



QUARTERLY FINANCIAL REPORT  
3/2010



one step ahead

## Masterflex at a Glance

- Further significant improvement in business development
- Annual General Meeting resolves equity measure with overwhelming majority
- Efforts to secure long-term Group financing and substantially strengthen equity base by end of year
- Group restructuring and refinancing almost complete

<b>Continued Business Units</b>	<b>September 30, 2010</b>
<b>Consolidated revenue (EUR thou.)</b>	37,774
<b>Consolidated-EBITDA (EUR thou.)</b>	6,175
<b>Consolidated-EBIT (EUR thou.)</b>	4,386
<b>Consolidated-EBT (EUR thou.)</b>	172
<b>Consolidated earnings from continued business units (EUR thou.)</b>	-140
<b>Consolidated earnings from discontinued business units (EUR thou.)</b>	-5,628
<b>Consolidated net income</b>	-5,876
<b>Earnings per share (EUR)</b>	
from continued business units	-0.06
from discontinued business units	-1.29
from continued and discontinued business units	-1.35
<b>Consolidated EBIT-Margin</b>	11.6 %
<b>Number of employees</b>	397
	<b>September 30, 2010</b>
<b>Consolidated equity (EUR thou.)</b>	-4,645
<b>Consolidated total assets (EUR thou.)</b>	61,695
<b>Consolidated equity ratio (%)</b>	-7.5 %

### 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

Georg van Hall, Deputy Chairman of the Supervisory Board

Axel Klomp

September 30, 2009	Change in %
33,920	11.4 %
3,500	76.4 %
1,659	164.4 %
-2,875	
-1,967	92.9 %
-1,361	-313.5 %
-3,426	-71.5 %
-0.47	87.2 %
-0.31	-316.1 %
-0.78	-73.1 %
4.9 %	136.7 %
387	2.6 %
December 31, 2009	Change in %
995	
69,298	-11.0 %
1.4 %	





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*Dear shareholders,*

In the third quarter of 2010, Masterflex AG again significantly improved its overall economic performance compared with the previous year. Our programme of measures is paying off and having a sustainable impact. Sales also developed well. In addition to considerable revenue growth, this also led to a substantial improvement in earnings and margins.



The following key developments and milestones also occurred in the third quarter of the current financial year:

- The equity measure proposed by the Executive Board and the Supervisory Board was approved with an overwhelming majority of 93.4 % of the voting shares present at this year's Annual General meeting. The Annual General Meeting also approved all of the other agenda items with a large majority.
- The comprehensive restructuring concept for Group financing developed by the Executive Board will be implemented in the fourth quarter of 2010 shortly after the publication of this interim report. The key aspects of the restructuring are as follows:
  - Further significant reduction in Group net debt of around € 20.0 million
  - Group financing secured in the long term, initially for five years
  - Consolidated equity strengthened
- The sale of Surpro GmbH (Surface Technology) was successfully completed as of 1 September 2010. This represented a further milestone in the Group restructuring process, as Surpro GmbH had posted high losses over the past few years, resulting in a massive adverse effect on consolidated net income. This means that the Group restructuring is complete after around two years with the exception of the remaining Mobility operations, which are not as economically significant.



Our sales measures and the economic recovery are reflected in consolidated revenue from continuing operations, which increased by 11.4 % in the first nine months of 2010, from € 33.9 million to € 37.8 million. Masterflex AG enjoyed even more successful development in terms of operating EBITDA and before deconsolidation effects from the sale of Surpro, which improved by around 76 % to € 6.2 million (previous year: € 3.5 million). Operating EBIT increased by around 165 %, from € 1.7 million to € 4.4 million, thus clearly documenting the company's business success regardless of the sustained high level of extraordinary expenses.

Whilst consolidated net income was also impacted by discontinued operations in the amount of € 5.6 million, this is an important and positive measure in terms of long term strategy in light of the completion of the Group restructuring and the reorientation of Group financing.

As expected, this positive operating performance is primarily based on our core High-Tech-Hose Systems business unit. In addition to a range of product innovations and industry-specific sales measures, we established a sales company in Brazil in the third quarter of 2010. Our prior market research and existing customer contacts in this hugely fast-growing region identified promising potential for our entire core product range. We also launched an additional internationalisation measure immediately after the end of the reporting period, forming a joint venture with our partner ZAO SovPlym with the aim of developing the Russian market. We intend to successfully tap the Russian market for our high-tech-hoses and systems from the company's head office in St. Petersburg and its seven other sales offices throughout Russia at present. SovPlym has been active on the Russian market for more than 20 years and is a joint venture with the Swedish company PlymoVent AB, one of the leading manufacturers of suction, ventilation and filter systems. Further activities and projects are already planned for the year ahead as part of our internationalisation strategy.

