



INTERIM REPORT  
1<sup>st</sup> half year 2010



one step ahead

## Masterflex at a Glance

- Masterflex emerges stronger from the crisis
- Consolidated revenue and earnings rise considerably
- Financing secured in the long term and extensive balance sheet restructuring coming to a close
- Concentration on core business accelerated further

<b>Continued Business Units</b>	<b>June 30, 2010</b>
Consolidated revenue (EUR thou.)	24,911
Consolidated-EBITDA (EUR thou.)	4,025
Consolidated-EBIT (EUR thou.)	2,836
Consolidated-EBT (EUR thou.)	345
Consolidated earnings from continued business units (EUR thou.)	201
Consolidated earnings from discontinued business units (EUR thou.)	-5,082
Consolidated net income	-4,974
<b>Earnings per share (EUR)</b>	
from continued business units	0.02
from discontinued business units	-1.16
from continued and discontinued business units	-1.14
<b>Consolidated EBIT-Margin</b>	11.4%
<b>Number of employees</b>	549
	<b>June 30, 2010</b>
Consolidated equity (€ thou.)	-3,487
Consolidated total assets (€ thou.)	68,616
Consolidated equity ratio (%)	-5.1%

### The Executive Board of Masterflex AG

Dr. Andreas Bastin, Chief Executive Officer

Mark Becks, Chief Financial Officer

### The Supervisory Board of Masterflex AG

Friedrich Wilhelm Bischooping, Chairman of the Supervisory Board

Prof. Dr. Detlef Stolten

Dipl.-Kfm. Georg van Hall, certified auditor and tax advisor

June 30, 2009	Change in %
23,095	7.9%
2,356	70.8%
1,124	152.3%
-1,922	
-1,440	
-928	447.6%
-2,452	102.9%
-0.35	-105.7%
-0.21	452.4%
-0.56	103.6%
4.9%	132.7%
697	-21.2%
December 31, 2009	Change in %
995	
69,298	-1.0%
1.4%	





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*Dear shareholders,*

Business development at Masterflex AG has improved significantly in the first half of 2010 compared to the previous year. Our early implementation of restructuring and cost reduction measures is clearly having a positive and sustained effect. Sales have also developed in a very positive manner due to the general economic recovery and our targeted sales projects. This has led to a significant improvement in earnings and margins.



As expected, this positive development is primarily based on our core business unit High-Tech-Hose Systems. Our widely diversified sales markets and our innovation abilities have proven to be a great success. We have also made good progress in leveraging promising potential in new industries and countries.

The most important milestone in the first half of 2010 was the agreement of a concept for the long-term restructuring of Group financing with our financing partners. Even though the great complexity of inter-related conditions and the number of banks involved, mean that it will be some months yet before negotiations reach the hoped-for conclusion, the key data achieved for the target concept are very positive and show great promise for our company:

- Significant reduction in the number of bank partners
- Further considerable reduction in debt through debt waivers recognised through profit and loss by the banks willing to leave the financing consortium
- Additional reduction in debt and strengthening of equity through an equity measure
- Loan agreements for long-term, structured Group financing over five years, including extensive capital expenditure lines



The structure and overall conditions of the equity measure will be explained and presented for approval at the Annual General Meeting on 17 August 2010. Securing long-term financing from the core banks of the future is linked to a State guarantee being granted. This has already been applied for.

We are optimistic that a definitive agreement will be reached and the concept implemented by the end of the year.

We have also realised one further milestone in terms of operational restructuring. As announced on 28 June 2010, at the end of the period under review on 10 August 2010 Masterflex AG concluded a contract to sell its subsidiary SURPRO GmbH, D-Wilster. The contract was concluded under the usual provisos. The transaction is still set to be completed in the current financial year.

The sale of Surface Technology, which generates high losses, is another important cornerstone in the process of concentrating Masterflex AG's business activities on the successful High-Tech-Hose Systems core business. This measure brings with it a deconsolidation impact of around € 5 million that, as already stated in the 2009 Annual Report, will affect the consolidated income and equity of Masterflex AG and accounted in the 2010 six-month result. The Advanced Material Design segment (Surface Technology) is reported as a discontinued business unit. The results in this half-year report are therefore presented on the basis of continuing operations.

The recovery of the economy is reflected in consolidated revenue, which rose by 7.9% in the first half of 2010 from € 23.1 million to € 24.9 million. Masterflex AG's successful development is demonstrated even more clearly by the almost 71% surge in consolidated EBITDA to € 4.0 million (same period of the previous year: € 2.4 million) and the even greater increase in consolidated EBIT of 152.3% from € 1.1 million to € 2.8 million.

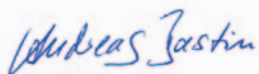


It must be taken into account that this year's consolidated result will again be negatively impacted by extraordinary expenses in connection with refinancing and transaction costs. As of the coming financial year, we expect a further huge reduction of these non-operating expenses.

Dear shareholders, in the past two years – an extremely short time – Masterflex AG has performed a true feat of strength. But we cannot yet be entirely satisfied. Nevertheless, we can clearly see that Masterflex AG is back on the road to success, not least due to extensive restructuring activities. Furthermore, from now on our company will be able to leverage market and technology-related growth potential thanks to a strategy focussing on the profitable core High-Tech-Hose Systems business unit. To do so, we deploy the superior technological expertise of Masterflex AG and international growth potential in the market for high-performance connector and hose systems made from innovative high-tech polymers.

