

Masterflex at a glance	December 31, 2009	December 31, 2008	Change in %
Consolidated revenue (EUR thousand)	55,193	73,380	-24.8 %
EBITDA (EUR thousand)	3,243	9,254	-65.0 %
EBIT (EUR thousand)	-330	5,972	-105.5 %
EBT (EUR thousand)	-3,911	3,062	-227.7 %
Consolidated earnings from continued business units (EUR thousand)	-9,563	-7,610	25.7 %
Consolidated earnings from discontinued business units (EUR thousand)	-3,878	-8,038	-51.8 %
Consolidated net income/loss (EUR thousand)	-13,568	-15,734	-13.8 %
Consolidated equity (EUR thousand)	995	14,840	-93.3 %
Consolidated total assets (EUR thousand)	69,298	101,274	-31.6 %
Consolidated equity ratio %	1.4 %	14.7 %	
Staff (December 31)	537	675	-20.4 %
EBIT-Margin	-0.6 %	8.1 %	
Return on sales	-17.3 %	-10.4 %	
Consolidated earnings per share (EUR)			
from continued business units	-2.22	-1.76	26.1 %
from discontinued business units	-0.89	-1.84	-51.6 %
from continued and discontinued business units	-3.11	-3.60	-13.6 %

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Dear shareholders,



Dr. Andreas Bastin, Chief Executive Officer

The 2009 financial year was the toughest in the history of our Company, and not just as a result of the massive financial and economic crisis, which even Masterflex AG could not escape – the huge growth and diversification strategy of the past few years led to a high level of debt and had a significant impact on the balance sheet, meaning that refinancing became our topmost, existential priority. The achievements made since then were anything but a matter of course at the start of last year and really are quite impressive:

1. In talks with our external financing partners, which were extremely difficult at the start, we successfully negotiated an extension of our loans up to 30 June 2010. After this, it was absolutely essential that we won back the trust of the banks first of all. We regained this trust thanks to our very impressive restructuring expertise, certified by our external financing partners and the consultants they employ, and not least thanks to our transparent communication policy. We have been in very constructive talks with our banks since the end of the year, aimed at developing a financing concept that will be sustainable in the longer term.
2. We succeeded in carrying out the absolutely essential reduction of our net debt. By means of the systematic disposal of non-core activities and strict cost management, net debt fell by a further 20 % as at 31 December 2009.
3. We pressed ahead with focusing our attentions on our profitable High-Tech Hose Systems business unit. Three of the former five business units now remain as a result of the sale of our medical subsidiary Angiokard GmbH & Co. KG and TechnoBochum GmbH, which acts purely as a trading company for the civil engineering industry, and the integration of medical hoses and components into the core business area.
4. We have also made very good, rapid progress with the internal reorganisation of Masterflex AG launched back in the 2008 financial year. Our future project MOVE, with which we have developed a strict plan of action including milestones, serves as a basis for the effective and targeted implementation of our defined projects. We have closed a number of sites and successfully developed new structures as a result of this strict course of action. A noticeable reduction in costs was also achieved as early as 2009. Of course, this will not come into effect fully until the new financial year. For 2010, we are expecting further cost savings of at least € 2.6 million compared with 2009. The economic success of MOVE is clearly demonstrated by the development of costs since the second half of 2009 and particularly in the first quarter of 2010.

We will continue to make significant progress in the future as a result of these measures, both in economic and strategic terms. Therefore, with a view to the future, we are able to give a positive summary of 2009. Our High-Tech Hose Systems core business unit was also profitable, even during the severe crisis.

Unfortunately, the general economic crisis also affected our business. This was particularly noticeable in the first six months of 2009. As a supplier, we have seen an often dramatic downswing in many of the industries we supply. Overall, the economic crisis has had a varied impact on our business areas:

- In our core business area, the medical hose and components business and our project business, particularly concerning the aviation industry, were not affected, whereas other sub-segments of High-Tech Hose Systems were impacted by the recession. In contrast to many other companies, however, we have been able to cushion the impact of the economic crisis to a significant extent thanks to our wide range of applications.
- Unfortunately, despite a huge amount of effort, we did not succeed in achieving this in our Surface Technology segment. It was not possible to absorb such a huge slump in business two years in a row, even by means of extremely drastic cost-cutting in the past year.
- However, the Mobility business unit was not affected by the economic crisis. Quite the opposite: revenue showed very pleasing development, with an increase of almost 47 %.

In contrast to other companies, consolidated revenue fell relatively moderately in the 2009 financial year, with a decline of 24.8 %.

When looking at consolidated earnings, this fall in revenue is just one of the factors that had a negative impact on development. The disposal of companies considerably improved our debt situation, yet also led to high write-downs which have been recognised as liabilities retrospectively. This has impacted consolidated earnings on an ongoing basis. Nevertheless, the sales proceeds generated were above-average in view of the economic crisis and, with a view to the future, the measures introduced were the only way in which we could move forward. The restructuring costs totalling € 3.8 million also constitute a burden. However, these were also an unavoidable factor in establishing the Group on a positive basis for the future.

Consolidated EBIT totalled € -7.6 million. The operating EBIT on the basis of continuing operations fell from € 6.0 million in the previous year to € -0.3 million. Including the discontinued Medical Technology segment, positive EBIT of € 0.6 million was achieved in 2009. This was therefore within our forecast range – despite the very high burdens resulting from the Surface Technology business unit. When evaluating earnings, it is also important to remember that we generated a clearly positive cash flow from our core business area despite the crisis.

We made a promising start to the 2010 financial year in the High-Tech Hose Systems unit in terms of revenue and incoming orders. We have been observing a trend reversal since back in autumn 2009, giving just cause to hope for sustainable economic recovery. For us, this means that we will consistently implement our defined measures and successfully tackle the

two major issues of „innovation“ and “internationalisation” in our core business in order to partake in this upturn. This also includes expanding personnel in key positions.

It is a mixed picture as regards our equity investments. We are on track in the Mobility business unit, and the overall conditions are ideal as government and the public are extremely interested in the issue of environmentally friendly mobility. We will also halt the negative development in Surface Technology in 2010. Our extensive restructuring programme, some of which features very harsh measures, is gradually making an impact. For example, the operating losses have now been reined in and a trend reversal also appears within reach here.

How do we view our future prospects? We are still faced with huge challenges. We need to organise our capital structure on an extensive and as long-term a basis as possible. At 1.4% as at 31 December 2009, the equity ratio was far from our target of 30%. However, the restructuring policy focused on long-term performance, together with all the necessary write-downs which it was possible to recognise on the balance sheet, was not just imperative – it was also the logical first step in restoring Masterflex AG to a healthy, high-growth company.

The extension of loans is currently subject to a deadline up to 30 June 2010. We did not come to an agreement with the banks on the future financing concept by the reporting date. This report was prepared on a going concern basis, as we are working hard with our financing partners to come up with a sound, longer-term solution, work which is proving very promising. We are confident that we will have drawn up a sustainable concept by 30 June 2010.

As was already explained in this section in the 2008 annual report, we have not yet reached all our targets in full. However, our starting situation has considerably improved compared with the situation in 2008/2009. Therefore, we are confident – despite all the adversity and risks we are still faced with – that we will overcome any remaining challenges until we achieve all our objectives in full.

It is still difficult to give a forecast on business development due to the remaining huge uncertainty regarding some of our customer markets. Providing that the economic recovery continues, we are aiming for an increase in consolidated revenue of between 5 % and 10 % in the current financial year. As restructuring is not yet complete, consolidated EBIT in 2010 will once again be impacted primarily by legal and consulting costs arising from further potential sales as well as capital measures. For reasons of precaution, we have once again taken into consideration losses from non-core business activities and the necessary restructuring costs in our planning. Nevertheless, we are expecting a considerable improvement in operating EBIT and a significant positive consolidated EBIT (including extraordinary charges).

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

Dear shareholders, our core business has underlined its strengths and profitability, even during the crisis. For this reason, we will continue to focus all our efforts on exploiting promising potential, in order to restore Masterflex AG to a high-growth and extremely profitable company on a sustainable basis. Our future prospects are excellent, as our materials and innovation expertise is high and we have only just started tapping into the development potential offered by high-tech polymers. There are therefore good opportunities to restore the Masterflex share to a worthwhile, long-term investment. And with all the understandable disappointment concerning share price

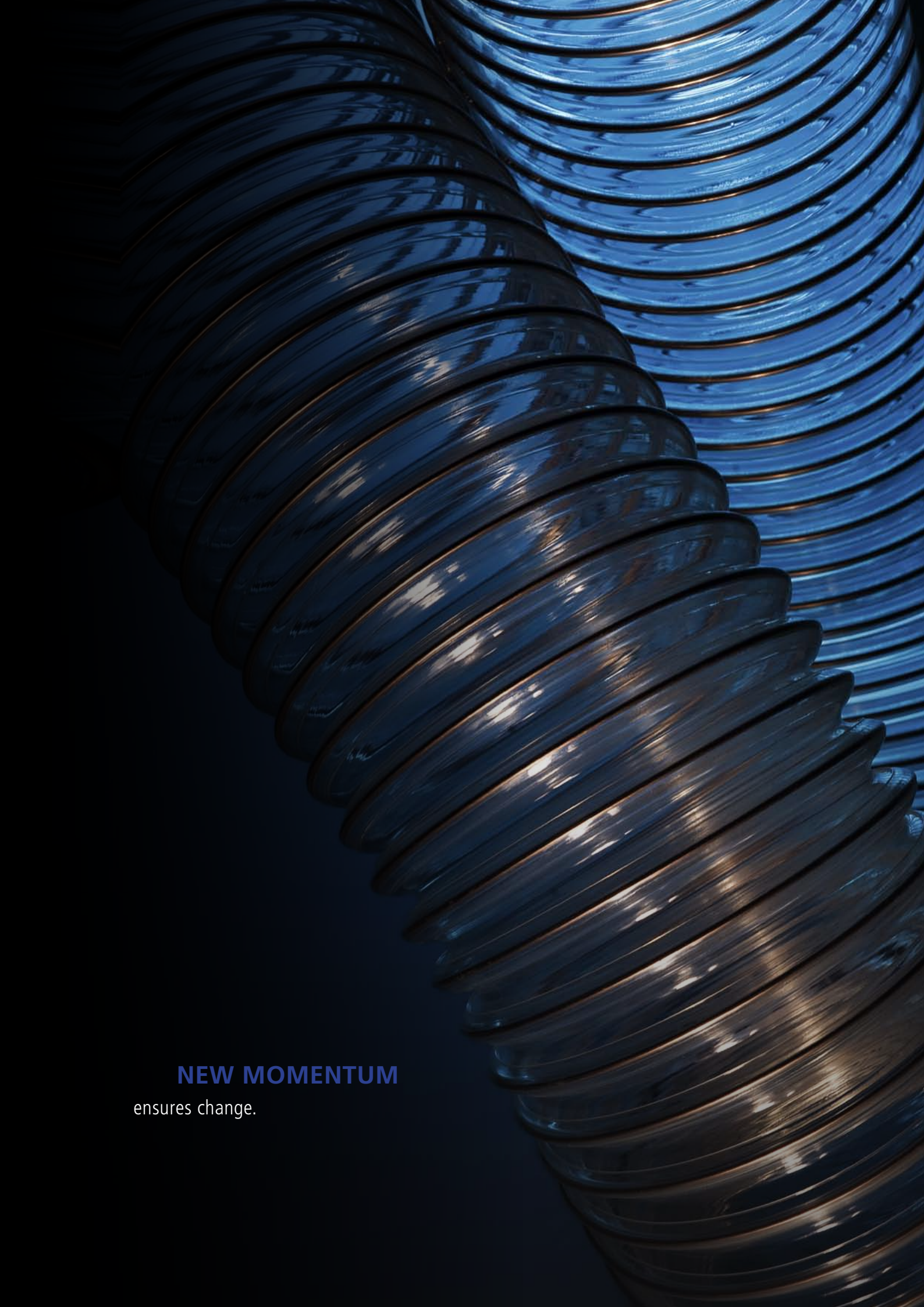
development over the past few years, the current financial crisis has at least made the following clear: creating longer-term asset value in real terms, concentrating on profitable business with target markets that are as independent as possible and consistently focusing on cash are the intrinsic and long-term success factors for the assessment of a company. This is exactly what the Executive Board and employees of Masterflex AG are striving for unconditionally, of this I can assure you.

*Yours sincerely,
Andreas Bastin*

Dr. Andreas Bastin
(Chief Executive Officer)



The new board 2009:
Mark Becks, CFO since June
2009 and Dr. Andreas Bastin,
CEO since 2008



NEW MOMENTUM
ensures change.

Overview of the 2009 financial year

GROUP MANAGEMENT REPORT



In the 2009 financial year, in the midst of the financial and economic crisis, Masterflex AG made very successful progress with the restructuring of the Group. The “MOVE” efficiency programme, which was started in 2008, formed the basis for targeted implementation. A large number of measures were implemented in 2009. As most of the measures commenced will not come into effect fully until 2010, the main impact on savings will be felt in 2010 and subsequent years. We are currently anticipating a total additional volume of € 2.6 million in savings for the 2010 financial year.

Our concentration on our strong core business with High-Tech Hose Systems was successfully continued with the sale of two companies. The results in this annual report are therefore presented on the basis of continuing operations. The proceeds obtained from the sale of our medical subsidiary, Angiokard GmbH & Co. KG, were above-average in view of the economic crisis. The funds generated from this were used to pay back debts. Together with other measures to optimise costs, the net debt of Masterflex AG was successfully lowered by 20 %. However, it was not possible to prevent a significant burden from being placed on the consolidated net income again after 2008 by large write-downs on the balance sheet resulting from the past.

For loans that were due for repayment, including the first tranche of the promissory note loan, a loan extension up to 30 June 2010 was agreed with the financial partners involved in July 2009 and work was then begun on lasting optimisation of the financing situation. Thanks to the considerable success of the restructuring and cost-cutting measures, our relationship with our external financing partners has in the

meantime improved significantly. The current talks about securing Group financing in the long term are therefore taking place on the basis of much more trusting cooperation.

In its operating activities, Masterflex AG has absorbed the negative impact of the economic crisis through far-sighted and timely cost reductions. Overall, consolidated revenue has fallen by 24.8 % to € 55.2 million. The core business of High-Tech Hose Systems has seen a revenue drop of 21.8 %. The operating EBIT on the basis of continuing operations fell from € 6.0 million in the previous year to € -0.3 million. Including the Medical Technology unit, which was discontinued in 2009, positive EBIT of € 0.7 million was achieved, which was within our forecast range.

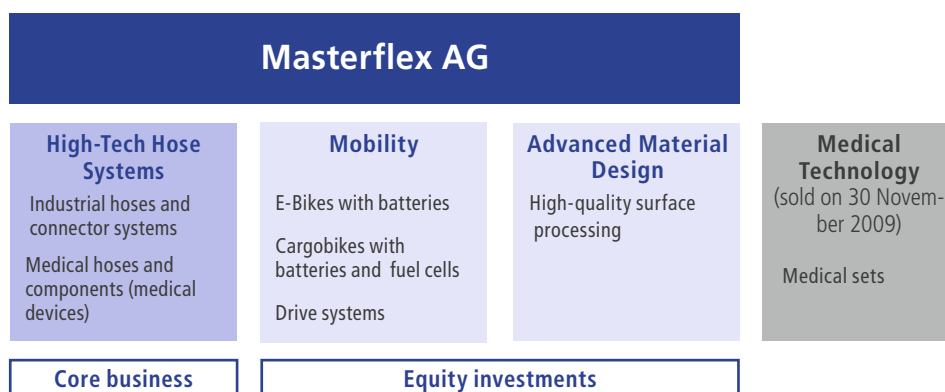


A. Business development and business environment

I. Group structure and business activities

The core business field of Masterflex AG is the development and manufacture of high-tech hose systems from innovative advanced polymers for industrial and medical applications. The main production site of the company, which was founded in 1987, is in Gelsenkirchen, Germany. We have other production sites in Germany, France, Great Britain, the Czech Republic and the USA, along with a sales office in Sweden. As part of the refocusing of our activities, the operations of TechnoBochum GmbH, which acts purely as a trading company for the civil engineering industry, were sold with effect from 30 April 2009.

Other areas of business include Mobility and Advanced Material Design (surface technology).



The Mobility segment develops, produces and markets climate-neutral mobility solutions (fuel cells, electric drive systems, Pedelecs and Cargobikes). The Advanced Material Design division comprises all activities associated with the SURPRO Group's metal surface coating.

The subdivision "Medical Sets", which had previously formed part of the Medical Technology division, was discontinued on 16 December 2009 through the sale of Angiokard Medizintechnik GmbH & Co. KG, D-Friedeburg, and deconsolidation as of 30 November 2009. Medical hoses and components (medical devices) have been integrated into the core business area. Shares in Masterflex AG have been traded on the Frankfurt Stock Exchange since 16 June 2000.

II. Management and control

1. The Executive Board

Changes were made to the Executive Board in the 2009 financial year. Dr. Andreas Bastin has been CEO of Masterflex AG since April 2008. Mark Becks has been the new Chief Financial Officer since 1 June 2009. He succeeded Ulrich Wantia, who left the company with effect from 15 May 2009.



Following a phase of expansion through acquisitions, the Group has now been systematically restructured by the current Executive Board since early 2008 on the basis of a strategy of diversification and has been realigned to focus on profitability and growth in enterprise value. Extensive adjustments to the balance sheet and deconsolidation (disposal of companies not belonging to the core business) were necessary, in addition to the commencement of the consistent reduction of debts.

Accordingly, the activities of the Executive Board focused in the 2009 financial year on securing the extension of credit lines, initially until 30 June 2010, and on continuing the concentration on the profitable core business field of High-Tech Hose Systems. The systematic disposal of non-core activities made an important contribution to reducing debt, along with the generation of a positive cash flow from the profitable core business and strict cost management. The work of the Executive Board also focused on the medium-term restructuring of the capital structure. A plan is to be drawn up in close collaboration with financial partners by the end of the extension (30 June 2010).

2. The Supervisory Board

Changes were made to the composition of the Supervisory Board of Masterflex AG in the 2009 financial year. The board includes the Chairman of the Supervisory Board, Friedrich Wilhelm Bischooping, one of the founders of the company, and Prof. Detlef Stolten, the Director of the Institute for Materials and Processes in Energy Systems at Forschungszentrum Jülich GmbH (Research Centre Jülich). Georg van Hall, certified auditor and tax advisor, was elected as the successor to Detlef Herzog at the Annual General Meeting on 11 August 2009. Mr Herzog, also one of the company founders, had left his post as a member of the Supervisory Board, which he had occupied since 4 June 2008, in order to comply with the requirements of the German Accounting Law Modernisation Act, which came into force on 29 May 2009. This states that the supervisory boards of capital market-orientated stock corporations must include an independent member with expert knowledge in the fields of accounting and auditing.

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 121 of this annual report.

III. Objectives, strategies and corporate management

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

Over a period of more than twenty years, Masterflex AG has built up outstanding expertise in the High-Tech Hose Systems market. Despite expansion into other areas of business, this segment remains the most profitable business to date. Positive profit margins have been achieved even in the economic crisis. We have therefore pressed ahead with a stronger focus on High-Tech Hose Systems since 2008, as the core business still offers considerable growth potential in materials, product development and internationalisation.

Our aim is to make Masterflex AG a focused technology company in the next few years. Our growth philosophy is largely based on the following factors:

- **Focus on innovation**

One of the primary 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. Around a dozen innovations are to be launched on the market in 2010. 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.

- **Accelerated internationalisation**

The marketing activities we have already successfully begun in North America and Eastern Europe will firstly be expanded further. Following extensive market analysis and the development of an integrated internationalisation strategy, the implementation of the measures concerned began in 2009. Various activities, particularly to exploit the markets in Southern and Eastern Europe, Asia and America, which have not yet been addressed on a significant scale, are a key element in corporate planning for the near future.

- **Development of materials expertise**

Over the years, Masterflex AG has developed a high degree of materials expertise. Previously, we processed primarily polyurethane (PUR). The proportion of other advanced polymers is now around 50 %. These highly complex 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.

- **Expansion of the product portfolio**

Masterflex AG will increasingly offer hoses with associated connector elements, i.e. complete systems, as well as application-oriented systems as integrated supply solutions.

- **Best practice approach**

Masterflex AG has outstanding technology, applications and markets expertise in its core business areas. As part of the MOVE project, numerous approaches and areas of potential for improving the use of this expertise in our market development and innovation have been identified since 2008. Building on this knowledge, a comprehensive programme of measures was drawn up in 2009 and will be put into practice. We are consequently aiming for various improvements in efficiency, the optimisation of costs and a significant acceleration in product development (time to market).

Objectives
Focus on hose systems
Innovations
Internationalisation
Development of materials expertise
Expansion of the range
Best practice approach
Strengthening the equity base



1.2 Sustainable financing concept aimed at strengthening the equity base

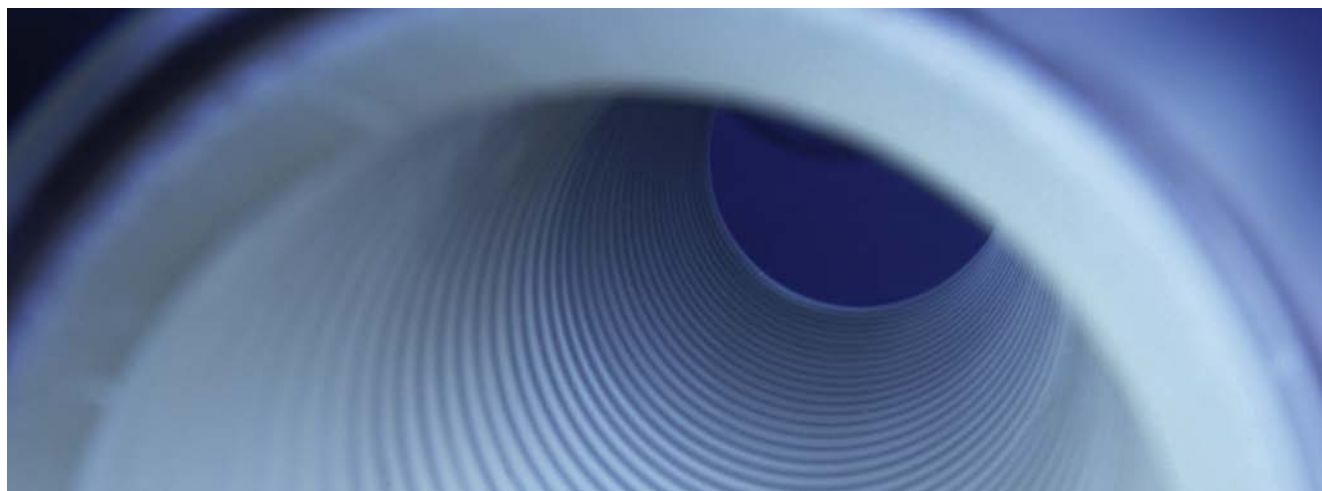
Masterflex has grown considerably since its IPO. Acquisitions have been made outside the core business and have involved a significant increase in net debt. In order to finance further growth in the core business, Masterflex AG requires a sustainable financing concept and secure liquidity. The reduction of debt began in 2008 and continued successfully in the 2009 financial year. We also continued to work on optimising the balance sheet structures in close cooperation with our supporting banks, in order to return to a healthy ratio of equity to debt. In the medium term, our objective is to achieve a stable equity ratio of over 30 %.

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.

The internal corporate management systems have been improved considerably in the last two years, so that undesirable developments can be recognised sooner in future and measures to counteract them can be commenced. With our efficiency programme "MOVE", we have developed new methods for business and action planning and have expanded the internal reporting system considerably. The division has also been strengthened in terms of the number of staff.

This allowed us to develop a concrete road map with strategic and operational milestones and defined time frames.



Milestone Agenda

Actions/Milestones	2010	2011	2012	2013	2014
Spiral Hoses					
Innovation project 1	→				
Innovation project n		→	→	→	→
Export/Sales measure 1	→				
Export/Sales measure n	→	→	→		
Best practice-project 1	→				
Best practice-project n		→	→	→	
Technical Tubings					
National sales expansion	→	→			
International sales expansion		→	→	→	→
Market enlargement	→	→	→	→	→
...	→				
Moulded parts and components					
Sales enlargement	→	→			
Internationalisation step 1		→	→		
Internationalisation step n			→	→	
...	→				

Our Group-wide monthly reporting system includes weekly status reports regarding revenue and incoming orders. As part of the monthly report, interim financial statements and a qualitative report on sales, human resources and finances are drawn up. Quarterly financial statements are also prepared at Group level in accordance with International Financial Reporting Standards (IFRS) and forecasts are prepared on a quarterly basis, which allows rolling results forecasts.

The “MOVE” efficiency programme is in the process of implementation. Projects to improve efficiency have been initiated in all areas of operation and are to be closely supported and monitored through the expanded internal reporting system, in order to measure promptly how successful implementation is.

We use key performance indicators for the purposes of corporate management. Targets are defined for the individual segments and the Group as a whole. Unlike in the past, corporate management is now more strongly focused on liquidity and therefore geared towards the cash flow.

Future investments will be subject to demanding requirements regarding yield expectations and ROI (return on investment) before a decision is made to proceed. Greater consideration is also to be given to balance sheet key performance indicators that reflect the liquidity situation.

In particular, we will use the following in corporate management in future:

- Development of net debt
- Development of net working capital (reduction in the capital tied up in the company)
- Amortisation period in the valuation of investments
- Productivity (development of costs in relation to development of revenue)
- Revenue growth compared with budget and previous year
- Monthly result with regard to the strengthening of equity

IV. Market and competition

1. General economic situation in 2009

The financial and economic crisis plunged the global economy into a severe worldwide recession in 2009.

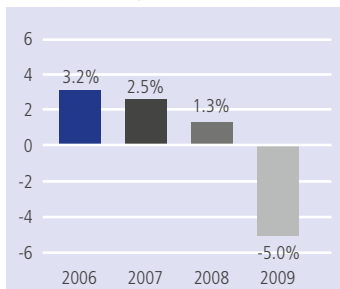
According to the German Federal Statistical Office, the German economy in 2009 suffered its worst downturn in post-war history. The gross domestic product fell by 5.0 % year-on-year (2008: 1.3 %). The slump in exports and investment was the reason for the severe recession, while private consumption fared comparatively well thanks to the scrappage scheme and the fact that there was barely any increase in prices. The manufacturing industry was hit particularly hard, with gross value added down 16.9 % year-on-year. Experts expect this sharp decline to be only partially reversed in 2010. The German government is anticipating growth of around 1.4 %. The Federation of German Wholesale and Foreign Trade (Bundesverband Großhandel, Außenhandel und Dienstleistungen e.V. – BGA) is expecting growth of almost 3 %.