Due to the muted performance of the Mobility business unit, we are reiterating our consolidated revenue forecast of € 48.0 million by the end of the current financial year.



However, in light of our ongoing successful operating business development, we are increasing our previous forecasts for the 2010 financial year. We had already achieved our operating EBIT target for the year as a whole by the end of the third quarter. As such, we are raising our previous EBIT forecast to € 5.2 million by the end of the year (previously: € 3.7 million). We also expect the earnings and margin situation to continue to improve in the coming financial year, provided that overall economic development remains as positive as it is at present. Following the implementation of the planned financing and equity structure measure in the fourth quarter of 2010, we will also be able to report a substantially improved equity ratio and a debt financing and a healthier future net debt situation in the 2010 annual financial statements.

November 2010

A handwritten signature in blue ink that reads "Andreas Bastin". The signature is written in a cursive style and is centered within a light blue rectangular background.

Dr. Andreas Bastin  
Chief Executive Officer





# Interim Management Report

## Group structure and business activities

Masterflex AG, Gelsenkirchen, is a specialist for the development and production of high-quality connector and hose systems using high-tech plastics.

The high-tech plastics we use typically have extremely high requirements in terms of processing expertise. This is one of the core competencies of our Group. We also have extensive and long-standing expertise in the area of connector and hose system applications for a wide range of industrial sectors.

Beyond the core business, Masterflex AG still has one equity investment in the Mobility business unit, a segment for climate-neutral mobility solutions.

## Market and competition

### High-Tech-Hose Systems

In the first nine months of the 2010 financial year, the core High-Tech-Hose Systems business unit recovered strongly as against the previous year. All in all, segment revenue increased by 17.6 % year-on-year to € 34.6 million in the first three quarters of 2010 (previous year: € 29.4 million).

This recovery was reflected in particular in segment EBIT before reconciliation, which rose by 110 % to € 6.0 million. This corresponds to an encouraging EBIT margin of more than 17 %.

The plastics industry enjoyed dynamic and broadly successful development in the first nine months of 2010. There was also a clear overall improvement in sentiment at the trade fairs attended by Masterflex AG in the year to date, in particular the WIN industrial trade fair in Istanbul, the Hannover Messe, the POWTECH specialist trade fair, and the

International Suppliers Fair (IZB) in D-Wolfsburg. A wide range of new products were presented at these trade fairs, including hoses made of renewable raw materials as well as new hoses that can be used to divert electrostatic charges when conveying combustible powders and bulk materials.



The Group also successfully pressed ahead with its internationalisation strategy. The planned market entry in Brazil took shape with the establishment and opening of a sales company near Sao Paulo. We expect this impressive growth market to provide transactions for our entire Group portfolio in the long term. We managed to form a joint venture in St. Petersburg with a Russian partner immediately after the end of the reporting period. In addition to this location, the other seven sales offices will help to tap into the Russian market for our high-tech-hoses and systems. In addition to our air conditioning, suction and extraction hoses, we also expect to see active interest in our connector systems for mechanical and plant engineering and for the aviation, automotive and agricultural industries.

We will continue to build on our internationalisation and innovative ability in the coming years, including further workforce expansion to reflect this development.

### **Mobility**

The muted development in the Mobility segment in the first half of the year largely continued in the period under review. Business with electric bicycles and Cargobikes ties up a large volume of capital for parts warehousing in Germany and abroad, particularly in growth and expansion phases. The same is true for similar companies on the market. As expected, earnings in this segment are being adversely affected by the continuing market entry and ongoing technical product developments in the fuel cell technology sub-segment.

Segment revenue decreased by 29.3 % to € 3.2 million (previous year: € 4.5 million). Accordingly, segment EBIT remained negative, declining from € -0.1 million in the previous year to € -0.3 million.



## Results of operations, net assets and financial position

### Results of operations

The consolidated income statement for the period ended 30 September 2010 clearly reflects the improved revenue and earnings situation from continuing operations. Consolidated EBITDA improved significantly year-on-year by more than 70 % to € 6.2 million (previous year: € 3.5 million).