In view of the successful first half of 2010, we are now expecting the 2010 financial year to be significantly better with a revenue upturn of at least € 4.0 million and consolidated operating EBIT also increasing by at least € 4.0 million.

August 2010



Dr. Andreas Bastin  
Chief Executive Officer



# Interim Management Report

## Group structure and business activities

Masterflex AG, Gelsenkirchen, is a specialist in the development and production of high-quality connector and hose systems in its core High-Tech-Hose Systems business unit. While previously it was polyurethanes that were primarily used, today a range of additional high-tech polymers are processed. This area – our core business – is being further expanded.

Only one equity investment that does not belong to the core business is retained following the disposal of Surface Technology (Advanced Material Design), i. e. Mobility (climate-neutral mobility solutions).

## Market and competition

### Core business unit High-Tech-Hose Systems

In the first half of 2010, the core business unit High-Tech-Hose Systems recovered significantly year-on-year. Incoming orders at Masterflex AG were into significant double-digit figures in the first half of 2010 in comparison with the previous year. Due to this positive development, reduced working hours ended in February 2010.



Overall, segment revenue saw an increase of almost 13.4 % to € 22.7 million in the first half of 2010 (previous year: € 20.0 million). It must be noted here that TechnoBochum GmbH was included in the previous year's figures. As of 30 April 2009, this no longer belongs to the Masterflex Group. Adjusting for the former subsidiary, group revenue actually rose by 17.6 %.

This recovery was quite clearly reflected in segment EBIT before reconciliation, surging by 107.1 % to € 3.8 million. This corresponds to a positive EBIT margin of almost 17 %.

The plastics industry as a whole is also developing dynamically. In the half-yearly survey by the sector service Kunststoff Information (“KI Dialog”), 80 % of participating companies reported that business was better than the previous year. Only 7 % of companies surveyed still expected negative performance in the second half of the year. This improved sentiment was also apparent at the trade fairs in which Masterflex AG took part, such as the WIN industrial trade fair in Istanbul, the Hanover trade fair and POWTECH trade fair. A wide range of new products were presented at these trade fairs, including hoses made of renewable raw materials and new hoses that can be used to divert electrostatic charges when conveying combustible powders and bulk materials.

Masterflex AG has also developed a hose series for a completely new segment. The new fun-flexx® hoses are training tunnels for dogs. With this product, which is aimed primarily at private commercial customers and users, Masterflex AG is breaking new ground in the development of sales markets.

Internationalisation was also taken further in the first half of 2010. The company is soon to launch on the Brazilian market with the imminent opening of a sales office in Sao Paulo. The first transactions on this impressive growth market are already scheduled for the second half of 2010.

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 new hoses for the hearing aid industry.

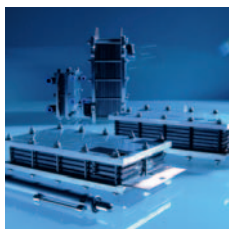
Product innovations of this type serve to underline our technological expertise, a key pillar of our success.

We will continue to build on our internationalisation and innovative ability in the coming years. For this reason, in the first half of 2010 we strengthened the Development and Sales/Internationalisation departments in terms of the number of staff.



## Mobility

The Mobility segment developed in a very restrained manner in the first half of 2010. This was due to the harsh and enduring winter, which curbed demand for electric bicycles in the first quarter of 2010. This decline was not reversed in the second quarter since Masterflex AG preferred to deploy its free funds in its core business unit. In addition, the market entry and ongoing technical upgrading of products in the fuel cell technology sub-segment had to be financed.



The use of our Cargobikes with fuel cell drive systems in the European HyChain project will continue according to schedule. We are planning to supply further vehicles by the end of the year. Furthermore, 10 Cargobikes are currently in use at Deutsche Telekom AG as part of the T-City project. Further vehicles will be delivered over the course of this year.

Segment revenue decreased by 27.7% to € 2.2 million (previous year: € 3.1 million). Accordingly, segment EBIT remained negative and dropped from € -22 thousand to € -170 thousand year-on-year.

Since the Mobility division has no synergies with the core business, we are examining options such as selling the business or collaborating with a partner. The state of the art achieved to date and the application potential of our fuel cell technology constitute a strong starting position for future business success.

## Results of operations, net assets and financial position

### Results of operations

The improved revenue and income situation is clearly reflected in the consolidated income statement on the basis of continuing operations dated 30 June 2010. Consolidated EBITDA increased significantly year-on-year by more than 70% to € 4.0 million (previous year: € 2.4 million).

Consolidated EBIT also surged by 152.3 % to € 2.8 million (previous year: € 1.1 million). Key drivers were the positive increase in revenue in the high-margin core High-Tech-Hose Systems business unit and the successful measures taken to optimise costs.

On 30 June 2010, consolidated EBT was positive again with € 0.3 million. Last year, this was still clearly negative at € -1.9 million. On 30 June 2010, the consolidated result from continuing and discontinued operations was € -5.0 million due to the negative deconsolidation effect of the discontinued Surface Technology business unit amounting to around € 5 million.

### **Net assets**

As at 30 June 2010, Masterflex AG's asset position had barely changed compared with 31 December 2009. Total assets declined slightly by -1.0 % from € 69.3 million to € 68.6 million.