The severity of the economic crisis could also be seen by the number of company insolvencies, which, according to the credit reference agency Creditreform, rose by 16 % to 34,300 cases, almost 5,000 more than in the previous year. The credit insurer Euler Hermes has calculated that claims by companies on other companies that were filed with courts reached a record volume of € 58 billion in 2009, compared with € 22 billion in 2008. The main cause was the insolvency of large companies.

The GDP of France, the second-largest industrial nation in the European Union, amounted to € 1,919 billion in 2009, compared with € 2,865 billion in 2008. In the USA, the economy recovered from the third quarter of 2009 onwards, having contracted for four consecutive quarters – the longest downturn in the USA since quarterly statistics began in 1947, according to Bloomberg. In the twelve months to June, economic output fell by 3.8 % as a result of the severe economic and financial crisis, reportedly the worst drop for seven decades. Following growth of around 2.2 % in the gross domestic product in the third quarter of 2009, experts were anticipating growth of about 4 % for the fourth quarter. Despite the economic recovery, job cuts continued contrary to expectations in the USA towards the end of 2009. According to the Department of Labor, 85,000 jobs were cut in December 2009. The unemployment rate at one point reached its highest level since 1983, at 10.2 %. The worst economic crisis for 70 years was further aggravated by the jobs crisis, as consumers tightened their spending. The USA depends more heavily than other countries on private consumption, which accounts for well over two thirds of economic output.

China became the world's leading exporter in 2009, overtaking Germany. Goods and services worth a total of \$ 1,200 billion were exported. The Federation of German Wholesale and Foreign Trade estimates that Germany's exports will total \$ 1,170 billion or € 816 billion for 2009.

Development of gross domestic product



Source: Statistisches Bundesamt

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

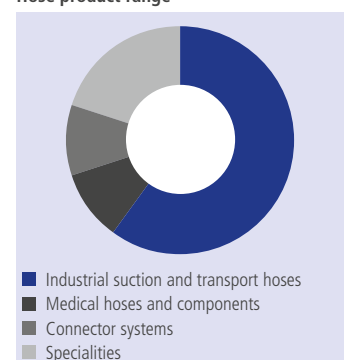


2.1 Relevant market

In the core business unit High-Tech Hose Systems, Masterflex AG and its subsidiaries operate at eight of their 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 polymers and the resulting innovative strength. These strengths also include the fact that there is no contract production. The Group's market position is strengthened by 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.

Hose product range



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

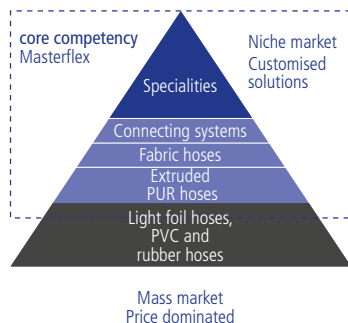
High level of customer focus, excellent quality of products offered and of price-performance ratio

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

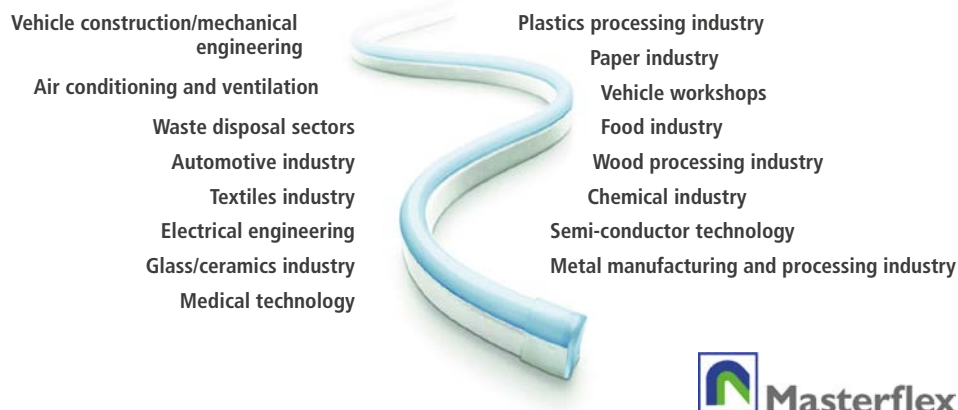


As a result of their versatility, materials used by Masterflex are often superior to traditional materials such as metal, glass and rubber, and thus often allow for completely new applications. Since 1987, Masterflex AG has successfully developed this substitute market for hose systems.

Companies in the Masterflex Group offer industrial 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.

In addition, Masterflex offers medical hoses and components (medical devices) made from innovative polymers. Special polymers are among the most innovative materials in the Medical Technology industry on account of their versatility and their hard-wearing properties. The manufacture and the processed materials show a high potential for synergy with our industrial hose business. Masterflex offers high-quality infusion and multi-lumen tubes and catheters. For example, our materials can be manufactured with anti-bacterial, anti-thrombogenic or biodegradable properties. We also offer plastic components for the pharmaceutical and medical technology industries, including connecting elements made of special polymers manufactured using the injection moulding method.

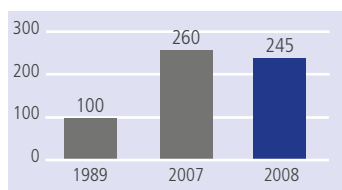
Areas of application



2.2 Plastics industry

The plastics industry experienced a drastic slump in 2009. According to the German Plastics Industry Federation (VVK), German plastic manufacturers saw revenue fall by 35.5 % year-on-year in the first quarter of 2009 alone. The Association for Foamed Plastics and Polyurethanes (Fachverband Schaumkunststoffe und Polyurethane e.V.) estimates that polyurethane sales fell by around 20 % (750,000 tonnes against 920,000 tonnes in the previous year).

Global plastics consumption
(millions of tonnes)



Source: PlasticsEurope

The plastics industry is one of the most important economic sectors in Germany, with revenue of over € 84 billion and around 394,000 employees. A major sub-segment is the plastics processing industry, which in recent years has been highly dynamic and experienced considerably stronger growth than the economy as a whole. This trend has stopped since the second half of 2008. This was shown by a business survey carried out by the sector service Kunststoff Information (KI) in early 2009, in which over 70 % of companies in the sector posted a downturn in business performance.

In particular, the key sector of technical parts, which had been growing for years, saw revenue fall by 25 % in the first quarters of 2009. The production of technical parts dropped by 31 %. The plastics industry is a long way from the record production levels of 2007. The sharp downturn meant that production declined for the first time in a long period.

According to the National Association of Plastics Processors (GKV e. V.), the sector recorded total revenue of € 45.8 billion in 2009, which represented a drop of 14 % compared with 2008. This meant that development was below the development of the gross domestic product for the first time in a long period.

The situation has stabilised at a low level since the second half of 2009. According to an analysis by the sector service Kunststoff Information (KI), the German plastics processing industry, based on data from the German Federal Statistical Office, saw revenue increase by 22.3 % in September 2009 compared with the previous month. As a result, the figures for the third quarter were down only 11.2 % year-on-year, compared with a drop of around -21.5 % in each of the first two quarters of 2009. Short-term drops have not been ruled out.

All in all, however, plastics are considered to have positive future potential on account of their varied and as yet untapped application possibilities. The National Association of Plastics Processors (Gesamtverband Kunststoffverarbeitende Industrie e.V. – GKV) is optimistic for the future. Of the plastics processors surveyed, 65 % expect revenue to rise again in 2010, while only 9 % are anticipating a drop in revenue. However, the sector service Kunststoff Information (KI) reports that the upturn has so far been weak.

2.3 High-Tech Hose Systems in 2009

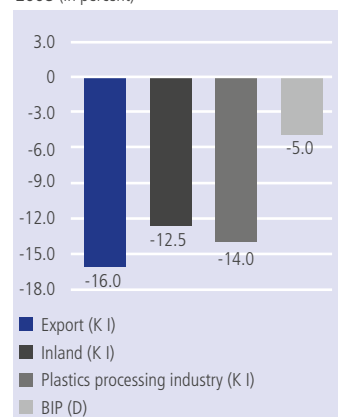
In the 2009 financial year, the core High-Tech Hose Systems business unit was impacted by the global recession. The crisis was particularly noticeable at the Masterflex Group in the first six months. As a supplier, we have seen an often dramatic downswing in many of the industries we supply. In contrast to many other companies, however, the impact of this development was lessened thanks to our wide range of applications. Overall, segment revenue in the High-Tech Hose Systems business unit decreased by 21.8 % to € 38.4 million in 2009 (previous year: € 49.1 million).

The development of revenue and incoming orders since the fourth quarter of 2009 give us just cause to hope for an improvement in the 2010 financial year. For example, the mood and the number of visitors to our stand at trade fairs such as the MOTTEK automation trade fair in Stuttgart at the end of 2009 were significantly improved.

Overall, revenue development by industry was very mixed in 2009. In some areas, such as mechanical engineering and sectors that supply the automotive industry, the economic downturn had a very noticeable impact. In other sectors, such as the aviation, construction, chemical and food industries, we were successful despite the economic crisis. With intensified marketing and sales activities, new market segments such as health and the beverages industry were developed. As we sold the Medical Technology division with the medical operation sets at the end of November 2009, the “Medical hoses and catheters” product range now forms part of our core business.

This product segment remained stable despite the financial and economic crisis, like the entire medical technology sector. Key trade fairs such as MedTec in Stuttgart and ComPaMed in Düsseldorf were used to present this innovative product range. The successful development is

Revenue of plastics processing industry 2008 (in percent)



due to the problem-solving competence of these products. Traditional examination methods are improved considerably and completely new applications are opened up.

Our extensive market analyses have shown that global expansion is a key pillar of our growth potential. We therefore reinforced our European presence by opening a sales office in Sweden in April 2009. We will take this internationalisation further in 2010, setting up more international sales companies and offices.

Our products were presented at a range of national and international trade fairs in the 2009 financial year, and the response is promising. 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 MOTTEK (for Assembly and Handling Technology), we concentrated on Eastern European trade fairs, as we are also planning significant expansion here.

3. The Mobility business unit

3.1 Relevant market

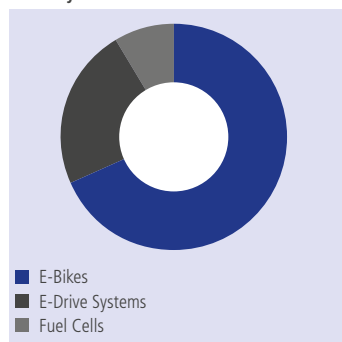
For the last few years, Masterflex AG has been intensively involved with the topic of alternative energy sources and innovative environmentally friendly mobility concepts. The Mobility business unit, which was founded in mid-2008, includes the three divisions Electric Bicycles (E-Bikes and Pedelecs with fuel cell or electric drive systems), Electric Drive Systems and Fuel Cells, which are managed in a holding structure through three companies.

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 outputs of up to 250 watt. Hydrogen-based PEM (proton exchange membrane) fuel cells 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.

Masterflex offers battery-powered bicycles through its subsidiary Clean Air Bike GmbH. The Cargobike, with an integrated fuel cell, is an environmentally friendly transport solution in urban and industrial areas. It has a modular structure that allows it to be equipped with different superstructures for different areas of application. The hydrogen is stored in a standard cartridge that can be refilled or easily exchanged. The Cargobike has an approximate range of between 100 and 150 kilometres, depending on the distance profile.

Mobility



3.2 The market for new energies

Climate change and its associated risks are leading to a worldwide search for alternative, environmentally friendly energies. The strategic aspects of German energy policy include improving energy efficiency and developing low-CO₂ energy technology. As part of the fifth "Innovation and new energy technologies" energy research programme, the German government is to make around € 2.2 billion available between 2008 and 2011 for the funding of the research and development of modern energy technology.

The "National innovation programme for hydrogen and fuel cell technology", with an investment volume of € 1.4 billion, has since 2006 formed a key foundation for targeted support and funding for the emerging hydrogen and fuel cell sector in Germany.

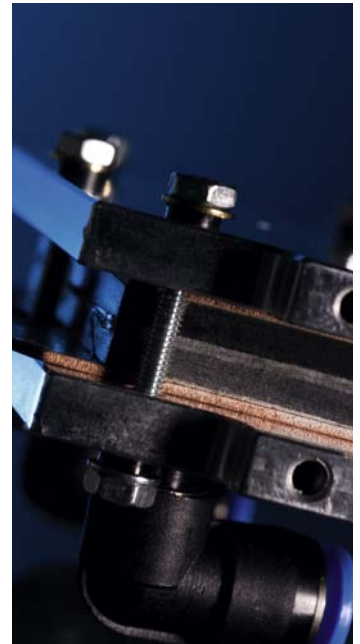
North Rhine-Westphalia was named a model region for electric mobility in May 2009. An integrated approach is being taken to electric mobility, whereby the development of fuel cells and batteries for mobile applications is coordinated. With funding from the European Union (European Regional Development Fund – ERDF), North Rhine-Westphalia has so far supported over 90 projects with grants totalling € 99 million, with a total volume of around € 165 million.

In Herten, where Masterflex Mobility GmbH is headquartered, the "H2Herten" centre of excellence for hydrogen has been set up. This is the first municipal technology centre with this orientation in Germany and will also produce renewable hydrogen directly. Many companies in this sector have already based themselves there. An H₂ service station is available on the site to supply the hydrogen-powered vehicles that are operated in Herten and used in the region. This gives Mobility GmbH access to an ideal infrastructure.

3.3 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 which are battery powered have a range of between 20 and 50 kilometres. Electric bicycles are increasingly gaining acceptance. The electric bicycle market has grown by about 40 % in the Netherlands, the largest market, and by around 30 % in Germany. It is estimated that 130,000 units were sold in Germany in 2009. According to experts at Zweirad-Industrie-Verband (ZIV), the German bicycle industry association, almost all bicycle manufacturers are now involved in the field of electronic bicycles. The city of Stuttgart plans to set up a network of electronic rental bicycles in the next few years. This model is already in place in Salzburg.

In 2009, there were a large number of reports about electric bicycles, Pedelecs and E-Bikes. The electric bicycle is becoming more and more widely accepted as an environmentally friendly means of transport. 76 % of participants in a survey by the magazine "Stern" regard electric bicycles as an alternative to cars.



Battery-powered bicycles continue to dominate the range of products available, since a cost-effective solution to the problem of storing hydrogen has not yet been found. The fuel cell technology of the Masterflex Group is already one step ahead: the company has been marketing Cargobikes with fuel cell drive systems since 2007. In the area of fuel cell technology, we are supported in the development of marketable products by the state of North Rhine-Westphalia, which is actively pursuing the evolution of "early markets".

Climate change, legal guidelines such as the reduction of carbon dioxide emissions by 30 % in the EU by 2020 and the finite nature of fossil fuels mean that climate-friendly mobility concepts need to be developed. These developments serve to underline the potential offered by Masterflex's environmentally friendly light mobility vehicle projects.

3.4 Mobility in 2009

The effects of the economic crisis have not yet been felt in our new Mobility division. The negative consequences of climate change mean that there is a high level of interest in environmentally friendly alternatives. The prospects for electric bicycles and drive systems are positive. We sold several thousand electric bicycles in 2009, which boosted segment revenue considerably. Of our Cargobikes with fuel cell drive systems, a total of 27 vehicles were delivered to customers and new variants of models were presented at the "Eurobike" trade fair at the beginning of September 2009.

In the sub-segment of fuel cell technology, we dealt intensively with the innovative '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 attracted a great deal of interest at the Hanover Trade Fair in 2009. The complete integration of fuel cells into these applications without our own safety technology has been made possible for the first time by "Lopes". The safety system is being marketed independently and 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 toxic gases are used.



"Lopes" is to be tested in selected applications. We are conducting cooperation negotiations with a view to testing our security system in other applications as well. It is feasible that "Lopes" indoor fuel cell applications will contribute towards the breakthrough of this technology.

Overall, segment revenue saw a substantial increase of almost 47 % to € 5.6 million in 2009 (previous year: € 3.8 million). Segment EBIT was still negative, at € -0.6 million. The relatively strong business performance and the improvement in the earnings situation compared with the previous year clearly show that, on the whole, we are heading in the right direction.

4. 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”.

SURPRO is a galvanic and mechanical metal processing and assembly service 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.



4.1 The market for surface technology

Surface technology is used in almost all areas of today's manufacturing industry. 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.

Following years of high growth rates, the sector has been hit hard by the economic crisis. According to the German central association for surface technology (Zentralverband der Oberflächentechnik e. V. – ZVO), developments in this sector followed the downward trend of its main customers, particularly automotive manufacturers and their suppliers. Particularly in the fourth quarter of 2008, volumes and speed declined on an unprecedented scale. Despite drops of as much as 50 % in some cases, the sector recorded growth in revenue of around 3 % in 2008. In 2009, some operators at times experienced revenue drops of up to 80 %. The average decline in revenue for the sector in 2009 was 30 %. Coatings specialists were the worst affected, with a drop of 40 %.

4.2 Advanced Material Design in 2009

The development of this segment has been highly unsatisfactory since 2008. The economic crisis, which has had a profound effect on the luxury goods sector, has had a very negative impact on our subsidiary SURPRO.

In 2009, segment revenue once again saw a severe decline of 45.0 % to € 11.2 million (previous year: € 20.5 million). EBIT before reconciliation was clearly negative at € -7.7 million (previous year: € -3.2 million). This development has had a significant adverse effect on the performance of the Group as a whole. The EBIT of € -7.7 million also includes the effects of write-downs on goodwill of € -3.1 million. Despite the high loss, the prompt commencement of liquidity measures (significant reduction in inventories, strict management of receivables) ensured that the cash outflow was held in check at € 0.9 million.

Comprehensive measures have been commenced to improve economic development. Staff costs have been adjusted, purchasing management improved and the working capital optimised. A new management team was also established. Despite these extensive measures, the situation at the SURPRO Group remains extremely difficult on account of the current economic pressures. Surface technology is an area that does not offer any synergies with our core business. We are therefore examining the possibility of a sale.

B. Results of operations, net assets and financial position

The net assets, financial position and results of operations of Masterflex were essentially marked by the following in 2009:

- Some drastic revenue drops in all business units, with the exception of the Mobility activities, which are in the process of being set up.
- High non-operating expenses in connection with the extension of credit lines until 30 June 2010, the sale of equity interests in companies, severance payments resulting from the adjustment of staffing levels to lower revenue volumes and further consulting costs.
- A reduction of around 20 % in the Group's debt, mainly thanks to proceeds from the sale of shares in companies.
- The need for further write-downs on the balance sheet as a result of the sale on 30 November 2009 of Angiokard Medizintechnik GmbH & Co. KG and the drastic developments in revenue and earnings at SURPRO GmbH (Advanced Material Design).

Despite the large drop in revenue and the severe burden placed on earnings by the "Advanced Material Design" business unit, the four segments in 2009 achieved positive operating EBIT, largely thanks to the profitable core business unit of High-Tech Hose Systems. On the basis of continuing operations (i. e. excluding the Medical Technology segment), the operating EBIT was slightly negative. The resolutions passed at the Annual General Meeting on 11 August 2009 also laid the foundations for a significant improvement in the Group's equity structure in the medium term.

As a result of the sale of Angiokard Medizintechnik GmbH & Co. KG on 30 November 2009, the disclosures on the deconsolidated segment "Medical Technology" 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.

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

EUR thou.	2009	2008
EBITDA	3,243	9,254
EBIT	-330	5,972
EBIT margin	-0.6 %	8.1 %
Non-recurring effects – Group	-7,280	-12,210
Consolidated net result – continued	-9,563	-7,610
Consolidated net result	-13,568	-15,734
Earnings per share – continued	-2.22	-1.76
Earnings per share	-3.11	-3.60

I. Results of operations

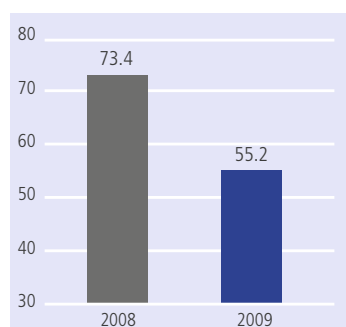
	2009		2008		+/-		2007		2006	
	€ thou.	%	€ thou.	%	€ thou.	%	€ thou.	%	€ thou.	%
Revenue	55,193	100.4	73,380	97.5	-18,187	-24.8	88,943	95.2	115,706	96.0
Changes in inventories	-2,233	-4.1	76	0.1	-2,309	-3,038.2	1,788	1.9	561	0.5
Other own work capitalised	395	0.7	896	1.2	-501	-55.9	1,089	1.2	959	0.8
Other operating income	1,624	3.0	891	1.2	733	82.3	1,577	1.7	3,276	2.7
Gross revenue	54,979	100.0	75,243	100.0	-20,264	-26.9	93,397	100.0	120,502	100.0
Cost of materials	-20,981	-38.2	-30,319	-40.3	9,338	-30.8	-41,010	-43.9	-55,123	-45.7
Staff costs	-20,546	-37.4	-23,537	-31.3	2,991	-12.7	-26,501	-28.4	-26,859	-22.3
Depreciation, amortisation and write-downs	-3,573	-6.5	-3,282	-4.4	-291	8.9	-2,910	-3.1	-7,096	-5.9
Other operating expenses	-9,977	-18.1	-11,929	-15.9	1,952	-16.4	-12,409	-13.3	-21,281	-17.7
Other taxes	-232	-0.4	-204	-0.3	-28	13.7	-202	-0.2	-212	-0.2
Total operating expenses	-55,309	-100.6	-69,271	-92.2	13,962	-20.2	-83,032	-88.9	-110,571	-91.8
Adjusted EBIT	-330	-0.6	5,972	7.8	-6,302	-105.5	10,365	11.1	9,931	8.2
Net finance costs	-3,581		-2,910		-671		-3,264		-2,229	
Non-operating expenses – Group	-7,280		-12,210		4,930		0		-731	
Net profit before income taxes	-11,191		-9,148		-2,043		7,101		6,971	
Income taxes	1,628		1,538		90		-2,935		-2,248	
Income after taxes from continued activities	-9,563		-7,610		-1,953		4,166		4,723	
Income after taxes from discontinued activities	482		4,020		0		3,391		0	
Non-operating expenses from discontinued activities	-4,360		-12,058		0		0		0	
Consolidated net profit for the period	-13,441		-15,648		-1,953		7,557		4,723	
thereof minority interests	127		86		245		88		245	
thereof attributable to shareholders of Masterflex AG	-13,568		-15,734		-2,198		7,469		4,478	

1. Revenue performance

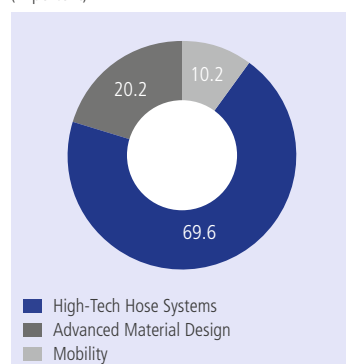
Consolidated revenue from continued operations (excluding the “Medical Technology” business unit) was € 55.2 million, down around 25 % from the previous year (€ 73.4 million).

Revenue in the core business unit High-Tech Hose Systems decreased by 21.8 % to € 38.4 million (previous year: € 49.1 million). In this business unit, revenue was maintained or even increased at some subsidiaries despite the severe recession. We have seen another upturn in High-Tech Hose Systems since late summer 2009, which has proven to be stable in the first three months of the 2010 financial year.

Consolidated revenue in 2009
(EUR million)



Proportionate segment revenue 2009
(in percent)



The Advanced Material Design business unit experienced the worst decline in revenue of 45.4 %. Revenue here fell from € 20.5 million in 2008 to € 11.2 million in 2009. The reason for this was the severe drop in revenue seen by one major customer in the luxury goods sector, which accounts for around 70 % of revenue in this business unit. As this major customer has since experienced a slight recovery and revenue in other sectors has increased, we can expect developments to be more positive in 2010.

The development of revenue in the Mobility segment was positive. Revenue here rose from € 3.8 million to € 5.6 million (+47.4 %). In particular, the boom in the E-Bike business boosted revenue significantly. Considerable growth in revenue is also anticipated for 2010.

The shares in revenue of the individual segments show that the core business unit is clearly the segment with the highest revenue at Masterflex AG, accounting for almost 70.0 %. Despite the substantial growth at Mobility GmbH, its share in revenue is still relatively low at around 10 %.

In regional terms, Germany is still the most important sales market of Masterflex AG. We expect the aggressive internationalisation in our core business to lead to a shift in revenue share towards other countries and regions in future.

2. Consolidated earnings development

Despite some significant drops in revenue, a slightly positive operating EBIT was achieved in 2009 on the basis of the segments that were operating in 2009. For the three continued segments including the share in earnings from the Medical Technology segment, the operating EBIT fell from € 7.0 million in the previous year to € 0.7 million in the 2009 financial year. The main reason for this decline in earnings was the reduction in margins resulting from the revenue drop. Moreover, the significant reduction in inventories also placed a burden on earnings. On the other hand, however, this strengthened liquidity in economically difficult times.

The operating EBIT on the basis of continuing operations fell from € 6.0 million to € -0.3 million in 2009.

Work performed by the Company and capitalised was reduced by around € 0.5 million, as the volume of development expenses capitalised was lower than in previous years.

Other operating income increased from € 0.9 million to € 1.6 million in 2009. The main reasons for this were effects from court cases that have been won by Masterflex AG in the amount of € 0.6 million.

In addition to the impact on margins of the decline in revenue, proportionately higher fixed costs have had an adverse effect on consolidated earnings. Neither staff costs nor other operating expenses can be adjusted in the short term to the lower level of revenue, as they make up a relatively large share of the fixed costs. Nevertheless, measures included in the MOVE restructuring programme, which was initiated at the end of 2008 and began to be implemented in 2009, partly compensated for these effects. Key activities that improved earnings were:

- Reducing the cost of materials by bundling requirements and renegotiating purchase prices.
- Cutting other operating expenses through strict cost management.
- Reducing staff costs by adjusting the number of staff to the lower revenue volumes.
- Reducing inventories through optimised production planning and organisation of warehouses.

