate governance system. The statutory provisions set out in the Code must be implemented and observed by the Company without exception, whereas the Company is permitted to deviate from the recommendations contained in the Code. Such deviations are expressly provided for in the preamble to the Code, and are intended as a contribution to "more flexibility and more self-regulation in German corporate constitution".

Declaration of conformity

In December 2008, the Executive Board and the Supervisory Board of Masterflex AG again issued a declaration stating that the Company had complied with the recommendations of the German Corporate Governance Code in the version dated 14 June 2007 and the additional recommendations published by the Government Commission on the German Corporate Code on 6 June 2008 in the interim since the last declaration of conformity given in December 2007, barring exceptions noted therein, and that it would continue to comply with the aforementioned recommendations with the exceptions listed below. The declaration of conformity is permanently available to Masterflex AG shareholders on the Company website. All of the Company's previous declarations of conformity can also be accessed via this link.

Exceptions

4.2.3. Publication of the principles of the compensation system

The principles of the compensation system and the concrete form of any stock option plans and comparable schemes for components with a long-term incentive effect and risk character are presented in the Company's annual report, which can be downloaded from the Company website.

5.3.1., 5.3.2. Supervisory Board

With a total of three members, the Masterflex AG Supervisory Board is deliberately kept small in order to allow resolutions to be passed efficiently, rapidly and flexibly on streamlined structures, as is the case throughout the Group. The appointment of recognised experts to the Supervisory Board is an important factor in Masterflex AG's successful development, as it allows major strategic decisions to be reached on a joint basis and in a spirit of continuous dialogue. As such, the formation of committees, which would also have to be composed of at least three Supervisory Board members, is not considered to be practicable.

5.4.7. Disclosure of the compensation of individual Supervisory Board members

Compensation paid to the Supervisory Board members consists solely of fixed components, being set out in the Company's Articles of Association.

7.1.2. Deadlines for publication

The Code recommends that interim reports be published within 45 days of the end of the reporting period, and that annual reports be published within 90 days of the end of the financial year. We observe the provisions of the German Securities Trading Act following the amendments implemented in accordance with the German Transparency Directive Implementation Act and the Exchange Rules for the Frankfurt Stock Exchange, which provide for publication within two months and four months respectively.

7.1.4. Publication of the results of subsidiaries

The Code requires the publication of the results of the Company's individual subsidiaries for the past financial year in the annual financial statements. We deviate from the Code in that we do not publish these results. Our subsidiaries are medium-sized companies, and we believe that their competitive position could be adversely affected through publication of their results.

The declaration of conformity and the German Corporate Governance Code are posted and permanently available in the Investor Relations section of our website, www.masterflex.de.

If the audit of the annual financial statements identifies facts that could lead to the inaccuracy of the declaration of conformity submitted by the Executive and Supervisory Boards in accordance with Section 161 of the German Stock Corporation Act, the auditor must inform the Supervisory Board accordingly or make a corresponding note in the audit report.

Key elements of Corporate Governance at Masterflex AG

Investor Protection Improvement Act requires greater observation of corporate governance standards

The German Investor Protection Improvement Act came into force on 30 October 2004. The implementation of the EU Directive resulted in the modernisation and harmonisation at European level of statutory provisions concerning insider trading, ad hoc disclosures and market manipulation.

The Act, which included amendments to the German Securities Trading Act, is intended to heighten investor confidence in the capital markets. Masterflex AG has taken all the necessary measures to comply with the new provisions. The employees of Masterflex AG were informed of the new insider trading rules and the corresponding amendments to the catalogue of events requiring disclosure. Masterflex AG compliance with its obligation to maintain a list of individuals with insider information. This list includes all individuals who have access to insider information on either an ongoing or a project basis.

Efficient cooperation between the Executive and Supervisory Boards

We are confident that the continuous and intensive dialogue between the Executive and Supervisory Boards forms the basis for the successful development of our Company. The Masterflex AG Executive Board regularly informs the Supervisory Board in a timely and comprehensive manner of all material issues relating to corporate planning and strategic development, the course of business, and the position of the Group, including the risk situation and risk management – both in writing and orally. Deviations from the planned course of business are discussed in detail and the Company's strategic orientation is determined on a joint basis. Measures and transactions of fundamental importance are communicated to shareholders and the capital markets in a timely manner to ensure that the decision-making process remains transparent throughout the year, and that capital market participants are provided adequate information. Provisions concerning the prevention of conflicts of interest are documented in the Rules of Procedure. The Company has concluded a directors' and officers' liability insurance policy covering Executive and Supervisory Board members, featuring an appropriate deductible. Due to the increased risk of liability as a result of the adoption of the German Investor Protection Improvement Act, the Company has further intensified measures aimed at ensuring the completeness of documentation as well as risk management activities.

Compliance a cornerstone of risk management

The responsible handling of risks is a key element of good corporate governance. Accordingly, Masterflex AG has established a comprehensive risk management system as part of its value-oriented corporate management approach in order to ensure that risks are identified at an early stage. The risk management system is continuously reviewed, modified and adapted to reflect changing conditions. Further details concerning the Company's risk management activities are provided in the management report.

Shareholders' rights

Masterflex AG shareholders exercise their voting and other rights at the Annual General Meeting. Shareholders may exercise their voting rights at the Annual General Meeting in person or authorise a proxy who is either an individual of their choice or a representative of the Company required to vote in accordance with instructions so as to exercise voting rights on their behalf.

Open and transparent corporate communications

We have a particularly strong commitment to providing information regularly, simultaneously and in a timely manner to all shareholder groups. Accordingly, the publishing information on our website, www.masterflex.de, is a major priority. This allows private shareholders and other capital market participants to obtain information on our Company on a regular basis. The website also includes a financial calendar listing all of the Company's key dates and publications (e.g. annual report, interim reports, Annual General Meeting).

Shareholders and interested parties are invited to subscribe to an electronic newsletter to receive frequent updates on current developments within the Group, key events, new products, ad hoc disclosures and press releases. The financial media and industry journals are also kept regularly informed through press releases, press conferences and interviews. Press releases issued by the Company can be accessed via our website.

Increased transparency as a result of the new Transparency Directive

The German Transparency Directive Implementation Act came into force on 20 January 2007. As its name suggests, the purpose of the Act is to further enhance transparency, and in particular the international comparability of financial statements. The following points are relevant for Masterflex AG:

1. The disclosure thresholds for securities transactions are 3, 5, 10, 15, 20, 25, 30, 50 and 75% respectively. Options and treasury shares are now also subject to disclosure.
2. Reporting requirements have been expanded. A condensed management report must be prepared for the half-yearly report.
3. Company news must be distributed throughout Europe. In addition, capital markets-related disclosures (including ad hoc disclosures, voting rights notifications, financial reports and notifications of supplemental listing disclosure requirements (e.g. Annual General Meeting, dividend payments)) must be submitted to the Company Register (www.unternehmensregister.de).

Securities transactions requiring disclosure on the Masterflex AG website

Since the Fourth Financial Markets Promotion Act came into force on 1 July 2002, members of the Executive and Supervisory Boards and their spouses are required to disclose the acquisition/sale of treasury shares and other securities transactions involving Masterflex shares (e.g. the acquisition or sale of warrants) in accordance with Section 15a of the German Securities Trading Act. The range of individuals required to provide such notification was expanded following implementation of the Investor Protection Improvement Act in autumn 2004. Individuals with regular access to insider information who are authorised to take important decisions relating to the Company are now also required to disclose securities transactions, as well as legal and natural persons having a close relationship to members of the Executive and Supervisory Boards.

These transactions are published in the Investor Relations section of the Masterflex website under the heading "Directors' Dealings". The following transactions requiring disclosure were conducted in 2008:

Date	Person subject to reporting requirements	Executive position	Financial instrument	Transaction	Number	Price	Total volume	Location
25 January 2008	Detlef Herzog	Supervisory Board member	Shares	Purchase	7,000	€ 16.64	€ 116.480	Xetra
9 October 2008	Detlef Herzog	Supervisory Board member	Shares	Purchase	6,500	€ 7.25	€ 47.125	Xetra

Compensation report

Masterflex AG had three Executive Board members and three Supervisory Board members in 2008 through the date 31 March 2008. CEO Detlef Herzog departed the Masterflex AG Executive Board on 31 March 2008. Since 1 April 2008 the Executive Board has been comprised of the new CEO Dr. Andreas Bastin and CFO Ulrich Wantia.

Executive Board compensation

The compensation paid to the members of the Executive Board consists of an annual salary with a fixed and a variable component. The criteria for the appropriateness of compensation paid are the tasks assigned to the respective Executive Board member, their personal performance and the success and future prospects of the Company.

The fixed component is paid on a monthly basis. Performance-related compensation is paid in the financial year following the year of accrual; provisions for these liabilities are however allocated in the financial year of accrual. The amount of the variable component, i.e. bonus, is tied to consolidated EBIT.

In addition to fixed compensation, Executive Board members receive non-cash benefits, including the use of a company car and accident insurance coverage. Executive Board member employment contracts also include post-service non-compete provisions in return for standard compensation amounts. No other clauses are in place beyond the above.

	Fixed compen-sation 2008 € thou.	Variable compen-sation 2008 € thou.	Total 2008 € thou.
Chief Executive Officer, Dr. Andreas Bastin	261	135	396
Executive Board member, Mr. Ulrich Wantia	211	25	236
Executive Board member, Mr. Detlef Herzog (until 31 March 2008)	65	268*	333
Total	**537**	**428**	**965**

* Transitional payment due when leaving the Company

Performance-related compensation was paid for the 2008 financial year.

Supervisory Board compensation

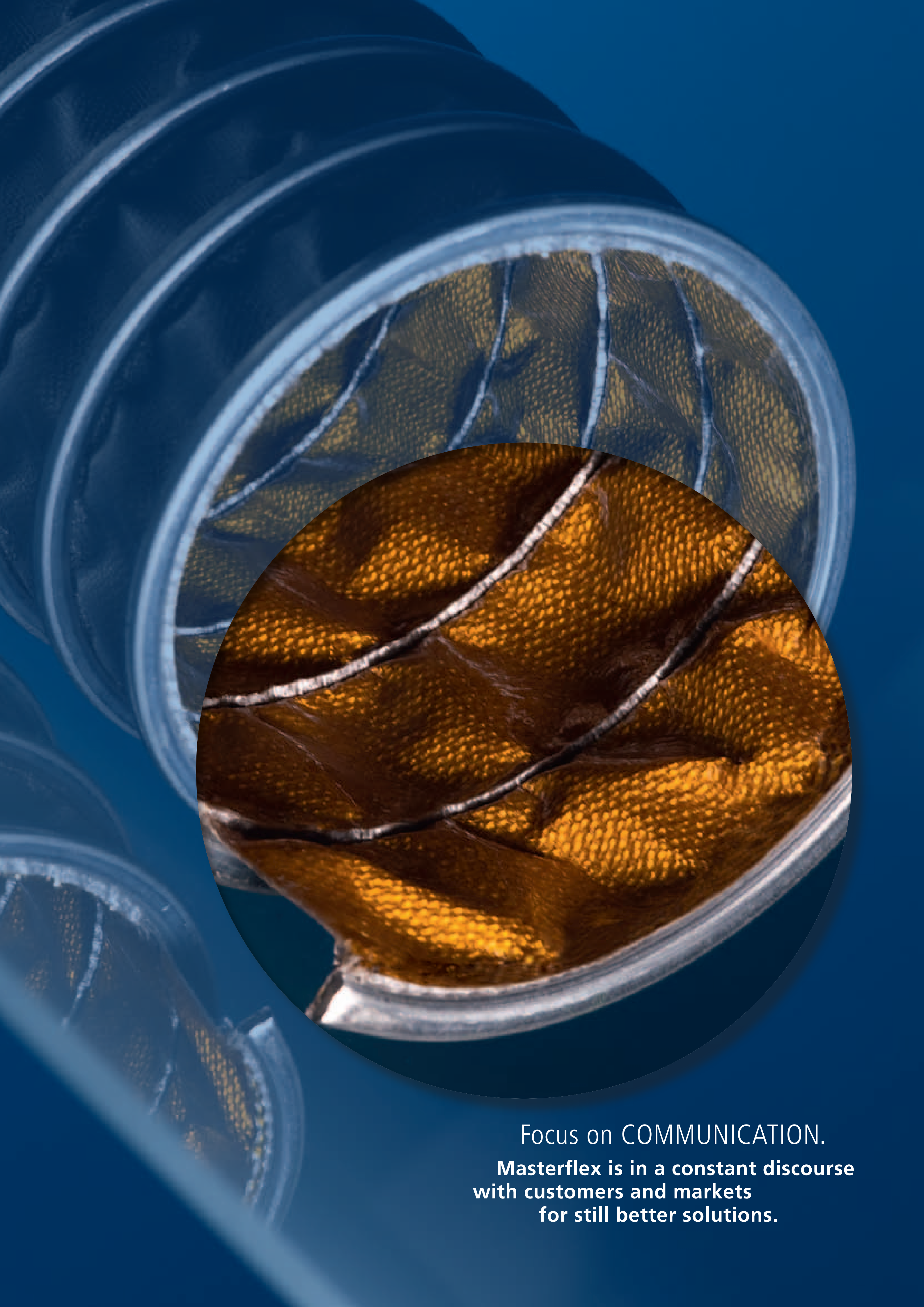
The compensation paid to Supervisory Board members is set out in the Company's Articles of Association, and is determined by the Annual General Meeting. It is based on the tasks and areas of responsibility of the Supervisory Board members.

The compensation paid to the Supervisory Board members currently consists solely of fixed components. The Annual General Meeting has the right to authorise payment of variable compensation, but has yet not exercised this option. Fixed compensation is paid after the end of the respective financial year.

The Chairman of the Supervisory Board receives double the compensation paid to an ordinary member, while the Deputy Chairman receives one-and-a-half times the compensation paid to an ordinary member. Persons who are only Supervisory Board members for part of a given financial year receive pro rata compensation on the basis of the length of time served. The publication of payments to Supervisory Board members for services provided individually is consistent with the relevant statutory requirements.

Supervisory Board members received compensation totalling € 32 thousand in 2008.

	2008 € thou.	2007 € thou.
Chairman of the Supervisory Board, Mr. Friedrich Wilhelm Bischoping	14	14
Deputy Chairman of the Supervisory Board, Professor Detlef Stolten	11	11
Supervisory Board Member, Professor Paulus Cornelis Maria van den Berg (until 4 June 2008)	7	7
Supervisory Board Member, Detlef Herzog (since 4 June 2008)	0	0
Total	**32**	**32**


Focus on COMMUNICATION.
Masterflex is in a constant discourse
with customers and markets
for still better solutions.