The effects of the discontinued Surface Technology business unit on the balance sheet are posted on the assets side in the item "Assets held for sale" and amount to € 6.2 million. On the liabilities side, they are posted in the "Liabilities directly related to assets held for sale" item and amount to € 6.8 million.

As a result, a meaningful comparison with the figures as of 31 December 2009 is not possible.

Cash in hand rose by 3.9 % and totalled € 8.1 million as at 30 June 2010.

Equity declined, primarily due to deconsolidation effects and totalled € -3.5 million as at 30 June 2010. However, once the capital measures planned have been implemented and the debt waivers of the banks have come into effect, the equity situation will improve considerably and could rapidly approach our target equity ratio of 30 %.

Non-current financial liabilities declined by -6.5 % to € 18.2 million because of the SURPRO statement, while current financial liabilities increased by 4.0 % to € 36.4 million as a result of the utilisation of overdraft facilities.



Taking into account the cash and cash equivalents available at the balance sheet date, net debt (financial liabilities less cash and cash equivalents) totalled € 46.5 million, thus decreasing slightly by 0.4% compared with 31 December 2009.

### Financial operations

The principles and aims of financial management are explained in detail in the 2009 Annual Report. There were no changes as at 30 June 2010.

The ultimate goal is a long-term, secure financing structure with a sustainable ratio of equity and collateral that will ensure the continued existence of the company.

As at 28 June 2010, Masterflex AG had agreed upon a concept with its financing partners for the long-term restructuring of Group financing. It will be implemented subject to the approval of the relevant decision-making bodies and syndicates and includes the extension of the current financing agreements until 30 December 2010 so that this concept can be put in place. The key components are:

- Significant reduction in the current number of financing partners by seven banks to six banks
- Discontinuing the banking relationship with the seven banks willing to leave the financing consortium with a current receivables volume of around € 25 million by the end of 2010 including a debt waiver (shown in profit and loss) of approximately € 10 million.
- Provision of structured, long-term consolidated external financing (five years) by the remaining banks (core banks) if the following key conditions are fulfilled:
  1. Granting a State guarantee for part of the new loans to be structured (the application process is underway)
  2. Successful injection of fresh capital and strengthening of equity

The planned, extensive financial restructuring is based on several inter-related components. In view of the great complexity of interrelated conditions and the number of banks involved, the Executive Board points out that negotiations are not yet complete and, therefore, the development of the company still carries a degree of uncertainty.

With regard to equity measures, several anchor investors have already declared their willingness to make a long-term investment in Masterflex AG in the process of implementing the financing concept. Letters of intent to secure the implementation of equity measures have been signed.

The structure of the equity measure planned will be submitted for approval to the Annual General Meeting on 17 August 2010. The invitation can be viewed on the internet at [www.masterflex.de](http://www.masterflex.de) in the Investor Relations/Annual General Meeting section.

If the far-reaching financing concept is implemented successfully, restructuring of Group financing announced by the Executive Board will be ensured on a long-term basis and will contribute to the further, significant reduction in Group debt.

### **Liquidity position**

The Group generated a positive cash flow from operating activities of € 1.6 million as of 30 June 2010, the majority of which was attributable to the core High-Tech-Hose Systems business unit.

Cash in hand changed by 3.9 % in comparison with 31 December 2009 to € 8.1 million.

### **Employees**

As at 30 June 2010, the number of employees dropped by 21.2 % year-on-year. This was primarily due to the disposal of two subsidiaries in 2009 and workforce adjustments in the course of our cost-cutting and restructuring measures. We are also pleased that we put an end to reduced working hours at the affected sites in February 2010. This was based on the positive development in our core business.

Furthermore, in the first half of 2010, 13 new employees were appointed to key positions in administration, sales, development and production in the core High-Tech-Hose Systems business unit.



Masterflex AG is again providing a vocational training programme in 2010. In Gelsenkirchen, trainees started their apprenticeship, two in the commercial and two in the administration areas in August 2010. Eight further trainees are currently employed at the subsidiaries. Two training positions at Novoplast Schlauchtechnik GmbH in Halberstadt are still unoccupied. We would very much like to fill these roles.

## Research & Development, investments

There were no significant changes in the period under review compared with the disclosures in the 2009 Annual Report.

## Report on post-balance sheet date events

### Significant events after the end of the reporting period

On 10 August 2010, Masterflex AG concluded a contract to sell its subsidiary SURPRO GmbH, D-Wilster. The contract was concluded under the usual provisos. The transaction is still set to be completed in the current financial year.

The planned disposal of the Advanced Material Design (Surface Technology) division took place soon after the announcement on 28 June 2010. The segment is shown as a discontinued business unit. This results in deconsolidation expenses of around € 5.0 million.

## Risk report

Detailed descriptions of risk management and the possible risks are provided in the 2009 Annual Report. The disclosures made there generally still apply.



## Outlook and opportunities

### Concentrating on strengths and refinancing

The high growth and diversification strategy of the years following the IPO led to a high level of debt and significant fluctuations in the balance sheet. In the 2008 financial year, the urgently required restructuring process began to refocus Masterflex AG on the core business unit High-Tech-Hose Systems. This was because the debt burden had become oppressive, jeopardising even the continued existence of the company. Across the whole period, the hose business was reliable and by far the biggest earnings driver in the Masterflex Group, continuously generating stable cash flows. For more than 20 years, the Masterflex name has stood for outstanding competence in the entire high-tech-hose systems market.