All these measures were implemented in 2009 and were already having an increased impact in the second half of the year. The materials usage rate (cost of materials in relation to revenue plus changes in inventories) was cut from 41.3 % to 39.6 %. However, the full impact of the measures that have been implemented will not become visible until 2010 and subsequent years. The foundations were therefore laid in the 2009 financial year for achieving considerably better results at a lower cost level in 2010 and the following years. The measures that have been implemented will have an impact on earnings across all segments of at least € 2.6 million compared with 2009.

Write-downs increased by € 0.3 million compared with the previous year. This is due to a non-recurring effect at the Mobility subgroup. Here, a one-off write-down on capitalised marketing rights was necessary, owing to the loss of exclusivity.

All the effects combined led to an adjusted operating result (operating EBIT) of € -0.3 million (previous year: € 6.0 million).

The net loss for the year was once again strongly negative, at € -13.4 million. Although consolidated earnings were higher than in the previous year (2008: € -15.6 million), significant non-recurring effects from the past unfortunately had to be dealt with once again in the last financial year.

The financial result, which essentially comprises interest income and interest expense, was above the previous year's figure of € -2.9 million at € -3.6 million, placing a significant burden on Masterflex's results. It is therefore necessary to reduce the burden of debt here consistently and to fundamentally strengthen results.

Another factor that had a significant negative impact on results in the 2009 financial year was non-operating effects amounting to € -7.2 million, which essentially consist of:

- Non-operating expenses amounting to € 3.3 million,
- Write-downs on the goodwill of SURPRO GmbH of € 3.1 million, owing to current market developments in this segment.

The non-operating expenses are partly linked to the successful extension of all credit lines in 2009 until 30 June 2010. In addition to one-off bank charges for the extension and securing of the credit lines, which in some cases were considerable, consulting costs were incurred for legal advice, validation of the business plan and expert opinions, which were essentially due to demands made by our external financing partners. Consulting costs were also incurred for further support within the MOVE project. Severance payments in connection with the reduction in staff numbers placed a one-off burden on the result.





In view of the overall economic situation at the SURPRO Group, future plans were made with caution, as the Executive Board cannot be certain at present that it will be possible in the medium term to achieve growth up to the level of 2007. In the impairment test, these assumptions led to a complete write-down on goodwill at the SURPRO Group in the amount of € 3.1 million.

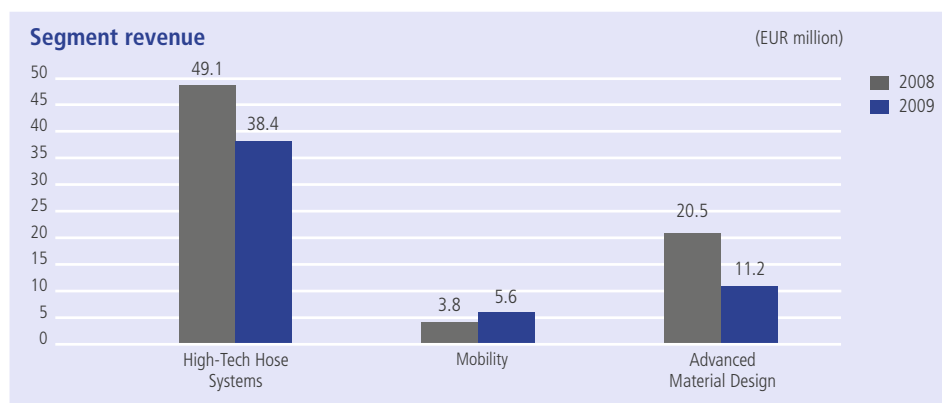
The tax result comprises income taxes and deferred taxes. At € 1.6 million, the income taxes are slightly above the previous year's level (€ 1.5 million). As it is necessary to recognise deferred taxes, this represents tax income. The deferred taxes are for the most part recognised at Masterflex AG. As Masterflex AG bears the financing costs, the holding costs and the negative results from the Advanced Material Design segment via a profit transfer agreement, the biggest losses arose here and thus the obligation to recognise deferred taxes.

The income after taxes from continued activities was therefore € -9.6 million, down € 2.0 million on the previous year.

The income after taxes from discontinued activities includes the result from Angiokard Medizintechnik GmbH & Co. KG.

Non-operating expenses from discontinued activities include the write-down requirement in connection with the sale of Angiokard Medizintechnik GmbH & Co. KG and expenses associated with this transaction.

Despite the good price obtained from the sale of Angiokard Medizintechnik GmbH & Co. KG, a write-down of € 3.6 million was carried out. This came about when reclassifying the business unit as held-for-sale, as the carrying amount of the net assets exceeded the gain on the disposal. Consulting costs in connection with this complex transaction amounted to around 0.8 Mio. €.



3. Segment performance

3.1 High-Tech Hose Systems

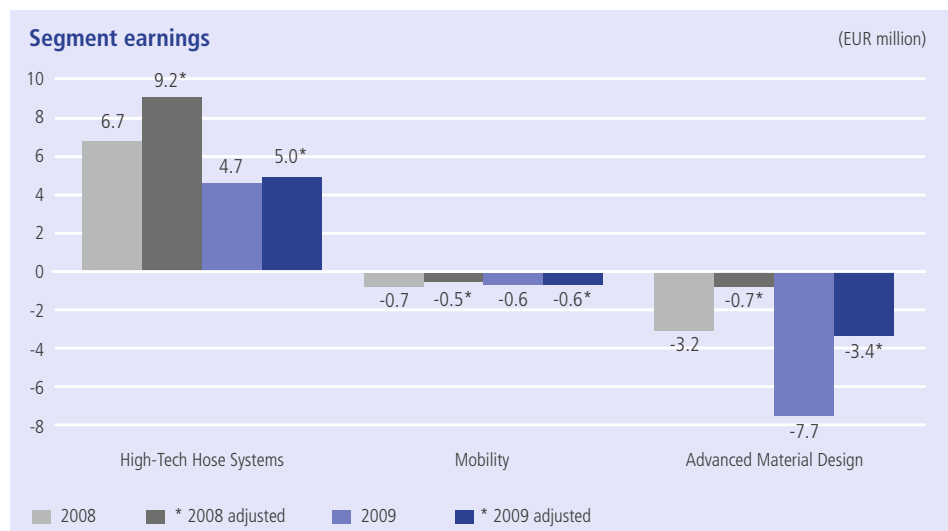
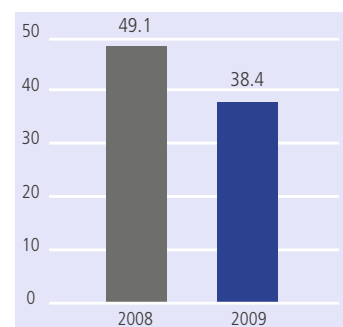
The High-Tech Hose Systems segment has been severely affected by the economic crisis. Revenue fell from € 49.1 million in 2008 to € 38.4 million in 2009. However, not all companies were equally affected. While Masterflex AG and Novoplast Schlauchtechnik GmbH suffered significant drops in revenue, other companies in the core business unit maintained their revenue at the previous year's level or even increased it.

The lowest point was reached in summer 2009. Revenue rose again in the second half of the year. This trend has continued in the first three months of 2010. In addition to the slight economic recovery that has been felt since summer 2009, the additional marketing measures that have been initiated and commenced by management since 2008 are also paying off here.

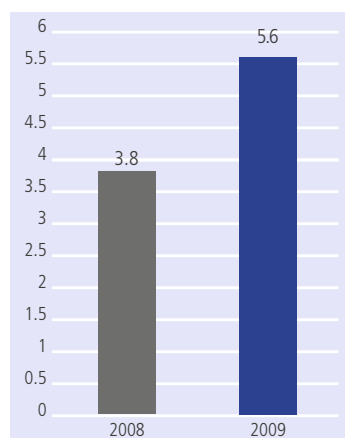
Segment EBIT (adjusted for one-off effects) dropped from € 9.2 million in 2008 to € 4.9 million in the 2009 financial year. The main drivers behind this were the drop in margins owing to the decline in revenue and the considerable reduction in inventories, particularly at Masterflex AG and Matzen & Timm GmbH.

The cost-cutting measures commenced as part of the MOVE restructuring project were implemented in 2009, although they are not expected to come into effect fully until 2010. Working hours were also temporarily reduced at some companies so that staff costs could be partly adjusted to lower revenue volumes. For 2010, we expect to achieve savings of around € 1.8 million in our core business with High-Tech Hose Systems.

Segment revenue
High-Tech Hose Systems
(EUR million)



Segment revenue Mobility
(EUR million)



3.2 Mobility

In the Mobility segment, revenue once again increased by 47.4 %, rising from € 3.8 million in 2008 to € 5.6 million in 2009. In particular, increased sales of E-Bikes led to this considerable rise. 27 fuel cell-driven Cargobikes are now being successfully tested in practice in the HyChain project.

In terms of earnings, the segment EBIT was slightly lower than in the previous year, falling from € -0.5 million to € -0.6 million.

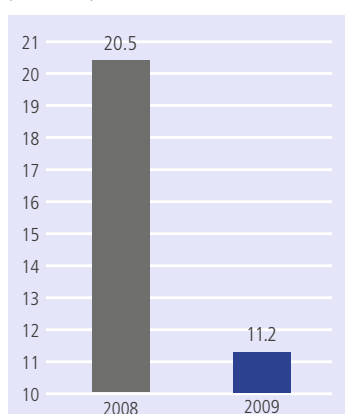
3.3 Advanced Material Design

The performance of the Advanced Material Design segment suffered the most as a result of the economic crisis. This is exacerbated by the heavy dependence on the luxury goods industry, which accounts for around 70 % of revenue. Revenue here fell by 45.4 % from € 20.5 million to € 11.2 million.

In response to this drastic drop in revenue, a series of measures were initiated again in 2009. The main ones were:

- Sales activities were stepped up again in order to reduce dependence on the main customer gradually. The first successful results were seen at the end of 2009, although longer periods are required for success here owing to technology and the market.
- A restructuring manager was appointed in August 2009, who took over management in December and is pushing ahead more systematically with restructuring.
- The workforce has been adjusted to the lower revenue volumes, which means that the number of staff has been reduced by around 60 % since the crisis began in 2008. The main cost savings will not be seen here until 2010, however.
- Closure of the factory in the Czech Republic, in order to reduce fixed costs and pool production capacity.
- Improved purchasing conditions.
- Strict cost management across all types of costs.
- Optimisation of logistical and commercial processes as the basis for being able to make adjustments to the workforce.

Segment revenue Advanced Material Design
(EUR million)



Despite these measures, the segment EBIT dropped from € -0.8 million in the previous year to € -3.4 million in 2009. In addition to the reduction in margins as a result of the revenue drop, drastic reductions in inventories had an adverse effect on results. Inventories of finished goods and work in progress were reduced to € 1.7 million.

The closure of the factory in the Czech Republic led to positive one-off effects arising from the sale of machinery to external third parties.

The measures that have been commenced point in the right direction. The first quarter of 2010 shows a positive trend in revenue and the development of earnings.

II. Net assets

1. Asset structure

	Dec. 31, 2009		Dec. 31, 2008		+/-	Dec. 31, 2007	Dec. 31, 2006
	EUR thou.	%	EUR thou.	%	EUR thou.	EUR thou.	EUR thou.
Intangible assets	6,263	9.1	15,107	14.9	-8,844	30,063	28,817
Property, plant and equipment	25,427	36.7	28,026	27.7	-2,599	28,472	25,071
Non-current financial assets	3,969	5.7	4,729	4.7	-760	9,544	1,215
Other assets	269	0.4	900	0.9	-631	453	0
Deferred taxes	5,840	8.4	3,431	3.4	2,409	1,768	1,799
Non-current assets	41,768	60.3	52,193	51.6	-10,425	70,300	56,902
Inventories	13,077	18.9	21,114	20.8	-8,037	28,219	23,771
Receivables and other assets	6,674	9.6	16,955	16.7	-10,281	25,472	26,426
Current assets	19,751	28.5	38,069	37.5	-18,318	53,691	50,197
Cash flow	7,779	11.2	11,012	10.9	-3,233	5,895	5,419
	69,298	100	101,274	100	-31,976	129,886	112,518

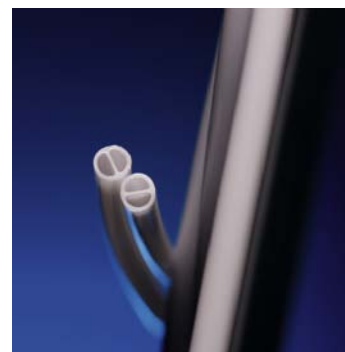
As at 31 December 2009, total assets were down year-on-year by € 32.0 million at € 69.3 million.

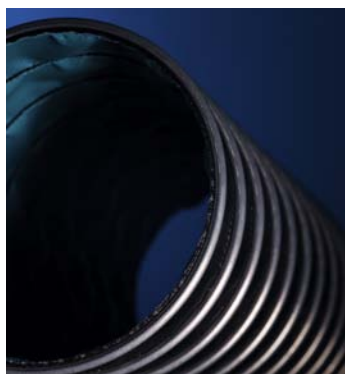
In summary, this reduction in total assets is due to the following effects:

- The sale of Angiokard Medizintechnik GmbH & Co. KG and thus the elimination of various balance sheet items (including inventories, receivables, non-current assets, liabilities).
- The use of inflows of liquidity, including from company sales, to reduce the debts of the Masterflex Group significantly.
- Further write-downs on goodwill were required on the balance sheet as a result of sales and current economic developments.
- The losses described under Results of operations, caused by the decline in revenue and non-recurring effects.

The effects on the asset structure are presented below.

Intangible assets were reduced by € 8.8 million in 2009 from € 15.1 million to € 6.3 million as at 31 December 2009, mainly owing to the write-downs required on goodwill at Angiokard Medizintechnik GmbH & Co. KG in the amount of € 3.6 million, which arose in connection with the disposal. Write-downs on goodwill of € 3.1 million were also carried out at SURPRO Verwaltungs GmbH, owing to the economic situation. In addition, fewer development expenses were capitalised and development projects extended beyond the capitalisation period.





As at 31 December 2009, property, plant and equipment was down year-on-year by € 2.6 million at € 25.4 million. The reduction was linked to the disposal of Angiokard Medizintechnik GmbH Co. KG, Techno Bochum GmbH and Tekov-SURPRO s.r.o. Further write-downs were also carried out on land and technical equipment, in line with their depreciation rates.

All other non-current assets remained overall at the same level as the previous year; deferred taxes rose by € 2.4 million as a result of the losses in 2009 but the positive taxable income expected in the next five years.

In current assets, inventories were significantly reduced by € 8.0 million to € 13.1 million. This was due to several factors:

- In order to secure liquidity, measures were implemented as part of the MOVE programme that contributed to a reduction in inventories that boosted liquidity.
- Inventories fell as a result of the sale of Angiokard Medizintechnik GmbH & Co. KG.
- On the basis of write-downs on the net realisable value, inventories were written down by € 0.9 million at SURPRO GmbH in particular in the annual financial statements.
- The sharp drop in revenue has also led to an overall reduction in inventories.

Trade receivables fell by € 3.0 million. In addition to the consolidation effect caused by the sale of Angiokard Medizintechnik GmbH & Co. KG in the amount of € 1.5 million, the reasons for this were the lower revenue volume and the associated reduction in the volume of receivables.

Other current assets fell by € 5.2 million to € 2.1 million. The reason for this was the receipt of the second price instalment of € 5.1 million from the sale of DICOTA GmbH, which was used for a direct reduction in debt. The claim for the final purchase price instalment for DICOTA GmbH of € 0.9 million was also reclassified from other non-current assets to other current assets, as it will fall due at the end of 2010.

Masterflex AG accrued income tax refund claims in 2009, which were used to reduce debts further. This led to a reduction of € 2.0 million in income tax refund claims.

Cash in hand was also reduced from € 11.0 million in the previous year to € 7.8 million at the end of 2009.

2. Capital structure

	Dec. 31, 2009 EUR thou.	%	Dec. 31, 2008 EUR thou.	%	+/- EUR thou.	Dec. 31, 2007 EUR thou.	Dec. 31, 2006 EUR thou.
Consolidated equity	782	1.1	14,644	14.5	-13,862	33,975	30,875
Minority interest	213	0.3	196	0.2	17	797	645
Total equity	995	1.4	14,840	14.7	-13,845	34,772	31,520
Provisions	1,302	1.9	1,263	1.2	39	1,308	1,320
Financial liabilities	19,472	28.1	21,536	21.3	-2,064	39,316	31,116
Other non-current liabilities	2,809	4.0	2,928	2.9	-119	3,198	2,814
Deferred tax liabilities	1,467	2.1	1,464	1.4	3	1,548	2,082
Noncurrent liabilities	25,050	36.1	27,191	26.8	-2,141	45,370	37,332
Provisions	2,895	4.2	3,539	3.5	-644	5,189	3,833
Financial liabilities	34,973	50.5	47,544	46.9	-12,571	29,183	19,330
Other current liabilities	5,385	7.8	8,160	8.1	-2,775	15,372	20,503
Current liabilities	43,253	62.5	59,243	58.5	-15,990	49,744	43,666
	69,298	100	101,274	100	-31,976	129,886	112,518

The main effects on the capital structure were as follows:

The change in consolidated equity recognised on the face of the balance sheet from € 14.8 million to € 1.0 million was almost entirely due to the net loss for the year of € -13.4 million.

In addition, current and non-current financial liabilities (including finance lease liabilities) fell from € 69.0 million at the end of 2008 to € 54.5 million at the end of 2009. This drop of € 14.5 million in financial liabilities represents a reduction in debt of around 20 %. The main effects of the reduction in debt were:

- Second purchase price instalment from the sale of the Mobile Office Systems segment (DICOTA GmbH) of € 5.1 million
- First purchase price instalment from the sale of Angiokard Medizintechnik GmbH & Co. KG of € 4.3 million
- Early part repayment of a debt by the existing shareholders amounting to € 1.2 million, in order to speed up the reduction in debt.
- Accrual of income tax refund claims amounting to € 2.0 million
- Reduction in cash in hand by € 1.9 million to reduce debt further

Trade payables fell by € 2.5 million, largely due to the decline in revenue, the associated lower purchasing volume and the sale of Angiokard Medizintechnik GmbH & Co. KG.

Provisions dropped from € 3.5 million in 2008 to € 2.9 million in 2009.

The amount shown under deferred income in 2008 is shown under other non-current liabilities as at 31 December 2009.





III. Financial position

1. Principles and objectives of financial management

A significant milestone in the 2009 financial year was achieved in summer 2009. Against the backdrop of the financial crisis, three called-in credit lines and a promissory note loan totalling € 12.0 million due in summer 2009, the Executive Board of Masterflex AG, in collaboration with the banking partners involved, succeeded in preparing a set of contractual regulations which will ensure the financing of Masterflex AG up to 30 June 2010. Collateral was also provided as part of these regulations.

The aims of the financial management of Masterflex AG in the short to medium term are:

- Ensuring and structuring financing on a long-term basis.
- Reducing liabilities to banks by generating liquid funds from operating activities and selling equity investments from the non-core business area.
- Injecting fresh capital in the context of a capital increase.

The mid-term aim is to establish a balance sheet structure that features an equity ratio of more than 30 %, thus giving more financial scope back to Masterflex AG.

2. Financing analysis

Financial liabilities (including finance lease liabilities) fell from € 69.0 million at the end of 2008 to € 54.5 million at the end of 2009.

Liabilities are composed as follows:

- Liabilities to banks, which are all included within the scope of the extension of all credit lines up to 30 June 2010, in the amount of € 44.4 million
- Amortising loans outside the bank pool in the amount of € 6.3 million
- Overdraft facilities outside the bank pool in the amount of € 0.5 million
- Leases in the amount of € 3.2 million
- Deferred interest in the amount of € 0.1 million

The structure of liabilities to pool banks is composed as follows:

- Promissory note loan due on 31 July 2009, but extended to 30 June 2010, of € 4,200 thousand
- Called-in promissory note loan due on 30 June 2010 of € 7,200 thousand
- Promissory note loan due on 1 August 2011 of € 7,000 thousand
- Promissory note loan due on 20 November 2012 of € 4,000 thousand
- Uncalled overdraft facilities of € 16,293 thousand
- Called-in overdraft facilities due on 30 June 2010 of € 3,997 thousand
- Tranche loan of € 1,000 thousand
- Amortising loans of T€ 700

Collateral has been provided for most of the borrowed funds already provided, which are reported as current liabilities due to the extension of all facilities up to 30 June 2010.

€ 15,400 thousand of the current credit lines will thus fall due on 30 June 2010. Masterflex AG will not be able to pay this from its cash balance. Therefore, in order to safeguard the continued existence of the Company, it is imperative that a solution be drawn up together with the banking partners by 30 June 2010 that ensures liquidity beyond 30 June 2010.

The Executive Board of Masterflex AG is currently working on a plan together with the lead banks which includes

- a possible reduction in the number of banking partners,
- a further reduction in debt,
- structuring the remaining financial liabilities over several years and
- raising fresh capital by means of an equity

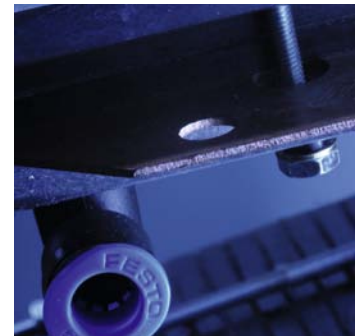
increase.

Thanks to the considerable success of the restructuring and cost-cutting measures, our relationship with our external financing partners has in the meantime improved significantly. The current talks about securing Group financing in the long term are therefore taking place on the basis of much more trusting cooperation. Based on the talks held to date with lenders, the Executive Board of Masterflex AG expects that a solution and structure mutually agreed upon with the banking partners will have been found by 30 June 2010, thus ensuring the continued existence of the Company.

IV. Liquidity position

Cash in hand fell by € 3.2 million year-on-year to € 7.8 million as at 31 December 2009. As explained in the Net assets section, the liquid funds generated in 2009 were directly applied to reducing Group debt.

While operating EBIT was slightly negative at € -0.3 million, non-operating expenses in the amount of € -3.3 million and the fact that the financial result was still severely negative at € -3.6 million both played a particularly significant role in reducing cash in hand. A detailed description of the liquidity position is given in the consolidated financial statements.



C. Corporate Governance Report

(also report pursuant to section 3.10 of the German Corporate Governance Code)

I. Declaration on corporate management pursuant to section 289 a of the German Commercial Code

1.1. Declaration of conformity with corporate governance pursuant to section 161 of the German Stock Corporation Act

Corporate governance traditionally enjoys high priority at Masterflex AG. The corporate principles of Masterflex AG are based on responsible management and supervision of the Company geared towards long-term value creation. Key aspects of this corporate governance are efficient cooperation between the Executive Board and Supervisory Board, protecting shareholders' interests and open and transparent corporate communications.

Section 161 of the German Stock Corporation Act (AktG) requires that the Executive Board and Supervisory Board issue an annual declaration stating that the Company has complied and will comply with the recommendations of the Government Commission on the German Corporate Governance Code published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette, or stating which recommendations have not or will not be applied and why. The declaration pursuant to section 161 AktG is to be made permanently available to the shareholders. The last annual declaration was issued in December 2009.

The vast majority of the provisions and recommendations of the German Corporate Governance Code have long been embodied in the Company's corporate culture. Masterflex AG follows the recommendations of the Code. Any deviations from the Code are explained.

The declaration of conformity of December 2009 is worded as follows:

Declaration of conformity with corporate governance pursuant to section 161 of the German Stock Corporation Act

The term corporate governance refers to responsible corporate management and supervision aimed at creating long-term enterprise value. Key aspects of good corporate governance are efficient cooperation between the Executive Board and Supervisory Board, protecting shareholders' interests and open and transparent corporate communications.

Masterflex AG is a stock corporation in accordance with German law. The Company is managed by the Executive Board and Supervisory Board accordingly. Corporate governance enjoys high priority at Masterflex AG. The Executive Board and Supervisory Board have worked closely together from the very start in the best interests of the Company and have maintained intensive and ongoing dialogue on the Company's development.



The German Corporate Governance 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”.

The Executive Board and the Supervisory Board of Masterflex AG declare that the Company has complied with the recommendations of the German Corporate Governance Code in the version dated 6 June 2008 and the additional recommendations published by the Government Commission on the German Corporate Code on 18 June 2009 in the interim since the last declaration of conformity given in December 2008, barring exceptions noted therein, and that it will 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

2.3.2 Electronic transmission of notice convening the Annual General Meeting

In future, and following corresponding approval by recipients, Masterflex AG will also transmit the convening notice along with convening documentation to said recipients by electronic means, but will continue to send this by post at the same time in order to reach shareholders who still do not have a sufficient technical connection available, thus refraining from formally limiting transmission to electronic media alone.

5.3 Supervisory Board (formation of 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 via 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.

We have a recognised financial expert on our Supervisory Board in the form of Mr van Hall. Where necessary, the Supervisory Board calls on qualified external help in order to assess difficult matters.

5.4.6 Supervisory Board compensation

Compensation paid to the Supervisory Board members currently consists solely of fixed components, being set out in the Company's Articles of Association. The Company will decide on the introduction of a variable component in the coming year.

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. Masterflex AG observes 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.

A Compliance Officer supports the implementation of the Code of Conduct in the Group and reports regularly to the Executive Board and Supervisory Board.

1.2 Relevant disclosures on corporate management practices

Structures for the management and supervision of Masterflex AG are set out in the Company's Articles of Association as well as in the Rules of Procedure for the Executive Board and Supervisory Board.

1.3 Description of the operating methods of the Executive and Supervisory Boards

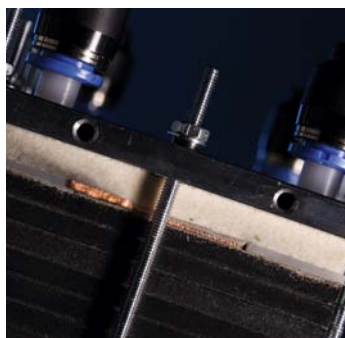
Masterflex AG is a stock corporation in accordance with German law. The basic principle of German stock corporation law is the dual management principle consisting of an Executive Board and Supervisory Board, which each have their own areas of responsibility.

The Executive Board of Masterflex AG is appointed by the Supervisory Board. The Executive Board of Masterflex AG manages the transactions of the Company and is bound to observe the best interests and business policy principles of the Company in the context of the provisions of the Stock Corporation Act. It determines the Company's strategic orientation. It consists of no fewer than two members. The Executive Board of Masterflex AG currently consists of two members: the Chairman and the Chief Financial Officer.