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Balance Sheet

Assets	Notes	December 31, 2008 EUR thou.	December 31, 2007 EUR thou.
NONCURRENT ASSETS			
Intangible assets	**3, 4, 27**	**14,633**	**29,589**
Concessions, industrial and similar rights	4	1,613	2,252
Development costs	4	2,054	4,834
Goodwill	3, 4, 27	10,533	22,474
Advance payments	4	433	29
Property, plant and equipment	**4**	**28,701**	**29,147**
Land, land rights and buildings		13,309	11,687
Technical equipment and machinery		9,993	9,854
Other equipment, operating and office equipment		4,521	5,286
Advance payments and assets under development		878	2,320
Noncurrent financial assets	**4**	**4,729**	**9,544**
Noncurrent financial instruments		253	752
Other loans		4,476	8,792
Other assets	**7**	**900**	**453**
Deferred taxes	**30**	**3,431**	**1,768**
		52,394	**70,501**
CURRENT ASSETS			
Inventories	**5**	**21,114**	**28,219**
Row materials and consumables used		10,277	8,379
Work in progress		5,224	6,248
Finished products and goods purchased and held for sale		5,559	13,470
Advance payments		54	122
Prepaid expenses	**6**	**601**	**760**
Receivables and other assets	**7, 8**	**14,133**	**21,563**
Trade receivables	**8**	7,421	17,882
Other assets	**7**	6,712	3,681
Income tax assets	**9**	**2,221**	**3,149**
Cash in hand and bank balances	**10**	**11,012**	**5,895**
		49,081	**59,586**
Total Assets		**101,475**	**130,087**

Equity and liabilities	Notes	December 31, 2008 EUR thou.	December 31, 2007 EUR thou.
SHAREHOLDERS´EQUITY			
Consolidated equity	**11**	**14,644**	**33,975**
Subscribed capital		4,366	4,366
Capital reserve		17,521	17,521
Retained earnings		-5,885	14,756
Revaluation reserve		-611	-176
Exchange differences		-747	-2,492
Minority interest	**12**	**196**	**797**
Total equity		**14,840**	**34.,772**
NONCURRENT LIABILITIES			
Provisions	**13**	**1,263**	**1,308**
Noncurrent financial liabilities	**14**	**21,536**	**39,316**
Prepaid expenses	**15**	**2,817**	**3,198**
Other current liabilities	**17**	**111**	**0**
Deferred taxes	**30**	**1,665**	**1,749**
		27,392	**45,571**
CURRENT LIABILITIES			
Provisions	**13**	**3,539**	**5,189**
Current financial liabilities	**14**	**47,544**	**29,183**
Prepaid expenses	**15**	**231**	**297**
Income tax liabilities	**16**	**516**	**2,717**
Other current liabilities	**17, 18, 19**	**7,413**	**12,358**
Trade payables	**18**	4,780	8,384
Other current liabilities	**17, 19**	2,633	3,974
		59,243	**49,744**
Total Equity and liabilities		**101,475**	**130,087**

Consolidated Income Statement

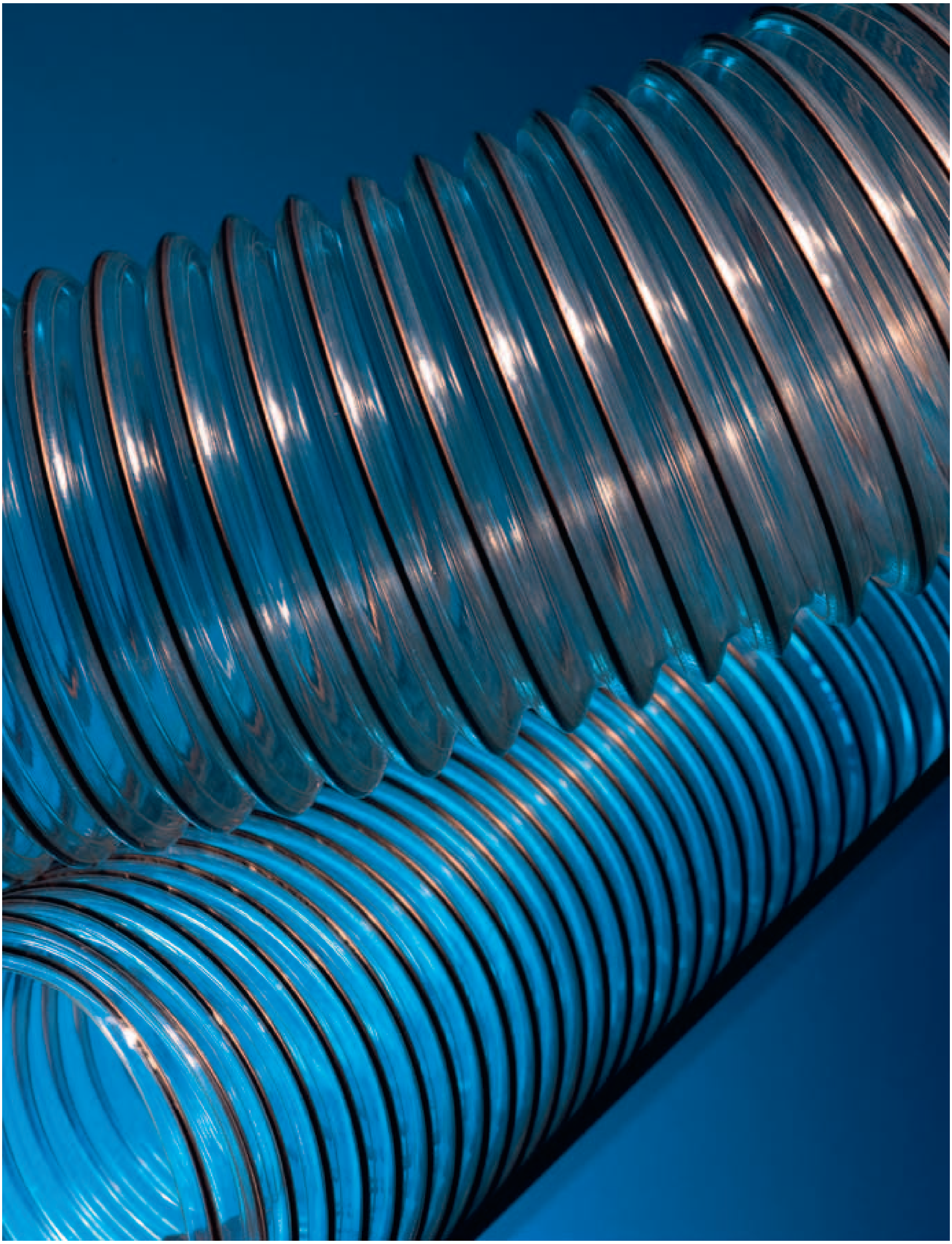
	Continued business units	**Notes**	**2008** EUR thou.	**2007** EUR thou.
1.	Revenue	20	88,302	88,943
2.	Changes in inventories of finished goods and work in progress		25	1,788
3.	Work performed by the enterprise and capitalised		896	1,089
4.	Other operating income	21	1,030	1,577
	Gross profit		**90,253**	**93,397**
5.	Costs of materials	22	-39,429	-41,010
6.	Staff costs	25	-26,689	-26,501
7.	Depreciations		-3,359	-2,910
8.	Other expenses	23	-13,749	-12,611
9.	Financial result	28		
	Financial expenses		-3,890	-3,657
	Other financial result		660	393
10.	**Earnings before taxes and non-operating expenses**		**3,797**	**7,101**
11.	Non-operating expenses	29	-13,320	0
12.	**Earnings before taxes**		**-9,523**	**7,101**
	Income tax expense		1,538	-2,935
13.	**Earnings after taxes from continued business units**		**-7,985**	**4,166**
	Discontinued business units			
14.	**Earnings after taxes from discontinued business units**		**3,285**	**3,391**
15.	Non-operating expenses		-10,948	0
16.	**Group net income**		**-15,648**	**7,557**
17.	thereof minority interests		86	88
18.	**thereof attributable to shareholders of Masterflex AG**		**-15,734**	**7,469**
	Earnings per share (diluted and non-diluted)			
	from continued business units	31	-1.85	0.93
	from discontinued business units	31	-1.75	0.78
	from continued and discontinued business units	31	-3.60	1.71

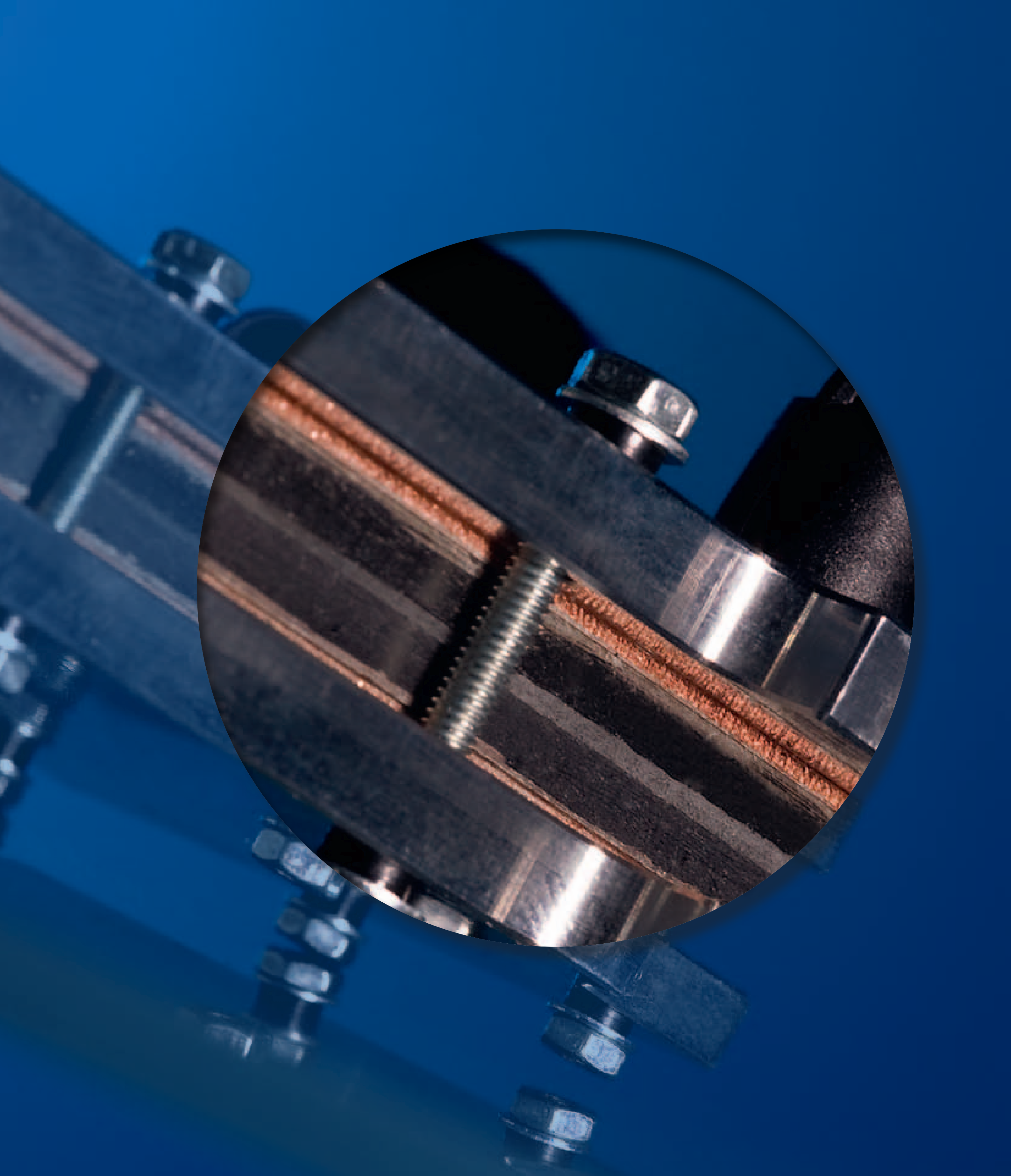
	Subscribed capital	Capital reserve	Retained earnings (re-tained profits brought forward)	Revaluation reserve	Exchange differences	Minority interest	Total
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Notes	**11**	**11**	**11**	**11**	**11**	**12**	
Equity at Dec. 31, 2006	**4,366**	**17,521**	**10,780**	**-419**	**-1,373**	**645**	**31,520**
Group net income	0	0	7,469	0	0	216	7,685
Changes in fair values of financial instruments	0	0	0	243	0	0	243
Currency translation gains/losses from translation of foreign financial statements	0	0	0	0	-1,119	0	-1,119
Dividend distributions	0	0	-3,493	0	0	-120	-3,613
Change due to equity decreases	0	0	0	0	0	40	40
Other changes	0	0	0	0	0	16	16
Equity at Dec. 31, 2007	**4,366**	**17,521**	**14,756**	**-176**	**-2,492**	**797**	**34,772**
According to IAS 8	0	0	-1,409	0	0	0	-1,409
Group net income	0	0	-15,734	0	0	158	-15,576
Changes in fair values of financial instruments	0	0	0	-435	0	0	-435
Currency translation gains/losses from translation of foreign financial statements	0	0	0	0	1,745	0	1,745
Dividend distributions	0	0	-3,493	0	0	-136	-3,629
Change due to equity decreases	0	0	0	0	0	-623	-623
Other changes	0	0	-5	0	0	0	-5
Equity at Dec. 31, 2008	**4,366**	**17,521**	**-5,885**	**-611**	**-747**	**196**	**14,840**

Consolidated Cash Flow Statement

Cash Flow	2008 EUR thou.	2007 EUR thou.
Result for the accounting period before taxes, interest income and financial income	-13,493	14,306
Non-cash non-operating expenses	18,513	0
Cash non-operating expenses	3,247	0
Gain/loss from the disposal of business units	2,508	-179
Income taxes paid	-3,054	-3,229
Depreciation of intangible assets	435	303
Depreciation expense for property, plant and equipment	3,076	2,763
Write-downs of non-current financial assets	0	650
Change in provisions	494	1,344
Other non-cash expenses/income and gains/losses from the disposal	-295	-213
Changes in inventories	-1,904	-4,448
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	-986	-4,400
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	-2,663	-4,872
Net cash from operating activities	**5,878**	**2,025**
Proceeds from the disposal of non-current assets	362	357
Payments to acquire intangible assets	-1,026	-945
Payments to acquire property, plant and equipment	-3,647	-6,589
Changes in cash and cash equivalents due to the sale of consolidated subsidiaries	4,600	200
Changes in cash and cash equivalents due to the acquisition of consolidated subsidiaries	-25	-968
Changes in cash and cash equivalents due to the repayment of financial assets	6,114	0
Payments to acquire financial assets	-2,458	-4,149
Net cash from/used in investing activities	**3,920**	**-12,094**
Payments to owners and minority interests (dividends, purchase of own shares)	-3,701	-3,557
Interest and dividend receipts	242	900
Interest expenditure	-4,201	-4,127
Proceeds from the sale of term deposits/securities	65	804
Proceeds from raising loans	8,072	20,588
Payments for the repayment of loans	-3,404	-2,944
Net cash from/used in financing activities	**-2,927**	**11,664**
Net change in cash and cash equivalents	**6,871**	**1,595**
Changes in cash and cash equivalents due to exchange rates and other factors	188	-1,119
Cash and cash equivalents at start of period	**5,895**	**5,419**
Change in the consolidated group	**-1,942**	**0**
Cash and cash equivalents at the end of period	**11,012**	**5,895**

Explanatory notes given in Notes 36 and 3.
For the purpose of calculating cash flow in 2008, the deconsolidation of DICOTA was carried out effective of 1 January 2008.
The prior-period amounts have been adjusted to the extended classification.





Focus on SUSTAINABILITY.

Masterflex products fulfill well today the demands of future sustainable technologies.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. Principles of financial reporting

Basis of presentation

The present consolidated financial statements have been prepared in accordance with section 315 a of the German Commercial Code ("Consolidated financial statements in accordance with international accounting standards") in conjunction with the International Financial Reporting Standards (IFRSs) and the interpretations issued by the International Accounting Standards Board (IASB) as applicable within the EU in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. The prior-period amounts were calculated in accordance with the same principles. The consolidated financial statements are consistent with those IFRSs that were required to be applied as of the balance sheet date.

The following accounting standards and interpretations and amendments to existing standards were published as of the reporting date but were not yet required to be applied in preparing the IFRS consolidated financial statements for the year ended 31 December 2008:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs
- IAS 27/IFRS 3 Consolidated and Separate Financial Statements in Accordance with IFRS

- IAS 28/IFRS 3 Investments in Associates
- IAS 31/IFRS 3 Investments in Joint Ventures
- IAS 32/IFRS 1 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

The future application of new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements.

The following interpretations have been passed by the International Financial Reporting Interpretations Committee (IFRIC) and are to be applied for the first time in the current financial year:

- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangement
- IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The first-time application of these standards and interpretations did not affect the financial statements of Masterflex AG.

The single-entity financial statements of the companies included in consolidation as prepared in accordance with the respective national accounting standards were adjusted to reflect IFRS requirements.

The consolidated financial statements consist of the balance sheet, the income statement, the statement of changes in shareholders' equity and the cash flow statement. The notes to the consolidated financial statements also contain segment reporting.

The consolidated financial statements are prepared in euros (€). All amounts, including prior-period amounts, are stated in thousands of euros (€ thou.). All amounts are rounded in accordance with standard commercial practice. In some cases, this can result in negligible differences between the sum of the individual amounts and the stated total. The single-entity financial statements of the companies included in consolidation are prepared to the same reporting date as the consolidated financial statements.

For clarity, some individual balance sheet and income statement items have been combined; these items are discussed in detail in the notes to the consolidated financial statements. Assets and liabilities are broken down into current and non current items. The income statement is prepared in accordance with the nature of expense method.

The cash flow statement is prepared in accordance with the indirect method for cash flow from operating activities and the direct method for cash flow from investing and financing activities.