With the disposal of the Surface Technology (AMD) segment, a crucial goal in our strategic guideline defined in 2008 has almost been achieved. Of an original five different business units – without relating synergies – only two remain after less than two years: our core High-Tech-Hose Systems business unit and the equity investment in the Mobility Group.

Despite the onset of the worst financial and economic crisis of the last 50 years, we also reduced our debt by more than 20%. Company disposals contributed greatly – despite some massive losses and/or high capital requirements at the companies concerned. With the now tangible long-term company financing founded on a stable equity basis (which has not yet been secured), the conclusion of our extensive and harsh restructuring measures of the last two years is now in sight.

We have a clear vision for the future that centres on the successful and superior core competences of Masterflex AG and determines how we will proceed moving forward: in the coming years, we want to become a focused technological company, the clear market leader for high-performance connector and hose systems made from innovative high-tech polymers.





## Opportunities

Based on its excellent material and technological competence, Masterflex AG has good prospects for the future. These are explained in detail in the 2009 Annual Report. The general disclosures made there still apply.

Our core business unit High-Tech-Hose Systems offers great potential for further opportunities based on the following factors:

- **Expansion of our product portfolio**

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

- **Accelerated internationalisation**

We will strengthen our marketing activities in North America and Eastern Europe, which have begun successfully. In the USA in particular, we started the first half of 2009 better than expected. Up to now, we have only been active in certain areas of Asia and overseas. We are already examining options for market entry.

- **Development of materials expertise**

While ten years ago 80 % of the materials we processed consisted of polyurethane (PUR), the proportion of other high-tech polymers used has continuously risen over the past few years so that the share of PUR is now only around 50 %. The advanced polymers that we use require extremely sophisticated processing and a high level of experience. It is precisely this technological expertise that has distinguished Masterflex for more than 20 years, and offers us potential for further opportunities.

## Outlook for the 2010 financial year

So far, the 2010 financial year has proven successful for Masterflex AG. Our extensive measures for sustainably improving business development are taking effect.

The clear economic recovery in the core business makes us optimistic that we will achieve our goals by the end of the year and may even exceed them if the economy as a whole continues to stabilise.



The accelerated expansion of our profitable High-Tech-Hose Systems business unit is progressing successfully. We have already developed numerous innovations and extended our internationalisation. This successful development confirms our expectation that we will experience considerably stronger growth than the market average thanks to our technological expertise.

From today's perspective, the restrained development in the Mobility business unit will continue until the end of the year. However, the effects on overall Group performance are clear since this business unit constitutes only a small share. We believe we are generally on track in the Mobility business unit, not least because the issue of environmentally friendly mobility is becoming increasingly important. Due to the lack of synergies with the core business unit, we are also continuing to examine the possibility of disposal.

Our forecast for the 2010 financial year carries a degree of uncertainty as to how sustained general economic recovery will be. However, we consider the positive half-yearly development to be a sign that our goals for the year are attainable and realistic.

On the basis of continuing operations, we expect for 2010 an increase in consolidated revenue of at least € 4.0 million to € 48.0 million. In particular, consolidated EBIT in 2010 will again be negatively impacted by extraordinary charges – primarily legal and consulting costs arising from disposals as well as capital measures. Nevertheless, we expect operating EBIT to improve significantly by at least € 4.0 million to at least € 3.7 million.

Dear shareholders, Masterflex AG has already overcome a number of challenges. We are therefore convinced that we have set the right strategic course to restore Masterflex AG to a healthy, high-growth company.

The agreement with the financing partners is a key condition for successfully completing Group restructuring and ensuring the future of the company on a long-term basis. Due to the great complexity of inter-related conditions and the number of banks involved, negotiations are

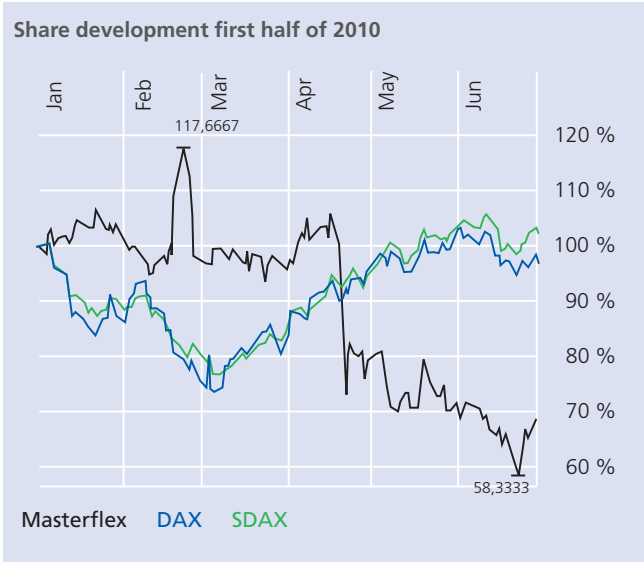


not yet complete and the development of Masterflex AG still carries a degree of uncertainty. However, once an agreement is reached, Masterflex AG will again be able to focus all of its energy on expanding the profitable High-Tech-Hose Systems business unit and work on a viable capital structure.

Operating business development underlines the significance and performance of High-Tech-Hose Systems. Despite the many difficult challenges of the last two years, it is clear that we have not neglected our core business unit. We see great growth potential for Masterflex AG, which we will consistently access by developing our expertise. In the process of conducting internal and external market research, we identified considerable market potential for High-Tech-Hose Systems amounting to around € 600 million worldwide for spiral hoses alone. Our strategic road map with many creative ideas has been drawn up for this purpose and is already being implemented consistently.