The work of the Executive Board is also governed by a set of Rules of Procedure, in which matters which are limited to the entire Executive Board and subject to the approval of the Supervisory Board, departmental responsibilities and the required resolution majority are set out. Each Executive Board member manages his area of work independently and on his own authority. In so doing, he undertakes to inform the entire Executive Board on an ongoing basis of any significant business affairs, as the allocation of individual areas of work does not exempt any member of the Executive Board from his joint responsibility for Company management as a whole.

The Executive Board generally attends all meetings of the Supervisory Board, reports on the individual agenda items and resolution proposals in writing and verbally, and answers any questions posed by the individual Supervisory Board members.

The central responsibility of the Supervisory Board consists of advising and supervising the Executive Board. With a total of three members, the Masterflex AG Supervisory Board is delib-



erately kept small in order to allow resolutions to be passed efficiently, rapidly and flexibly via streamlined structures, as is the case throughout the Group. There are therefore no separate Supervisory Board committees. The Supervisory Board also has its own Rules of Procedure.

The Supervisory Board may form committees from its own members, to which decision-making powers can also be assigned, to the extent that this is permitted by law. However, there are currently no committees in place, as the Supervisory Board is made up of three members, meaning that the duties of the Supervisory Board can be performed effectively and competently on a plenary basis.

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 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. Where necessary, the Supervisory Board calls on qualified external help in order to assess difficult matters.

It regularly discusses business development as well as plans, strategy and their implementation with the Executive Board. Significant corporate decisions, such as establishing the annual budget and investment plan, entering into or selling equity investments and larger financial measures, are all subject to its approval. The Supervisory Board may designate further transactions as being subject to approval. It is also responsible for approving the separate and consolidated financial statements submitted by the Executive Board, unless this responsibility is passed on to the Annual General Meeting.

Masterflex AG complies with the recommendations of the Corporate Governance Code and publishes a breakdown of the individual compensation of the Executive Board and Supervisory Board. Compensation paid to the Supervisory Board members currently consists solely of fixed components, being set out in the Company's Articles of Association. Fixed compensation is paid after the end of the respective financial year. The Annual General Meeting has the right to authorise payment of variable compensation, but has not exercised this option as yet. A decision on the potential introduction of a variable component is to be made in 2010 as part of a fundamental reform of Supervisory Board compensation.

Every year, the Chairman of the Supervisory Board explains the activities of the Supervisory Board and its committees in his report to the shareholders and at the Annual General Meeting. The remuneration system for the Executive Board is also explained in this process.

Shareholders and the Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting of Masterflex AG takes place within the first eight months of the financial year in the context of the statutory requirements given under section 175 of the German Stock Corporation Act. The Chairman of the Supervisory Board chairs the Annual General Meeting. The Annual General Meeting makes decisions on all tasks assigned to it by law (including granting discharge to the management, appropriation of net profit, electing Supervisory Board members, appointing the auditor, amendments to the Articles of Association, capital measures).



Securities transactions requiring disclosure of the Executive Board and Supervisory Board

An overview of the securities transactions requiring disclosure of the Executive Board and the Supervisory Board in Masterflex AG can be found on the Company's homepage www.masterflex.de under Investor Relations/Corporate Governance/Directors Dealings.

Stock option plans

In accordance with Item 7.1.3 of the German Corporate Governance Code, the corporate governance report must also contain specific disclosures on stock option plans and similar securities-based incentive schemes run by the Company. There are currently no stock option plans or similar securities-based incentive schemes in place.

Transparency

Providing standardised, comprehensive and up-to-date information is a high priority at Masterflex AG. Reports on the development of the Company are issued via the internet, in annual and interim reports, at analysts' conferences, press conferences and general capital market conferences and via ad hoc disclosures and press releases.

All information can be accessed on the Company's website at www.masterflex.de. Here, interested parties can sign up for a newsletter in order to receive regular information.

Masterflex AG keeps a list of individuals with insider information in accordance with section 15 b of the German Securities Trading Act (WpHG). The persons listed here have been informed of legal obligations and sanctions.

Accounting and auditing

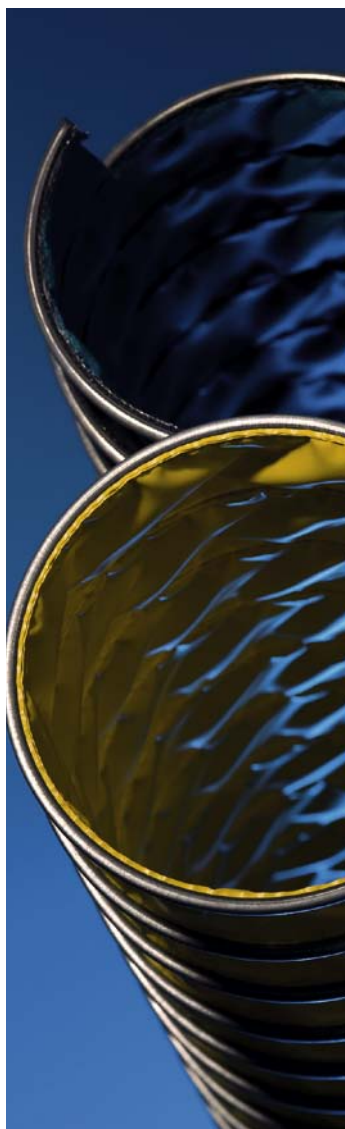
The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). After being prepared by the Executive Board, the consolidated financial statements are audited by the auditor and adopted by the Supervisory Board. The separate financial statements of Masterflex AG are prepared in accordance with the German Commercial Code (HGB). Interim reports are not reviewed by an auditor. A monthly report is also issued in accordance with International Financial Reporting Standards (IFRS).

It has been agreed with the auditor that he will inform the Chairman of the Supervisory Board immediately of any significant findings or events during the audit.

Management variables and control system

The internal corporate management systems have been improved considerably since 2008, so that undesirable developments can be recognised at an early stage and appropriate measures to counteract them can be commenced. With the efficiency programme "MOVE", new methods for business and action planning have been developed and the internal reporting system has been expanded considerably. The Finance/Accounting division has also been strengthened in terms of the number of staff.

In the future project "MOVE", the course has been set for the future and the successful development of the Company. This focuses on the expansion of the profitable High-Tech Hose Sys-



tems business unit. A concrete road map has been developed with strategic and operational milestones and defined time frames and has been published together with targets. Additional measures aimed at consistently lowering costs have also been added to the MOVE project in the wake of the intensifying economic crisis.

Key income indicators are the main focus of corporate management, targets for which are defined for the individual segments and the Group as a whole, as well as key liquidity indicators.

Corporate management has a strong focus on cash flow from operating activities. Future investments will be subject to demanding requirements regarding yield expectations and ROI (return on investment) before a decision is made to proceed. Consideration is also to be given to balance sheet key performance indicators that reflect the liquidity situation.

Risk management

Masterflex AG has set up a Group-wide risk management system that since 2008 has been and will continue to be subject to intensive reworking in order to establish an efficient Group-wide internal control system. A detailed presentation of risk management is given in the risk report.



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 2009	Variable compensation 2009	Severance payment	Total 2009
	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Chief Executive Officer, Dr Andreas Bastin	281	140	0	421
Executive Board member, Mr Mark Becks (since 1 June 2009)	113	40	0	153
Executive Board member, Mr Ulrich Wantia (until 15 May 2009)	97	0	15	112
Total	491	180	15	686

As shown in the above table, variable compensation was also paid to the Executive Board in office in the 2009 financial year in order to reward their particular personal commitment, which went above and beyond the call of duty. Taking into consideration the difficult economic situation of the Company, this was also granted based on the fact that, subject to very difficult overall conditions from an objective perspective, the current Executive Board was able to successfully implement the restructuring of the Group and obtain an extension of credit lines which was necessary for this purpose, but was by no means a matter of course.



For us, giving a transparent and intelligible presentation of Executive Board compensation has been a key element of good corporate governance for years, as the above explanation of variable compensation also shows. The total compensation of the members of the Executive Board consists of the following compensation components: fixed compensation, bonus, fringe benefits (remuneration in kind) and contributions to private pension schemes. The Supervisory Board is responsible for determining the compensation of individual Executive Board members in accordance with the German Act on the Appropriateness of Management Board Remuneration (VorstAG) which came into force on 5 August 2009 and a corresponding regulation in the Rules of Procedure for the Supervisory Board, which has in fact always been the case at Masterflex AG.

The compensation system in force was adopted by the Supervisory Board in its meeting on 15 April 2010. New additions are material adjustments to the compensation structure in the Executive Board contracts. Criteria for the appropriateness of compensation paid to the Executive Board are the responsibilities of the individual Executive Board member, his personal performance, the economic situation, the success and future prospects of the Company and the extent to which the compensation can be seen as normal, taking into consideration comparable industry peers and the compensation structure in force at the Company. Performance-related components, consisting of the bonus, include components with an assessment basis spread over several years. These provide long-term performance incentives and gear the compensation structure towards sustainable Company development.

The Executive Board contracts, which came into force in the year under review and provide new regulations on compensation components and other benefits, include provisions for the event that Executive Board activities are terminated prematurely without good cause. This is limited to less than the maximum permitted annual compensation for two years including fringe benefits (severance payment cap) and provides remuneration for no longer than the remaining term of the employment contract. A commitment to provide benefits in the event of the premature termination of Executive Board activities as a result of a change of control (change of control regulation) is also in place accordingly.

As regards the various compensation components:

The compensation of members of the Executive Board consists of non-performance-related and performance-related components. The non-performance-related components comprise fixed compensation and fringe benefits as well as contributions to private pension schemes, while the performance-related components contained in the bonus are broken down into a component that is effective immediately and a long-term incentive component that is only paid out in the third year following the base year. Reviews of the total amount and parameters take place regularly at the end of two years.

Executive Board members also receive fringe benefits in the form of remuneration in kind; this primarily consists of insurance premiums for disability insurance, a life insurance policy and private use of a company car.

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 not exercised this option as yet. Fixed compensation is paid after the end of the

respective financial year. There are plans to increase the compensation of the Supervisory Board in 2010, which has been comparatively low to date. In carrying out this increase, this will not only take into account the heightened responsibility of the members of the Supervisory Board as a result of legal provisions, but the increased compensation will also be paid to the Supervisory Board members on a standard basis in order to cushion the higher cost burden on the Company. This aspect is to accommodate the high workload of each individual Supervisory Board member on the existing Supervisory Board consisting of three people.

The Chairman of the Supervisory Board currently 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:

	2009 EUR thou.	2008 EUR thou.
Chairman of the Supervisory Board, Mr Friedrich Wilhelm Bischofing	14	14
Deputy Chairman of the Supervisory Board, Professor Dr Detlef Stolten	11	11
Supervisory Board Member, Mr Detlef Herzog (until 11 August 2009)	0	7
Supervisory Board Member, Mr Dipl.-Kfm. Georg van Hall (since 11 August 2009)	7	0
Total	32	32

III. 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 of Masterflex AG is not aware of any restrictions affecting voting rights or the transfer of shares.

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

There are no shares with special rights that grant the authority to control.

In accordance with section 76 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 section 84 of the German Stock Corporation Act and 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.





Any amendment to the Articles of Association requires a resolution by the Annual General Meeting. In accordance with section 179 of the German Stock Corporation Act, a resolution by the Annual General Meeting requires a majority of at least three quarters of the share capital represented when the resolution is passed. The Articles of Association can stipulate a different majority, although only a larger majority for a change to the purpose of the Company. 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. This also applies to amendments to the Articles of Association. In accordance with Article 14 (5) of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association that affect only the wording.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions up to 31 July 2014 by issuing up to 2,250,000 new no-par value bearer shares in exchange for cash and/or non-cash contributions, by a maximum value of € 2,250,000.00 (authorised capital for 2009). Subscription rights can be disappplied in accordance with the more detailed provisions of the authorisation.

The Company's share capital has been conditionally increased by up to € 2,250,000.00 through the issue of 2,250,000 new no-par value bearer shares. The contingent capital increase serves to secure the granting of options and the arrangement of warrant obligations in accordance with the conditions for bonds with warrants to the bearers or creditors of warrants from bonds with warrants or to secure the fulfilment of conversion rights and conversion obligations in accordance with the conditions for convertible bonds for the bearers or creditors of convertible bonds issued by the Company during the period up to 31 July 2014 on the basis of the authorisation granted at the Annual General Meeting on 11 August 2009.

The Annual General Meeting on 11 August 2009 authorised the Company to acquire treasury shares with a notional interest in the Company's share capital of up to € 450,000 until 10 February 2011.

The Executive Board was also authorised, in accordance with the more detailed provisions of the authorisation and with the approval of the Supervisory Board, to sell the acquired treasury shares to third parties with shareholders' subscription rights disappplied in exchange for non-cash contributions and/or to sell the acquired treasury shares in exchange for cash contributions in a manner other than via the stock exchange or the circulation of an offer to shareholders, with the approval of the Supervisory Board and with shareholders' subscription rights disappplied.

IV. Disclosures in accordance with section 289 (5) of the German Commercial Code

The risks of financial reporting lie in the fact that our annual and interim financial statements could contain misrepresentations that could potentially have a significant influence on the decisions of recipients. We have therefore developed an internal control system (ICS) for accounting, which aims to identify potential sources of error and to limit risks arising from them. This internal control system extends to the entire Masterflex Group and is constantly being

refined. The major foundations of accounting are documented in an accounting manual, which is also being developed on an ongoing basis and adapted to new legal requirements.

The structure of the accounting ICS is based on the organisation of our accounting and financial reporting process. One of the key functions of this process is the management of the Group as a whole and its operating units. The targets developed by the Executive Board of Masterflex AG form the starting point. Rolling medium-term plans are drawn up on the basis of these and our monthly forecast plans for operating development. The ICS is to be reviewed thoroughly at least once a year to ensure that it is effective and efficient.

We identify risks in financial reporting at the level of the business units using quantitative, qualitative and process criteria. Our generally binding guidelines and ethical values form the basis of the ICS. In a control process that was refined in 2009, we will in future provide evidence once a year that the necessary control measures actually took place and were implemented correctly.

This will be carried out by external auditors, an internal risk manager and the managing directors or heads of department responsible for implementing the checks.

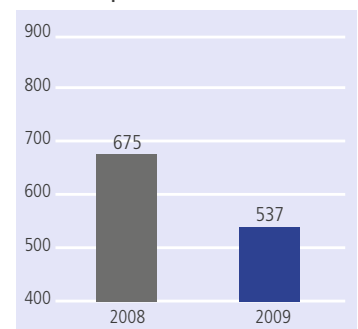
The internal control system for accounting and its effectiveness have increasingly been a regular feature in meetings of the Supervisory Board since 2008.

D. Employees

Our success on the market and our technological leadership with numerous innovations would have been impossible without the creative and committed employees in our core business with High-Tech Hose Systems. Reliability and trust are the basis for constructive cooperation. Many of our employees have worked at the Group for many years and have built up a close relationship with our customers and suppliers. Our developments often come about in collaboration with our customers. We 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 directly 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 survey at the start of 2009.

During the economically difficult times in 2009, we therefore made use of reduced working hours where possible in our core business, in order to keep experience within the Company and to avoid redundancies as far as possible. A large proportion of the adjustments to the workforce were unavoidable, particularly at the SURPRO Group, in view of the dramatic decline in revenue and earnings. In comparison with the previous year, it must also be noted that the decline was partly attributable to the sale of TechnoBochum GmbH and Angiokard Medizintechnik GmbH & Co. KG. The overall decline in the number of employees at the Group as at 31 December 2009 was 20.4 % or 138 employees (2008: 675).

Staff development



Even during the crisis, the Masterflex Group fulfilled its social responsibility with regard to its positive future plans. Together with many of our subsidiaries, we have offered training facilities for several years. In the 2009 financial year, a total of 15 trainees were employed throughout the Group (2008: 20). We will continue our commitment to training in 2010, as, despite our international expansion plans, Germany remains important to us and is at the heart of our development.

Contact with training establishments is to be intensified further. In addition to work placements for school pupils and students, we will present ourselves more to qualified young professionals by participating in school and university open days, for example. We have also cooperated on site with schools for many years on careers orientation days.

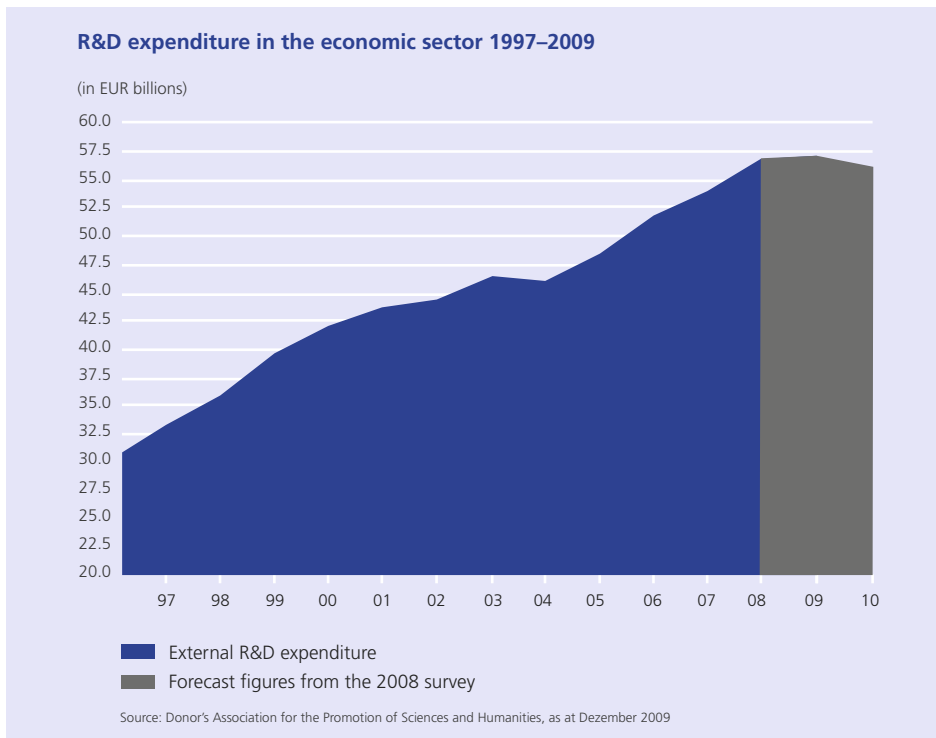
We are fully aware that a committed and satisfied workforce is no less important than the satisfaction of our customers. Employees at all levels who are due to become parents are therefore given the option of working part-time or achieving a personal balance between work and family through flexible working hours. Active use is made of this in many divisions of our Company, to our mutual satisfaction. In view of our internationalisation activities and plans, we have offered employees at our head office various language courses on an ongoing basis since the end of 2008.

Managers and employees get together in annual meetings to carry out and exchange performance appraisals and to set new targets. Moreover, employees who are particularly qualified or whose performance is particularly outstanding receive targeted support in their personal and professional development. As an incentive scheme, the Masterflex Group has developed a remuneration system for managers that includes variable components. The variable component is based on the performance of the respective employee and of the Company as a whole. 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.



E. Research and Development



According to the Official Journal of the European Commission from November 2009, companies in the European Union (EU) spent 8.1 % more on research and development in 2008 than in 2007, despite the economic crisis. This means that the rate of increase remained more or less constant over two years. Companies in Japan and the USA also stepped up their investment in new products, although the increase – 4.4 % and 5.7 % respectively – was smaller. The growth rate in expenditure on research and development by EU companies was therefore higher than that of US companies for the second consecutive year. In comparison with Japanese companies, this was the case for the fourth consecutive year. Worldwide, investment by industry in research and development rose by 6.9 % – less than in 2007 (9 %) and 2006 (10 %). The figures published in the Official Journal are based on the information provided by the 2,000 companies with the highest research and development (R&D) spend.

According to the Donors' Association for the Promotion of the Sciences and Humanities, German companies increased expenditure on research and development slightly in 2009, despite the economic crisis. The figures show that total R&D expenditure in the German economy increased to € 57.4 billion in 2009 (2008: € 57.3 billion). Germany is a leading high-technology country and is in second place in the global rankings for the number of patents registered each year.

According to the data available, R&D expenditure fell in 2009 in the rubber and plastics industry, which is dominated by small and medium-sized companies. The share of R&D in the gross domestic product was 1.84 % in 2008, an increase on 2007 (1.78 %). Combined with the share of research attributable to universities and the government (0.77 %), R&D intensity in Germany stood at an estimated figure of around 2.6 %, still 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. Up-to-date and efficient innovation management has already been implemented. 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-intensive or cost-intensive development. In 2009, our research and development expenses totalled € 708 thousand (2008: € 1,071 thousand), corresponding to 1.3 % of consolidated revenue (previous year: 1.2 %). Of this amount, development costs totalling € 161 thousand were capitalised (2008: € 602 thousand). The majority of the remaining expenditure of € 547 thousand (2008: € 469 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.

Thanks to our active innovation management, research and development is set to become more effective and streamlined 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 is to be further expanded in the future, with a particular focus on the optimisation of material properties.

II. R&D projects 2009/2010 – 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.

The Masterflex-PUR inline hose is a new special host with a seamless and smooth inner lining. Another model in this series is a hose that is high pressure-resistant. Product types with an extremely smooth inner lining varying in shore hardness are a focus of our development projects. These can be used in extremely abrasive operating conditions. Further development varieties will be produced.

Hoses made from renewable raw materials are a further focus of our development activities. These completely new types of extruded profile hoses combine various features which up to now have only been provided on an individual basis by different products, such as good chemical resistance, excellent abrasion resistance and good flexibility at low temperatures.

A number of our development projects are aimed at improving material properties, which will provide our hose systems with further areas of application and therefore sales markets.

In the area of medical components, we are working towards expanding the range of catheters available. Projects include the production of anti-bacterial catheters with a new active principle, hoses for self-catheterisation and radiopaque hoses.

Cooperations

The cooperation commenced in 2007 with the Innovation Centre at the Harz University of Applied Sciences, Halberstadt, was continued in 2009. 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 with positive results.





III. R&D projects 2009 – Mobility

We are working on innovative, environmentally friendly mobility concepts in the Mobility segment. In the area of fuel cell technology, we are concentrating on systems of up to 250 watts. 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, our applications are also used 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.

The innovative “Lopes” low pressure security system for fuel cell systems was further developed in 2009. 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. 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 CO₂ 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 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, we had requested reduced working hours for a few Group companies in order to avoid redundancies of qualified employees as far as possible. We lifted reduced working hours at the sites affected in Germany from February 2010 onwards.

It should also be noted that, following the granting of the loan extension up to 30 June 2010, the Executive Board is currently in close consultation with lenders in order to draw up a restructuring of Company financing. This had not produced a conclusive result by the date on which this report was produced. The Executive Board expects that the future financing concept will be completed by no later than 30 June 2010. The annual financial statements have therefore been prepared on a going concern basis.





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 2009

Masterflex AG has set up a risk management system that has been subject to intensive re-working since 2008 and will continue to be further developed on a continuous basis, both now and in the future, in order to establish an efficient Group-wide internal control system. The improvement process for internal control mechanisms launched in 2008 was continued in 2009. A project team has been put together which analyses and further develops the risk management system. This focused on identifying and communicating risks.

Continuous deviation analyses allow for potential risks to be identified and assessed at an early stage and incorporated into the decision-making process, on the basis of the Group's strategic planning and medium-term financial planning, 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. The subsidiaries send qualitative monthly reports which outline significant events from all business units and give an overview of the development of key ratios. Market and competitive analyses are also performed in order to further increase risk transparency.

Decentralised risk management is responsible for performing regular reporting with the aim of identifying risks, assessing and documenting them in terms of the potential damages and the probability of their occurrence and communicating deviations promptly. 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 factors

1. Market risks

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

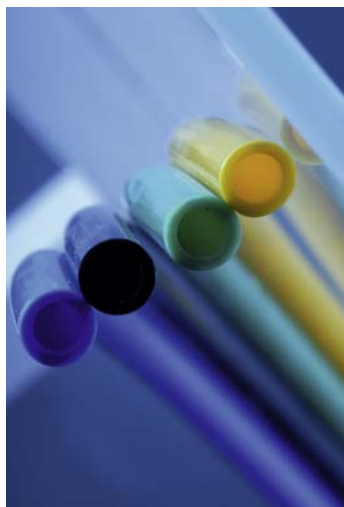
On the sales side, risks may continue to arise as a result of the severe recession. Parts of the Masterflex Group also cannot entirely escape current economic trends. The further business development of Masterflex AG is dependent on the effectiveness of the global economic stimulus programme and thus 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.

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. 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.

Overall, we will counteract the potential increase in competitive pressure in our business units by continuously improving our products, services and business processes. Prices may suffer as a result of the aggressive behaviour of our competitors. We are countering this with a programme which has already been launched to restructure our cost structure.

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 euro 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. Efforts are being made to press ahead with the expansion of an innovation management process for this purpose. 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 the 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. A project controlling system has been put in place in order to minimise undesirable developments and the associated financial expense.

5. IT risks

The continuous availability of IT systems is a vital factor in ensuring the operability 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

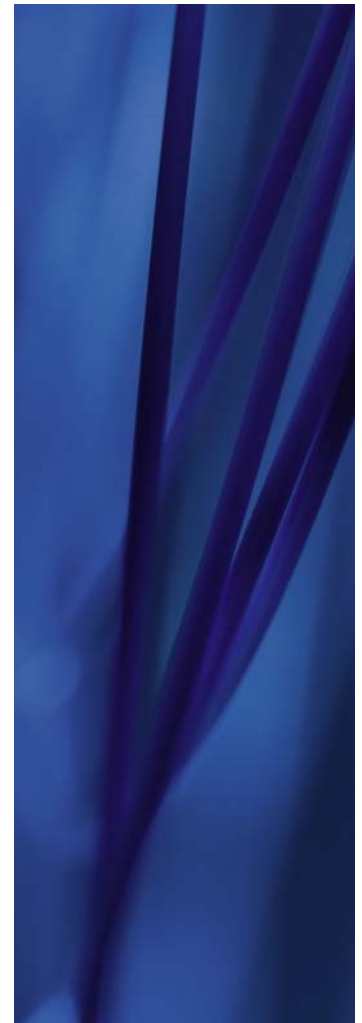
The performance of our employees is a vital factor in our Company's continued growth and development. We compete with other companies in our efforts to attract highly qualified employees and managers. We do not consider there to be any significant risk to our ability to employ the necessary specialist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

The capital and financial market has changed unexpectedly and in an unprecedented manner as a result of the severe financial and economic crisis. 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.