Changes in accounting policies are discussed in the notes.

The Executive Board of Masterflex AG is responsible for the preparation, completeness and accuracy of the consolidated financial statements and the Group management report.

2. Accounting principles

Basis of consolidation

The consolidated financial statements of Masterflex AG contain all companies in which Masterflex AG holds a majority of the voting rights or over whose financial and business policy it can otherwise exercise a controlling influence, either directly or indirectly. Subsidiaries are fully consolidated from the date at which the Group is able to exercise a controlling influence over them, and are deconsolidated from the date at which this controlling influence ends.

As of 31 December 2008, a total of 13 domestic subsidiaries (previous year: 13) and 9 foreign subsidiaries (previous year: 16) were consolidated in addition to Masterflex AG. The table below shows the subsidiaries that were fully consolidated as of 31 December 2008:

Company name	Company headquarters		Equity interest held by Masterflex (%)
Masterflex S.A.R.L.	F	Béligneux	80
Masterflex Technical Hoses Ltd.	GB	Oldham	100
Masterduct Holding Inc.*	USA	Houston	100
· Flexmaster USA, Inc.	USA	Houston	100*
· Masterduct Inc.	USA	Houston	100*
Masterflex Bulgaria Eood	BG	Sofia	100
TechnoBochum GmbH	D	Bochum	100
Masterflex Cesko s. r. o.	CZ	Plana	100
Matzen & Timm GmbH	D	Norderstedt	100
Angiokard Medizintechnik Verwaltungs GmbH	D	Friedeburg	100
Angiokard Medizintechnik GmbH & Co. KG*	D	Friedeburg	100
· Angiokard B. V.	NL	Hillegom	100*
· Fleima-Plastic GmbH	D	Mörlen-bach	100*
· Medic Health Care GmbH	D	Friedeburg	100*
· Novoplast Schlauch-technik GmbH	D	Halberstadt	100*
SURPRO Verwaltungs-gesellschaft mbH*	D	Wilster	100
· SURPRO GmbH	D	Wilster	100*
· TEKOV-SURPRO s.r.o.	CZ	Plana	100*
Masterflex Mobility GmbH*	D	Herten	100
· Clean Air Bike GmbH	D	Berlin	51*
· Masterflex Brennstoff-zellentechnik GmbH	D	Herten	100*
· Velodrive GmbH	D	Herten	100*

*) = subgroup

The basis of consolidation has changed in comparison with the previous year. DICOTA GmbH, Bietigheim-Bissingen, which was included in the consolidated financial statements for the previous year, was sold and deconsolidated on 16 December 2008.

In March of the financial year, Masterflex Mobillity GmbH and its subsidiary Velodrive GmbH were founded. The equity interest in Masterflex Brennstoffzellentechnik GmbH, Herten, was transferred from Masterflex AG to Masterflex Mobility GmbH. The equity interest held by Masterflex Brennstoffzellentechnik GmbH in Clean Air Bike GmbH, Berlin, was also transferred to Masterflex Mobility GmbH.

Masterduct Holding Inc. was founded on 1 August 2008 and now holds an equity interest in Flexmaster USA Inc. and Masterduct. Inc.

With effect from 1 January 2008, SURPRO Oberflächenbeschichtungs- und Beratungszentrum GmbH was merged into SURPRO Metalltechnik GmbH, at the same time as the change of the company to SURPRO GmbH.

Acquired subsidiaries are accounted for using the purchase method. The cost of acquisition is calculated on the basis of the cash and cash equivalents transferred and the fair values of the assets given up, the equity instruments issued and the liabilities assumed as of the transaction date, plus any costs directly attributable to the acquisition. Expected changes in cost as a result of future events are taken into account at the acquisition date depending on the probability of the respective event and the extent to which the resulting change can be reliably estimated. On initial consolidation, the assets, liabilities and contingent liabilities identified in the course of a business combination are measured at their fair value at the transaction date, irrespective of any minority interests.

The excess of the cost of acquisition over the parent's share in the fair values of the acquired net assets of the subsidiary is recognised as goodwill. If the cost of acquisition is lower than the total fair value of the acquired net assets of the subsidiary, the difference is recognised in income.

Consolidation

With the exception of income and expense items between continued and discontinued operations, all intragroup receivables, liabilities, profits and losses are eliminated.

In accordance with IAS 27, capital consolidation is performed by offsetting the carrying amounts of subsidiaries against the Group's proportionate interest in their shareholders' equity. The shareholders' equity of acquired subsidiaries is calculated at the acquisition date on the basis of the fair values of the assets, liabilities, contingent liabilities and deferred taxes of the subsidiaries and any goodwill as of this date.

Currency translation

Group companies prepare their annual financial statements in their respective functional currency.

Foreign-currency transactions by consolidated companies are translated into the functional currency using the exchange rate at the transaction date. Monetary assets are adjusted to reflect the exchange rate at each balance sheet date. As a matter of principle, the resulting exchange rate gains and losses are reported in other income and expenses.

The financial statements of all companies with a functional currency other than the Group reporting currency are translated into the reporting currency of Masterflex's consolidated financial statements. The assets and liabilities of the consolidated companies are translated using the middle rates prevailing at the balance sheet date, while their income statements are translated using moving average rates for the year as a whole. If the average rate for the year is not a reasonable approximation of the actual exchange rates on the respective transaction dates, the latter rates are applied. Any exchange differences are classified as a separate component of equity and remeasured at each balance sheet date. At 31 December 2008, these differences amounted to € -747 thousand (previous year: € 2,492 thousand).

Goodwill from the acquisition of foreign subsidiaries whose functional currency is different to the Group reporting currency and adjustments due to fair value measurement are translated as assets of the respective companies using the prevailing exchange rate at the balance sheet date.

The following exchange rates were applied for currency translation purposes:

	31 Dec. 2008 EUR
1 pound sterling (£)	1.0429
1 US dollar ($)	0.7155
1 Bulgarian lev (LEV)	0.5113
1 Czech koruna (CZK)	0.0372

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

	31 Dec. 2008 EUR
1 pound sterling (£)	1.2523
1 US dollar ($)	0.6786
1 Bulgarian lev (LEV)	0.5113
1 Czech koruna (CZK)	0.0397

Property, plant and equipment

Property, plant and equipment encompasses all tangible assets that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and write-downs, plus any reversals of write-downs.

Items of property, plant and equipment held under finance leases are carried at the lower of fair value and the present value of the minimum lease payments and are depreciated on a straight line basis over their expected useful life.

Certain items of property, plant and equipment are sold and leased back. All of the sale and leaseback transactions concluded by the Company result in lease arrangements. The carrying amounts of items of property, plant and equipment are reviewed if there is evidence to suggest that they may be impaired as a result of events or changes in circumstances. Impairment is assessed by comparing the carrying amount of an asset with its recoverable amount (impairment testing). If the carrying amount is higher than the recoverable amount, it is written down to the lower amount. In order to assess impairment, assets are grouped at the lowest level for which the respective cash flows can be separately identified. If the reasons for impairment no longer apply at a subsequent reporting date, the corresponding write-down may be reversed up to a maximum of the amortised cost of the respective asset.

Goodwill

Goodwill arising from business combinations is recognised as an intangible asset.

Goodwill is tested for impairment at the level of the respective cash-generating units at least once a year and whenever there is evidence of impairment. The recoverable amounts of the individual cash-generating units are compared with their carrying amounts including goodwill. The recoverable amount of a cash-generating unit is the higher of its internal value in use and its fair value less disposal costs. If the carrying amount of the assets attributable to an individual cash-generating unit exceeds the recoverable amount, a write-down is recognised in income in the amount of the difference.

Write-downs for impairment are deducted from goodwill. Any excess is allocated proportionately to the carrying amounts of the other assets of the cash-generating unit being tested for impairment.

The value in use of the individual cash-generating units is calculated in the fourth quarter of each financial year in accordance with the discounted cash flow method. It is only necessary to estimate the selling price if the value in use is lower than the carrying amount.

Other intangible assets

Other intangible assets include both internally generated and acquired assets. Internally generated intangible assets relate to work performed by the Company and capitalised, and are carried at the cost incurred between the date on which their technological and economic realisability was established and the date on which they were completed. Acquired intangible assets include concessions, licences, industrial and similar rights and assets, as well as technologies. Acquired intangible assets are carried at cost.

Intangible assets whose useful lives can be determined are amortised on a straight-line basis over this period. The carrying amounts of intangible assets are reviewed if there is evidence to suggest that they may be impaired as a result of events or changes in circumstances. Intangible assets with uncertain useful lives are tested for impairment annually. Impairment testing is performed in the same way as for property, plant and equipment. If the reasons for impairment no longer apply, the corresponding write-down must be reversed up to a maximum of the amortised cost of the respective asset.

Useful lives

The depreciation of property, plant and equipment and the amortisation of intangible assets is based on the following useful lives:

	Useful life	Method of depreciation/ amortisation
Software	4 years	straight-line method
Licences and similar rights	over the term of the respective agreement	straight-line method
Buildings/parts of buildings	10–50 years	straight-line method
Technical equipment and machinery	2–18 years	straight-line method
Other equipment, operating and office equipment	2–10 years	straight-line method

Financial assets

Financial assets include securities and financial receivables (excluding trade receivables).

Securitised debt instruments that the Company intends to hold to maturity are carried at amortised cost in accordance with the effective interest method. All other securities are carried at their fair value, with any fluctuations in value taken directly to equity.

Financial receivables are carried at amortised cost in accordance with the effective interest method.

Derivative financial instruments are employed exclusively for hedging purposes, and in particular for hedging against interest rate fluctuations arising from financial transactions, as well as exchange rate risks and changing prices. They are always carried at their fair value. Fair value fluctuations are recognised in income.

The settlement date is relevant for the initial recognition of financial assets and their subsequent derecognition. Financial assets are recognised when Masterflex becomes a contracting party to the respective financial instrument, and are derecognised when the right to receive money or another financial asset expires as a result of settlement, waiver, limitation or offsetting or in another manner or this right is transferred to another party, including the corresponding risks.

Financial assets or groups of financial assets are tested for impairment at each balance sheet date, with any write-downs recognised in income. With the exception of equity instruments, the carrying amounts of financial assets are written up if the reasons for impairment no longer apply.

Deferred taxes

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amounts in the respective domestic tax accounts and the IFRS accounts used in preparing the consolidated financial statements. Deferred tax assets are also recognised for tax loss carryforwards. Deferred tax assets are only recognised for deductible temporary differences and tax loss carryforwards to the extent that future taxable income is expected to be available.

In accordance with the IFRSs, amounts relating solely to tax law are not recognised in the consolidated financial statements.

Inventories

Inventories are carried at the lower of cost and net realisable value. The majority of the Company's inventories are measured using the FIFO (first-in, first-out) method. The cost of inventories includes direct costs, indirect materials and indirect labour costs relating to production and depreciation, as well as production-related administrative expenses, but not borrowing costs. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Write-downs for impairment must be reversed up to a maximum of the amortised cost of the respective item of inventories if the reasons for impairment no longer apply.

Prepaid expenses

Prepaid expenses are recognised for items that constitute expenses in future periods. This primarily relates to the discount on a promissory note loan extended to the Group.

Other receivables and other assets

Other assets are carried at their principal amount. Reimbursements relating to the negative fair values of derivative financial instruments are carried at fair value.

Trade receivables

Trade receivables are carried at their principal amount, taking into account all identifiable risks. Specific valuation allowances have been recognised for individual trade receivables.

Cash in hand and bank balances

Cash in hand and bank balances are primarily composed of bank balances, cash in hand and uncredited cheques, and are carried at their principal amount. Cash and cash equivalents denominated in foreign currencies are translated at the exchange rate at the balance sheet date.

Subscribed capital

Ordinary shares are classified as shareholders' equity. Treasury shares are deducted from the shareholders' equity attributable to the shareholders of Masterflex AG.

Provisions

Provisions are recognised when the Group has a current (legal or constructive) obligation from a past event that it is expected to be required to settle, and the amount of this obligation can be reliably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the current obligation as of the balance sheet date, taking into account the risks and uncertainties underlying the obligation. Provisions for pension obligations are recognised on the basis of actuarial reports prepared by independent actuaries. If a provision is measured using the estimated cash flow required to settle the obligation, the carrying amount of the provision is the present value of the respective cash flow. In order to ensure that the Company is able to meet its pension obligations, qualifying insurance policies are concluded for financial assets.

If the economic benefit required to settle the provision is expected to be reimbursed by a third party, either in part or in full, the corresponding right is recognised as an asset if reimbursement is virtually certain and the amount to be reimbursed can be reliably estimated.

Other obligations to employees include all short-term benefits. Short-term employee benefit obligations are generally due in full within 12 months of the end of the respective service, and include wages, salaries, social security contributions, paid vacation and profit-sharing. These benefits are expensed at the same time as the remunerated service is performed. At the balance sheet date, the excess of the total expense over the payments already made is recognised as a deferred liability.

Provisions for warranties are measured on the basis of actual past warranty costs and the assessed overall risk of our product range. Provisions are also recognised when the Company is aware of a warranty claim and a loss is considered likely. Recourse claims against suppliers are capitalised if the services in question are covered by a warranty and it is highly likely that the Company will be able to assert the respective claims.

Financial liabilities
Liabilities to banks are reported as financial liabilities and carried at their settlement or repayment amount in accordance with the effective interest method. Finance lease liabilities are recognised in the amount of the present value of the lease instalments.

Other liabilities
Other liabilities are carried at their repayment amount.

Trade payables
Trade payables are carried at their principal amount.

Financial instruments
The financial instruments recognised on Masterflex AG's balance sheet relate in particular to cash and cash equivalents, available-for-sale securities, trade receivables, trade payables and liabilities to banks. Financial instruments held for trading, which primarily consist of derivatives, are carried at fair value with any changes recognised in income. Available-for-sale securities are carried at fair value. Unrealised changes in fair values are reported in the reserve for the marking-to-market of financial instruments as a separate component of shareholders' equity. The Executive Board is responsible for determining the allocation of financial instruments to the aforementioned categories at the acquisition date and reviewing this allocation at each subsequent reporting date. The securities held by the Group are reported as financial assets.

All in all, there are no significant differences between the carrying amounts and fair values of the other financial instruments held by the Group. The Group holds cash and cash equivalents at various banks and aims to minimise its dependence on individual banks as part of its risk strategy. Customer-specific financial risk is controlled by constantly monitoring customer creditworthiness.

There are no material default risks in excess of the carrying amounts of the financial assets held by the Group.

Revenue recognition
Revenue from the sale of products is recognised when the respective products are delivered and transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable. Customer bonuses, trade discounts and volume rebates and the elimination of intragroup profits and losses serve to reduce revenue.

Interest income is recognised on a time proportion basis over the remaining term of the respective asset on the basis of the effective interest rate and the amount of the outstanding receivable.

Borrowing costs
Borrowing costs are expensed in the period in which they are incurred.

Research and development
Research costs are expensed when they are incurred. Development costs relating to the significant development of a product or process are capitalised when the product or process is technically and economically realisable, the development is marketable, the relevant expenses can be reliably measured and the Company has sufficient resources to complete the development project. All other development costs are expensed as incurred. Capitalised development costs for completed projects are carried at cost less any accumulated amortisation.

Government grants
Government grants are carried at fair value if the Group meets the necessary conditions for receiving the grant. Cost subsidies are recognised over the period in which the costs they are intended to subsidise are incurred. Government investment grants are reported as deferred income and reversed over the useful life of the respective asset in accordance with the depreciation pattern.

Estimates

The preparation of the financial statements requires the use of estimates and assumptions affecting the Company's assets, liabilities, provisions, deferred tax assets and liabilities, income and expenses, as well as the recognition of contingent liabilities. Although the Company ensures that such estimates and assumptions are made in a careful and conscientious manner, the possibility that the actual amounts will deviate from the estimated amounts cannot be excluded.

Factors that could cause a negative deviation include a deterioration in the global economy, exchange rate and interest rate developments, significant legal proceedings and amendments to the provisions of environmental law or other statutory provisions. Manufacturing defects, the loss of key customers and rising finance charges could also adversely affect the Group's future success.