## The Masterflex Share



The first half of 2010 was characterised by a mixed development in the share price. In the first quarter of 2010, a new all-time low of less than € 3.00 was reached in February. However, 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 was equivalent to a price gain of 54.2 % and 49.5 % respectively in relation to the all-time low. The Masterflex share thus clearly outperformed the DAX and even the SDAX at times. Following the publication of the 2009 consolidated financial statements on 29 April 2010, the share price receded (despite the positive outlook for the 2010 financial year) and since then has been underperforming the DAX and SDAX.

A slight recovery set in at the end of June 2010. After a low of € 3.10 at the start of June, the share price reached an interim high of € 3.80 following the announcement that Masterflex AG had reached an agreement with its financing partners. Up to the date on which this report was published, the share price was fluctuating between € 3.50 and € 3.80.



The task of our investor relations measures is to promote confidence in the strategic realignment and retrenchment around the profitable High-Tech-Hose Systems core business through transparent communications, pointing out the growth and earnings potential offered by these.

Furthermore, it is essential that we outline on a transparent basis the measures and milestones achieved to restore Masterflex AG to a well capitalised enterprise.

## 2010 Annual General Meeting

The Annual General Meeting will take place on the day this report is published, 17 August 2010, at Schloss Horst in Gelsenkirchen.

In accordance with the legal and statutory provisions, the terms of office of the members of the Supervisory Board end at this Annual General Meeting. Mr Friedrich Wilhelm Bischooping and Mr Georg van Hall are standing for re-election, while Prof. Detlef Stolten is relinquishing his mandate. Mr Axel Klomp, certified auditor and tax advisor, will be proposed as his successor at the Annual General Meeting. Mr Klomp has extensive expertise in the areas of accounting and auditing.

All results of the votes will be published promptly in the Investor Relations/ Annual General Meeting section of our website at [www.masterflex.de](http://www.masterflex.de).

## Masterflex AG Financial Calendar 2010

<b>29 April</b>	Financials press conference, presentation of 2009 Annual Report
<b>29 April</b>	DVFA analysts' conference
<b>12 May</b>	Interim report I/2010
<b>17 August</b>	Annual General Meeting
<b>17 August</b>	Interim report II/2010
<b>15 November</b>	Interim report III/2010
<b>November</b>	German Equity Forum, Frankfurt

## Notes to the Interim Financial Statements (First Half of 2010)

### 1. Accounting principles

This interim report was prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB), and conforms to the Company's accounting principles as outlined below. It was prepared using the same accounting policies as the consolidated financial statements for the year ended 31 December 2009.

### 2. Basis of consolidation

The basis of consolidation has changed compared to 31 December 2009 since the Advanced Material Design segment is shown as a discontinued business unit along with the SURPRO Group.

### 3. Discontinued business units

The Supervisory Board of Masterflex AG agreed to the disposal of SURPRO GmbH on 22 and 23 June 2010. In the consolidated balance sheet dated 30 June 2010, the assets and liabilities attributable to SURPRO GmbH were recorded separately as available for sale. The carrying amount of non-current assets exceeds the gain on the sale expected less any ancillary costs incurred from the disposal, meaning that write-downs of € 5 million (associated tax expense: € 0.4 million) were included when reclassifying the business unit as held-for-sale. The disposal of SURPRO GmbH fits in with the long-term strategy of the Group to focus its activities on the core business High-Tech-Hose Systems.

The result components from the discontinued business unit included in the consolidated income statement are shown below. The comparative disclosures from the previous year regarding results and cash flows from discontinued business units contain components from both SURPRO GmbH and Angiokard Medizintechnik GmbH & Co. KG.



	30 June 2010 EUR thou.	30 June 2009 EUR thou.
<b>Result from discontinued business units</b>		
Revenue	6,040	13,490
Changes in inventories of finished goods	-518	-556
Other operating income	144	181
	<b>5,666</b>	<b>13,115</b>
Costs of materials	-2,777	-7,347
Other expenses	-8,403	-7,097
Earnings before taxes and non-operating expenses	-5,514	-1,329
Income tax expense to be included	432	401
<b>Earnings after taxes from discontinued business units</b>	<b>-5,082</b>	<b>-928</b>
<b>Cash flows from discontinued business units</b>		
Net cash flows from operating activities	828	212
Net cash flows from investment activities	-8	-91
Net cash flows from financing activities	-444	-704
<b>Total net cash flows</b>	<b>376</b>	<b>-583</b>

#### 4. Dividend

Masterflex AG did not pay a dividend for the 2009 financial year.

#### 5. Segment reporting

The following segment reporting is based on IFRS 8 "Operating Segments", which defines the requirements for the reporting of segment results. Masterflex AG has two business units: High-Tech-Hose Systems and Mobility. The Advanced Material Design segment (Surface Technology) is shown as a discontinued business unit.