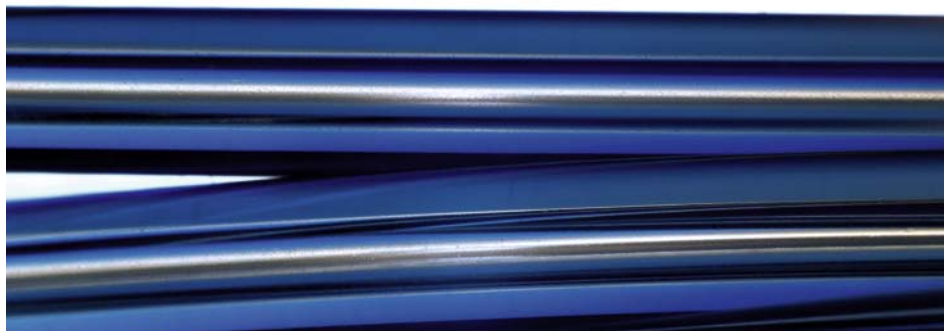
In addition to global risk factors, the expected positive development of the net assets, financial position and results of operations of the Masterflex Group may be considerably negatively impacted by negative business trends in individual sectors or economies. Recessive trends in the overall economy 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. A loan extension has been ensured by the banks up to 30 June 2010. The Executive Board is extremely confident that it will have developed a sustainable plan by then together with its lenders in order to ensure further financing and thus the continued existence of the Company. The separate financial statements and the consolidated financial statements have thus been prepared on a going concern basis. On this basis, the Executive Board also assumes the continued existence of the key subsidiaries.



IV. Individual risks

We cannot currently rule out the possibility that developments may deviate from our forecasts in the following two 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. An extension until 30 June 2010 has been granted for the first tranche of a promissory note loan due on 31 July 2009. € 15.4 million will fall due on this date, which it will not be possible to pay from the cash balance of Masterflex AG alone. The Executive Board of Masterflex AG is therefore working in close collaboration with its financing partners, under the guidance of a lead bank, to draw up a plan which will ensure the liquidity of the Company beyond 30 June 2010.

Based on the progress made to date in talks held with lenders and equity investors, the Executive Board of Masterflex AG is expecting to have found an amicable and sustainable solution and structure by 30 June 2010 which will ensure the continued existence of the Company.

2. SURPRO Group

Since the 2008 financial year, SURPRO GmbH, which is primarily a manufacturer of preliminary products for the writing implement industry, has seen considerable declines in both incoming orders and revenue as a direct result of the financial crisis, which has also impacted the luxury goods market. We cannot rule out the possibility that the net assets, financial position and results of operations may continue to be negatively impacted in 2010 despite the measures introduced. As a result of the profit transfer agreement agreed with SURPRO Verwaltungsgesellschaft GmbH, the effect on SURPRO GmbH would have a direct impact on Masterflex AG.

3. De-investments

A sale of the two business units Advanced Material Design and Mobility is currently being examined. The potential sale of the two business units could bring with it further write-down requirements in the wake of deconsolidation as part of a sale, depending on the sale price. However, the two business units are to be seen as differing entities in this process:

- The SURPRO Group is currently operating in a difficult market environment and is furthermore still highly dependent on one market segment. Even if the restructuring and expansion of the customer basis start to show initial positive results, a sale at this point in time could bring with it further write-down requirements. Although SURPRO GmbH goodwill has been written down in full in the 2009 annual financial statements, it is still possible that, in the event of a sale, a further write-down requirement will arise as part of capital consolidation. This would be the case if the sale price does not correspond to the intrinsic value of the company and is lower than the equity of SURPRO GmbH.

With regard to the sale of the SURPRO Group, based on this initial situation, the Executive Board of Masterflex AG will only decide on whether and when the segment will be sold in consultation with the Supervisory Board once the corresponding purchase price offers have been submitted.





- By way of contrast, as a result of the positive development of Mobility GmbH, we are not expecting any further write-down requirements in the event of a potential sale. Here, potential write-down risks could result from write-downs on Group receivables alone. As at 31 December 2009, these totalled approximately € 4.4 million. This would need to be offset against the sale proceeds.

Overall, focusing on the High-Tech Hose Systems core business, generating liquid funds and reducing the debt of the Masterflex Group further take priority over avoiding any potential write-down risks that could still arise in the event of a sale of equity interests in companies.

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

There are increasing signs of improved economic development in 2010. The German economy has started the new year full of optimism. The Ifo Business Climate Index increased for the tenth time in a row at the start of the year, and this increase was much stronger than expected. The assessment of the situation and expectations both improved further. The German Engineering Association (VDMA) expects slight growth in machinery production in 2010.

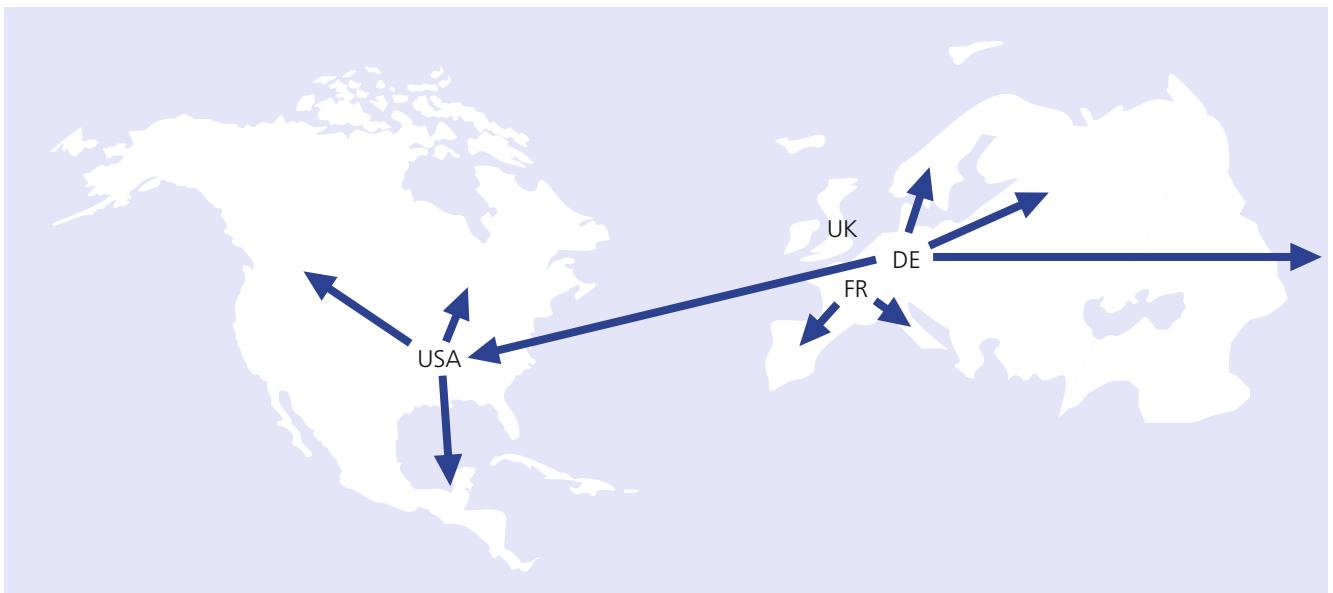
Nevertheless, declines cannot be ruled out. According to the experts, it will only become apparent this year whether or not an upturn has already taken place, once the impact of the economic stimulus packages runs out. In particular, the expectations of companies for the first six months of 2010 are evidence of growing optimism. In the industrial sector, the business climate index increased noticeably.

However, the Bundesbank is not ruling out altogether the possibility of a credit crunch in Germany in the coming months. It explains that, in contrast to earlier recessions, the banks have been having a particularly hard time, meaning that the possibility cannot be ruled out that these banks will not be able to adapt their credit supply quickly enough to the increasing requirements of companies in the event of a recovery of the economy.

The Organisation for Economic Co-operation and Development (OECD) anticipates a slight upturn in the German economy of 1.6 % in 2010, whereas the German government is expecting 1.4 %. According to the OECD, this growth will be driven by exports, which will grow by 7.2 % in the coming year and a further 8.1 % in 2011. Germany will benefit from the revival of the global economy in this process: It believes the global upturn will be driven by China, boosted by a huge economic stimulus programme and the fact that it has been only marginally affected by the financial crisis. The economies of the USA and the euro zone will benefit from the economic stimulus packages, the recovery of global trade, companies building up their inventories and the stabilisation of the real estate market.

Against this overall backdrop, 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 currently serve more than 10,000 customers. Despite this broad-based structure, the High-Tech Hose Systems business unit was also affected by the most severe recession since the Second World War in 2009. However, based on the lower dependency of individual industries, we expect to be able to recover from the recession quicker than the overall market.

Our long-term strategy includes entering into new markets with existing products and creating new markets with product innovations. 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:

Opportunities of the High-Tech Hose Systems core business area

Materials of the future with substitution potential

High degree of materials and processing expertise

Profitable niche markets

Customer-oriented products with a high claim to problem-solving

Economies of scale through market leadership

High degree of innovation

Significant barriers to market entry

- We work with materials of the future

Advanced polymers, 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 advanced polymers.

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 PlasticsEurope association firmly believe that plastics can make a decisive contribution to solving problems such as climate change, energy efficiency and shortages of resources.

- 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 advanced polymers, 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.

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

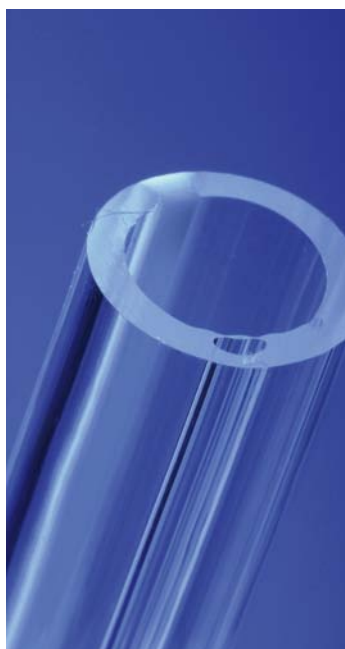
These are also produced using an extrusion procedure. Medical technology is a profitable subsegment of the healthcare market and one of the few growth areas in the difficult German market, which is currently dominated by cost savings. Our markets are areas where we can benefit from this trend by offering 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.

- 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.

- 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 lower, meaning that we are able to generate economies of scale. This means we are well positioned compared to any potential new competitors.

- **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, the first connector systems made of polyurethane and hoses made of renewable raw materials. Many of Masterflex's past innovations have become standard industrial solutions. For this reason, innovation management is our topmost priority.

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. Advanced Material Design

The current business model is strongly oriented to the luxury goods market. As a result of the negative performance in the 2009 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.



II. Outlook

1. Group outlook

Since August 2009, we have posted a slight recovery in our core business, as have other sectors, which intensified as at the start of 2010. We are therefore optimistic that our development will improve as the overall economy continues to stabilise, particularly since we are focusing all of our market development efforts on the further differentiation and internationalisation of our profitable High-Tech Hose Systems core business. We are also expecting positive or slightly improved development in the Mobility and Advanced Material Design business units. However, we are still not certain when exactly our customers will return to normal ordering patterns appropriate to the respective market situation. We will nevertheless hazard a forecast, but please note that this carries a high degree of uncertainty and may be adjusted over the course of the year if necessary depending on economic development.

Despite uncertain economic development, we expect that we will experience considerably stronger growth than the market average thanks to the measures we have introduced and our technological expertise. We are expecting growth in consolidated revenue of between 5 % and 10 % in 2010.

As restructuring is not yet complete, consolidated EBIT in 2010 will once again be impacted primarily by legal and consulting costs arising from further potential sales as well as capital measures. For reasons of precaution, we have once again taken into consideration losses from non-core business activities and the necessary restructuring costs in our planning. Nevertheless, we are expecting a considerable improvement in operating EBIT and a significant positive consolidated EBIT (including extraordinary costs).

In terms of costs, numerous measures were introduced in 2009 which, together with the disposal of companies, have helped to reduce net debt by a further 20 %. However, this positive development was offset by the write-downs required in connection with these disposals, leaving us with an unsatisfactory equity ratio at its current level of 1.4 %. Financial restructuring is still our utmost priority in order to regain our ability to act. Our options are highly dependent on how fast and extensively we can achieve this. Our schedule includes a solution being drawn up within the first six months of 2010, as the loan commitment is subject to a duration up to 30 June 2010 and we intend to present a sound, sustainable plan by then.

Thanks to the considerable success of the restructuring and cost-cutting measures, our relationship with our external financing partners has in the meantime improved significantly. The current talks about securing Group financing in the long term are therefore taking place on the basis of much more trusting cooperation. Based on the talks held to date with lenders, the Executive Board of Masterflex AG expects that a solution and structure mutually agreed upon with the banking partners will have been found by 30 June 2010, thus ensuring the continued existence of the Company. The Executive Board is in close cooperation with the financing partners with a view to achieving this. In the medium term, our objective is to regain an equity ratio of over 30 %.



We are convinced that with its strong market position, technological expertise and high-quality products, the Masterflex Group has excellent potential for growth. With capacity adjustments that have already proved successful and a strict cost and working capital management strategy, we intend to improve our profitability and restore and ensure in the long term our independent liquidity, as well as returning to our former earnings power.

2. Business units

High-Tech Hose Systems

The High-Tech Hose Systems core business unit did not escape the severe recession in 2009. However, it was able to absorb the negative impact thanks to its broad base. The relative strength of the core business and thus its potential are particularly apparent in the fact that demand for highly-specialised high-tech hose systems started to strengthen again back in autumn 2009, right back when the economic mood started to brighten, whereas consumer goods, for example, were still having to contend with falling sales at the start of 2010.

Business development in the German plastics industry exceeded expectations to a significant extent in the second half of 2009, and the industry is also expecting improved business in the first half of 2010. This is the finding of a survey carried out by the sector service „KI – Kunststoff Information“. The majority of companies are confident that this upward trend will stabilise no later than the middle of the year, leading to a solid recovery phase. However, a return to pre-crisis levels is not expected until 2011 at the earliest.

The National Association of Plastics Processors (GKV e.V.) also believes the recession will bottom out in 2010. Demand did pick up again in February 2010, yet the GKV is not expecting a rapid or continuous upturn. Lending is still extremely restrictive and demands placed on collateral are enormous. According to the GKV, the main success factors for the plastics processing industry in Germany are expertise and capacity for innovation. Masterflex AG relies on these factors too, in addition to the potential offered by its increasing internationalisation.

The main focus of our internationalisation strategy in 2010 is further successful leveraging of the American market. The markets served by us are experiencing stable development which is relatively unaffected by the recession. We will also widen the scope of our expansion in Europe. Furthermore, further marketing and sales measures are planned in order to bring us even more in line on both a national and international basis, allowing us to best exploit all available potential.

We will apply our materials expertise in the industrial hose industry in order to expand our range of medical infusion hoses and catheters. This is also a profitable niche market with a low level of competitive pressure and a promising outlook for the future. Medical technology is a profitable growth area of the healthcare market, which in Germany is dominated by cost savings. The German medical technology industry has so far come through the economic crisis largely unscathed. After a fall in revenue of 1.4 % to € 18.8 billion in 2009, the German Industry Association for Optical, Medical and Mechatronical Technologies (Spectaris – Berlin) is expecting a return to growth of 6 % in the current year.

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). Further trends include the increased use of keyhole surgery.



Our markets are areas where we can benefit from this trend towards making cost savings 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.

For this reason, we are expecting further economic recovery in the High-Tech Hose Systems unit over the course of 2010 and we anticipate an increase in segment revenue from 7 % to 10 % in 2010. Operating EBIT will improve considerably as a result of this. As regards 2011, we are optimistic that the EBIT situation will come close to a level also achieved in the past, once the restructuring is complete and through the accelerated expansion of the High-Tech Hose Systems business unit.

Mobility

The new Mobility business unit has interesting potential for expansion, which will allow us to develop the unit into an economically successful unit over the next few years. Added to this is the increasing interest in environmentally friendly alternatives and the further networking of the energy industry, supported by government policy, in order to develop environmentally friendly technologies. Experts estimate that the E-Bike market will experience further strong growth and that the number of bikes sold will rise to approximately 150,000 in 2010. This compares to only 25,000 in 2005.

In the context of the focus placed on the core business and building on the high technological standard achieved and already ongoing successful projects, we are looking into selling the Mobility segment in the medium term.

The technological success to date lies in the continual further development of fuel cell systems, which today provide stable and reliable performance. 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.

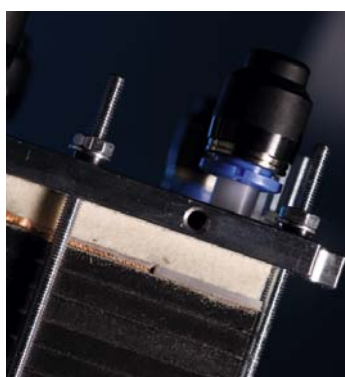
We intend to ramp up the active marketing of our fuel cells in 2010. Cooperations are also planned.

The use of our Cargobikes in the European HyChain project will continue in 2010. We are also well-positioned in terms of our electric bicycles. General demand for electric bicycles is high. For this reason, we are optimistic that we will increase revenue further, and therefore anticipate revenue growth of more than 20 %. However, it is even more important that positive contributions are made to earnings. Based on the intensive marketing activities planned, we are still expecting slightly negative EBIT of € -0.3 million in 2010. The EBIT situation should improve considerably from 2011 onwards and increasingly perform on a positive basis.

3. Advanced Material Design

As at the start of 2010, the economic situation and confidence in the German galvanisation industry improved thanks to the slight recovery of the industrial sector. Despite some uncertain factors, growth in revenue of 8 % is expected this year.

Our subsidiary SURPRO GmbH is still particularly hard hit by the economic and financial crisis. This difficult situation will persist in the 2010 financial year, yet the slightly positive development of the first few months of the year give cause for hope. Our measures are aimed at



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.

From today's perspective, the measures we have introduced to give the business a broader base will not begin to take effect on a sustainable basis until 2010. It is also not possible to predict how quickly the economy will pick up again or whether there is a possibility that declines will arise.

Following the extremely difficult 2009 financial year, we are only expecting slight growth in revenue, yet are cautiously once again anticipating negative EBIT of approximately € -1.4 million in the Advanced Material Design segment. Here, we do not expect any significant improvement until 2011 onwards.

Surface technology is an area that does not offer any synergies with our High-Tech Hose Systems core business. We are therefore examining the possibility of a sale.

III. Our vision

Our core business has underlined its strengths and profitability, even during the crisis. Our starting situation has considerably improved compared with the situation in 2008/2009. We have made a positive start to the 2010 financial year. We will continue to implement our defined measures rigorously and make further successful progress as regards the two major issues of "innovation" and "internationalisation" in our High-Tech Hose Systems core business. We are convinced that we will continue to make significant progress as a result of these measures, both in economic and strategic terms. Moreover, our future prospects are excellent, as our materials and innovation expertise is high and we have only just started tapping into the development potential offered by high-tech polymers.

This year, we are once again faced with huge challenges. We need to organise our capital structure on an extensive and as long-term a basis as possible. Our restructuring policy focused on long-term performance is the logical first step in restoring Masterflex AG to a healthy, high-growth company and bringing us closer to our vision.

Our vision is to become a global leader in all the specialist markets we have defined and serve. In so doing, we will concentrate on our main core expertise, which lies both in processing demanding high-tech polymers and in the innovative development of solutions for specialist connector systems, hoses and application components.





NEW HORIZONS

determine actions.

THE MASTERFLEX SHARE



The stock market in 2009

Despite the worst economic crisis since the 1930s, the DAX increased by 25% in 2009, thus posting the best stock market year since 2005. Nonetheless, it was still below its position at the beginning of 2000.

However, the trend over the course of the year was very mixed. Whereas in January the DAX was still at 3,588.89, political measures to combat the crisis were followed by a rally which took the index to 5,957.43 at the end of the year. The MDAX outperformed the DAX in 2009 increasing by 32%, while the SDAX also moved up 25%.

The DAX beat several international indices. The British FTSE closed up 21%. The Dow Jones and Nikkei index also showed worse performances at 20%. The emerging economies boomed the most. China's stock exchange in Shenzhen gained 114%, as the economy grew by almost 10% in 2009, despite the financial crisis.

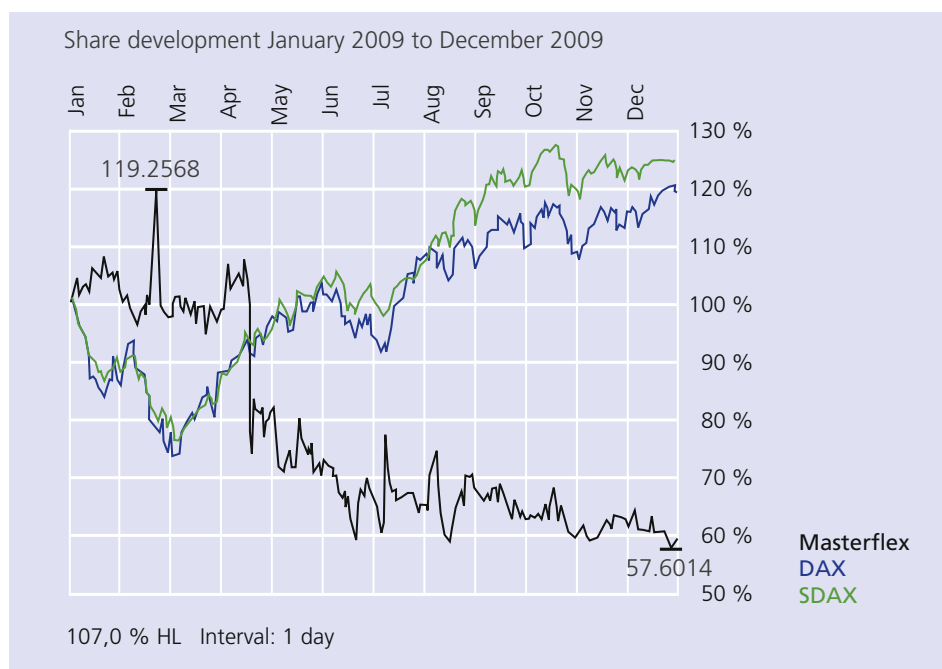
The market for IPOs almost came to a standstill in 2009, after already experiencing a severe drop in 2008. There was only one IPO in the Prime Standard, after two new issues in 2008. Capital increases therefore shaped stock issues. Without the issues by Hypo Real Estate, for which the German government was a financier, the issue volumes were €12.4 billion and thus 50% above the previous year, according to calculations by Kirchhoff Consulting. The number of capital increases in 2009 decreased by three to 96.

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 sponsor	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 2009



Masterflex AG's share price performance was driven by the restructuring and the associated burdens. The announcement of the company's results for 2008 – which were marked by extensive write-downs and the restructuring of corporate financing that had not been completed at that time – led to a severe downturn in April 2009. Following the announcement of the loan extension by the banks on 10 July 2009, the share price stabilised at around € 4.00 with some minor fluctuations. The share price increased by 7.77 % (Xetra) in response to the sale of Angio-

kard, but remained on the same level. The price then fell again at the end of the year, ending at €3.50. This corresponds to a performance of -41.7%. The trading floor closing price was €3.35. This corresponds to a yearly performance of -45.1%.

Share price statistics

		2010	2009	2008
Xetra	2 Jan. to 31 March			
Highest variable price	€	4.38	7.06	20.36
Lowest variable price	€	2.84	3.41	5.47
Opening price	€	3.60	6.00	20.10
Closing price 30 Dec./31 March	€	4.14	3.50	6.00
Performance		+15.0 %	-41.7 %	-70.2 %
Floor trading				
Highest variable price	€	4.20	6.98	20.25
Lowest variable price	€	2.81	3.35	5.44
Opening price	€	3.62	6.10	20.11
Closing price 30 Dec./31 March	€	3.95	3.35	19.18
Performance		+9.1 %	-45.1 %	-18.0 %
All-time high	€	39.00		
All-time low	€	2.81		

The first quarter of 2010 was dominated by the fact that a new all-time low of less than € 3.00 was reached in February. The price then recovered considerably, reaching a new 6-month high on 15 March and 16 March 2010 of € 4.38 and € 4.20 respectively. This is equivalent to a price gain of 54.2 % and 49.5 % respectively in relation to the all-time low.

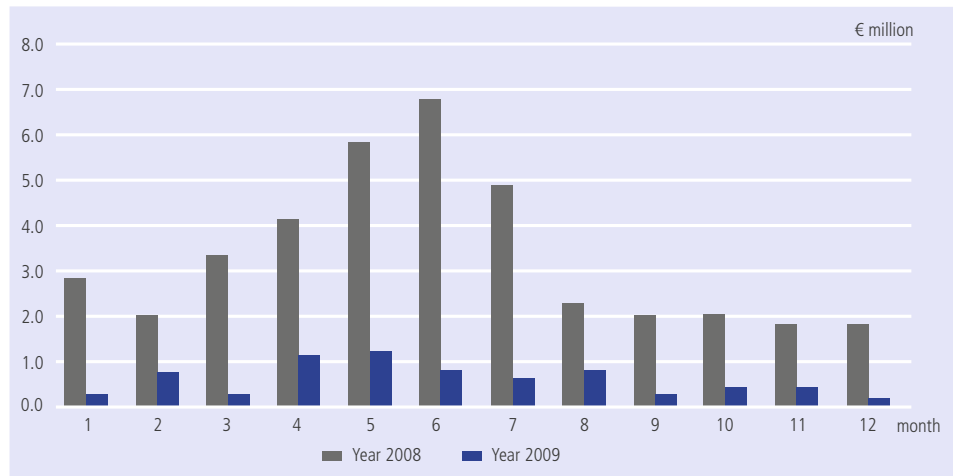
The prospects for Masterflex's shares lie in the fact that the restructuring has so far been very successful. The concentration on the core business field of High-Tech Hose Systems which is profitable even in times of crisis offers great growth potential. The success in this business area is based on our high degree of materials expertise, combined with our innovative capacity, the potential of our high-tech materials and our stronger internationalisation strategy.

Accordingly, the primary objective of our investor relations activities is to communicate the Group's potential and performance despite the considerable non-operating expenses and to outline in a transparent manner the measures necessary to restore Masterflex AG to a well capitalised enterprise.

Coverage

Unfortunately, as a result of the economic and financial crisis and the current restructuring phase at Masterflex AG, interest in monitoring the share has diminished. It is therefore an important objective in 2010 to obtain more coverage from analysts about our company and thus to increase the interest of investors and private shareholders again.