The following section presents the potential effects of changes in estimates on the recognition and measurement of assets and liabilities:

a) Goodwill

The Group tests goodwill for impairment on an annual basis. The recoverable amount of cash-generating units is determined on the basis of the value in use, which in turn is calculated on the basis of assumptions by the Group's management (see note 27).

b) Deferred taxes

When estimating the realisability of deferred tax assets, the Group's management assesses the extent to which the factors in favour of realisation outweigh those against it. The actual realisability of a deferred tax asset depends on the availability of future taxable income against which the respective temporary differences or tax loss carryforwards can be offset. To this end, the Group's management examines the dates at which the deferred tax liabilities are expected to reverse and the future taxable income is expected to be received. Based on Masterflex's expected future business development, the Group's management assumes that the deferred tax assets recognised will be realisable (see note 30).

c) Provisions and contingent liabilities

Changes in the estimated probability of a current obligation or an outflow of economic resources may lead to the reclassification as provisions of items that were previously classified as contingent liabilities, or to changes in the amounts recognised as provisions (see note 13).

d) Pension obligations

The present value of pension obligations depends on factors that are based on actuarial assumptions. The assumptions applied in determining net pension costs include the expected long-term return on plan assets and the discount rate. The carrying amount of pension obligations is affected by any changes in these assumptions.

The expected return on plan assets is calculated on a uniform basis, taking into account the long-term historic return, asset allocation and estimates of the future long-term return on investment.

The expected return on plan assets is calculated on a uniform basis, taking into account the long-term historic return, asset allocation and estimates of the future long-term return on investment.

The appropriate discount rate is determined at the end of each year. The discount rate is the interest rate applied in determining the present value of the expected future cash outflows that will be required to settle the obligation. In determining the discount rate, the Group applies the interest rate of high-quality corporate bonds of a currency and term consistent with the currency and term of the corresponding pension obligations.

e) Development costs

In order to calculate the goodwill of amounts capitalised, the management must make assumptions on the amount of the future expected cash flow from assets, the time period of the inflow of the future expected cash flow generated by the assets, and the interest rates to be applied. Best possible estimates were calculated at the balance sheet date (see note 4).

In addition, assumptions and estimates are required for write-downs on doubtful debts as well as contingent liabilities and other provisions. They are also necessary when calculating the fair value of long-term property, plant and equipment and intangible assets, and when determining the net realisable value of inventories.

In some cases, actual values can deviate from the assumptions and estimates made, meaning that it is necessary to adjust significantly the carrying amount of the assets or liabilities concerned. Changes to estimates are recognised in income in accordance with IAS 8 at the time they become known. Values from the previous year did not need to be adjusted and can be taken as a comparison.

3. Company sales/discontinued business units

Masterflex sold its equity interest in DICOTA GmbH, Bietigheim-Bissingen, with effect from 16 December 2008. The carrying amount of the associated net assets exceeds the gain on the disposal, meaning that write-downs of € 8,440 thousand were included when reclassifying the business unit as held-for-sale. Further details from the sale are shown in the tables below. Values from the previous year concern the sale of Perm Motor GmbH where information was available.

Carrying amount of net assets sold

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Current assets		
Cash	2,395	46
Trade receivables	11,433	323
Inventories	9,861	317
Other	1,401	18
Noncurrent assets		
Property, plant and equipment/ intangible assets	553	466
Goodwill	1,621	12
Deferred taxes	466	0
Current liabilities		
Liabilities	-11,291	-1,107
Provisions	-2,648	-40
Noncurrent liabilities		
Deferred taxes	-109	-4
Net assets sold	13,682	31
Minority interests	-574	-10
Loss/profit on sale	-2,508	179
Total	**10,600**	**200**

Sale price

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Sale price settled in cash	4,600	200
Deferred gain on disposal (see note 7)	6,000	0
Total	**10,600**	**200**

Net cash inflow from sale

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Sale price settled in cash	4,600	200
Less: cash issued on sale	-2,395	-46
Total	**2,205**	**154**

Notes to the consolidated balance sheet: assets

4. Non-current assets

The development of non-current assets is presented in a separate statement of changes in non-current assets (see appendix). Liabilities to banks are secured by way of entries in the land register in the amount of € 6,702 thousand (previous year: € 7,775 thousand) and transfers of title to production facilities and assigned receivables totalling € 0 thousand (previous year: € 195 thousand).

At 31 December of each financial year, the assets held by foreign companies are translated to euros (€) using the prevailing exchange rates at the balance sheet date, while all changes during the financial year are translated using the average rates for the year. The exchange differences resulting from these different methods of translation are shown separately in the statement of changes in non-current assets.

a) Intangible assets

All intangible assets are purchased, with the exception of individual industrial rights and developments by Masterflex AG. The industrial rights held by the Company relate to internally generated patents, while developments consist of capitalisable expenses incurred in the development of marketable products.

Masterflex AG has written off internally produced assets, licences acquired, property rights and various purchased services in the amount of € 1,896 thousand for the LaryVent respirator mask and gas-tight hose development projects, as these assets are either partially or wholly unused.

The consolidated financial statements dated 31 December 2006 were subject to an audit by the Financial Reporting Enforcement Panel (FREP) in accordance with section 342b (2) sentence 3 no. 3 HGB.

In a letter dated 20 April 2008, the FREP informed the Executive Board that the audit by the DPR did not reveal any evidence of incorrect IFRS financial reporting. However, the FREP suggesting reviewing the reporting of Fuel Cells development expenses for the period 2001 – 2005 and, if necessary, to derecognise this directly in equity. The Executive Board accepted this proposal and correspondingly wrote down the Fuel Cells development expenses for the period from 2001 to 2005 in the amount of € 2,129 thousand and recognised this amount directly in equity, in accordance with IAS 8. Correspondingly, the grants received in deferred income were adjusted in the amount of € 719 thousand. This adjustment was carried out with effect from 1 January 2008.

The cost of, additions to and disposals from intangible assets are composed as follows:

	Internally generated intangible assets EUR thou.	**Acquired intangible assets** EUR thou.	**Goodwill** EUR thou.	**Total** EUR thou.
Balance at 1 Jan. 2007	**4,352**	**3,821**	**30,800**	**38,973**
Changes in consolidated group	0	-323	899	576
Additions	733	172	0	945
Disposals	22	186	0	208
Reclassifications	0	-1	0	-1
Currency translation differences	0	0	10	10
Balance at 1 Jan. 2008	**5,103**	**3,483**	**31,709**	**40,295**
Changes in consolidated group	0	-507	-11,767	-12,274
Additions	615	1,011	0	1,626
Disposals	3,302	953	0	4,255
Reclassifications	0	117	0	117
Currency translation differences	0	0	35	35
Balance at 31 Dec. 2008	**2,416**	**3,151**	**19,977**	**25,544**

Current and accumulated amortisation are composed as follows:

	Internally generated intangible assets EUR thou.	Acquired intangible assets EUR thou.	Goodwill EUR thou.	Total EUR thou.
Balance at 1 Jan. 2007	**209**	**1,186**	**9,235**	**10,630**
Changes to the consolidated group	0	-41	0	-41
Amortisation in the year under review	17	286	0	303
Disposals	0	187	0	187
Currency translation differences	0	1	0	1
Balance at 1 Jan. 2008	**226**	**1,245**	**9,235**	**10,706**
Changes in consolidated group	0	-347	-10,146	-10,493
Amortisation in the year under review	1,222	1,108	10,355	12,685
Disposals	1,173	814	0	1,987
Currency translation differences	0	0	0	0
Balance at 31 Dec. 2008	**275**	**1,192**	**9,444**	**10,911**

The carrying amounts of intangible assets are composed as follows:

	Internally generated intangible assets EUR thou.	Acquired intangible assets EUR thou.	Goodwill EUR thou.	Total EUR thou.
31 December 2007	**4,877**	**2,238**	**22,474**	**29,589**
31 December 2008	**2,141**	**1,959**	**10,533**	**14,633**

b) Property, plant and equipment

In the context of the shutdown of production facilities, write-downs in the amount of € 675 were carried out on property, plant and equipment. The fair values less the selling costs were calculated by the local management on the basis of an appropriate estimate.

Property, plant and equipment also includes land and buildings held under a finance lease. Production and warehouse facilities and an administrative building used by Masterflex AG are held under the terms of a real estate lease. The lease, which was entered into on 30 March 1993 with the lessor MODICA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Masterflex KG, Gelsenkirchen, was designed in such a way that all of the risks and rewards incident to ownership of the leased assets were transferred to Masterflex AG. Masterflex AG has a notarised option to purchase the leased assets with effect from 31 July 2014. The Group has also entered into finance leases for machinery and operating equipment.

The following table shows the original cost and useful life and changes in the carrying amount of the leased assets:

	Cost EUR thou.	Useful life	Carrying amount at 31 Dec. 2008 EUR thou.	Carrying amount at 31 Dec. 2007 EUR thou.
Buildings	4,505	30 Jahre	2,551	2,705
Land	587	-	587	587
Technical equipment and machinery	1,608	10 Jahre	1,317	922
Operating and office equipment	490	5 Jahre	376	591
Total	**7,190**		**4,831**	**4,805**

The payment obligations relating to the lease instalments are divided into an interest element and a capital element over the term of the lease. The interest expense in the year under review amounted to € 226 thousand (previous year: € 161 thousand).

c) Financial assets

Masterflex AG had granted an interest-bearing, subordinated loan of € 6,065 thousand to a start-up company under the terms of an investment option. On 4 July 2008, Masterflex AG declared this debt to be uncollectible and wrote it off completely. No payments are expected to be made to Masterflex AG from the insolvency proceedings. In addition, write-downs for other loans were made in the amount of € 769 thousand due to conditions being legally disputed.

Financial assets are composed as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Investment securities	253	752
Loans and receivables	4,476	8,792
Total financial assets	**4,729**	**9,544**

Investment securities relate to available-for-sale financial instruments within the meaning of IAS 39 and are composed as follows:

	EUR thou.
Shares	209
Debt instruments	44
Total	**253**

The following table shows the cost, unrealised gains and losses and fair values of available-for-sale securities as of 31 December 2008:

Cost EUR thou.	**Unrealised gains/losses** EUR thou.	**Fair value** EUR thou.
990	**737**	**253**

Income from available-for-sale securities totalled € 11 thousand.

Receivables from existing shareholders amount to € 3,281 thousand. Trade receivables in the amount of € 450 thousand are reported as non-current receivables on account of a financing agreement.

5. Inventories

Inventories are composed as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Raw materials, consumables and supplies	10,277	8,379
Work in progress	5,224	6,248
Finished goods and merchandise	5,559	13,470
Advance payments	54	122
Total	**21,114**	**28,219**

Inventories of the continued and discontinued business units were expensed in the amount of € 63,718 thousand (previous year: € 65,412 thousand).

Depreciation of inventories on the net realisable value amounted to € 286 thousand (PREVIOUS YEAR: € 289 thousand).

Non-operating expenses also include depreciation of inventories on the net realisable value in the amount of € 295 thousand.

6. Deferred income

Prepaid expenses primarily relate to the discount on a promissory note loan, as well as prepayments of trade fair expenses, commission, lease instalments and insurance premiums.

7. Receivables and other assets

Receivables and other assets are composed as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Trade receivables	7,421	17,882
Other assets	7,612	4,134
Total receivables and other assets	**15,033**	**22,016**

Other assets are composed as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Deferred gain on disposal	6,000	0
Receivables from tax authorities	591	404
Receivables from investment grants and subsidies	220	623
Receivables from the disposal of non-current assets	173	554
Receivables from shareholders	124	85
Bonus receivables	110	73
Receivables from health insurance companies	101	0
Receivables from employees	23	55
Security deposits	5	118
Reimbursements relating to derivative financial instruments	0	891
Insurance claims (recognised in financial assets in 2008)	0	700
Other	265	631
Total other assets	**7,612**	**4,134**

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

Miscellaneous other financial assets include receivables totalling € 900 thousand (previous year: € 453 thousand), which will not be realised one year after the balance sheet date.

Receivables from tax authorities primarily relate to VAT receivables.

In connection with a company sale in 2007, Masterflex granted the buyer a loan totalling € €173 thousand. The repayment is disputed, and as a result this loan amount has been completely written off.

8. Trade receivables

Trade receivables are composed as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Trade receivables	7,777	18,178
Valuation allowances	-356	-296
Total trade receivables	**7,421**	**17,882**

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

Specific and global valuation allowances on trade receivables totalled € 356 thousand (previous year: € 296 thousand).

Individual risks were taken into account on the basis of write-downs totalling € 99 thousand (previous year: € 189 thousand)
.

A receivable from a start-up company in which Masterflex AG had an investment option was written down in the amount of € 134 thousand (see section 4c).

The Company's average payment terms and outstanding receivables are in line with standard market conditions.

The maturity structure of trade receivables is composed as follows:

2008	EUR thou.	EUR thou.
1. Non-overdue receivables for which no valuation allowances have been recognised		**5,110**
2. Overdue receivables for which no specific valuation allowances have been recognised		**2,214**
Less than 30 days	704	
30 to 59 days	905	
60 to 89 days	329	
90 to 119 days	54	
120 days or more	222	
3. Receivables for which specific valuation allowances have been recognised		**97**
Carrying amount (net)		**7,421**

2007	EUR thou.	EUR thou.
1. Non-overdue receivables for hich no valuation allowances have been recognised		**13,599**
2. Overdue receivables for which no specific valuation allowances have been recognised		**4,072**
Less than 30 days	1,892	
30 to 59 days	975	
60 to 89 days	904	
90 to 119 days	91	
120 days or more	210	
3. Receivables for which specific valuation allowances have been recognised		**211**
Carrying amount (net)		**17,882**

9. Income tax receivables

Income tax assets amounted to € 2,221 thousand at the balance sheet date (previous year: € 3,149 thousand). All income tax assets are due within one year.

10. Cash in hand and bank balances

Cash in hand and bank balances comprise credit at banks and cash in hand. Cash in hand and bank balances at the balance sheet date were calculated as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Cash in hand and bank balances	11,012	5,895

The effective interest rate for short-term bank deposits was between 0.00% and 4.95%.

Notes to the consolidated balance sheet: shareholders' equity and liabilities

11. Shareholders' equity

Capital management

The Masterflex Group's strategic orientation sets the framework for the optimisation of capital management. The Group intends to generate a sustainable increase in enterprise value in the interests of its shareholders, customers and employees by way of a continuous increase in earnings driven by growth and the improved efficiency of our business processes. This requires a balance between the business and financial risks and the financial flexibility of the Masterflex Group, which is achieved through intensive communications with the financial markets and banks in particular.

The Articles of Association of Masterflex AG do not prescribe any specific capital requirements.

The development of shareholders' equity can be seen in the statement of changes in shareholders' equity.

Subscribed capital

The subscribed capital of Masterflex AG consists of a total of 4,500,000 no-par value bearer shares each with a notional interest in the share capital of € 1.00. The Company's share capital is fully paid up.

By resolution of the General Meeting on 4 June 2008, the Company was authorised, with effect from 5 June 2008, to acquire treasury shares accounting for an interest in the share capital of no more than € 450,000 until 4 December 2009. This represents 10% of the Company's share capital of € 4,500,000 at the date of the Annual General Meeting. The acquired shares, together with the other treasury shares held by the Company or attributable to it in accordance with sections 71a ff. of the German Stock Corporation Act, may not exceed 10% of the Company's share capital at any time. This authorisation supersedes the authorisation granted by the General Meeting on 5 June 2007, which was scheduled to run until 5 December 2008 and which is therefore revoked.

This authorisation may not be used for the purposes of trading in treasury shares.

Treasury shares must be acquired via the stock exchange or a public purchase offer circulated to all of the Company's shareholders.

If treasury shares are acquired via the stock exchange, the purchase price per share (excluding incidental costs) may not exceed or fall below the Company's quoted share price by more than 5%. For the purposes of this authorisation, the quoted share price is the mean value of the Company's share price in the closing auctions in Xetra trading (or a functionally similar successor to the Xetra system) on the Frankfurt Stock Exchange during the three trading days prior to the purchase of the shares.

If treasury shares are acquired by way of a public purchase offer circulated to all of the Company's shareholders, the purchase price offered or the upper and lower thresholds of the purchase price range offered per share (excluding incidental costs) may not exceed or fall below the Company's quoted share price by more than 20%. For the purposes of this authorisation, the quoted share price is the mean value of the Company's share price in the closing auctions in Xetra trading (or a functionally similar successor to the Xetra system) on the Frankfurt Stock Exchange during the period from the sixth to the third trading day prior to the publication of the offer. The volume of the offer may be limited. If the total subscription to the offer exceeds this limit, treasury shares must be purchased in proportion to the total number of shares offered in each case. The priority purchase of smaller numbers of shares, i.e. up to 100 shares from each shareholder responding to the offer, may be agreed.