Segment reporting	High-Tech Hose systems	Mobility
30 June 2010	EUR thou.	EUR thou.
Revenue from non-Group third parties	22,669	2,242
Revenue from other business units	0	0
<b>Total revenue</b>	<b>22,669</b>	<b>2,242</b>
Earnings (EBIT)	3,816	-170
Earnings (EBIT) – adjusted	3,816	-170
Investments in property, plant and equipment and intangible assets	826	9
Assets	48,295	4,657
Depreciations	1,174	15
Segment reporting	High-Tech Hose systems	Mobility
30 June 2009	EUR thou.	EUR thou.
Revenue from non-Group third parties	19,996	3,099
Revenue from other business units	40	0
<b>Total revenue</b>	<b>20,036</b>	<b>3,099</b>
Earnings (EBIT)	1,843	-22
Earnings (EBIT) – adjusted	1,843	-22
Investments in property, plant and equipment and intangible assets	538	84
Assets	56,231	6,006
Depreciations	1,185	47

## 6. Earnings per share

In accordance with IAS 33, basic earnings per share is calculated by dividing the consolidated net profit for the period by the weighted average number of shares outstanding during the period under review. At 30 June 2010, the basic earnings per share from continued operations amounted to € 0.02 based on a weighted average number of shares of 4,365,874.

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





Total for continued business units EUR thou.	Reconciliation EUR thou.	Continued business units incl. reconciliation EUR thou.	Discontinued business units EUR thou.	Group EUR thou.
24,911	0	24,911	6,040	30,951
0	0	0	0	0
24,911	0	24,911	6,040	30,951
3,646	-1,601	2,045	-5,447	-3,402
3,646	-810	2,836	-403	2,433
835	0	835	7	842
52,952	9,481	62,433	6,183	68,616
1,189	0	1,189	3,991	5,180

Total for continued business units EUR thou.	Reconciliation EUR thou.	Continued business units incl. reconciliation EUR thou.	Discontinued business units EUR thou.	Group EUR thou.
23,095	0	23,095	13,491	36,586
40	0	40	0	40
23,135	0	23,135	13,491	36,626
1,821	-2,113	-292	-1,164	-1,456
1,821	-697	1,124	-1,052	72
622	0	622	34	656
62,237	7,061	69,298	27,290	96,588
1,232	0	1,232	517	1,749

## 7. Treasury shares

As at 30 June 2010, Masterflex AG held a total of 134,126 treasury shares.

## 8. Employees

The Group had a total of 549 employees at 30 June 2010, down 21.2 % on the same period of the previous year (HY 2009: 697 employees).

## 9. Income tax expense

Income tax expense in this half-year financial report is determined on the basis of the estimated effective tax rate for Masterflex AG for the 2010 financial year as a whole, which is applied to the pre-tax profit for the quarter. The effective tax rate is based on current earnings and tax forecasts.

## 10. Related party disclosures

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

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

The Group also has a subordinated receivable of € 2,062 thousand from one member of the Supervisory Board and two major shareholders.

Information on these related parties can be found in the 2009 Annual Report in section 36 (page 113) of the notes to the consolidated financial statements. There were no changes to this information during the period under review.


## 11. Review of the half-year report

The interim financial statement and the interim management report for the half-year report have not been audited in accordance with section 317 of the German Commercial Code or reviewed by an auditor.

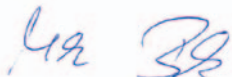
## 12. Responsibility statement

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

August 2010



Dr. Andreas Bastin  
Chief Executive Officer



Mark Becks  
Member of the Executive Board



<b>Company name</b>	<b>Company headquarters</b>		<b>Equity interest held by Masterflex (%)</b>
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 Schlauchtechnik GmbH	D	Halberstadt	100
Fleima-Plastic GmbH	D	Mörtenbach	100
Masterflex Handelsgesellschaft mbH	D	Gelsenkirchen	100
Masterflex Cesko s. r. o.	CZ	Plana	100
M & T Verwaltungs GmbH*	D	Gelsenkirchen	100
Matzen und Timm GmbH	D	Norderstedt	100*
Masterflex Scandinavia AB	S	Kungsbacka	100
SURPRO Verwaltungsgesellschaft mbH*	D	Wilster	100
SURPRO GmbH	D	Wilster	100*
Masterflex Mobility GmbH*	D	Herten	100
Clean Air Bike GmbH	D	Berlin	51*
Masterflex Brennstoffzellentechnik GmbH	D	Herten	100*
Velodrive GmbH	D	Herten	100*

\*) = sub group

## Interim Financial Statements

### Consolidated Balance Sheet

Assets	June 30, 2010*	December 31, 2009
	EUR thou.	EUR thou.
<b>NONCURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>5,962</b>	<b>6,263</b>
Concessions, industrial and similar rights	816	872
Development costs	1,888	1,949
Goodwill	3,258	3,258
Advance payments	0	184
<b>Property, plant and equipment</b>	<b>21,382</b>	<b>25,427</b>
Land, land rights and buildings	12,164	12,708
Technical equipment and machinery	6,321	9,012
Other equipment, operating and office equipment	2,291	3,140
Advance payments and assets under development	606	567
<b>Noncurrent financial assets</b>	<b>3,066</b>	<b>3,969</b>
Noncurrent financial instruments	208	250
Other loans	2,858	3,719
<b>Other assets</b>	<b>140</b>	<b>269</b>
<b>Deferred taxes</b>	<b>6,313</b>	<b>5,840</b>
	<b>36,863</b>	<b>41,768</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>	<b>9,367</b>	<b>13,077</b>
Raw materials and consumables used	5,956	6,286
Work in progress	380	3,256
Finished products and goods purchased and held for sale	2,992	3,520
Advance payments	39	15
<b>Receivables and other assets</b>	<b>8,022</b>	<b>6,485</b>
Trade receivables	6,320	4,355
Other assets	1,702	2,130
<b>Income tax assets</b>	<b>102</b>	<b>189</b>
<b>Cash in hand and bank balances</b>	<b>8,079</b>	<b>7,779</b>
<b>Available-for-sale assets</b>	<b>6,183</b>	<b>0</b>
	<b>31,753</b>	<b>27,530</b>
<b>Total Assets</b>	<b>68,616</b>	<b>69,298</b>