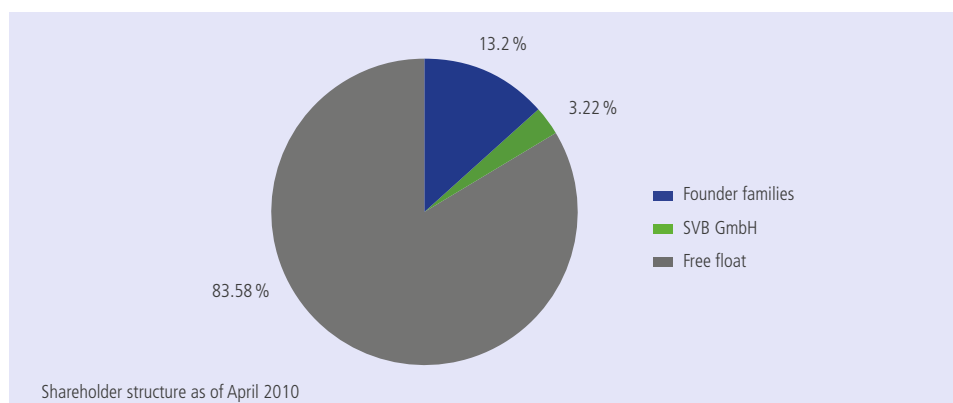
Masterflex AG order book turnover



Average monthly order book turnover for Masterflex stock in Xetra trading in 2009 was 105,994 shares, down 51.0 % on the previous year (2008: 215,746). This corresponds to a monthly average volume of €1.3 million (previous year: €2.6 million). Average trading floor turnover was 25,263 shares (previous year: 52,614), a year-on-year decrease of more than half and, at €0.1 million (previous year: €0.6 million), over 80 % in value terms.

A total of 1.6 million Masterflex shares changed hands in 2009 in combined Xetra and floor trading (previous year: 3.2 million). This corresponds to a decline of 50 %. In value terms, turnover ran to €7.2 million (previous year: €39.9 million). This corresponds to a 5.5-fold decline.

There was a change in the shareholder structure in April 2009. As of 20 April 2009, SVB GmbH holds a 3.22 % stake in Masterflex AG.



Earnings performance in 2009

Key figures		2009	2008
Share capital	€ million	4.5	4.5
Number of shares	million shares	4.5	4.5
Treasury shares	shares	134,126	134,126
Closing share price (floor)	€	3.35	6.11
Market capitalisation as of 31 Dec.	€ million	15.1	27.5
Market capitalisation as of 31 Dec. (excl. treasury shares)	€ million	14.6	26.6
Free float as of 31 Dec.		83.4 %	86.8 %
Earnings per share	€	-2.22	-1.76

2009 Annual General Meeting

The Annual General Meeting was held on 11 August 2009 at Schloss Horst in Gelsenkirchen. The results of the votes taken can be viewed in the Investor Relations/Annual General Meeting section of our website at www.masterflex.de.

Detlef Herzog, company founder and CEO of Masterflex AG until the end of March 2008, stepped down from his position on the Supervisory Board that he had held since 4 June 2008. The Annual General Meeting elected Mr Georg van Hall, certified auditor and tax advisor, as his successor. With this move, Masterflex AG has appointed a financial expert to the Supervisory Board in accordance with the requirements of the German Accounting Law Modernisation Act, which came into force on 29 May 2009. Under this legislation, the supervisory boards of capital market-orientated stock corporations must include an independent member with expert knowledge in the fields of accounting and auditing.

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 can be found elsewhere in this annual report and on the internet at www.masterflex.de in the Investor Relations/Corporate Governance section.

In 2009, the Executive Board and Investor Relations worked to communicate the details of the strategic realignment and the status of the restructuring programme in specifically targeted meetings, telephone conferences and roadshows.

The larger conferences in which we participated were our DVFA analysts' press conference in April 2009 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-one meetings with investors and analysts, as well as the financial press.

On our website, we offer an annual report and an advanced stock chart module. 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.

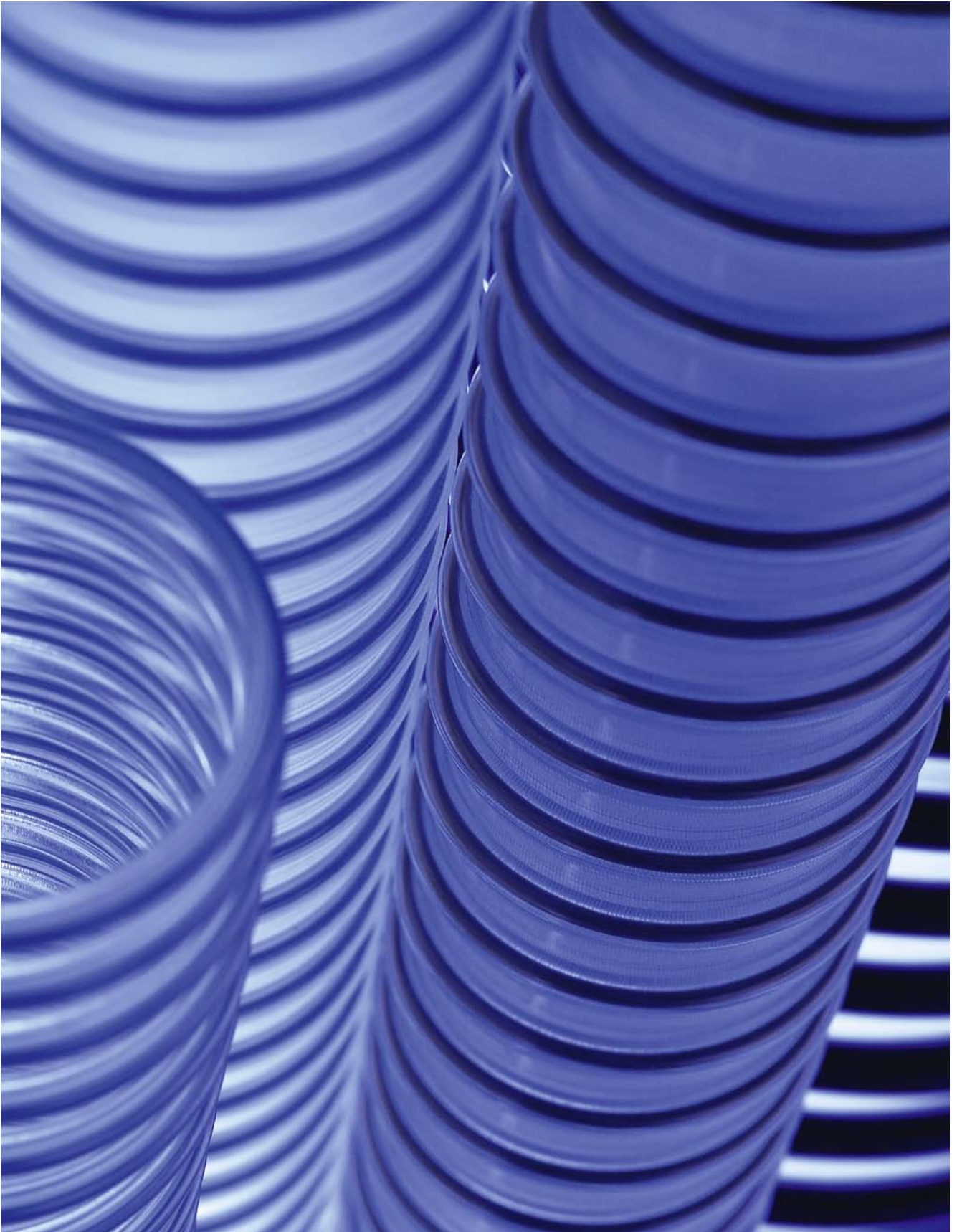
Investor Relations 2010 – highlighting the restructuring results and growth potential in our core business

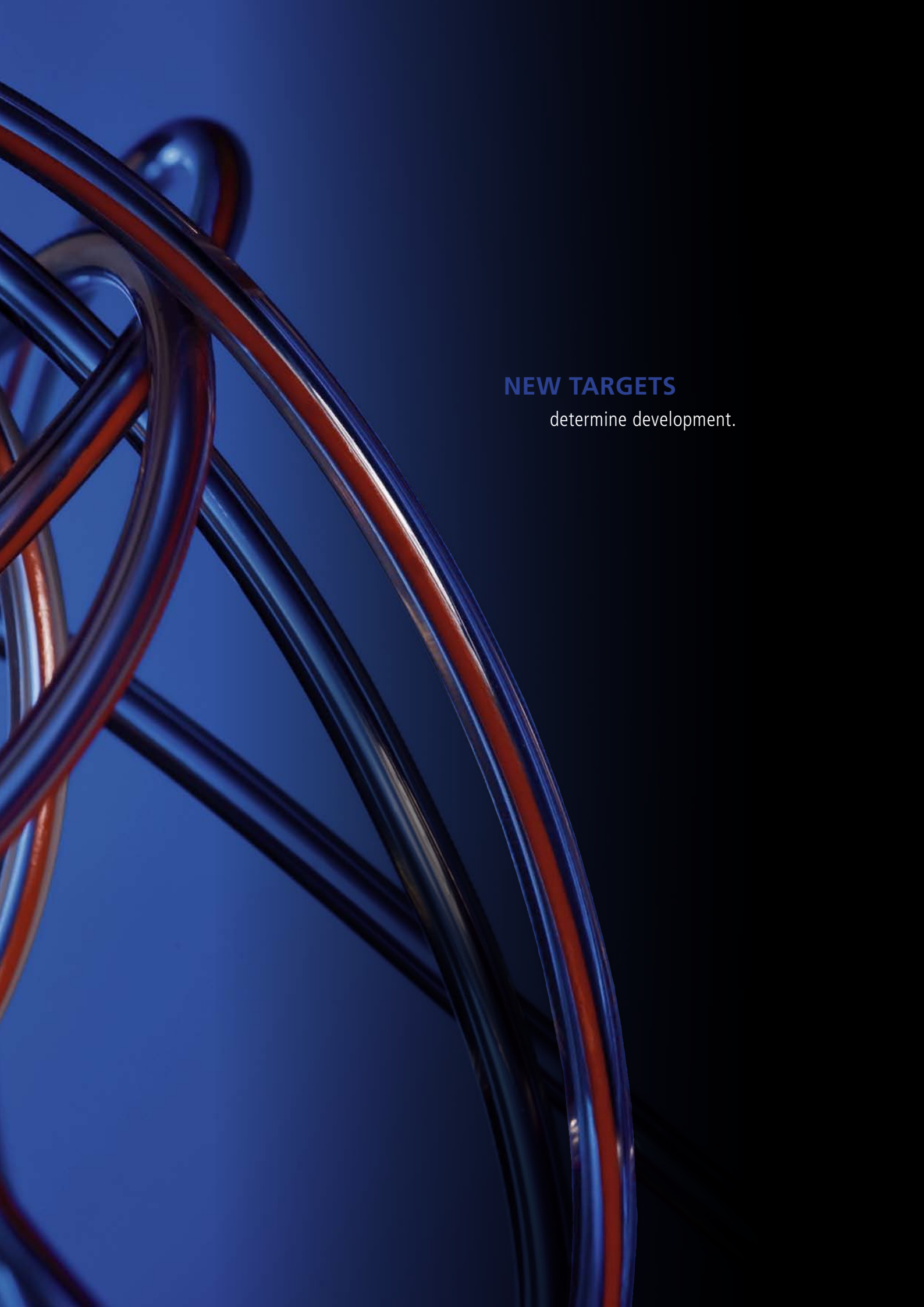
As a result of the difficult restructuring situation at Masterflex AG, the principal task of Investor Relations is to promote confidence in the strategic realignment and retrenchment around High-Tech Hose Systems through transparent communications, pointing out the growth and earnings potential offered by these. Opportunities lie in our materials expertise, our innovative ability and the further internationalisation of our operations.

The Annual General Meeting will be held in Gelsenkirchen on 17 August 2010.

Masterflex AG financial calendar 2010

29 April	Financials press conference, presentation of 2009 annual report, Düsseldorf
29 April	DVFA analysts' conference, Frankfurt
12 May	Interim report I/2010
17 August	Annual General Meeting, 11:00 a.m.
17 August	Interim report II/2010
15 November	Interim report III/2010





NEW TARGETS

determine development.

CONSOLIDATED FINANCIAL STATEMENT



Consolidated Balance Sheet

Assets	Notes	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
NONCURRENT ASSETS			
Intangible assets	3, 4, 24	6,263	15,107
Concessions, industrial and similar rights	4	872	1,613
Development costs	4	1,949	2,054
Goodwill	3, 4, 24	3,258	11,007
Advance payments	4	184	433
Property, plant and equipment	4	25,427	28,026
Land, land rights and buildings		12,708	13,309
Technical equipment and machinery		9,012	9,990
Other equipment, operating and office equipment		3,140	3,849
Advance payments and assets under development		567	878
Noncurrent financial assets	4	3,969	4,729
Noncurrent financial instruments		250	253
Other loans		3,719	4,476
Other assets	6	269	900
Deferred taxes	27	5,840	3,431
		41,768	52,193
CURRENT ASSETS			
Inventories	5	13,077	21,114
Raw materials and consumables used		6,286	10,277
Work in progress		3,256	5,224
Finished products and goods purchased and held for sale		3,520	5,559
Advance payments		15	54
Receivables and other assets	6, 7	6,485	14,734
Trade receivables	7	4,355	7,421
Other assets	6	2,130	7,313
Income tax assets	8	189	2,221
Cash in hand and bank balances	9	7,779	11,012
		27,530	49,081
Total Assets		69,298	101,274

Equity and liabilities	Notes	Dec. 31, 2009 EUR thou.	Dec. 31, 2008 EUR thou.
SHAREHOLDERS' EQUITY			
Consolidated equity	10	782	14,644
Subscribed capital		4,366	4,366
Capital reserve		17,521	17,521
Retained earnings		-19,618	-5,885
Revaluation reserve		-590	-611
Exchange differences		-897	-747
Minority interest	11	213	196
Total equity		995	14,840
NONCURRENT LIABILITIES			
Provisions	12	1,302	1,263
Noncurrent financial liabilities	13	19,472	21,536
Other current liabilities	15	2,809	2,928
Deferred taxes	27	1,467	1,464
		25,050	27,191
CURRENT LIABILITIES			
Provisions	12	2,895	3,539
Current financial liabilities	13	34,973	47,544
Income tax liabilities	14	712	516
Other current liabilities	15, 16	4,673	7,644
Trade payables	16	2,248	4,780
Other current liabilities	15	2,425	2,864
		43,253	59,243
Total Equity and liabilities		69,298	101,274

Consolidated Income Statement

		2009	2008
Continued business units	Notes	EUR thou.	EUR thou.
1. Revenue	18	55,193	73,380
2. Changes in inventories of finished goods and work in progress		-2,233	76
3. Work performed by the enterprise and capitalised		395	896
4. Other operating income	19	1,624	891
Gross profit		54,979	75,243
5. Costs of materials	20	-20,981	-30,319
6. Staff costs	23	-20,546	-23,537
7. Depreciations		-3,573	-3,282
8. Other expenses	21	-10,209	-12,133
9. Financial result	25		
Financial expenses		-3,754	-3,527
Other financial result		173	617
10. Earnings before taxes and non-operating expenses		-3,911	3,062
11. Non-operating expenses	26	-7,280	-12,210
12. Earnings before taxes		-11,191	-9,148
13. Income tax expense	27	1,628	1,538
14. Earnings after taxes from continued business units		-9,563	-7,610
Discontinued business units			
15. Earnings after taxes from discontinued business units	28	482	4,020
16. Non-operating expenses	28	-4,360	-12,058
17. Consolidated net income/loss		-13,441	-15,648
Other result			
18. Currency translation differences from the translation of foreign operations	10	-150	1,745
19. Net result from "available-for-sale" financial assets		21	-435
20. Other result for the period under review, after taxes		-129	1,310
21. Overall result for the period under review		-13,570	-14,338
Consolidated net income/loss:		-13,441	-15,648
thereof minority interests		127	86
thereof attributable to shareholders of Masterflex AG		-13,568	-15,734
Overall result for the period under review:		-13,570	-14,338
thereof minority interests		127	86
thereof attributable to shareholders of Masterflex AG		-13,697	-14,424
Earnings per share (diluted and non-diluted)			
from continued business units	29	-2.22	-1.76
from discontinued business units	29	-0.89	-1.84
from continued and discontinued business units	29	-3.11	-3.60

Consolidated Statement of Changes in Equity

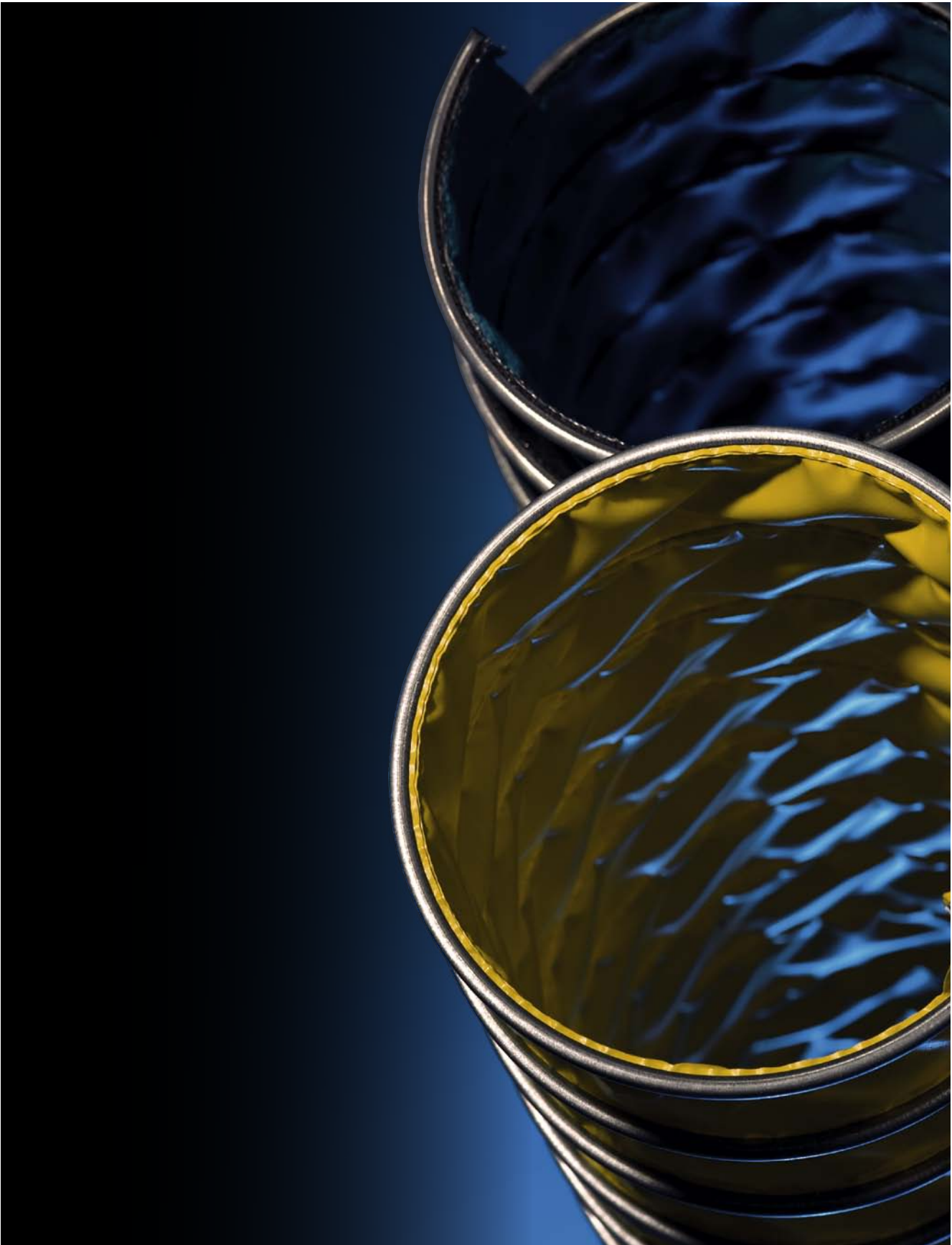
	Subscribed capital	Capital reserve	Retained earnings (retained profits brought forward)	Revaluation reserve	Exchange differences	Minority interest	Total
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Notes	10	10	10	10	10	11	
Equity at Dec. 31, 2007	4,366	17,521	14,756	-176	-2,492	797	34,772
According to IAS 8	0	0	-1,409	0	0	0	-1,409
Consolidated net income/ Minority interests	0	0	-15,734	0	0	86	-15,648
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
Overall result for the financial year	0	0	-15,734	-435	1,745	86	-14,338
Dividend distributions	0	0	-3,493	0	0	-136	-3,629
Change due to equity decreases	0	0	0	0	0	-551	-551
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 net income/ Minority interests	0	0	-13,568	0	0	127	-13,441
Changes in fair values of financial instruments	0	0	0	21	0	0	21
Currency translation gains/losses from translation of foreign financial statements	0	0	0	0	-150	0	-150
Overall result for the financial year	0	0	-13,568	21	-150	127	-13,570
Dividend distributions	0	0	0	0	0	-110	-110
Change due to equity decreases	0	0	-170	0	0	0	-170
Other changes	0	0	5	0	0	0	5
Equity at Dec. 31, 2009	4,366	17,521	-19,618	-590	-897	213	995

Consolidated Cash Flow Statement

Cash Flow	2009 EUR thou.	2008 EUR thou.
Result for the accounting period before taxes, interest income and financial income	-11,091	-13,493
Non-cash non-operating expenses	7,580	18,513
Cash non-operating expenses	3,286	3,247
Gain/loss from the disposal of business units	774	2,508
Income taxes paid	1,094	-3,054
Depreciation of intangible assets	787	435
Depreciation expense for property, plant and equipment	2,849	3,076
Write-up of non-current financial assets	-431	0
Change in provisions	-1,282	494
Other non-cash expenses/income and gains/losses from the disposal of noncurrent assets	723	-295
Changes in inventories	4,412	-1,904
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	1,567	-986
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	-5,205	-2,663
Net cash from operating activities	5,063	5,878
Proceeds from the disposal of non-current assets	25	362
Payments to acquire intangible assets	-34	-1,026
Payments to acquire property, plant and equipment	-963	-3,647
Changes in cash and cash equivalents due to the sale of consolidated subsidiaries	10,150	4,600
Changes in cash and cash equivalents due to the acquisition of consolidated subsidiaries	-178	-25
Changes in cash and cash equivalents due to the repayment of financial assets	1,365	6,114
Payments to acquire financial assets	-321	-2,458
Net cash from/used in investing activities	10,044	3,920
Payments to owners and minority interests (dividends, purchase of own shares)	-110	-3,701
Interest and dividend receipts	278	242
Interest expenditure	-3,746	-4,201
Proceeds from the sale of term deposits/securities	23	65
Proceeds from raising loans	766	8,072
Payments for the repayment of loans	-15,401	-3,404
Net cash from/used in financing activities	-18,190	-2,927
Net change in cash and cash equivalents	-3,083	6,871
Changes in cash and cash equivalents due to exchange rates and other factors	-150	188
Cash and cash equivalents at start of period	11,095	5,895
Change in the consolidated group	-83	-1,942
Cash and cash equivalents at the end of period	7,779	11,012

Explanatory notes given in Notes 34 and 3.

*) thereof € 5,100 thousand from the sale of DICOTA GmbH

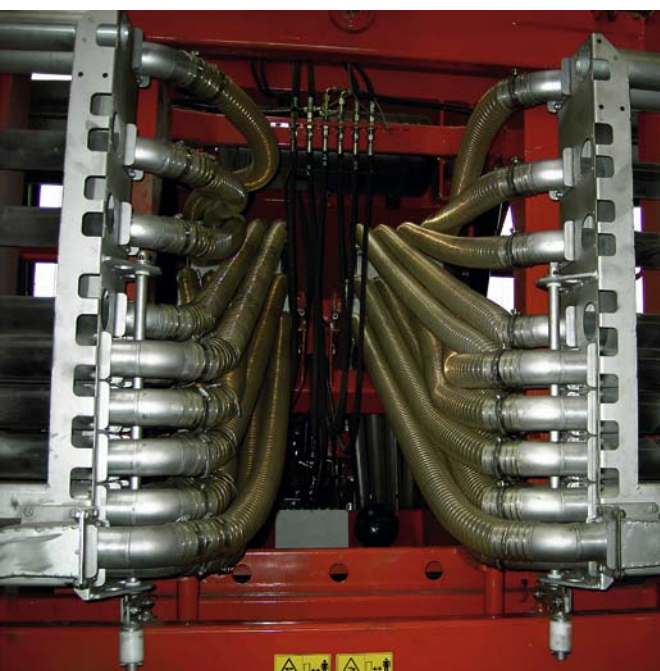


The background is a deep, dark blue gradient. A bright, vertical light streak, resembling a reflection on a polished surface, runs down the right side of the image. The light is most intense in the center and fades towards the top and bottom.

NEW CHALLENGES

require new solutions.

NOTES TO THE CONSOLIDATED 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 option regarding the early application of new standards, revisions of standards and interpretations that had already been approved as at 31 December 2009 and had been adopted by the European Union by the time the consolidated financial statements were approved was not exercised.

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 2009:

- IFRS 3/IAS 27 Extensive revision of the purchase method
- IAS 32 Amendments regarding the classification of rights issues
- IAS 39 Amendments with regard to permissible underlying transactions and embedded derivatives in the reclassification of financial assets
- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 17 Distributions of Non-cash Assets to Owners

The following amendments to standards and interpretations have been published by the IASB but have yet to be incorporated into European law by the EU and are not yet being applied:

- IFRS 2 Amendment regarding share-based payments in the Group that are made in cash
- IFRS 9 Financial Instruments: Classification and Measurement
- IAS 24 Revised definition of related party disclosures
- IFRIC 18 Transfers of Assets from Customers
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs
- IAS 32/IAS 1 Financial Instruments: Presentation
- 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

As part of the annual "improvement" project of 28 May 2008, various IFRSs were amended.

The first-time application of these standards and interpretations did not materially 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 euro (€). All amounts, including prior-period amounts, are stated in thousands of euro (€ thousand). 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.

Adjustment of the previous year's financial statements

The items presented below from the balance sheet as at 31 December 2008 and the 2009 statement of comprehensive income have been adjusted, in accordance with IAS 8, against the figures presented in the consolidated financial statements as at 31 December 2008, owing to the presence of fundamental accounting errors. The adjustment was carried out retrospectively.