The provisions of the German Securities Acquisition and Takeover Act must be observed to the extent that they are applicable.

The Executive Board is also authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares to third parties with shareholders' subscription rights disapplied in exchange for non-cash contributions, particularly in connection with business combinations and the acquisition of companies, parts of companies and/or equity interests in companies. The value of the non-cash contributions must be generally appropriate within the meaning of section 255 (2) of the German Stock Corporation Act. In the case of f), the treasury shares may only be sold to third parties at a price (excluding incidental costs) that is not significantly lower than the quoted price for shares of the Company with the same features at the transaction date, and in any case no more than 5% lower than this quoted price. For the purposes of this authorisation, the quoted share price is the mean value of the Company's share price in the closing auctions in Xetra trading (or a functionally similar successor to the Xetra system) on the Frankfurt Stock Exchange during the five trading days prior to the sale of the treasury shares.

Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares with shareholders' subscription rights disapplied in exchange for cash contributions in a manner other than via the stock exchange or the circulation of an offer to shareholders. The authorisation to disapply shareholders' subscription rights is subject to the proviso that the treasury shares sold with shareholders' subscription rights disapplied – both as a whole and together with any other shares issued from a capital increase or from authorised capital with shareholders' subscription rights disapplied in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act – may not exceed 10% of the Company's share capital at the transaction date in each financial year.

The Executive Board is also authorised to retire the acquired treasury shares without this requiring an additional resolution by the Annual General Meeting. Furthermore, the Executive Board is authorised to retire the relevant shares either with or without implementing a capital decrease. If the shares are retired without a capital decrease, this serves to increase the notional interest in the Company's share capital attributable to the other shares in accordance with section 8 (3) of the German Stock Corporation Act. In this case, the Executive Board is also authorised to amend the number of shares of the Company as set out in the Articles of Association (section 237 (3) no. 3 of the German Stock Corporation Act).

The authorisations detailed above may be exercised on one or more occasions, either individually or cumulatively.

When acquiring treasury shares, the Executive Board is required to observe the statutory provisions on the recognition of reserves for treasury shares as set out in section 71 (2) sentence 1 of the German Stock Corporation Act and section 272 (4) of the German Commercial Code.

No treasury shares were sold or newly acquired in the 2008 financial year. At the balance sheet date, Masterflex AG held a total of 134,126 treasury shares (previous year: 134,126).

Authorised capital

By resolution of the Ordinary General Meeting on 8 June 2005, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions until 7 June 2010 by a total of up to € 2,225,000 by issuing up to 2,225,000 new no-par value bearer shares in exchange for cash and/or non-cash contributions (authorised capital). The Executive Board is authorised to determine the further content of the equity rights and the terms and conditions of the issue of these shares, subject to the approval of the Supervisory Board. The new shares must be offered to the Company's shareholders for subscription. However, the Executive Board is authorised to disapply shareholders' subscription rights in the following cases, subject to the approval of the Supervisory Board:

for fractional amounts, in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; and for cash contributions up to an amount not exceeding 10% of the Company's share capital at the date on which this authorisation is exercised, providing that the issue price of the shares is not significantly lower than the quoted price of the listed shares of the Company at the date on which the issue price is finalised. Treasury shares issued or sold in the financial year in which the shares are issued from authorised capital with shareholders' subscription rights disapplied in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act are counted towards this 10% limit.

The Supervisory Board is authorised to amend the wording of Article 4 of the Articles of Association following the full or partial exercise of the authorisation to increase the Company's share capital to reflect the extent to which authorised capital has been utilised and, if the authorised capital is not fully utilised by the date on which the authorisation period expires (7 June 2010), to amend the wording of Article 4 of the Articles of Association to reflect the expiry of the authorisation period.

Capital reserves

Capital reserves amounted to € 17,521 thousand at the balance sheet date (previous year: € 17,521 thousand) and primarily relate to the proceeds from the Company's IPO in 2000 less initial stock exchange listing costs. In accordance with SIC 16, acquisitions and disposals of treasury shares are offset against capital reserves after adjustment for income tax effects.

Retained earnings

Changes in retained earnings are presented in the statement of changes in shareholders' equity.

Reserve for the marking-to-market of financial instruments

In accordance with IAS 39, the Company's investment securities are classified as available-for-sale. These securities are carried at their fair value at the balance sheet date. After adjustment for income tax effects, the resulting unrealised losses are taken directly to equity and reported in the reserve for the marking-to-market of financial instruments.

Exchange differences

The exchange differences recognised in equity are composed as follows:

	Exchange differences from the translation of foreign financial statements	Exchange differences in accordance with IAS 21.17	Exchange differences in accordance with IAS 21.19	Exchange differences in accordance with IAS 21.32	Total
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Balance at 31 Dec. 2006	-1,197	-271	95	0	-1,373
Change in 2007	-1,077	-1	0	-41	-1,119
Balance at 31 Dec. 2007	-2,274	-272	95	-41	-2,492
Change in 2008	1,632	72	0	41	1,745
Balance at 31 Dec. 2008	-642	-200	95	0	-747

In accordance with IAS 12.61, taxes relating to items taken directly to equity were also recognised in equity, and are included in the changes in exchange differences presented in the table above.

In accordance with IAS 21.17/21.19/21.32 in conjunction with IAS 21.37, the changes in fair value recognised in equity in the amount of € 105 thousand (previous year: € -218 thousand) are fixed when the respective foreign-currency obligations are settled. Exchange differences recognised in equity are reversed to income only when the respective foreign entity is sold.

12. Minority interests

Minority interests in the shareholders' equity of Masterflex Group companies amounted to € 196 thousand (previous year: € 797 thousand).

13. Provisions

Provisions are composed as follows:

	Balance at 1 Jan. 2008 EUR thou.	Change to the consolidated group EUR thou.	Utilisation EUR thou.	Reversal EUR thou.	Addition EUR thou.	Balance at 31 Dec. 2008 EUR thou.
Non-current provisions						
Pensions	1,308	-112	0	0	67	1,263
Total	**1,308**	**-112**	**0**	**0**	**67**	**1,263**
Current provisions						
Year-end closing costs	342	-82	249	11	264	264
Vacation	532	-84	448	0	388	388
Customer bonuses	1,038	-871	166	1	165	165
Incentive payments, severance payments, commission	1,922	-958	937	27	1,029	1,029
Warranties	116	-35	32	1	52	100
Employers' liability Insurance Association	356	-12	325	19	211	211
Outstanding invoices	521	-340	132	49	664	664
Other	362	-152	175	12	695	718
Total	**5,189**	**-2,534**	**2,464**	**120**	**3,468**	**3,539**

a) Non-current provisions

Provisions are recognised for current and future pension claims to beneficiaries consisting of active and past employees of Masterflex Group companies and their surviving dependents. There are different forms of old-age provision, which are generally based on the length of service and the level of salary of the respective employee.

In the case of occupational pensions, a distinction is generally made between defined contribution and defined benefit plans.

In the case of defined contribution plans, the Company assumes no obligations above and beyond the obligation to make payments to a pension fund. The corresponding expenses are reported in staff costs for the current period and no provision is recognised. In the past financial year, the cost of defined benefit plans amounted to € 219 thousand (previous year: € 158 thousand), not including employer contributions to statutory pension schemes.

In the case of defined benefit plans, the Company undertakes to meet specific benefit obligations to active and past employees. Provisions for defined benefit pension plans are determined on the basis of the projected unit credit method as set out in IAS 19. The amount of the defined benefit obligation is calculated using actuarial methods and estimates of the relevant factors. In addition to assumptions on life expectancy, the following premises are applied with regard to the parameters for actuarial calculations:

	31 Dec. 2008
Discount rate	4.50 %
Salary growth	0.00 %
Increase in living costs	2.00 %
Pension growth	2.00 %

Salary growth includes expected future salary increases, which are estimated annually on the basis of factors such as inflation and length of service. As the agreed pension benefits at subsidiaries are not dependent on future salary increases, no salary growth factor was applied in calculating the corresponding provisions.

Pension provisions developed as follows as of 31 December 2008:

	31 Dec. 2008 EUR thou.
Carrying amount at 1 January 2008	1,308
Changes to the consolidated group	-112
Reversal	0
Addition	23
Interest expense	44
Carrying amount at 31 December 2008	1,263

b) Current provisions

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

Provisions for vacation are calculated on the basis of the outstanding vacation entitlement and the individual remuneration paid to the individual employees. Staff-related provisions include incentive payments and commission, as well as severance payments for employees leaving the Company.

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

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

Provisions for contributions to the Employers' Liability Insurance Association are recognised on the basis of the corresponding pay slips and the contributions made in the previous year.

The provision for outstanding purchase invoices includes primarily invoices for legal and consultancy fees.

Provisions of € 457 thousand were established in the context of the shutdown and relocation of the TEKOV production. These costs are recognised under non-operating expenses.

14. Financial liabilities

Finance lease liabilities were reported under financial liabilities. As of 31 December 2008, financial liabilities were composed as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Liabilities to banks	17,872	36,087
· of which due in > 5 years	2,797	2,973
Finance lease liabilities	3,664	3,229
· of which due in > 5 years	874	1,156
Non-current financial liabilities	**21,536**	**39,316**
Liabilities to banks	46,875	28,643
Finance lease liabilities	669	540
Current financial liabilities	**47,544**	**29,183**
Total financial liabilities	**69,080**	**68,499**

Liabilities to banks

The Company received a five- and seven-year promissory note loan from IKB Deutsche Industriebank AG with a volume of € 23 million in September 2004 and a five-year promissory note loan from Deutsche Bank with a volume of € 5 million in September 2007. In terms of maturity, liabilities to banks can be broken down as follows:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Liabilities due within 1 year	46,875	28,643
Liabilities due between 1 and 5 years	15,075	33,114
Liabilities due in more than 5 years	2,797	2,973
Total liabilities to banks	**64,747**	**64,730**

The fair values of financial liabilities are broadly equal to their carrying amounts.

Liabilities to banks totalling € 6,702 thousand are secured (previous year: € 7,970 thousand).

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

In the euro zone, interest was charged on liabilities to banks at rates of between 2.72% and 12.25% depending on the maturity and purpose of the respective liabilities (previous year: between 2.5% and 7.0% p.a.). The Company also had material foreign-currency liabilities in US dollars, on which interest was charged at approximately 7.2% p.a.

As of 31 December 2008, the Company had cash advance facilities totalling € 34,036 thousand, of which € 4,787 thousand were unutilised. The Company also had access to guarantee facilities for contractual fulfilment, advance payments and warranties of which € 125 thousand (previous year: € 100 thousand) were utilised.

Finance lease liabilities

The following table provides a breakdown of future payments under finance leases in terms of their due date:

	up to 1 year	2–5 years	more than 5 years
	EUR thou.	EUR thou.	
Future financial obligations (including interest)	771	2,955	879
Present value of future financial obligations (capital element)	669	2,790	874

The Company's material leases relate to land and buildings, as well as technical equipment and machinery. The present value of the minimum lease payments for land and buildings amounted to € 2,277 thousand at 31 December 2008 (previous year: € 2,586 thousand), while the present value of the minimum lease payments for technical equipment and machinery and office and operating equipment totalled € 1,574 thousand (previous year: € 1,183 thousand).

As the leases entered into by the Company are based on constant interest rates, the fair values of lease obligations may be subject to a degree of interest rate risk. All lease arrangements contain fixed interest rates.

The fair values of lease liabilities are broadly equal to their carrying amounts.

Lease liabilities are effectively hedged, as the rights to the leased asset return to the lessor in the event of any breach of contractual provisions.

15. Deferred income

Deferred income relates almost exclusively to government grants and subsidies for investment purposes.

The following amounts were recognised as deferred income as of 31 December

	31 Dec. 2008	31 Dec. 2007
	EUR thou.	EUR thou.
Investment grants	2,127	2,646
Subsidies	921	849
Total	**3,048**	**3,495**

The following amounts were reversed to income in 2008 and 2007:

	31 Dec. 2008	31 Dec. 2007
	EUR thou.	EUR thou.
Reversal of investment grants	133	124
Reversal of subsidies	117	105
Total	**250**	**229**

The investment grants reversed to income primarily relate to grants for the expansion of operating facilities and technical equipment and machinery in the period from 1995 to 2008. The subsidies were granted for the acquisition of machinery and office and operating equipment. The required evidence of the utilisation of investment grants and subsidies has been provided in full.

For further details on the recognition of grants amounting to € 719 thousand for Fuel Cells development work, see section 4a).

16. Income tax liabilities

Income tax liabilities relate to current taxes and totalled € 516 thousand at the balance sheet date (previous year: € 2,717 thousand).

17. Other liabilities

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

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Trade payables	4,780	8,384
Other liabilities	2,631	3,032
Payments received on account of orders	113	51
Fair values of derivative financial instruments	0	891
Total other liabilities	**7,524**	**12,358**

Miscellaneous other liabilities include the following items:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Amount withheld from acquisitions	1,322	1,322
Tax liabilities	829	1,157
Liabilities energy providers	113	0
Social security liabilities	80	200
Liabilities to employees	79	260
Other	208	93
Total	**2,631**	**3,032**

The 'other liabilities' item includes liabilities totalling € 111 thousand (previous year: € 0 thousand), which do not fall due until one year after the balance sheet date.

18. Trade payables

At the balance sheet date 31 December 2008, the Company had the following trade payables:

	31 Dec. 2008 EUR thou.	31 Dec. 2007 EUR thou.
Trade payables	4,780	8,384

The fair values of trade payables are the same as their carrying amounts. Trade payables amounting to € 4,780 thousand (previous year: € 8,384 thousand) are due within one year.

19. Derivative financial instruments

In 2006, Masterflex AG entered into an agreement with a bank on a derivative financial instrument (interest rate swap).

The existing shareholders indemnified the Company from all obligations resulting from the legal transactions described above up to a maximum of the amount recognised in current liabilities. The corresponding receivable was reported under other assets (note 7).

This agreement was terminated on 20 January 2009 at a balanced fair value. At the balance sheet date, no liabilities or receivables were recognised.

Notes to the consolidated income statement

In the 2008 financial year, Masterflex AG underwent a realignment and placed its emphasis on the core business unit High-Tech Hose Systems and a stronger focus on value. As a result of the sale of DICOTA GmbH on 16 December 2008, the disclosures on the de-consolidated segment Mobile Office Systems have are presented in condensed form in the consolidated income statement under the item "Discontinued business unit". The contribution to results consolidated until the sale is therefore no longer included in the comparative presentation of 2007. Furthermore, in 2008, non-recurring effects are recognised separately in the item 'Non-operating expenses', in order to ensure comparability with the previous year. For clarity, some income and expense items have been summarised and explained in the Notes section.

20. Revenue

Revenue is composed as follows:

	2008 EUR thou.	2007 EUR thou.
Gross revenue	93,054	91,294
Elimination of intragroup revenue	4,752	2,351
Total	**88,302**	**88,943**

21. Other income

The other operating income generated by the Group was as follows:

	2008 EUR thou.	2007 EUR thou.
	1,030	1,577

Other operating income is composed as follows:

	2008 EUR thou.	2007 EUR thou.
Subsidies	186	239
Investment grants	169	296
Income from the reversal of provisions	120	168
Insurance recoveries	82	36
Consultancy fees	79	134
Income from the reversal of deferred income	62	10
Currency translation gains	42	97
Gains on the sale of assets	40	210
Remuneration in kind	19	70
Income from reductions in specific valuation allowances	16	33
Rental income	16	8
Other	199	276
Total	**1,030**	**1,577**

22. Cost of materials

The cost of materials is composed as follows:

	2008 EUR thou.	2007 EUR thou.
Cost of raw materials, consumables and supplies	35,685	37,855
Cost of goods purchased and held for resale	3,744	3,155
Total	**39,429**	**41,010**

23. Other operating expenses

The other expenses incurred by the Group were as follows:

	2008 EUR thou.	2007 EUR thou.
	13,749	12,611

Other expenses are composed as follows:

	2008 EUR thou.	2007 EUR thou.
Selling costs	4,748	4,154
Administrative expenses	2,805	2,789
Operating costs	2,366	2,461
Incidental premises expenses	2,011	2,165
Insurance costs	434	307
Other taxes	76	152
Currency translation losses	209	201
Warranty expenses	170	75
Write-downs of receivables	100	11
Cost of valuation allowances	99	60
Expenses for the sale of assets	40	36
Other	691	200
Total	**13,749**	**12,611**

24. Research and development costs

Capitalisable development costs are reported in intangible assets. Research costs and non-capitalisable development costs are expensed as incurred. In the 2008 financial year, research and development costs totalled € 469 thousand (previous year: € 402 thousand).