\* unaudited



Equity and liabilities	June 30, 2010* EUR thou.	December 31, 2009 EUR thou.
<b>SHAREHOLDERS' EQUITY</b>		
<b>Consolidated equity</b>	<b>-3,686</b>	<b>782</b>
Subscribed capital	4,366	4,366
Capital reserve	17,521	17,521
Retained earnings	-24,587	-19,618
Revaluation reserve	-633	-590
Exchange differences	-353	-897
<b>Minority interest</b>	<b>199</b>	<b>213</b>
<b>Total equity</b>	<b>-3,487</b>	<b>995</b>
<b>NONCURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>167</b>	<b>1,302</b>
<b>Noncurrent financial liabilities</b>	<b>18,204</b>	<b>19,472</b>
<b>Other current liabilities</b>	<b>2,804</b>	<b>2,809</b>
<b>Deferred taxes</b>	<b>600</b>	<b>1,467</b>
	<b>21,775</b>	<b>25,050</b>
<b>CURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>2,998</b>	<b>2,895</b>
<b>Current financial liabilities</b>	<b>36,376</b>	<b>34,973</b>
<b>Income tax liabilities</b>	<b>1,077</b>	<b>712</b>
<b>Other current liabilities</b>	<b>3,078</b>	<b>4,673</b>
Trade payables	2,191	2,248
Other current liabilities	887	2,425
<b>Debts directly related to available-for-sale assets</b>	<b>6,799</b>	<b>0</b>
	<b>50,328</b>	<b>43,253</b>
<b>Total Equity and liabilities</b>	<b>68,616</b>	<b>69,298</b>

\* unaudited

## Consolidated Income Statement

Continued business units	01.01.– 30.06.2010* EUR thou.	01.01.– 30.06.2009* EUR thou.
1. Revenue	24,911	23,095
2. Changes in inventories of finished goods and work in progress	-143	-609
3. Work performed by the enterprise and capitalised	6	103
4. Other operating income	269	359
<b>Gross profit</b>	<b>25,043</b>	<b>22,948</b>
5. Costs of materials	-8,425	-8,676
6. Staff costs	-7,933	-7,692
7. Depreciations	-1,189	-1,232
8. Other expenses	-4,660	-4,224
9. Financial result		
Financial expense	-1,733	-1,655
Other financial result	33	25
<b>10. Earnings before taxes and non-operating expenses</b>	<b>1,136</b>	<b>-506</b>
11. Non-operating expenses	-791	-1,416
<b>12. Earnings before taxes</b>	<b>345</b>	<b>-1,922</b>
13. Income tax expense	-144	482
<b>14. Earnings after taxes from continued business units</b>	<b>201</b>	<b>-1,440</b>
<b>Discontinued business units</b>		
<b>15. Earnings after taxes from discontinued business units</b>	<b>-5,082</b>	<b>-928</b>
<b>16. Consolidated net income/loss</b>	<b>-4,881</b>	<b>-2,368</b>
<b>Other result</b>		
17. Currency translation differences from the translation of foreign operations	544	58
18. Net result from "available-for-sale" financial assets	-43	-6
<b>19. Other result for the period under review, after taxes</b>	<b>501</b>	<b>52</b>
<b>20. Overall result for the period under review</b>	<b>-4,380</b>	<b>-2,316</b>
<b>Consolidated net income/loss:</b>	<b>-4,881</b>	<b>-2,368</b>
thereof minority interests	93	84
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-4,974</b>	<b>-2,452</b>
<b>Overall result for the period under review:</b>	<b>-4,380</b>	<b>-2,316</b>
thereof minority interests	93	84
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-4,473</b>	<b>-2,400</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	0.02	-0.35
from discontinued business units	-1.16	-0.21
from continued and discontinued business units	-1.14	-0.56

\* unaudited



<b>Continued business units</b>	<b>01.04.– 30.06.2010* EUR thou.</b>	<b>01.04.– 30.06.2009* EUR thou.</b>
1. Revenue	12,783	11,684
2. Changes in inventories of finished goods and work in progress	129	-582
3. Work performed by the enterprise and capitalised	1	49
4. Other operating income	147	235
<b>Gross profit</b>	<b>13,060</b>	<b>11,386</b>
5. Costs of materials	-4,533	-4,360
6. Staff costs	-4,063	-3,819
7. Depreciations	-599	-615
8. Other expenses	-2,250	-1,863
9. Financial result		
Financial expense	-902	-659
Other financial result	19	-180
<b>10. Earnings before taxes and non-operating expenses</b>	<b>732</b>	<b>-110</b>
11. Non-operating expenses	-366	-1,416
<b>12. Earnings before taxes</b>	<b>366</b>	<b>-1,526</b>
13. Income tax expense	-242	360
<b>14. Earnings after taxes from continued business units</b>	<b>124</b>	<b>-1,166</b>
<b>Discontinued business units</b>		
<b>15. Earnings after taxes from discontinued business units</b>	<b>-4,615</b>	<b>-568</b>
<b>16. Consolidated net income/loss</b>	<b>-4,491</b>	<b>-1,734</b>
<b>Other result</b>		
17. Currency translation differences from the translation of foreign operations	146	-112
18. Net result from "available-for-sale" financial assets	-63	50
<b>19. Other result for the period under review, after taxes</b>	<b>83</b>	<b>-62</b>
<b>20. Overall result for the period under review</b>	<b>-4,408</b>	<b>-1,796</b>
<b>Consolidated net income/loss:</b>	<b>-4,491</b>	<b>-1,734</b>
thereof minority interests	73	51
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-4,564</b>	<b>-1,785</b>
<b>Overall result for the period under review:</b>	<b>-4,408</b>	<b>-1,796</b>
thereof minority interests	73	51
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-4,481</b>	<b>-1,847</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	0.01	-0.28
from discontinued business units	-1.06	-0.13
from continued and discontinued business units	-1.05	-0.41