The accounting errors relate to the 2004 financial year.

At one acquired company, Masterflex made inventories of tools in accordance with IFRS 3 that were no longer used in planned production series and were not marketable. The correction of this error leads to an increase in goodwill at Fleima-Plastic GmbH in the amount of € 474 thousand.

Adjustment of the balance sheet

	2008 published	Adjust- ment	2008 adjusted
Assets	EUR thou.	EUR thou.	EUR thou.
Goodwill	10,533	474	11,007
Technical equipment and machinery	9,993	-3	9,990
Other equipment, operating and office equipment	4,521	-672	3,849
Equity and liabilities			
Deferred taxes	1,665	-201	1,464

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 2009, a total of 11 domestic subsidiaries (previous year: 13) and 7 foreign subsidiaries (previous year: 9) were consolidated in addition to Masterflex AG. The table below shows the subsidiaries that were fully consolidated as of 31 December 2009:

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*
Novoplast Schlauch-technik GmbH	D	Halberstadt	100
Fleima-Plastic GmbH	D	Mörlenbach	100
Masterflex Handels-gesellschaft mbH	D	Gelsen-kirchen	100
Masterflex Cesko s. r. o.	CZ	Plana	100
M & T Verwaltungs GmbH*	D	Gelsen-kirchen	100
· Matzen und Timm GmbH	D	Norderstedt	100*
Masterflex Scandinavia AB	S	Kungs-backa	100
SURPRO Verwaltungs-gesellschaft mbH*	D	Wilster	100
· SURPRO GmbH	D	Wilster	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. Angiokard Medizintechnik GmbH & Co. KG and Angiokard Medizintechnik Verwaltungs GmbH, Friedeburg, which were included in the consolidated financial statements for the previous year, were sold and deconsolidated on 30 November 2009.

M & T Verwaltungs GmbH was founded on 23 November 2009 and now holds the equity interest in Matzen und Timm GmbH.

The equity interest in Novoplast Schlauchtechnik GmbH was sold and transferred by Angiokard Medizintechnik GmbH & Co. KG to Masterflex AG on 31 October 2009.

The equity interest in Fleima-Plastic GmbH was sold and transferred by Angiokard Medizintechnik GmbH & Co. KG to Masterflex AG on 31 October 2009.

Masterflex Scandinavia AB, Kungsbacka, Sweden, was founded in 2009.

Masterflex Bulgaria EOOD was wound up and deconsolidated in 2009.

TEKOV-SURPRO s.r.o. was wound up and deconsolidated in 2009.

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 2009, these differences amounted to € -897 thousand (previous year: € -747 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. 2009 EUR
1 pound sterling (£)	1.1236
1 US dollar (\$)	0.6942
1 Bulgarian lev (LEV)	0.5113
1 Czech koruna (CZK)	0.0379
1 Swedish krona (SEK)	0.0975

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. 2009 EUR
1 pound sterling (£)	1.1169
1 US dollar (\$)	0.7160
1 Bulgarian lev (LEV)	0.5113
1 Czech koruna (CZK)	0.0377
1 Swedish krona (SEK)	0.0942

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 at the end of the financial 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

Non-current 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 AG 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. 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.

Prepaid expenses

Prepaid expenses are recognised for items that constitute expenses in future periods and are reported under other assets. 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.

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 24).

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 27).

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 12).

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 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 expenses

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 interests in Angiokard GmbH & Co. KG and Angiokard Medizintechnik Verwaltungs GmbH, Friedeburg, with effect from 30 November 2009. The carrying amount of the associated net assets exceeds the gain on the disposal, meaning that write-downs of € 3,586 thousand were included when reclassifying the business unit as held-for-sale. Further details from the sale are shown in the tables below. Figures from the previous year relate to the sale of DICOTA GmbH.

Carrying amount of net assets sold

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Current assets		
Cash	83	2,395
Trade receivables	1,501	11,433
Inventories	3,313	9,861
Other	64	1,401
Noncurrent assets		
Property, plant and equipment/ intangible assets	328	553
Goodwill	1,084	1,621
Deferred taxes	85	466
Current liabilities		
Liabilities	-142	-11,291
Provisions	-287	-2,648
Noncurrent liabilities		
Deferred taxes	-5	-109
Net assets sold	6,024	13,682
Minority interests	0	-574
Loss/profit on sale	-774	-2,508
Total	5,250	10,600

Sale price

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Sale price settled in cash	5,050	4,600
Deferred gain on disposal (see note 6)	200	6,000
Total	5,250	10,600

Net cash inflow from sale

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Sale price settled in cash	5,050	4,600
Less: cash issued on sale	-83	-2,395
Total	4,967	2,205

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 € 6,967 thousand (previous year: € 6,702 thousand) and transfers of title to production facilities totalling € 4,412 thousand (previous year: € 0 thousand).

At 31 December of each financial year, the assets held by foreign companies are translated to euro (€) 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.

Write-downs of € 452 thousand were carried out on the gas-tight hose development project and acquired licences, as these assets are no longer used.

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. 2008	5,103	3,483	32,183	40,769
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 1 Jan. 2009	2,416	3,151	20,451	26,018
Changes in consolidated group	0	-399	-11,290	-11,689
Additions	458	34	0	492
Disposals	416	613	0	1,029
Reclassifications	0	0	0	0
Currency translation differences	0	0	0	0
Balance at 31 Dec. 2009	2,458	2,173	9,161	13,792

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. 2008	226	1,245	9,235	10,706
Changes to the 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 1 Jan. 2009	275	1,192	9,444	10,911
Changes in consolidated group	0	-354	-10,205	-10,559
Amortisation in the year under review	270	969	6,664	7,903
Disposals	120	606	0	726
Currency translation differences	0	0	0	0
Balance at 31 Dec. 2009	425	1,201	5,903	7,529

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.
Balance at 31 Dec. 2008	2,141	1,959	11,007	15,107
Balance at 31 Dec. 2009	2,033	972	3,258	6,263

b) Property, plant and equipment

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 Mas-

terflex 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. 2009 EUR thou.	Carrying amount at 31 Dec. 2008 EUR thou.
Buildings	4,505	30 years	2,398	2,551
Land	587	-	587	587
Technical equipment and machinery	1,608	10 years	1,158	1,317
Operating and office equipment	842	5 years	516	637
Total	7,542		4,659	5,092

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 € 237 thousand (previous year: € 226 thousand).

c) Financial assets

Financial assets are composed as follows:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Investment securities	250	253
Loans and receivables	3,719	4,476
Total financial assets	3,969	4,729

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

	EUR thou.
Shares	177
Debt instruments	73
Total	250

The following table shows the cost, unrealised gains and losses and fair values of available-for-sale securities as of 31 December 2009:

Cost EUR thou.	Unrealised gains/losses EUR thou.	Fair value EUR thou.
946	696	250

Income from available-for-sale securities totalled € 8 thousand. Receivables from existing shareholders amount to € 2,053 thousand. Trade receivables in the amount of € 405 thousand are reported as non-current receivables on account of a financing agreement.

5. Inventories

Inventories are composed as follows:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Raw materials, consumables and supplies	6,286	10,277
Work in progress	3,256	5,224
Finished goods and merchandise	3,520	5,559
Advance payments	15	54
Total	13,077	21,114

Inventories of the continued and discontinued business units were expensed in the amount of € 26,158 thousand (previous year: € 63,718 thousand).

Depreciation of inventories to the net realisable value amounted to € 626 thousand (previous year: € 286 thousand).

Non-operating expenses also include depreciation of inventories to the net realisable value in the amount of € 312 thousand.

6. Receivables and other assets

Receivables and other assets are composed as follows:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Trade receivables	4,355	7,421
Other assets	2,399	8,213
Total receivables and other assets	6,754	15,634

Other assets are composed as follows:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Deferred gain on disposal	1,100	6,000
Deferred income	429	601
Loans	235	0
Receivables from tax authorities	172	591
Provision of collateral and security deposits	131	5
Receivables from the disposal of non-current assets	109	173
Receivables from investment grants and subsidies	47	220
Bonus receivables	42	110
Creditors with debit balances	23	0
Receivables from employees	12	23
Receivables from health insurance companies	0	101
Receivables from shareholders	0	124
Other	99	265
Total other assets	2,399	8,213

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

Miscellaneous other financial assets include receivables totalling € 269 thousand (previous year: € 900 thousand), which will not be realised until one year after the balance sheet date.

Receivables from tax authorities primarily relate to VAT receivables.

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. Trade receivables

Trade receivables are composed as follows:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Trade receivables	4,672	7,777
Other assets	-317	-356
Total trade receivables	4,355	7,421

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

Specific and global valuation allowances on trade receivables totalled € 317 thousand (previous year: € 356 thousand).

Individual risks were taken into account on the basis of write-downs totalling € 100 thousand (previous year: € 99 thousand).

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:

2009	EUR thou.	EUR thou.
Carrying amount (net):		4,355
1. thereof: non-impaired and non-overdue at the balance sheet date		2,940
2. thereof: non-impaired, but overdue at the balance sheet date		1,415
Less than 30 days	578	
30 to 59 days	285	
60 to 89 days	169	
90 to 119 days	27	
120 days or more	356	

2008	EUR thou.	EUR thou.
Carrying amount (net):		7,421
1. thereof: non-impaired and non-overdue at the balance sheet date		5,110
2. thereof: non-impaired, but overdue at the balance sheet date		2,311
Less than 30 days	704	
30 to 59 days	905	
60 to 89 days	329	
90 to 119 days	54	
120 days or more	319	

8. Income tax assets

Income tax assets amounted to € 189 thousand at the balance sheet date (previous year: € 2,221 thousand). All income tax assets are due within one year.

9. 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. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Cash in hand and bank balances	7,779	11,012

The effective interest rate for short-term bank deposits was between 0.00 % and 1.35 %.

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

10. Total 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 11 August 2009, the Company was authorised, with effect from 12 August 2009, to acquire treasury shares accounting for an interest of no more than 10 % in the current share capital or, if lower, the share capital at the time the authorisation is exercised, up to 10 February 2011. 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. This authorisation supersedes the authorisation granted by the General Meeting on 4 June 2008, which was scheduled to run until 4 December 2009 and which is therefore revoked. Existing authorisations relating to the use of shares already acquired remain unaffected.

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 non-weighted average closing price of the Company's shares in Xetra trading on the Frankfurt Stock Exchange or an appropriate successor system during the last three trading days prior to the purchase of the shares, i.e. before the trade date.

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 10 %. For the purposes of this authorisation, the quoted share price is the non-weighted average closing price of the Company's shares in Xetra trading on the Frankfurt Stock Exchange or an appropriate successor system from the sixth to the third trading day prior to the date of publication of the offer. If, after the offer is announced, differences arise between the amount offered and the quoted share price that are not insignificant, the purchase price can be adjusted. In this case, the non-weighted average closing price of the Company's shares in Xetra trading on the Frankfurt Stock Exchange or an appropriate successor system from the sixth to the third trading day prior to the public announcement of any adjustment is used as the basis. 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 purchase offer may contain further conditions.

The provisions of the German Securities Acquisition and Take-over 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 disappplied 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 non-weighted average closing price of the Company's shares in Xetra trading on the Frankfurt Stock Exchange or an appropriate successor system during the last five trading days prior to the disposal of the treasury shares, i.e. before the trade date.

Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to sell the acquired treasury shares with shareholders' subscription rights disappplied 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 disappplied may not exceed 10 % of the Company's share capital, neither 10 % of the share capital at the time that authorisation is granted nor 10 % of the share capital at the time that the authorisation to disapply subscription rights is exercised. Of the maximum permissible amount calculated in this way, the proportionate amount of share capital is to be deducted that is attributable to new or previously acquired treasury shares that have been issued or sold during the term of this authorisation with simplified disapplication of subscription rights in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act; moreover, those shares that have been or will be issued in order to service bonds with conversion rights or options or a warrant or conversion obliga-

tion are to count towards this limit, provided that these bonds were issued during the term of this authorisation with subscription rights disappplied in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act.

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 2009 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 11 August 2009, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions up to 31 July 2014 by issuing up to 2,250,000 new no-par value bearer shares in exchange for cash and/or non-cash contributions, by a maximum value of € 2,250,000.00 (authorised capital for 2009). In principle, shareholders have a statutory subscription right to new shares issued by the Company. The new shares can also be taken over by a bank or a company that operates in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or section 7 of the German Banking Act with the obligation to offer them to shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to decide to disapply shareholders' statutory subscription rights. Subscription rights can be disappplied:

- For fractional amounts resulting from the proportion of subscription rights,
- For capital increases in exchange for cash contributions up to a total amount of € 450,000.00 or, if lower, 10 % of the share capital at the time the authorisation is exercised (in each case, taking into account any use, during the term of this authorisation, of other authorisations to disapply subscription rights in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act; furthermore, those shares that have been or will be issued in order to service bonds with conversion rights or options or a warrant or conversion obligation are to count towards this limit, provided that these bonds were issued during the term of this authorisation with subscription rights disapplying in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act), provided that the issue price of the new shares is not significantly lower than the quoted price,
- For capital increases in exchange for non-cash contributions,
- In order to grant the holders or creditors of any bonds with warrants or convertible bonds previously issued by the Company subscription rights to new shares to the extent that they would have been entitled to these after exercising the option or conversion right or after fulfilling an option or conversion obligation as a shareholder.

The Executive Board is authorised to determine the further details of the capital increase and the terms and conditions of the issue of these shares, subject to the approval of the Supervisory Board.

Contingent capital

By resolution of the Ordinary General Meeting on 11 August 2009, the Executive Board was also authorised, with the approval of the Supervisory Board, to issue bearer or registered bonds with warrants and/or convertible bonds with a total nominal value of up to € 15,000,000.00 and a maximum term of 25 (twenty-five) years on one or more occasions up to 31 July 2014. Options can be granted to the holders and creditors of bonds with warrants and conversion rights can be granted to the holders and creditors of convertible bonds up to a total of 2,250,000 new no-par value bearer shares in the Company with a proportionate interest in the share capital of up to € 2,250,000.00, in accordance with the more detailed provisions of the terms and conditions for bonds with warrants and convertible bonds. The bonds with warrants and convertible bonds can also carry variable interest rates, whereby the interest may be partly or entirely dependent on the amount of the Company's dividend, as with an income bond. However, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply subscription rights if the instruments

are issued at a price that is not significantly lower than the fair value of the instruments. The limit on the disapplication of subscription rights in accordance with section 186 (3) sentence 4 of the German Stock Corporation Act, which is 10 % of the share capital, must not be exceeded. Both shares and those instruments that are issued with subscription rights disapplying, with direct or analogous application of section 186 (3) sentence 4 of the German Stock Corporation Act, count towards this limit.

Neither the Executive Board nor the Supervisory Board exercised any of these authorisations.

Capital reserve

The capital reserve amounted to € 17,521 thousand at the balance sheet date (previous year: € 17,521 thousand). It related primarily 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.

Revaluation reserve

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 EUR thou.	Exchange differ- ences in accordance with IAS 21.17 EUR thou.	Exchange differ- ences in accordance with IAS 21.19 EUR thou.	Exchange differ- ences in accordance with IAS 21.32 EUR thou.	Total EUR thou.
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
Change in 2009	-137	-13	0	0	-150
Balance at 31 Dec. 2009	-779	-213	95	0	-897

Taxes relating to items recognised directly in equity were also recognised directly in equity in accordance with IAS 12.61 and taken into account in the changes in exchange differences presented above.

The changes in fair value recognised directly in equity in the amount of € -13 thousand (previous year: € 105 thousand) are established when the foreign currency obligation is repaid, in accordance with IAS 21.17/21.19/21.32 in conjunction with IAS 21.37. The exchange differences recognised directly in equity are not reversed in income until the time of disposal of the economically independent unit.

11. Minority interests

Minority interests held in Masterflex companies total € 213 thousand (previous year: € 196 thousand).

12. Provisions

Provisions are composed as follows:

	Balance at 1 Jan. 2009 EUR thou.	Change to the consolidated group EUR thou.	Utilisation EUR thou.	Reversal EUR thou.	Addition EUR thou.	Balance at 31 Dec. 2009 EUR thou.
Non-current provisions						
Pensions	1,263	0	7	0	46	1,302
Total	1,263	0	7	0	46	1,302
Current provisions						
Year-end closing costs	264	-29	220	8	207	214
Vacation	388	-69	306	13	258	258
Customer bonuses	165	-68	90	7	42	42
Incentive payments, severance payments, commission	1,029	-75	906	48	1,008	1,008
Warranties	100	0	24	48	55	83
Employers' Liability Insurance Association	211	-18	180	13	164	164
Outstanding invoices	664	0	653	14	303	300
Onerous contracts	0	0	0	0	150	150
Other	718	-437	172	25	592	676
Total	3,539	-696	2,551	176	2,779	2,895

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 € 189 thousand (previous year: € 219 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. 2009
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.

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 for onerous contracts of € 150 thousand were recognised in the context of the shutdown and relocation of TEKOV production operations.

13. Financial liabilities

As of 31 December 2009, financial liabilities were composed as follows:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Liabilities to banks	17,088	17,872
· of which due in > 5 years	2,038	2,797
Finance lease liabilities	2,384	3,664
· of which due in > 5 years	0	874
Non-current financial liabilities	19,472	21,536
Liabilities to banks	34,242	46,875
Finance lease liabilities	731	669
Current financial liabilities	34,973	47,544
Total financial liabilities	54,445	69,080

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. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Liabilities due within 1 year	34,242	46,875
Liabilities due between 1 and 5 years	15,050	15,075
Liabilities due in more than 5 years	2,038	2,797
Total liabilities to banks	51,330	64,747

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

Liabilities to banks totalling € 32,335 thousand are secured (previous year: € 6,702 thousand). Of this, € 6,967 thousand is attributable to land charges, € 5,533 thousand to other non-current assets, € 11,472 thousand to inventories, € 3,140 thousand to current receivables and other assets and € 5,223 thousand to credit at banks.

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 3.0 % and 9.25 % depending on the maturity

and purpose of the respective liabilities (previous year: between 2.72 % and 12.25 % p.a.). The Company also had foreign-currency liabilities in US dollars, on which interest was charged at approximately 7.2 % p.a.

As of 31 December 2009, the Company had cash advance facilities totalling € 23,496 thousand, of which € 2,678 thousand were unutilised. The Company also had access to guarantee facilities for contractual fulfilment, advance payments and warranties of which € 25 thousand (previous year: € 125 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 EUR thou.	2-5 years EUR thou.	more than 5
Future financial obligations (including interest)	1,027	2,764	0
Present value of future financial obligations (capital element)	731	2,384	0

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 € 1,903 thousand at 31 December 2009 (previous year: € 2,277 thousand), while the present value of the minimum lease payments for technical equipment and machinery and office and operating equipment totalled € 1,212 thousand (previous year: € 1,574 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.

14. Income tax liabilities

Income tax liabilities relate to current taxes and totalled € 712 thousand at the balance sheet date (previous year: € 516 thousand).

15. Other non-current liabilities

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

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Trade payables	2,248	4,780
Other liabilities	5,215	5,679
Payments received on account of orders	19	113
Total other liabilities	7,482	10,572

Miscellaneous other liabilities include the following items:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Deferred income	3,008	3,048
Amount withheld from acquisitions	1,313	1,322
Tax liabilities	553	829
Liabilities to energy providers	104	113
Liabilities to employees	88	79
Social security liabilities	69	80
Other	80	208
Total	5,215	5,679

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. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Investment grants	2,218	2,127
Subsidies	790	921
Total	3,008	3,048

The following amounts were reversed to income in 2009 and 2008:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Reversal of investment grants	208	133
Reversal of subsidies	111	117
Total	319	250

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 2009. 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.

The 'other liabilities' item includes liabilities totalling € 2,809 thousand (previous year: € 2,928 thousand), which do not fall due until one year after the balance sheet date.

16. Trade payables

At the balance sheet date 31 December 2009, the Company had the following trade payables:

	31 Dec. 2009 EUR thou.	31 Dec. 2008 EUR thou.
Trade payables	2,248	4,780

The fair values of trade payables are the same as their carrying amounts. Trade payables amounting to € 2,248 thousand (previous year: € 4,780 thousand) are due within one year.

17. 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 up to a maximum. The corresponding receivable was reported under non-current financial assets (note 4).

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 2009 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 Angiokard GmbH & Co. KG on 30 November 2009, the disclosures on the de-consolidated segment Medical Technology 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 and the contributions to results of the DICOTA Group, which was sold in the previous year, are therefore no longer included in the comparative presentation of 2008. Furthermore, in 2009, 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.

18. Revenue

Revenue is composed as follows:

	2009 EUR thou.	2008 EUR thou.
Gross revenue	57,117	78,132
Elimination of intragroup revenue	1,924	4,752
Total	55,193	73,380

19. Other operating income

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

	2009 EUR thou.	2008 EUR thou.
	1,624	891

Other operating income is composed as follows:

	2009 EUR thou.	2008 EUR thou.
Income from written-down receivables	736	0
Investment grants	208	169
Subsidies	111	186
Income from the reversal of provisions	176	120
Currency translation gains	77	42
Income from non-typical incidental sales	39	0
Other prior-period income	28	0
Compensation	73	82
Income from reductions inspecific valuation allowances	16	16
Gains on the sale of assets	3	40
Consultancy fees	0	79
Income from the reversal of deferred income	0	62
Other	157	95
Total	1,624	891

20. Cost of materials

The cost of materials is composed as follows:

	2009 EUR thou.	2008 EUR thou.
Cost of raw materials, consumables and supplies	18,591	26,971
Cost of goods purchased and held for resale	2,390	3,348
Total	20,981	30,319

21. Other expenses

The other expenses incurred by the Group were as follows:

	2009 EUR thou.	2008 EUR thou.
	10,209	12,133

Other expenses are composed as follows:

	2009 EUR thou.	2008 EUR thou.
Selling costs	3,099	4,183
Administrative expenses	2,020	2,471
Incidental premises expenses	1,856	1,772
Operating costs	1,635	2,084
Insurance costs	391	382
Expenses for the sale of assets	262	36
Other taxes	232	205
Cost of valuation allowances	104	67
Write-downs of receivables	100	87
Currency translation losses	41	150
Warranty expenses	34	88
Other	435	608
Total	10,209	12,133

22. 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 2009 financial year, research and development costs totalled € 547 thousand (previous year: € 469 thousand).

23. Staff costs

In 2009, staff costs fell by € 2,991 thousand to € 20,546 thousand (previous year: € 23,537 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 € 17,040 thousand (previous year: € 19,717 thousand) and social security, post-employment and other employee benefit costs totalling € 3,506 thousand (previous year: € 4,087 thousand).

24. 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 5.10 % and 6.93 %. 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 developments on the market, the goodwill of SURPRO GmbH was completely written down in the amount of € 3,078 thousand. In the context of the application of IFRS 5, goodwill for Angiokard GmbH & Co. KG was written down in the amount of € 3,586 thousand.

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 USA Inc.	1,488
Fleima-Plastic GmbH	1,075
Matzen & Timm GmbH	233
Total	3,258

The internally generated intangible assets which have not yet been completed amount to € 868 thousand at the balance sheet date, and comprise development expenses for the fuel cells system.

25. Net finance costs

Net finance costs are composed as follows:

	2009 EUR thou.	2008 EUR thou.
Income from equity investments	3	0
Other interest and similar income	198	684
Write-downs of non-current financial assets	-28	-67
Interest and similar expenses	-3,754	-3,527
Total	-3,581	-2,910

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.

26. Non-operating expenses

	Information in note	2009 EUR thou.
Continued business units		
Write-down on goodwill at SURPRO	24	3,078
Write-downs on intangible assets	4a)	452
Write-down on inventories at TEKOV	5	312
Consultancy fees (ongoing expense)		2,823
Settlement payments (ongoing expense)		463
Other	11	152
Total continued business units		7,280
Discontinued business units		
Sale of Angiokard	3,24,28	4,360
Total		11,640

	2008 EUR thou.
Continued business units	
Write-down in start-up company	6,471
Write-down for TEKOV shutdown	1,918
Write-downs on intangible assets	786
Write-downs on other receivables	943
Write-down for TechnoBochum GmbH shutdown	827
Temporary shutdown of Masterflex Cesko	496
Consultancy fees (ongoing expense)	401
Settlement payments (ongoing expense)	268
Other	100
Total continued business units	12,210
Discontinued business units	
Write-downs on intangible assets	1,110
Sale of DICOTA	10,948
Total discontinued business units	12,058
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 approximately € 3,286 thousand in continued business units (previous year: € 3,247 thousand) and € 774 thousand in discontinued business units (previous year: € 2,146 thousand), these expenses had a cash impact.

27. Income tax expense

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

	2009 EUR thou.	2008 EUR thou.
Income tax expense	-1,232	-508
Deferred taxes		
From time differences	245	38
From loss carryforwards	2,615	2,008
Total deferred taxes	2,860	2,046
Total income tax expense	1,628	1,538

The following reconciliation of income tax expense for the 2009 financial year is based on an overall tax rate of 30.0 % (previous year: 30.0 %) reconciled to an effective tax rate of 14.6 % (previous year: 16.2 %).

	2009 EUR thou.	2008 EUR thou.
Net profit before income taxes	-11,191	-9,148
Expected tax expense 30.0 %	3,357	2,744
Effect of tax-exempt income and expense	1,546	1,070
Reversal of deferred tax assets	166	124
Other	17	12
Total income tax expense	1,628	1,538

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. 2009		31 Dec. 2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carryforwards	5,571	0	3,298	0
Non-current assets	496	3,288	458	3,582
Inventories	0	27	0	43
Receivables	52	0	58	0
Other assets	0	0	0	0
Pension provisions	137	0	133	0
Other provisions	0	127	0	118
Liabilities/deferred income	1,531	0	1,726	9
Other	28	0	46	0
Before offsetting	7,815	3,442	5,719	3,752
thereof non-current	7,214	3,086	5,074	3,531
Offsetting	-1,975	-1,975	-2,288	-2,288
Amounts recognised in the consolidated balance sheet	5,840	1,467	3,431	1,464

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 2009, Masterflex recognised deferred tax assets for tax loss carryforwards in the amount of € 5,571 thousand.

For foreign companies, the applicable tax rates vary between 20 % and 40 %.

No deferred tax assets were recognised for tax loss carryforwards in the amount of € 2,424 thousand (previous year: € 2,709 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.