25. Staff costs

In 2008, staff costs increased by € 188 thousand to € 26,689 thousand (previous year: € 26,501 thousand). Amounts resulting from the discounting of future pension obligations are reported as a component of interest expense under net finance and interest expense. Staff costs include wages and salaries in the amount of € 22,088 thousand (previous year: € 22,082 thousand) and social security, post-employment and other employee benefit costs totalling € 4,601 thousand (previous year: € 4,419 thousand).

26. Impairment of assets

In accordance with IFRS 3 (Business Combinations) and the revised IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets), goodwill and internally generated intangible assets which have not been completed are subject to regular impairment tests.

Goodwill and internally generated intangible assets which have not yet been completed are tested for impairment annually. If events or changes in circumstances suggest that an asset may be impaired, impairment testing must be performed more frequently.

In the course of impairment testing within the Masterflex Group, the residual carrying amounts of the individual cash-generating units are compared with their recoverable amounts, i.e. the higher of the fair value less costs to sell and the value in use.

If the carrying amount of a cash-generating unit is higher than its recoverable amount, an impairment loss is recognised in the amount of the difference.

The recoverable amount is determined by calculating the value in use in accordance with the discounted cash flow method. The cash flow applied in calculating the value in use is determined on the basis of the medium-term forecasts by Group management. These forecasts are based on past experience and expected future market developments, taking into account strategic and operational business unit management measures that have already been initiated. The detailed planning period is generally 5 years.

The cost of capital is calculated as the weighted average cost of equity and debt capital (WACC). The discount rate for cash flow forecasts is composed of a basic interest rate of 4.25% plus a risk premium. The weighted average cost of capital before taxes that is applied when discounting cash flow is between 6.43% and 6,81%. WACC takes into account data on the German financial markets, long-term German government bonds and effective Group financing. A growth discount of 1% is factored into the perpetual annuity.

As a result of personnel changes and developments on the market, the goodwill of TechnoBochum GmbH was completely written down in the amount of € 768 thousand. In addition, part of the goodwill of SURPRO GmbH was written down in the amount of € 1,146 thousand as a result of the shutdown of TEKOV. In the context of the application of IFRS 5, goodwill for DICOTA GmbH was written down in the amount of € 8,440.

The acquisitions and sales of companies carried out by subsidiaries and through successive share purchases in the year under review and in previous years resulted in the recognition of the following (amortised) goodwill:

	EUR thou.
Novoplast Schlauchtechnik GmbH	462
Flexmaster Inc.	1,488
TechnoBochum GmbH	0
Angiokard GmbH & Co. KG	4,671
Fleima Plastic GmbH	601
Matzen & Timm GmbH	233
SURPRO GmbH	3,078
Total	**10,533**

The internally generated intangible assets which have not yet been completed amount to € 1,990 thousand at the balance sheet date, and comprise development expenses of € 1,871 thousand for the fuel cells system and of € 119 thousand for inner-coated hoses.

For details of the write-downs on development expenses, please see section 4a).

27. Net finance costs

Net finance costs are composed as follows:

	2008 EUR thou.	**2007** EUR thou.
Income from equity investments	0	102
Other interest and similar income	727	941
Write-downs of non-current financial assets	-67	-650
Interest and similar expenses	-3,890	-3,657
Total	**-3,230**	**-3,264**

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

28. Non-operating expenses

	Information in note	**2008** EUR thou.
Continued business units		
Write-down in start-up company	4 c), 8	6,471
Write-down for TEKOV shutdown	4 b), 5, 26	1,918
Write-downs on intangible assets	4 a)	1,896
Write-downs on other receivables	4c), 7	943
Write-down for TechnoBochum GmbH shutdown	5, 26	827
Temporary shutdown of Masterflex Cesko	4 b), 13	496
Consultancy fees (ongoing expense)		401
Settlement payments (ongoing expense)		268
Other		100
Total continued business units		**13,320**
Discontinued business units		
Sale of DICOTA	3, 26, 30	10,948
Total		**24,268**

Non-operating expenses includes write-offs of current and non-current financial assets and write-downs on goodwill, intangible assets and property, plant and equipment, write-downs on inventories as well as consultancy fees, staff costs and allocation to provisions.

At € 3,247 thousand in continued and € 2,146 thousand in discontinued business units, these expenses had a cash impact.

29. Income tax expense

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

	2008 EUR thou.	**2007** EUR thou.
Income tax expense	-508	-3,202
Deferred taxes	2,046	267
Total income tax expense	1,538	-2,935

The following reconciliation of income tax expense for the 2008 financial year is based on an overall tax rate of 30.0% (previous year: 40.0%) reconciled to an effective tax rate of 16.2% (previous year: 41.3%).

	2008 EUR thou.	**2007** EUR thou.
Accounting profit	-9,523	-7,101
Expected tax expense (30.0%) (previous year: 40.0%)	-2,857	2,840
Effect of tax-exempt income and expense	1,183	-42
Tax optimisation model	0	-122
Reversal of deferred tax assets	124	0
Effect of changes in income tax rates on deferred taxes	0	283
Other	12	-24
Total income tax expense	1,538	-2,935

The accounting profit (net profit before income taxes) corresponds to the consolidated net profit for the period plus the income taxes and deferred taxes recognised in the income statement. The ‘Other’ item includes the effects of non-deductible expenses and different foreign tax rates.

Deferred taxes resulted from the individual balance sheet items as follows:

	31 Dec. 2007		31 Dec. 2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	1,290	0	3,298	0
Non-current assets	360	3,972	458	3,783
Inventories	312	17	0	43
Receivables	29	5	58	0
Other assets	36	0	0	0
Pension provisions	129	0	133	0
Other provisions	6	0	0	118
Liabilities/deferred income	1,851	0	1,726	9
Other	0	0	46	0
Before offsetting	**4,013**	**3,994**	**5,719**	**3,953**
thereof non-current	3,139	3,597	5,074	3,531
Offsetting	-2,245	-2,245	-2,288	-2,288
Amounts recognised in the consolidated balance sheet	**1,768**	**1,749**	**3,431**	**1,665**

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred taxes relate to income taxes levied by the same taxation authority.

As of 31 December 2008, Masterflex recognised deferred tax assets for tax loss carryforwards in the amount of € 3,298 thousand.

In contrast to the previous year, a theoretical tax rate of 30.9% was recognised in 2008 (previous year: 39.4%). This was due to the changes implemented due to the 2008 corporate tax reform. Corporate income tax was reduced from 25% to 15%. As a result, the tax burden of the unchanged solidarity contribution also decreases automatically. Furthermore, the base value for trade tax decreased from 5% to 3.5%. However, in future, trade tax will lower neither its own assessment basis nor the assessment basis for corporation tax.

For foreign companies, the applicable tax rates vary between 17% and 34%.

No deferred taxes were recognised for tax loss carryforwards in the amount of € 2,709 thousand (previous year: € 204 thousand), as their utilisation is not sufficiently certain. Tax losses at German companies may be carried forward for an unlimited period. By contrast, tax loss carryforwards at foreign companies are generally limited.

30. Discontinued business units

DICOTA GmbH was sold on 16 December 2008. The carrying amount exceeds the gain on the sale less any ancillary costs incurred from the sale, meaning that write-downs on goodwill of € 8,440 thousand were included when reclassifying the business unit as held-for-sale. The sale of DICOTA GmbH fits in with the long-term strategy of the Group to focus its activities on the core business High-Tech Hose Systems. Further details on the assets and liabilities sold can be found under note 3.

The result components from the discontinued business unit included in the consolidated income statement are shown below. The comparative disclosures regarding results and cash flows from discontinued business units have been adjusted to take into consideration business units classified as discontinued in the current financial period. The results have been projected on the basis of the October 2008 interim financial statements, as other data is no longer available. Values for the previous year for Perm Motor GmbH were not adjusted as these are immaterial.

	2008 EUR thou.	2007 EUR thou.
Result from discontinued business units		
Revenue	46,925	49,675
Other income	6,521	1,811
	53,446	**51,486**
Cost of materials	-28,059	-29,345
Other expenses	-21,941	-17,854
Net profit before taxes and non-operating expenses	3,446	4,287
Income tax expense to be included	-161	-896
Net profit after taxes from discontinued business units	3,285	3,391
Loss from fair value measurement	-8,440	0
Less disposal costs	-2,508	0
Non-Operating expenses	-10,948	0
Cash flows from discontinued business units		
Net cash flows from operating activities	1,639	609
Net cash flows from investment activities	-271	-1,079
Net cash flows from financing activities	-2,498	1,715
Total net cash flows	**-1,130**	**1,245**

31. Earnings per share

Earnings per share are calculated as follows:

	2008 EUR thou.	2007 EUR thou.
Consolidated net result from continued business units	-7,899	4,078
Weighted average number of shares in circulation	4,365,874	4,365,874
Earnings per share (EUR)	**-1,85**	**0,93**

	2008 EUR thou.	2007 EUR thou.
Consolidated net result from continued and discontinued business units	-15,734	7,469
Weighted average number of shares in circulation	4,365,874	4,365,874
Earnings per share (EUR)	**-3,60**	**1,71**

There were no dilutive effects in the 2008 financial year or the previous year.

32. Appropriation of net retained earnings

The single-entity financial statements of Masterflex AG in accordance with the German Commercial Code for the year ended 31 December 2008 reported a net loss of € 21,442 thousand. The Executive Board and the Supervisory Board propose carrying the result forward to new account.

33. Financial risk management

In addition to the identification, evaluation and monitoring of risks in its operating activities and, in particular, the resulting financial transactions, the Executive Board manages risk in close cooperation with the Group companies with a particular focus on hedging specific risks, such as exchange rate, interest rate, price, counterparty default and liquidity risks.

In addition to originated financial instruments, the Group may employ various derivative financial instruments, such as currency futures and interest rate swaps. Derivative financial instruments are employed exclusively to hedge existing or planned underlyings in order to reduce the risks associated with exchange rates, interest rates and raw material prices. The use of derivatives must be agreed with the Executive Board of Masterflex AG in each case.

Exchange rate risk management

The global nature of the Group's business activities means that it has cash flows in a number of different currencies, particularly US dollars. Foreign-currency items include exchange rate risks relating to highly probable future transactions, foreign-currency receivables and liabilities, and fixed purchase and sale agreements denominated in foreign currencies. Orders in emerging economies are generally invoiced in US dollars or euros.

The sensitivity analysis of the outstanding US dollar-denominated monetary items, assuming a 10% appreciation or depreciation of the US dollar against the euro, did not have a significant impact on shareholders' equity and consolidated net profit.

Interest rate risk management

Due to the international nature of its business activities, Masterflex generates and invests cash on the global money and capital markets in various currencies.

The resulting financial liabilities and investments are subject to a degree of interest rate risk. In individual cases, derivative financial instruments may be employed with a view to minimising the interest rate volatility and financing costs of the respective underlyings, and hence hedging the related interest rate risk.

The sensitivity analyses performed by the Group were determined on the basis of its interest rate exposure at the balance sheet date. For variable-rate liabilities, it is assumed that the amount of the outstanding liability at the balance sheet was outstanding throughout the entire year.

The sensitivity analysis assuming a 100 bp fluctuation in interest rates results in a reduced net profit for the period by approx. € 400 thousand and approx. 3% reduction in equity.

Counterparty default risk management

At Masterflex, risks relating to receivables from customers are monitored and assessed on a decentralised basis, with potential defaults limited through the conclusion of trade credit insurance in certain cases.

At the balance sheet date, the Group had trade receivables from a large number of domestic and foreign customers across various industries. The resulting counterparty default risk was negligible.

Risks relating to loans to subsidiaries and equity investments are managed via a Group-wide controlling system including fully consolidated forecasts, monthly consolidated financial statements and regular discussions of the course of business.

The maximum default risk is calculated as the sum of the carrying amounts of the financial receivables recognised on the face of the balance sheet.

Liquidity risk management

Group-wide liquidity management aims to secure cash and cash equivalents, the availability of sufficient credit facilities and the Group's ability to close out market positions.

The table below presents the contractually agreed repayments of financial liabilities:

2008 EUR thou.	**Carrying amount**	**2009**	**2010**	**2011**	**2012**	**2013**	**≥ 2014**
Trade payables	4,780	4,780	0	0	0	0	0
Liabilities to banks	64,747	46,875	7,507	851	5,950	767	2,797
Finance lease liabilities	4,333	669	761	745	732	552	874
Other liabilities	2,744	2,633	111	0	0	0	0
Total	**76,604**	**54,957**	**8,379**	**1,596**	**6,682**	**1,319**	**3,671**

2007 EUR thou.	**Carrying amount**	**2008**	**2009**	**2010**	**2011**	**2012**	**≥ 2013**
Trade payables	8,384	8,384	0	0	0	0	0
Liabilities to banks	64,730	28,643	13,084	1,529	12,201	6,300	2,973
Finance lease liabilities	3,769	540	507	518	531	517	1,156
Other liabilities	3,974	3,974	0	0	0	0	0
Total	**80,857**	**41,541**	**13,591**	**2,047**	**12,732**	**6,817**	**4,129**

This table only includes contractually agreed payments for financial liabilities at the balance sheet date, and hence does not include forecasts for new liabilities. Financial liabilities that can be repaid at any time are presented as due within one year. Payments under operating leases are reported in other financial commitments.

In connection with the sale of DICOTA GmbH, borrower's note lenders asserted an extraordinary termination right. A bank also pronounced a partial termination. By agreeing a standstill agreement on 11 March 2009, all banks involved in financing Masterflex AG waived repayment of their loans up until 30 June 2009 due to the restructuring of the financial liabilities, and under a number of conditions such as transfer of securities. The measures required for this purpose were introduced by the Executive Board, in conjunction with consultants.

The terminated loans which were not due have been reclassified into current liabilities.

The Executive Board of Masterflex AG is not aware of any events or decisions that may cause serious doubt about a successful restructuring of liabilities and the ability to secure liquidity.

34. Other financial commitments

At 31 December 2008, other financial commitments related to lease obligations and other commitments.

a) Lease obligations

The financial commitments relating to finance leases are discussed in note 14.

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

	2009 EUR thou.	2010–2013 EUR thou.	2014 EUR thou.
Notional amount of future minimum lease payments	643	1,804	455

The operating lease liabilities relate primarily to office and operating equipment. Payments recognised as expenses amount to € 586 thousand (previous year: 396).

b) Other commitments

The office and operating buildings of Angiokard Medizintechnik GmbH & Co. KG are rented from a former shareholder under the terms of an agreement running until 31 December 2013. No right to extraordinary termination or to purchase the respective assets has been agreed. Angiokard has the option to extend the rental agreement when it expires. The total rental obligation under the terms of the agreement is € 957 thousand, of which € 192 thousand is due within one year and € 765 thousand between one and five years.

All other contingent liabilities at the level of the individual Group companies are recognised as liabilities in the consolidated balance sheet.

35. Segment reporting

By business unit

IAS 14 states that primary segment reporting must be prepared on the basis of product-related business units. Accordingly, the Masterflex Group now reports a total of five segments for the 2008 financial year:

High-Tech Hose Systems (HTS), Medical Technology (MT), Advanced Material Design (AMD), Mobility (BZT) and Mobile Office Systems (MOS).

Masterflex's oldest business unit (HTS) manufactures high-tech hose systems from high-quality special materials (e.g. polyurethane). These systems are used across a wide range of industrial applications (e.g. chemicals, automotive, environmental protection, food, etc.).