\* unaudited

## Consolidated Cash Flow Statement

Cash Flow	June 30, 2010 * EUR thou.	June 30, 2009 * EUR thou.
Result for the accounting period before taxes, interest income and financial income	-3,495	-1,550
Income tax paid	-851	-463
Depreciation expense for property, plant and equipment and intangible assets	1,455	1,759
Losses from the remeasurement of discontinued business units	4,592	0
Change in provisions	484	-926
Other non-cash expenses/income and gains/losses from the disposal of property, plant and equipment and intangible assets	77	-48
Changes in inventories	-178	3,185
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	-2,328	1,366
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	1,849	-535
<b>Net cash from operating activities</b>	<b>1,605</b>	<b>2,788</b>
Proceeds from the disposal of property, plant and equipment and intangible assets	22	67
Payments to acquire intangible assets	-842	-656
Proceeds from the sale of consolidated subsidiaries	84	5,100
<b>Net cash from/used in investing activities</b>	<b>-736</b>	<b>4,511</b>
Payments to owners and minority interests (dividends, purchase of own shares)	-107	-110
Interest and dividend receipts	31	79
Interest expenditure	-1,667	-1,449
Proceeds from the sale of term deposits/securities	19	65
Proceeds from raising loans	1,290	789
Payments for the repayment of loans	-329	-2,263
<b>Net cash from/used in financing activities</b>	<b>-763</b>	<b>-2,889</b>
<b>Net change in cash and cash equivalents</b>	<b>106</b>	<b>4,410</b>
Changes in cash and cash equivalents due to exchange rates and other factors	544	58
<b>Cash and cash equivalents at start of period</b>	<b>7,779</b>	<b>11,012</b>
<b>Cash and cash equivalents at the end of period</b>	<b>8,429</b>	<b>15,480</b>

\* unaudited





## Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Retained earnings (retained profits brought forward)
	EUR thou.	EUR thou.	EUR thou.
<b>Equity at Dec. 31, 2008</b>	<b>4,366</b>	<b>17,521</b>	<b>-5,409</b>
Consolidated net income/ Minority interests	0	0	-2,452
Changes in fair values of financial instruments	0	0	0
Currency translation gains/losses from translation of foreign financial statements	0	0	0
<b>Overall result for the financial year</b>	<b>0</b>	<b>0</b>	<b>-2,452</b>
Dividend distributions	0	0	0
Other changes	0	0	27
<b>Equity at June 30, 2009</b>	<b>4,366</b>	<b>17,521</b>	<b>-7,834</b>
<b>Equity at Dec. 31, 2009</b>	<b>4,366</b>	<b>17,521</b>	<b>-19,618</b>
Consolidated net income/ Minority interests	0	0	-4,974
Changes in fair values of financial instruments	0	0	0
Currency translation gains/losses from translation of foreign financial statements	0	0	0
<b>Overall result for the financial year</b>	<b>0</b>	<b>0</b>	<b>-4,974</b>
Dividend distributions	0	0	0
Other changes	0	0	5
<b>Equity at June 30, 2010</b>	<b>4,366</b>	<b>17,521</b>	<b>-24,587</b>



Revaluation reserve	Exchange differences	Minority interest	Total
EUR thou.	EUR thou.	EUR thou.	EUR thou.
-611	-747	196	15,316
0	0	84	-2,368
-6	0	0	-6
0	58	0	58
-6	58	84	-2,316
0	0	-110	-110
0	0	0	27
-617	-689	170	12,917
-590	-897	213	995
0	0	93	-4,881
-43	0	0	-43
0	544	0	544
-43	544	93	-4,380
0	0	-107	-107
0	0	0	5
-633	-353	199	-3,487

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To find out more about the Masterflex Group, please log on to:  
[www.masterflex.de](http://www.masterflex.de) > Company > Locations

## Investor Relations

Stephanie Kniep  
fon +49 209 9707744  
fax +49 209 9707720  
[stephanie.kniep@masterflex.de](mailto:stephanie.kniep@masterflex.de)  
[www.masterflex.de](http://www.masterflex.de)

## Masterflex AG

Willy-Brandt-Allee 300  
D-45891 Gelsenkirchen

fon +49 209 970770  
fax +49 209 9707733  
[info@masterflex.de](mailto:info@masterflex.de)  
[www.masterflex.de/com](http://www.masterflex.de/com)