Taxes amounting to € 5 thousand (previous year: € -48 thousand) relate to other earnings. These taxes relate to currency translation differences in accordance with IAS 21 and are recognised directly in equity.

28. Discontinued business units

Angiokard GmbH & Co. KG was sold on 30 November 2009. The carrying amount exceeds the gain on the sale less any ancillary costs incurred from the sale, meaning that write-downs on goodwill of € 3,586 thousand were included when reclassifying the business unit as held-for-sale. The sale of Angiokard GmbH & Co. KG 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 previous year values for DICOTA GmbH have been adjusted.

	2009 EUR thou.	2008 EUR thou.
Result from discontinued business units		
Revenue	14,107	61,847
Changes in inventories of finished goods	154	-51
Other operating income	128	6,660
	14,389	68,456
Cost of materials	-8,864	-37,168
Other expenses	-4,644	-27,107
Earnings before taxes and non-operating expenses	881	4,181
Income tax expense to be included	-399	-161
Earnings after taxes from discontinued business units	482	4,020
Loss from fair value measurement less disposal costs	-3,586	-8,440
Loss from the disposal of business unit	-774	-2,508
Write-downs on intangible assets	0	-1,110
Total non-operating expenses	-4,360	-12,058
Cash flows from discontinued business units		
Net cash flows from operating activities	1,330	2,969
Net cash flows from investment activities	-123	-394
Net cash flows from financing activities	-941	-3,439
Total net cash flows	266	-864

29. Earnings per share

Earnings per share are calculated as follows:

	2009 EUR thou.	2008 EUR thou.
Consolidated net result from continued business units	-9,563	-7,610
Weighted average number of shares in circulation	4,365,874	4,365,874
Earnings per share (€)	-2.22	-1.76

There were no dilutive effects in the 2009 financial year or the previous year.

30. 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 2009 reported a net loss of € 22,683 thousand. The Executive Board and the Supervisory Board propose carrying the result forward to new account.

31. 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 materials 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 AG 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, the analysis is carried out using the respective balances at the end of the month.

The sensitivity analysis assuming a 100 bp fluctuation in interest rates results in an increased/reduced cash outflow of approximately € 106 thousand.

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:

2009 EUR thou.	Carrying amount	2010	2011	2012	2013	2014	≥ 2015
Trade payables	2,248	2,248	0	0	0	0	0
Liabilities to banks	51,330	34,242	8,225	5,038	899	888	2,038
Finance lease liabilities	3,115	731	694	706	542	442	0
Other liabilities	2,226	2,226	0	0	0	0	0
Total	58,919	39,447	8,919	5,744	1,441	1,330	2,038

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

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.

Deferred income reported under "Other liabilities" totalling € 3,048 thousand (previous year: € 3,048 thousand) does not have a cash impact. Its reversal is therefore not presented in this table.

In connection with the sale of DICOTA GmbH, borrower's note lenders asserted an extraordinary termination right. By agreeing a standstill agreement, all banks involved in financing Masterflex AG waived repayment of their loans up until 30 June 2010 due to the restructuring of the financial liabilities. Collateral has been provided for most of the borrowed funds already provided, which are reported as current liabilities due to the extension of all facilities.

€ 15,397 thousand of the current credit lines will thus fall due on 30 June 2010. Masterflex AG will not be able to pay this from its cash balance.

Therefore, in order to safeguard the continued existence of the Company, it is imperative that a solution be drawn up together with the banking partners by 30 June 2010 that ensures liquidity beyond 30 June 2010.

The Executive Board of Masterflex AG is currently carrying out intensive work on a plan together with the lead banks which includes

- a further reduction in debt,
- raising fresh capital by means of an equity increase,
- structuring the remaining financial liabilities to banks over several years and
- a possible reduction in the number of banking partners.

Based on the talks held with the banking partners and potential equity investors, the Executive Board of Masterflex AG expects that a solution and structure mutually agreed upon with the banking partners will have been found by 30 June 2010, thus ensuring the continued existence of the Company.

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.

32. Other financial commitments

At 31 December 2009, other financial commitments related to lease obligations and other commitments.

a) Lease obligations

The financial commitments relating to finance leases are discussed in note 13.

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

	2010 EUR thou.	2011–2014 EUR thou.	2015 EUR thou.
Notional amount of future minimum lease payments	370	266	9

The operating lease liabilities relate primarily to office and operating equipment. Payments recognised as expenses amount to € 347 thousand (previous year: € 586 thousand).

b) Other commitments

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

33. Segment reporting

Since 1 January 2009, the operating segments of Masterflex AG have been determined and presented on the basis of information with which the internal management is provided. This change is the result of the replacement of IAS 14 "Segment Reporting" with IFRS 8. Reporting for operating segments subject to reporting requirements is carried out on the basis of the information to which the management refers when measuring the performance of operating segments and allocating resources.

For Masterflex AG, the application of this new standard did not lead to any changes in presentation compared to the previous year.

However, the segment structure has changed in that the Medical Technology segment was discontinued with effect from 30 November 2009 as a result of the sale of Angiokard Medizintechnik GmbH & Co KG. In this process, the two subsidiaries Novoplast Schlauchtechnik GmbH and Fleima-Plastic GmbH were sold to Masterflex AG and assigned to the High-Tech Hose Systems (HTS) core business unit in the organisational structure. This has also been carried out with retroactive effect for the 2008 financial year. Masterflex AG thus has three operating segments.

In the High-Tech Hose Systems (HTS) segment, which constitutes the core business of the Masterflex Group, the development and manufacture of high-tech hose systems, moulded parts and injection moulding elements from innovative advanced polymers for industrial and medical applications is the main focus of activities. Products from this segment are used across an extremely wide range of industrial applications such as chemicals, food, automotive engineering and medical technology.

The Mobility (MOB) segment covers activities regarding the issue of climate-neutral mobility as well as fuel cell technology. In particular, this includes electric bicycles and the distribution of electric motors. The Mobility segment develops, produces and markets climate-neutral mobility solutions (fuel cells, electric drive systems, Pedelecs and Cargobikes). The Advanced Material Design division comprises all activities associated with the SURPRO Group's metal surface coating.

The segments are controlled both in terms of revenue and earnings. EBIT serves as an earnings indicator in the Masterflex Group, which was still reported as EBIT adjusted for non-operating expenses in 2008 and 2009.

The depreciation and amortisation underlying this adjusted EBIT comprises solely of amortisation of intangible assets and depreciation of property, plant and equipment. Extraordinary write-downs and write-downs on goodwill do not form part of adjusted EBIT.

The non-operating expenses reported in the income statement include one-off bank charges incurred as part of the restructuring, extraordinary write-downs and legal and consultancy fees.

With the exception of revenue in the Mobility segment, inter-segment revenue was settled at transfer prices in line with the market ("arm's length principle").

Segment assets include the operating assets of the individual segments such as property, plant and equipment, intangible assets including goodwill, inventories, receivables, other assets and cash in hand. Tax receivables, deferred tax assets and financial assets do not form part of the respective segment assets.

According to IFRS, segment liabilities are only to be included in segment reporting if these are regularly used and reported for corporate management purposes. Masterflex AG does not employ this indicator, meaning that it does not need to be reported.

The "Reconciliation" column contains amounts resulting from differences between the definition of the content of segment items and the corresponding items at Group level as well as those resulting from Group expenditure.

Segment information by business unit:

2009	HTS	MOB	AMD	Total for continued business units	Reconciliation	Discontinued business units	Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Revenue from non-Group third parties	38,409	5,621	11,163	55,193		14,107	69,300
Revenue from other business units	83	353	0	436	0	10	446
Total revenue	38,492	5,974	11,163	55,629	0	14,117	69,746
EBIT	4,700	-608	-7,662	-3,570	-4,039	-3,330	-10,939
EBIT (adjusted)	5,014	-579	-3,407	1,028	-1,358	1,030	700
Investments in property, plant and equipment and intangible assets	842	506	107	1,455	0	0	1,455
Scheduled depreciation and amortisation	2,468	541	564	3,573	0	63	3,636
Valuation allowances	119	0	333	452	0	0	452
Write-downs on goodwill	0	0	3,078	3,078	0	3,586	6,664
Assets	46,137	4,604	8,559	59,300	9,998	0	69,298

2008	HTS	MOB	AMD	Total for continued business units	Reconciliation	Discontinued business units	Group
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Revenue from non-Group third parties	49,083	3,830	20,467	73,380	0	61,847	135,227
Revenue from other business units	108	1,512	0	1,620	0	0	1,620
Total revenue	49,191	5,342	20,467	75,000	0	61,847	136,847
EBIT	6,761	-723	-3,174	2,864	-2,267	-7,029	-6,432
EBIT (adjusted)	9,205	-549	-750	7,906	-1,934	5,030	11,002
Investments in property, plant and equipment and intangible assets	2,849	1,097	1,176	5,122	0	152	5,274
Scheduled depreciation and amortisation	2,525	93	663	3,281	0	230	3,511
Valuation allowances	1,349	0	179	1,528	0	1,043	2,571
Write-downs on goodwill	768	0	1,146	1,914	0	8,440	10,354
Assets	60,107	6,064	18,025	84,196	7,333	9,745	101,274

Due to the altered regulations on segment reporting, the geographical breakdown of revenue is no longer carried out at individual segment level, but at Group level. The calculation is based on the headquarters of the customer. This results in the following geographical breakdown of revenue:

2009	Revenue from non-Group third parties	Thereof discontinued business units
Germany	44,521	11,707
Rest of Europe	13,464	1,553
Rest of the world	11,315	847
Total	69,300	14,107

2008	Revenue from non-Group third parties	Thereof discontinued business units
Germany	73,458	24,107
Rest of Europe	29,335	17,577
Rest of the world	32,434	20,163
Total	135,227	61,847

The breakdown of revenue by product group for continued business units is as follows:

Breakdown of revenue by product	2009	2008
Hose and connector elements	38,409	49,083
Luxury goods (writing implements, etc.)	11,163	20,467
Electric bicycles and drive systems	5,621	3,830
Total	55,193	73,380

In the 2009 financial year, revenue equalling more than 10% of total consolidated revenue from continued operations was generated with one customer from the Advanced Material Design segment. Revenue of € 7.9 million or 14.3% of total revenue from continued operations was attributable to this customer (2008: € 16.0 million or 21.8%).

The reconciliation of adjusted EBIT from continued business units to earnings after taxes is presented below:

Reconciliation to consolidated earnings after taxes	2009	2008
Adjusted EBIT from continued business units	1,028	7,906
Extraordinary expenses from continued business units	-4,598	-5,042
Extraordinary expenses from reconciliation	-2,682	-334
Reconciliation	-1,358	-1,934
EBIT from continued business units	-7,610	597
Interest income/income from equity interests	201	685
Interest expense	-3,754	-3,527
Write-downs of current financial instruments	-28	-6,902
EBT from continued business units	-11,191	-9,148
Income taxes	-1,232	-507
Deferred taxes	2,860	2,045
Minority interests	-127	-86
Earnings after taxes (EAT) from continued business units	-9,690	-7,694
Earnings from discontinued business units	482	4,020
Extraordinary expenses from discontinued business units	-4,360	-12,058
EAT	-13,568	-15,734

In accordance with IFRS 8, the geographical distribution of non-current assets must be disclosed. Non-current assets include property, plant and equipment and intangible assets. Deferred taxes and financial assets do not form part of the non-current assets to be disclosed in accordance with IFRS 8.

Non-current assets	2009	2008
Germany	27,556	33,632
Rest of Europe	1,523	1,660
Rest of the world	2,878	2,856
Total	31,957	38,148

The reconciliation of assets from continued segments to consolidated assets breaks down as follows:

Reconciliation to consolidated assets	2009	2008
Total assets of continued segments	65,684	84,195
Less intragroup receivables	-6,384	-3,048
Assets of discontinued segments	0	9,746
Deferred tax assets	5,840	3,431
Tax receivables	189	2,221
Non-current financial assets	3,969	4,729
Total consolidated assets	69,298	101,274

34. 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 28.

35. Government grants

In the 2009 financial year, government grants related to income were recognised in the amount of € 145 thousand (previous year: € 523 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.

36. 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 1 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 "Financial liabilities".

The lease is scheduled to run until 31 July 2014. In the 2008 financial year, the monthly lease instalment was approximately € 24 thousand.

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

In addition, the Group has a subordinate receivable from one member of the Supervisory Board as well as two major shareholders in the amount of € 2,053 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.

37. Declaration of conformity with the German Corporate Governance Code

In December 2009, 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 Management Report section of this Annual Report.

38. Number of employees

At the balance sheet date, the number of employees was distributed across the operating functions as follows:

	2009	2008*
Production	369	485
Sales	68	77
Administration	59	66
Technology	41	47
Employees in the Group	537	675
thereof trainees	15	20

* excluding DICOTA GmbH and Angiokard GmbH & Co. KG

39. Audit and advisory fees

The fees expensed in the 2009 financial year for the auditors of the consolidated financial statements, MBT Wirtschaftstreuhand GmbH, Wirtschaftsprüfungsgesellschaft, amounted to € 190 (thereof € 53 thousand for 2008) thousand and consisted of fees for the audit of the consolidated financial statements and the statutory separate financial statements of Masterflex AG and its domestic subsidiaries. An additional € 10 thousand was expensed for tax advisory services and € 53 thousand for other advisory services.

40. Exemption from publication

In accordance with section 264 (3) of the German Commercial Code, the following consolidated companies are exempt from the requirement to publish their separate financial statements:

- SURPRO Verwaltungsgesellschaft mbH
- SURPRO GmbH
- Matzen & Timm GmbH

41. 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, reduced working hours were requested for a few Group companies in order to avoid redundancies of qualified employees as far as possible. Reduced working hours were lifted at all affected sites from February 2010 onwards.

It should also be noted that, following the granting of the loan extension up to 30 June 2010, the Executive Board is currently in close consultation with lenders in order to draw up a restructuring of Company financing. This had not produced a conclusive result by the date on which this report was produced. The Executive Board expects that the future financing concept will be completed by no later than 30 June 2010. The annual financial statements have therefore been prepared on a going concern basis.

42. Publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Executive Board on 28 April 2010 and published on 29 April 2010.

43. Significant equity investments

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

Gelsenkirchen, 28 April 2010

The Executive Board



Dr. Andreas Bastin
(Chief Executive Officer)



Mark Becks
(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, 28 April 2010

The Executive Board



Dr. Andreas Bastin
(Chief Executive Officer)



Mark Becks
(Member of the Executive Board)

Consolidated Statement of Changes in Non-Current Assets 2008

2008	Historical cost Jan. 1, 2008	Changes to the consolidated Group	Additions	Disposals	Reclassifications	Currency translation differences	Historical cost Dec. 31, 2008
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	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	32,183	-11,767	0	0	0	35	20,451
Advance payments	29	0	316	0	88	0	433
Total	40,769	-12,274	1,626	4,255	117	35	26,018
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	18,855	0	1,409	125	303	-11	20,431
Other equipment, operating and office equipment	9,155	-832	723	341	-116	-9	8,580
Advance payments and assets under development	2,320	0	1,159	0	-2,601	0	878
Total	45,725	-882	3,647	469	-117	9	47,913
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
	96,968	-13,156	8,394	12,106	0	44	80,144

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	11,007	22,948
Advance payments	0	0	0	0	0	0	0	433	29
Total	10,706	-10,493	12,685	1,987	0	0	10,911	15,107	30,063
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	9,990	9,851
Other equipment, operating and office equipment	4,541	-678	1,112	243	0	-1	4,731	3,849	4,614
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	28,026	28,472
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	47,862	68,079

Consolidated Statement of Changes in Non-Current Assets 2009

2009	Historical cost Jan. 1, 2009	Changes to the consoli- dated Group	Additions	Disposals	Reclassifi- cations	Currency translation differences	Historical cost Dec. 31, 2009
	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.	EUR thou.
Intangible assets							
Concessions, industrial and similar rights and assets, licenses	2,976	-363	34	613	0	0	2,034
Development costs	2,158	0	458	416	0	0	2,200
Goodwill	20,451	-11,290	0	0	0	0	9,161
Advance payments	433	-36	0	0	0	0	397
Total	26,018	-11,689	492	1,029	0	0	13,792
Property, plant, and equipment							
Land, land rights and buildings on third-party land	18,024	-361	30	0	8	-10	17,691
Technical equipment and machinery	20,431	-1,116	297	147	588	-19	20,034
Other equipment, operating and office equipment	8,580	-741	314	665	31	-11	7,508
Advance payments and assets under development	878	0	322	6	-627	0	567
Total	47,913	-2,218	963	818	0	-40	45,800
Non-current financial assets							
Non-current financial instruments	990	0	60	12	0	0	1,038
Other loans	5,223	0	261	1,733	0	0	3,751
Total	6,213	0	321	1,745	0	0	4,789
	80,144	-13,907	1,776	3,592	0	-40	64,381

2009	Cumulative depreciation and amortization Jan. 1, 2009 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, 2009 EUR thou.	Balance at Dec. 31, 2009 EUR thou.	Balance at Dec. 31, 2008 EUR thou.
Intangible assets									
Concessions, industrial and similar rights and assets, licenses	1,363	-354	759	606	0	0	1,162	872	1,613
Development costs	104	0	267	120	0	0	251	1,949	2,054
Goodwill	9,444	-10,205	6,664	0	0	0	5,903	3,258	11,007
Advance payments	0	0	213	0	0	0	213	184	433
Total	10,911	-10,559	7,903	726	0	0	7,529	6,263	15,107
Property, plant, and equipment									
Land, land rights and buildings on third-party land	4,715	-234	507	0	0	-5	4,983	12,708	13,309
Technical equipment and machinery	10,441	-878	1,535	63	0	-13	11,022	9,012	9,990
Other equipment, operating and office equipment	4,731	-599	807	561	0	-10	4,368	3,140	3,849
Advance payments and assets under development	0	0	0	0	0	0	0	567	878
Total	19,887	-1,711	2,849	624	0	-28	20,373	25,427	28,026
Non-current financial assets									
Non-current financial instruments	737	0	0	0	51	0	788	250	253
Other loans	747	0	0	715	0	0	32	3,719	4,476
Total	1,484	0	0	715	51	0	820	3,969	4,729
	32,282	-12,270	10,752	2,065	51	-28	28,722	35,659	47,862

Auditor's Report

"We have audited the consolidated financial statements – comprising the balance sheet, the income statement, the statements of changes in equity and cash flows and the notes to the financial statements – and the Group management report prepared by Masterflex AG for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance 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 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 standards 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 financial statements, the delimitation of the consolidated group, the accounting principles 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 consolidated 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 statements 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 explained in sections B. Results of operations, net assets and financial position, F. Report on post-balance sheet date events and G. 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, 28 April 2010

MBT WIRTSCHAFTSTREUHAND GmbH
Wirtschaftsprüfungsgesellschaft

Nietfeld-Yasar
CPA

Sieverding
CPA

Report of the Supervisory Board

Dear Shareholders,

In the 2009 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. The predominant theme of the last fiscal year was the negotiations with the providers of capital regarding the prolongation of the loans due on 30 June 2009 and the elaboration of a viable financing concept. All members of the Supervisory Board and its founder members have made major contributions with the aim of providing the Executive Board with active support for creating the basis for a realignment of the company's financing structure. At the same time, the Executive Board actively promoted the realignment of the Group. They supported this realignment by elaborating a concept designed to secure the long-term financing of Masterflex AG and its Group companies and making this a foundation for further talks with lenders. The Executive Board has also provided ongoing reports of the impact of the economic and financial crisis on the Group's business units and the resulting business policy strategies. In addition, it reported on the fundamental aspect concerning the realignment 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. The Executive Board has provided the Supervisory Board with extensive information on the current development of the individual companies. Furthermore, the Executive Board reported regularly on the preparation and content 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, reviewed these, and made the necessary changes in line with the new regulations specified by the Executive Board remuneration committee.

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 with detailed information on the preparations for setting up a comprehensive, internal control system in accordance with the requirements of the German Accounting Law Modernisation Act and associated extended requirements. It also reported on the launch of a new information tool designed to improve liquidity management across all the companies.

Risk management was subject to an intensive examination by the auditor, who 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 and for identifying undesirable developments.

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 six times in fiscal 2009. It discussed the financial position and strategic development of Masterflex AG in detail. At all of its meetings, the Supervisory Board was comprehensively informed by the Executive Board about the Group's course of business, financial position, human resources situation, business 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. A number of informal meetings also took place between individual members of the Supervisory Board and Executive Board in order to provide content-related support for its activities taking into account personal expertise.

Changes in the Supervisory Board and Executive Board

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

The Supervisory Board of Masterflex AG appointed Mr Mark Becks as the new Chief Financial Officer with effect from 1 June 2009. He succeeded Ulrich Wantia, who left the company on 15 May 2009. Ulrich Wantia had been the Chief Financial Officer of Masterflex AG since December 2004.

Detlef Herzog, company founder and former CEO of Masterflex AG, stepped down from his position on the Supervisory Board on 11 August 2009. The Annual General Meeting of 11 August 2009 elected Georg van Hall, certified auditor and tax advisor, as his successor.

Focus issues of the Supervisory Board in 2009

In 2009, the year under review, the activities of the Supervisory Board focused primarily on refinancing and restructuring of Masterflex AG. The Executive Board reported regularly on the status of negotiations with the banks and on Group planning from 2010 to 2012.

The Supervisory Board also received regular and detailed information on the progress of measures to implement the efficiency programme "MOVE" and the successes achieved so far. Other focus issues included the sales processes of TechnoBochum GmbH and Angiokard Medizintechnik GmbH & Co. KG. The Supervisory Board also took a keen interest in the financial situation of the SURPRO Group and the strategies developed by the Executive Board of Masterflex AG to improve the unsatisfactory business development of the SURPRO Group. In addition, the Supervisory Board learned more about the successful development of the "Mobility" business unit, which was set up the previous year.

In the meeting held on 16 March 2009, the Supervisory Board looked at not only the key focus issues regarding financing and restructuring, but also the target objectives outlined by the

Executive Board for fiscal 2009 as well as various issues concerning the Executive Board, including remuneration of the Executive Board.

In the Accounting Supervisory Board meeting on 20 April 2009, the Supervisory Board discussed the consolidated financial statements for fiscal 2008 in detail. The Supervisory Board also resolved to propose to the Annual General Meeting on 11 August 2009 that MBT Wirtschaftstreuhand GmbH Wirtschaftsprüfungsgesellschaft, Lohne, be appointed as the Group's auditor.

The Supervisory Board meeting on 9 June 2009 was, among other things, an opportunity to prepare for the Annual General Meeting in August. In view of the pending prolongation on 30 June 2009, the Supervisory Board also received detailed information on the progress of negotiations with the providers of capital.

Regarding the prolongation at the start of July 2009, the Supervisory Board gave its approval to the negotiations concluded on the part of the Executive Board with the banks.

The meeting held on 11 August 2009 was auditor and tax advisor Georg van Hall's first as new member of the Supervisory Board. The Supervisory Board of Masterflex can now benefit from Mr van Hall's expertise in the areas of accounting and auditing. By appointing a financial expert, Masterflex fulfils the requirements of the German Accounting Law Modernisation Act, which came into force on 29 May 2009.

In the meeting held on 9 October 2009, there was extensive discussion on the business development in the first half year. Key issues included the decline in revenue following the financial crisis, the development of the cash flows, which remains positive despite the financial crisis, and the ongoing reduction in net debt. 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.

In the Supervisory Board meeting on 1 December 2009, the Supervisory Board received detailed information about the sale of Angiokard Medizintechnik GmbH & Co. KG, which was agreed upon in November 2009, and the impact on Masterflex AG's balance sheet. The Executive Board also reported on the current financial year, which was about to draw to a close, and provided an overview of business prospects for 2010, taking into account a range of economic conditions.

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. One of the focus issues of the Supervisory Board meeting on 1 December 2009 was the fact that, from fiscal 2010, the company must now also submit a new declaration of conformity during the course of the year if this deviates from the recommendations specified in the Corporate Governance Code.

Following the meeting, the Executive Board and Supervisory Board submitted, in accordance with Section 161 of the German Stock Corporation Act, a revised declaration of conformity on the basis of the German Corporate Governance Code version dated 6 June 2008 in terms

of past content and the additional recommendations published on 18 June 2009. This is permanently available to shareholders on the company website.

In this annual report, the declaration of conformity submitted on the basis of the versions mentioned above is provided in the Corporate Governance report in the explanation of corporate management on pages 36 ff. 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 on 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 2009 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 11 August 2009, and issued with an unreserved audit certificate. The documents to be audited and the drafts of 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 15 April 2010. The adoption and the approval of the annual financial statements and the consolidated financial statements were carried out on 28 April 2010. The auditor took part in discussions regarding the annual financial statements and consolidated financial statements. He outlined the key findings of the audits and provided additional information where necessary.

The Supervisory Board noted the findings of the auditor's reports with approval. The conclusions of the company's own audit are entirely consistent with the findings of the audit of the annual financial statements. The Supervisory Board saw no reason to raise any objections to the annual financial statements and consolidated financial statements submitted by the Executive Board. The Supervisory Board approved the annual financial statements and consolidated financial statements submitted by the Executive Board for the year ending 31 December 2009, and these have been adopted as a result.

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.

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 fiscal 2009.

Gelsenkirchen, April 2010

For the Supervisory Board
Friedrich Wilhelm Bischooping
Chairman

The members of the Supervisory Board

[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 Centre 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.

[Dipl.-Kfm. Georg van Hall](#) (member of the Supervisory Board since 11 August 2009)

After studying business administration at the Technical University of Berlin and the University of Illinois, USA, and taking his professional examination as an auditor, Georg van Hall held a number of management positions in his capacity as auditor and tax advisor, and was most recently an Executive Board member of Röf's WP Partner AG Wirtschaftsprüfungsgesellschaft. Since 2005, he has run his own business and, since May 2009, is a partner at AccountingPartners Wirtschaftsprüfungsgesellschaft in Düsseldorf.

[Detlef Herzog](#) (Supervisory Board member from 4 June 2008 to 11 August 2009)

Detlef Herzog was one of the founding members of 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 left the Executive Board and on 4 June 2008 was elected by the Annual General Meeting as a Supervisory Board member.

Glossary

Cargobike	Transportation vehicle with fuel cell drive
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.
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.
GKV	German association of the plastics processing industry
Gross domestic product (GDP)	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.
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).
MOVE	Masterflex's internal efficiency program
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.
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.
PlasticsEurope	European Plastics Association
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.
Working capital	Current assets minus current liabilities

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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 warranty 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.

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