The Company used polyurethane in its Medical Technology (MT) business unit for the first time in 1996. Early 2000 saw the strategic expansion of the Medical Technology business unit through the acquisition of an equity interest in Angiokard Medizintechnik GmbH & Co. KG. In addition to individual medical components, this business unit also manufactures and distributes complete treatment sets for the areas of radiology, cardiology and anaesthesia. The value chain in the Medical Technology segment was optimally expanded and reinforced in the 2004 financial year with the acquisition of Fleima-Plastic GmbH.

The Advanced Material Design segment (AMD) includes in particular surface processing for technical applications and galvanisation for functional coating.

The Mobility segment includes the fuel cells and climate-friendly mobility activities. Masterflex AG has been involved in fuel cell technology for the last few years. With regard to climate-friendly mobility, Masterflex's product range includes, for example, a mobile energy supply using 50-watt hydrogen-based fuel cells suitable for series production. Here, the focus is particularly on light mobile vehicles, particularly electric bicycles with fuel-cell drive systems.

The Mobile Office Systems (MOS) business unit primarily consists of DICOTA GmbH, Bietigheim-Bissingen, and its subsidiaries. The DICOTA Group's business activities largely focus on the sale and distribution of cases and bags for the transportation of notebooks and office systems. Dicota GmbH, Bietigheim-Bissingen was sold on 16 December 2008. As a result, we will no longer report on this segment.

Segment information by business unit:

2008	**HTS High-Tech-Hose-systems**	**MT Medical Technol-ogy**	**AMD Advanced Material Design**	**BZT Mobility**	**Segment totals From continued business units**	**Reconci-liation**	**MOS From dis-continued business units**	**Group**
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Revenue	44,962	19,043	20,467	3,830	88,302	0	46,925	135,227
Earnings (EBIT)	9,058	1,201	-750	-549	8,960	-1,933	3,975	11,002
Assets	41,241	15,884	17,172	5,785	80,082	21,393	0	101,475
Liabilities	6,780	1,648	5,697	1,248	15,373	71,262	0	86,635
Investments in property, plant and equipment and intangible assets	2,637	363	1,176	1,098	5,274	0		5,274
Depreciation and amortisation	1,933	671	663	92	3,359	0	152	3,511
Valuation allowances	1,349	1,043	179	0	2,571	0	0	2,571
Write-downs on goodwill	768	0	1,146	0	1,914	0	8,440	10,354
Other non-cash expenses	59	0	693	0	752	0	0	752

2007	HTS High-Tech-Hose-systems	MT Medical Technol-ogy	AMD Advanced Material Design	BZT Mobility	Segment totals From continued business units	Reconci-liation	MOS From dis-continued business units	Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Revenue	42,144	18,268	25,362	3,171	88,945	0	49,673	138,618
Earnings (EBIT)	8,344	193	2,255	1,146	11,938	-1,573	4,807	15,172
Assets	37,856	17,069	18,861	6,246	80,032	20,356	29,699	130,087
Liabilities	6,437	1,770	5,019	1,481	14,707	73,856	6,751	95,314
Investments in property, plant and equipment and intangible assets	5,102	764	730	730	7,326	0	1,122	8,448
Depreciation and amortisation	1,741	492	594	84	2,911	0	155	3,066

Segment earnings are presented in the form of EBIT (earnings before interest and taxes) adjusted for segment income and expenses eliminated in accordance with IAS 14. Earnings (EBIT) contains EBIT for the business units before non-operating expenses.

Segment assets are primarily composed of all operating assets and non-current intangible assets, including goodwill, property, plant and equipment, inventories, receivables, other assets and prepaid expenses. In accordance with IAS 14, financial assets, intersegment receivables, income tax assets and deferred taxes are not included in segment assets. Depreciation and amortisation relates exclusively to the amortisation of non-current intangible assets and the depreciation of property, plant and equipment. Valuation allowances, write-downs on goodwill and other non-cash expenses are shown in Non-operating expenses in the consolidated income statement.

Segment liabilities primarily consist of operating liabilities resulting from the operating activities of the respective segment. In the same way as for segment assets, tax liabilities, financial liabilities and lease liabilities are not included in segment liabilities. The "Reconciliation" column contains amounts resulting from differences between the definition of the content of segment items and the corresponding items at Group level.

The reconciliation of adjusted EBIT from continued business units to net result before taxes from continued business units is presented below:

Earnings (EBIT)	**7,027 T€**
Interest and similar income	727 T€
Write-downs of current financial instruments	-67 T€
Interest and similar expenses	-3,890 T€
Non-operating expenses	-13,320 T€
Net loss before taxes (EBT)	**-9,523 T€**

Total liabilities and shareholders' equity are derived as follows:

Liabilities	86,635 T€
Shareholders' equity recognised on the face of the balance sheet	14,644 T€
Minority interests	196 T€
Total liabilities and shareholders' equity	**101,475 T€**

Segment information by region:

2008	Germany	EU states	Rest of the world	Segment totals	Reconciliation	Elimination	Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Revenue	73,458	29,335	32,434	135,227	0	0	135,227
Segment assets	69,717	4,647	5,718	80,082	21,393	0	101,475
Investments	4,728	365	181	5,274	0	0	5,274

2008	Germany	EU states	Rest of the world	Segment totals	Reconciliation	Elimination	Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Revenue	74,914	31,944	31,760	138,618	0	0	138,618
Segment assets	79,009	17,649	14,860	111,518	20,356	-1,787	130,087
Investments	6,030	935	1,483	8,448	0	0	8,448

At both primary and secondary level, the allocation of the reported amounts to the individual segments is largely performed on the basis of legally independent Group companies.

36. Cash flow statement

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

The effects of the acquisition and disposal of subsidiaries are presented in notes 3 and 30.

37. Government grants

In the 2008 financial year, government grants related to income were recognised in the amount of € 523 thousand (previous year: € 768 thousand). Grants for depreciable assets are recognised over the depreciation period of the respective assets and in proportion to the depreciation recognised in each period.

38. Related party disclosures

With the exception of income and expense items between continuing and discontinued operations, transactions between Masterflex AG and its consolidated subsidiaries are eliminated in consolidation.

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.

Since 01 January 1994, Masterflex AG, Gelsenkirchen, has used the production, warehousing and administrative buildings of the above company. Further information can be found under "Leases" and "Other liabilities".

The lease is scheduled to run until 31 July 2014. In the 2008 financial year, the monthly lease instalment was approximately € 23 thousand.

The shareholders of MODICA Grundstücks-Vermietungsgesellschaft mbH also hold shares in Masterflex AG, Gelsenkirchen.

A receivable in the amount of € 209 thousand is due from a Supervisory Board member on which interest is charged at standard market conditions.

In addition, the Group has a subordinate receivable from two members of the Supervisory Board as well as a major shareholder in the amount of € 3,161 thousand, which may only be enforced if it is not satisfied by the claims arising from pending legal proceedings in which the Group is the claimant or covered by the D&O insurance policy.

39. Declaration of conformity with the German Corporate Governance Code

In December 2008, the declaration of conformity in accordance with section 161 of the German Stock Corporation Act was again submitted by the Executive Board and Supervisory Board of Masterflex AG and made permanently available to shareholders via the Company's website. The declaration of conformity is also reproduced in the Corporate Governance section of this Annual Report.

40. Number of employees

At the balance sheet date, the number of staff employed was as follows:

	2008	2007*
Number of employees	742	872

(*incl. DICOTA)

41. Audit and advisory fees

The fees expensed (recognised as provisions) in the 2008 financial year for the auditors of the consolidated financial statements, MBT Wirtschaftstreuhand GmbH, Wirtschaftsprüfungsgesellschaft, amounted to € 162 thousand and consisted of fees for the audit of the consolidated financial statements and the statutory single-entity financial statements of Masterflex AG and its domestic subsidiaries. An additional € 60 thousand was expensed for tax and other advisory services.

42. Exemption from publication

In accordance with sections 264 (3) and 264b of the German Commercial Code, the following consolidated companies are exempt from the requirement to publish their single-entity financial statements:

- SURPRO Verwaltungsgesellschaft mbH
- SURPRO GmbH
- Angiokard Medizintechnik GmbH & Co. KG
- Novoplast Schlauchtechnik GmbH
- Fleima Plastic GmbH

43. Events after the balance sheet date

As of the date on which the financial statements were submitted to the Supervisory Board for approval, the following significant events occurred after the balance sheet date.

In early 2009, as a result of the decline in demand in High-Tech Hose Systems a few Group companies requested reduced working hours in order to avoid redundancies of qualified employees as far as possible. The same applies to the Advanced Material Design business unit.

As a result of the dramatic earnings development in 2008 and the resulting reduction in the equity ratio, it should also be noted that the Executive Board, in consultation with lenders, is pressing for a restructuring of Company financing. The talks and negotiations to be held with providers of capital have been initiated. However, these did not produce a conclusive result by the date on which this report was produced. The talks and negotiations to be held with banks are being conducted involving and under the leadership of two leading German banks. The Executive Board expects that the future financing concept will be completed by mid 2009. The annual financial statements have therefore been prepared on a going concern basis, even though a few banks have since announced the discontinuation of loans. All banks declared jointly, with effect on 10 March 2009 and observing certain conditions, that no loans will be discontinued and that existing, known termination rights will not be exercised until 30 June 2009, and that existing credit lines will remain available until 30 June 2009.

44. Publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Executive Board on 20 April 2009 and published on 30 April 2009.

45. Significant equity investments

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

Gelsenkirchen, 20 April 2009
The Executive Board

Dr. Andreas Bastin
(Chief Executive Officer)

Ulrich Wantia
(Member of the Executive Board)

Responsibility statement

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

Gelsenkirchen, 20 April 2009
The Executive Board

Dr. Andreas Bastin (Chief Executive Officer)	Ulrich Wantia (Member of the Executive Board)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Consolidated Statement of Changes in Non-current Assets 2007

2007	Historical cost Jan. 1, 2007 EUR thou.	Changes to the consoli-dated Group EUR thou.	Additions EUR thou.	Disposals EUR thou.	Reclassifi-cations EUR thou.	Currency translation differences EUR thou.	Historical cost Dec. 31, 2007 EUR thou.
Intangible assets							
Concessions, industrial and similar rights and assets, licenses	4,035	-323	164	186	19	0	3,709
Development costs	4,118	0	752	22	0	0	4,848
Goodwill	30,800	899	0	0	0	10	31,709
Advance payments	20	0	29	0	-20	0	29
Total	**38,973**	**576**	**945**	**208**	**-1**	**10**	**40,295**
Property, plant, and equipment							
Land, land rights and buildings on third-party land	13,960	0	1,544	10	0	-99	15,395
Technical equipment and machinery	18,106	-149	1,236	330	115	-120	18,858
Other equipment, operating and office equipment	8,829	-18	1,704	598	1	-91	9,827
Advance payments and assets under development	381	-51	2,105	0	-115	0	2,320
Total	**41,276**	**-218**	**6,589**	**938**	**1**	**-310**	**46,400**
Non-current financial assets							
Non-current financial instruments	1,809	0	0	777	0	0	1,032
Other loans	3	0	9,442	3	0	0	9,442
Total	**1,812**	**0**	**9,442**	**780**	**0**	**0**	**10,474**
	82,061	**358**	**16,976**	**1,926**	**0**	**-300**	**97,169**

2007	Cumulative depreciation and amortization Jan, 1, 2007 EUR thou.	Changes to the consolidated group EUR thou.	Depreciation and amortization for fiscal year EUR thou.	Disposals EUR thou.	Fair value changes recognized directly in equity EUR thou.	Currency translation differences EUR thou.	Cumulative depreciation and amortization Dec. 31, 2007 EUR thou.	Balance at Dec. 31, 2007 EUR thou.	Balance at Dec. 31, 2006 EUR thou.
Intangible assets									
Concessions, industrial and similar rights and assets, licenses	1,384	-41	300	187	0	1	1,457	2,252	2,651
Development costs	11	0	3	0	0	0	14	4,834	4,107
Goodwill	9,235	0	0	0	0	0	9,235	22,474	21,565
Advance payments	0	0	0	0	0	0	0	29	20
Total	**10,630**	**-41**	**303**	**187**	**0**	**1**	**10,706**	**29,589**	**28,343**
Property, plant, and equipment									
Land, land rights and buildings on third-party land	3,333	0	419	0	0	-44	3,708	11,687	10,627
Technical equipment and machinery	8,183	-33	1,360	398	0	-108	9,004	9,854	9,923
Other equipment, operating and office equipment	4,014	-16	984	382	0	-59	4,541	5,286	4,815
Advance payments and assets under development	0	0	0	0	0	0	0	2,320	381
Total	**15,530**	**-49**	**2,763**	**780**	**0**	**-211**	**17,253**	**29,147**	**25,746**
Non-current financial assets									
Non-current financial instruments	597	0	0	104	-213	0	280	752	1,212
Other loans	0	0	650	0	0	0	650	8,792	3
Total	**597**	**0**	**650**	**104**	**-213**	**0**	**930**	**9,544**	**1,215**
	26,757	**-90**	**3,716**	**1,071**	**-213**	**-210**	**28,889**	**68,280**	**55,304**

Consolidated Statement of Changes in Non-current Assets 2008

2008	Historical cost Jan. 1, 2008 EUR thou.	Changes to the consoli-dated Group EUR thou.	Additions EUR thou.	Disposals EUR thou.	Reclassifi-cations EUR thou.	Currency translation differences EUR thou.	Historical cost Dec. 31, 2008 EUR thou.
Intangible assets							
Concessions, industrial and similar rights and assets, licenses	3,709	-507	708	963	29	0	2,976
Development costs	4,848	0	602	3,292	0	0	2,158
Goodwill	31,709	-11,767	0	0	0	35	19,977
Advance payments	29	0	316	0	88	0	433
Total	**40,295**	**-12,274**	**1,626**	**4,255**	**117**	**35**	**25,544**
Property, plant, and equipment							
Land, land rights and buildings on third-party land	15,395	-50	356	3	2,297	29	18,024
Technical equipment and machinery	18,858	0	1,409	125	303	-11	20,434
Other equipment, operating and office equipment	9,827	-832	723	341	-116	-9	9,252
Advance payments and assets under development	2,320	0	1,159	0	-2,601	0	878
Total	**46,400**	**-882**	**3,647**	**469**	**-117**	**9**	**48,588**
Non-current financial assets							
Non-current financial instruments	1,032	0	0	42	0	0	990
Other loans	9,442	0	3,121	7,340	0	0	5,223
Total	**10,474**	**0**	**3,121**	**7,382**	**0**	**0**	**6,213**
	97,169	**-13,156**	**8,394**	**12,106**	**0**	**44**	**80,345**

2008	Cumulative depreciation and amortization Jan. 1, 2008 EUR thou.	Changes to the consolidated group EUR thou.	Depreciation and amortization for fiscal year EUR thou.	Disposals EUR thou.	Fair value changes recognized directly in equity EUR thou.	Currency translation differences EUR thou.	Cumulative depreciation and amortization Dec. 31, 2008 EUR thou.	Balance at Dec. 31, 2008 EUR thou.	Balance at Dec. 31, 2007 EUR thou.
Intangible assets									
Concessions, industrial and similar rights and assets, licenses	1,457	-347	1,067	814	0	0	1,363	1,613	2,252
Development costs	14	0	1,263	1,173	0	0	104	2,054	4,834
Goodwill	9,235	-10,146	10,355	0	0	0	9,444	10,533	22,474
Advance payments	0	0	0	0	0	0	0	433	29
Total	**10,706**	**-10,493**	**12,685**	**1,987**	**0**	**0**	**10,911**	**14,633**	**29,589**
Property, plant, and equipment									
Land, land rights and buildings on third-party land	3,708	-44	1,069	2	0	-16	4,715	13,309	11,687
Technical equipment and machinery	9,004	0	1,570	100	0	-33	10,441	9,993	9,854
Other equipment, operating and office equipment	4,541	-678	1,112	243	0	-1	4,731	4,521	5,286
Advance payments and assets under development	0	0	0	0	0	0	0	878	2,320
Total	**17,253**	**-722**	**3,751**	**345**	**0**	**-50**	**19,887**	**28,701**	**29,147**
Non-current financial assets									
Non-current financial instruments	280	0	0	0	457	0	737	253	752
Other loans	650	0	6,834	6,737	0	0	747	4,476	8,792
Total	**930**	**0**	**6,834**	**6,737**	**457**	**0**	**1,484**	**4,729**	**9,544**
	28,889	**-11,215**	**23,270**	**9,069**	**457**	**-50**	**32,282**	**48,063**	**68,280**

Auditor's Report

"We have audited the consolidated financial statements comprising the balance sheet, the income statement and the statements of changes in equity and cash flows as well as the notes to the financial statements prepared by Masterflex AG for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the Group management report in accor-dance with IFRS, as it is to be applied in the EU, and with the provisions given after section 315a (1) of the German Commercial Code (HGB) also to be applied, is the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated annual financial statements and the Group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of inaccuracies and irregularities, which have a considerable impact on the image of the net assets, financial position and results of operations conveyed in the consolidated financial statements in accordance with the accounting stan-dards to be applied and in the Group management report. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal financial reporting control systems and evidence supporting the amounts and disclosures in the consolidated financial statements and Group management report are examined primarily on a sample test basis within the framework of the audit. The audit includes assessing the annual financial statements of companies included in the consolidated finan-cial statements, the delimitation of the consolidated group, the accounting princi-ples and principles of consolidation used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not lead to any reservations.

Following our assessment and based on our findings from the audit, the consoli-dated financial statements are in accordance with IFRS, as it is to be applied in the EU, and with the provisions given after section 315a (1) HGB also to be applied, and in our opinion give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The Group management report is in accordance with the consolidated financial state-ments and provides a suitable understanding of the position of the Group and suitably presents the risks and opportunities of future development.

Without wanting to limit this assessment, we refer to the notes in the management report. Here it is stated in section VII. Report on post-Balance Sheet Date events and in section VIII. Risk Report that the continued existence of the Company is under threat as a result of strained liquidity should the initiated measures and negotiations not allow a restructuring of Company financing."

Lohne, April 20, 2009

MBT WIRTSCHAFTSTREUHAND GmbH
Auditors

Taphorn	Nietfeld-Yasar
CPA	CPA

Report of the Supervisory Board

Dear Shareholders,

In the 2008 financial year, the Supervisory Board of Masterflex AG performed the duties assigned to it by the German Stock Corporation Act and the Company's Articles of Association in full as well as regularly monitoring and advising the Executive Board.

The basis was the regular written and oral reports provided by the Executive Board to the Supervisory Board about all issues concerning the planning, business development, risk situation and risk management of the Company and the Group. In particular, the Executive Board reported to the Supervisory Board on the planned business policy and fundamental aspects of corporate planning, especially financial, investment and human resources planning.

The Supervisory Board received regular information on the Company's sales and earnings development, balance sheet situation and human resources development. In addition, the Supervisory Board was extensively and regularly informed by the Executive Board on the current development of the individual companies. Furthermore, the Executive Board reported regularly on the preparation of the six-month and quarterly reports and discussed these extensively with the Supervisory Board.

The Supervisory Board also dealt with the remuneration system for the Executive Board, including the key contractual elements and examined these on a regular basis.

In addition, the Supervisory Board examined the planning documents, the risk position and the risk management system of Masterflex AG. All of the risk areas identified by the Executive Board and the Supervisory Board were discussed. The Executive Board provided the Supervisory Board an extensive presentation on the extension of the risk management system implemented in 2008. Measures included an Accounting Directive for Masterflex AG and its subsidiaries which further standardised reporting. Improvements in insurance protection were also achieved. Furthermore, the electronic project SWOT was initiated. It targets improved efficiency in planning, management and supervision within the Group. The directives for weekly and monthly reporting were expanded to make a further improvement in the early identification of risk.

The extended risk management was subject to an intensive examination by the auditor, which confirmed that the Executive Board of the Company had implemented the measures required in accordance with Section 91 (2) of the German Stock Corporation Act, in particular the establishment of a monitoring system, and that this monitoring system was suitable for the early recognition of developments that could endanger the continued existence of the Company.

The Chairman of the Supervisory Board remained in contact with the Executive Board throughout the financial year and was kept informed about significant developments and forthcoming decisions, including between Supervisory Board meetings.

The Supervisory Board of Masterflex AG met four times in the 2008 financial year. It discussed the financial position and strategic development of Masterflex AG in detail. At all of its meetings, the Supervisory Board was regularly and comprehensively informed by the Executive Board about the Group's course of business, financial position, human resources situation, business and investment development, and the status of corporate planning. The reports and proposals for resolution by the Executive Board were discussed in detail and evaluated following an in-depth examination and consultation.

Key accents of the Supervisory Board in 2008

In 2008, the activities of the Supervisory Board focused on the realignment of Masterflex AG with an accent on the core High-Tech Hose Systems segment and the rigorous orientation of all projects on maintaining value. In this connection, the Supervisory Board dealt extensively with the write-offs which were resolved for three projects in July 2008.

Further key areas were the successful restructuring of the Medical Technology business unit and measures for improving the unsatisfactory development at SURPRO GmbH developed and presented by the Executive Board and the management at the subsidiary. In addition, the spinning off the Mobility business unit and its further development as an independent area of business were discussed. The Supervisory Board also kept itself informed on an ongoing basis about the status of the DICOTA GmbH sales negotiations.

In the wake of the intensifying finance crisis, the Executive Board and the Supervisory Board discussed intensively the further financial development of Masterflex AG and creating a viable financing and liquidity concept. The Executive Board reported regularly on the status of negotiations with the banks and on Group planning from 2009 to 2011, which was developed in conjunction with a management consultancy company. Here the potential of Masterflex AG was analysed and the content and scheduling of measures defined.

In the Accounting Supervisory Board meeting on 18 March 2008, the Supervisory Board discussed the consolidated financial statements for the 2007 financial year in detail. The Supervisory Board also resolved to propose to the Annual General Meeting on 4 June 2008 that MBT Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft, Lohne, be reappointed as the Group's auditor.

At the meeting on 4 June 2008, Detlef Herzog participated for the first time as a new member of the Supervisory Board. A focus was the status of the strategic implementation of focusing on our core High-Tech Hose Systems business unit.

In the meeting on 8 September 2008, there was extensive discussion on the business development in the first half year and the write-downs taken in July 2008. In addition, the Supervisory Board obtained information on progress in the expansion of the core High-Tech Hose Systems segment and the successes in the Medical Technology segment.

At the Supervisory Board meeting on 1 December 2008, the Supervisory Board obtained detailed information of the current course of business within the Group as a result of the economic and financial crisis and the status of the DICOTA GmbH sales negotiations which had almost been concluded. Furthermore, the Executive Board reported in detail on the initial findings from the Group Planning project and the impact on the planning in the future. This was the subject of intensive discussion.

Corporate Governance

The implementation of the German Corporate Governance Code is a key element of the meetings of the Supervisory Board of Masterflex AG. In accordance with Section 5.6 of the Code, the Supervisory Board is required to examine the efficiency of its activities on a regular basis. The declaration of conformity was discussed at the Supervisory Board meeting on 1 December 2008, following which the Executive Board and the Supervisory Board submitted a revised declaration of conformity with the German Corporate Governance Code in the version dated 14 June 2007 and the additional recommendations published on 6 June 2008 in accordance with Section 161 of the German Stock Corporation Act and made this declaration permanently available to its shareholders via the Company's website. The declaration of conformity is also included in the Corporate Governance Report contained in the annual report. In addition, the Executive Board reported on corporate governance – including on behalf of the Supervisory Board – in accordance with Section 3.10 of the German Corporate Governance Code.

Supervisory Board committees

With a total of three members, the Masterflex AG Supervisory Board is deliberately kept small in order to allow resolutions to be passed efficiently, rapidly and flexibly with streamlined structures, as is the case throughout the Group. Accordingly, no committees were formed.

Approval and adoption of the single-entity and consolidated financial statements

The annual financial statements and management report of Masterflex AG and the consolidated financial statements and Group management report for 2008 as submitted by the Executive Board, together with the bookkeeping system, were audited by MBT Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft, Lohne, which was appointed as the Group's auditor by the Annual General Meeting on 4 June 2008, and issued with an qualified audit opinion. The audited documents and the auditor's reports were made available to all members of the Supervisory Board at the meeting convened to review the Group's accounts on 20 April 2009. The auditor participated in the discussion of the single-entity and consolidated financial statements and reported on the key results of its audit, as well as providing additional information as required.

The Supervisory Board took note of and concurred with the results of the auditor's reports. Based on the final results of its own examination, the Supervisory Board agreed in full with the results of the audit and did not raise any objections to the single-entity and consolidated financial statements as prepared by the Executive Board. The Supervisory Board approved the single-entity and consolidated financial statements for the year ended 31 December 2008 as prepared by the Executive Board, which have therefore been adopted. The Supervisory Board also endorsed the Executive Board's proposal for the appropriation of net retained profit.

There were no conflicts of interest affecting Supervisory Board members in the period under review, nor did the members of the Supervisory Board hold any positions in the executive bodies of other companies.

Changes in the Supervisory Board and the Executive Board

There were changes in the composition of the Executive Board and the Supervisory Board in the year under review.

Detlef Herzog, one of the company founders and CEO of Masterflex since 2000, departed from the Executive Board on 31 March 2008. Since 1 April 2008, Dr. Andreas Bastin has been the new CEO and with Detlef Herzog one of the company founders was elected to the Supervisory Board by a broad majority on 4 June 2008. He succeeds Professor Dr. Paulus Cornelis Maria van den Berg, who resigned from the Supervisory Board on 9 June 2004 for career and time-commitment reasons. The Executive Board and Supervisory Board thanks Prof. van den Berg for his successful work and wishes him all the best for the future.

German Takeover Directive Implementation Act – disclosures in accordance with Sections 289 (4) and 315 (4) of the German Commercial Code

At its meeting on 20 April 2009, the Supervisory Board discussed the disclosures and the report by the Executive Board in accordance with Section 120 (3) of the German Stock Corporation Act on the disclosures in the management report in accordance with Sections 289 (4) and 315 (4) of the German Commercial Code. For further details, please refer to the corresponding section of the management report (see page 37).

The Supervisory Board would like to take this opportunity to thank the members of the Executive Board and all of Masterflex's employees for their commitment and successful work in the 2008 financial year.

Gelsenkirchen, April 2009

For the Supervisory Board
Friedrich Wilhelm Bischoping
Chairman

The current members of the Supervisory Board are:

Friedrich Wilhelm Bischoping (Chairman)
After graduating from university, Mr. Bischoping formed an industrial engineering company with a partner in 1974, which he expanded in the 1990s by way of acquisitions. In 1987, he was one of the co-founders of Masterflex Kunststofftechnik GmbH. Mr. Bischoping resigned from the senior management of his engineering companies in 1998. When Masterflex Kunststofftechnik GmbH became a stock corporation under German law (Aktiengesellschaft), Mr. Bischoping stepped down from its management team and became Chairman of the Supervisory Board.

Professor Dr. Detlef Stolten (Deputy Chairman since 9 June 2004)
After graduating with a degree in metallurgy and geology, Professor Stolten joined the research unit of Robert Bosch GmbH in 1986, where he also wrote his doctoral thesis. Following positions at Daimler-Benz/Dornier research and Dornier Satellitensysteme GmbH, he became the Director of the Institute for Materials and Processes in Energy Systems at Forschungszentrum Jülich GmbH (Research Center Jülich) in 1998. His research activities focus on energy process technologies for PEFC and SOFC fuel cells, i.e. the areas of electrochemistry, stack technology, process and systems technology and systems analysis. Since 2000, he has held the position of Professor of Fuel Cell Technology at RWTH Aachen University.

Among other posts, Professor Stolten serves as a member of the EU Hydrogen and Fuel Cell Technology Platform Advisory Council, where he chairs the Strategic Research Agenda steering panel.

Detlef Herzog (Supervisory Board member since 4 June 2008)
One of the founding members of the Masterflex Kunststofftechnik GmbH in 1987. The banking officer was the Managing Director of the company, becoming CEO when the conversion to AG took place. On 31 March 2008, Mr. Herzog departed from the Executive Board and on 4 June 2008 was elected by the Annual General Meeting as a Supervisory Board member.

Professor Dr. Paulus Cornelis Maria van den Berg (member of the Supervisory Board from 9 June 2004 to 4 June 2008)
After completing his medical studies and receiving his PhD from the University of Amsterdam, Professor van den Berg continued his education at various institutions including the Harvard School of Clinical Health, Boston. He is currently the Director of Intensive Care at the University of Leiden in the Netherlands. In addition to intensive care, his research activities focus in particular on anaesthesia. Among other achievements, Professor van den Berg organised the 10th European Congress on Intensive Care, and is a member of organisations such as the Nederlandse Vereiniging voor Intensive Care (Dutch Intensive Care Association), the European Society of Intensive Care and the Society of Critical Care Medicine.

Glossary

Angiography	An X-ray examination in which the blood vessels can be seen via the use of an X-ray contrast medium.
Balance on current account	That part of a country's balance of payments encompassing the trade, services and transfer balance.
Cardiology	The science, i. e. the diagnosis and treatment, of heart disease, or, more broadly, cardiovascular disease.
Cash flow	The cash flows generated in a particular period, adjusted for significant non-cash expenses and income. This demonstrates a company's ability to finance itself, i.e. its earnings power.
Corporate governance	Corporate governance refers to responsible corporate management and supervision aimed at creating long-term enterprise value.
Cupping process	Stamping process in which a small metal plate is pulled across a die within a mould, thus creating a casing.
Customer Procedure Tray	Individualised customer sets where all the necessary medical components are individually combined in line with the requirements of the doctors and delivered finished and sterilised.
DRG	Diagnosis Related Groups or fee per case payments in medical technology.
DPR/FREP	Deutsche Prüfstelle für Rechnungslegung/Financial Reporting Enforcement Panel
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EBIT	Earnings before interest and taxes.
EBT	Earnings before taxes.
Extrusion	A process used in plastics manufacture. The raw materials (in granulated form) are broken down and heated in an extruder until they are plasticized, i.e. mouldable, and can be processed further.
Free Cash Flow	Measures a company's net increase in cash from operations, less the dividends paid to preferred shareholders, less expenditures necessary to maintain assets.
Free Float	Refers to the percentage of share capital which is freely available for trading on the stock market. The opposite of this is the non-free float, in which the total shares held by one shareholder account for five percent or more of the share capital.

Fuel cell	A device that transforms chemical energy directly into electrical energy. The principle is based on a discovery by Sir William Robert Grove in 1839.
Gross domestic product	The total value of all goods and services produced by an economy for the market within a reporting period.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards.
Injection Moulding	Method to manufacture moulded parts. With an injection moulding machine the relevant material, generally plastic, is plasticised in a moulded unit and injected in an injection moulding tool. The cavity of the tool determines the form and the surface structure of the finished part.
IPO	Initial Public Offering, the stock market flotation of a company.
Joint Venture	Joint ventures (collaborations between companies) resulting in the establishment of a new, legally independent business unit.
Kits/surgery kits	Medical instruments are assembled into a complete set to suit physicians' individual requirements.
LaryVent respiratory mask	A medical respiratory device that is specially designed to prevent the risk of vocal cord damage, which is common in operations, and asphyxiation from vomiting.
Market capitalization	The share price multiplied by the number of shares in free float.
Medical Devices	Medical components/parts such as infusion tubes, catheters, etc.
Minimum-invasive surgery	The umbrella term used to describe operations involving minimum trauma (inflicting minimum injury to the skin and soft tissues).
Mobile computing equipment	Carrying systems designed to facilitate the mobile use of communications technology (printers, notebooks, etc.).
Mobile office systems	see Mobile computing equipment.
Multi-lumen tubing	Medical hose with multiple chambers.
Nanotechnology	Research and technological development at the atom level, focusing on a range of between one and a hundred nanometers.
Net dividend yield	Dividend per share divided by the share price.
Net margin	Also net turnover yield: the percentage share of the net profit in an enterprise's turnover during a specific period.
Ophthalmological surgery	Surgery conducted in the field of opthalmology.

Pedelec	Derived from “pedal electric“; this is an electric bike with a force or motion sensor that automatically couples the power of the motor with the muscle.
Plating (deep drawing process)	Electro-chemical depositing of metallic precipitations (coatings) on objects.
Polyurethane (PUR)	Highly versatile special polymer.
Product portfolio	‘Portfolio’ is a management and marketing term used to denote a collection of products, services, projects or brands offered by a particular company.
Stack	Several individual fuel cells are combined to form a stack. In a bipolar stack, electrical contact between individual cells is ensured by a bipolar plate sandwiched between them.