Consolidated EBIT also surged by around 165 % to € 4.4 million (previous year: € 1.7 million). Key drivers were the positive revenue growth in the high-margin core High-Tech-Hose Systems business unit and the successful implementation of cost optimisation measures.

Consolidated EBT returned to positive territory at € 0.2 million on 30 September 2010 after a clearly negative figure of € -2.9 million in the previous year. Consolidated earnings from continuing and discontinued operations were negative at € -5.9 million as of 30 September 2010 due to the deconsolidation effect of the discontinued Surface Technology business unit in the amount of € -5.3 million.

### Net assets

The overall asset position of Masterflex AG changed significantly between 31 December 2009 and 30 September 2010, largely as a result of the deconsolidation of Surpro GmbH. For instance, total assets declined by 11 %, from € 69.3 million to € 61.7 million.

Following the derecognition of Surpro GmbH, the asset-side items

- technical equipment and machinery (€ -2.8 million)
- other equipment, operating and office equipment (€ -1.2 million) and
- inventories (€ -3.7 million)

contributed to a reduction in total assets of € 7.6 million.

The € 1.4 million increase in trade receivables is attributable in particular to the strong revenue growth in the core business unit. Cash and cash equivalents remained essentially unchanged as against 31 December 2009.

On the liability side of the balance sheet, the reduction in total assets was reflected in particular in the items

- equity (€ -5.6 million),
- non-current financial liabilities (€ -1.5 million) and
- non-current provisions (€ -1.1 million).

These effects were also primarily attributable to the sale of Surpro GmbH. The deconsolidation loss was recognised in equity. Non-current financial liabilities decreased due to the derecognition of lease liabilities to Surpro GmbH, among other things, while non-current provisions fell as a result of the derecognition of the pension obligations of Surpro GmbH.

However, once the planned capital measure and the debt waivers of the banks have been successfully implemented, the equity situation will improve considerably and we could approach our equity ratio of 30 % as early as the medium term.

Taking into account the cash and cash equivalents available at the balance sheet date, net debt (financial liabilities less cash and cash equivalents) totalled € 46.0 million, down 1.5 % on 31 December 2009.

### **Financial position**

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

A long-term, secure financing structure with a sustainable ratio of equity and debt is the company's overriding goal.

This is based on the successful implementation of the concept that was presented in the last interim report and consists of the following components:

- Significant reduction in the present 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. Grant of a state guarantee for part of the loans to be restructured (the application process is underway)
  2. Successful injection of fresh capital and strengthening of equity.

The complete, legally binding grant of the state guarantee (i. e. confirmed by all federal states involved) is expected in late October/early November. The loan agreements with the future financing partners, the partial debt waiver agreements with the banks leaving the financing consortium and the binding declarations of signature with the anchor investors are also expected to have been negotiated by this date.

Information on the next steps will be provided in separate notifications as and when relevant.

As discussed in the half-yearly report, the planned extensive financial restructuring is based on several interrelated components. In light of the considerable complexity of the interdependent conditions and the large number of banks involved, the Executive Board notes that the final negotiations are not yet complete and, therefore, the development of the Company is still subject to a degree of uncertainty.

If the far-reaching financing concept is implemented successfully, the 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

A positive cash flow from operating activities of € 3.4 million was generated as of 30 September 2010. The majority of this figure was attributable to the core High-Tech-Hose Systems business unit.

Cash in hand remained essentially unchanged as against 31 December 2009, declining only slightly from € 7.8 million to € 7.7 million.



## Employees

As of 30 September 2010, the number of employees based on continuing operations increased by 2.6% year-on-year, primarily as a result of the successful development of the core business unit.

A total of 13 new employees have already been appointed to key positions in the core High-Tech-Hose Systems business unit, particularly in the areas of sales, development and production.

In addition, Masterflex AG is again providing a vocational training programme in 2010. Four trainees started their training in Gelsenkirchen in August 2010, two each in commercial and administrative functions. A further ten trainees are currently employed at the Group's German subsidiaries.

## Research & Developments, 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

We formed a joint venture in Russia together with ZAO SovPlym immediately after the end of the reporting period. We intend to successfully tap the Russian market for our high-tech-hoses and systems from the company's head office in St. Petersburg and its seven sales offices throughout Russia at present. A new sales company was also formed in Brazil, near to Sao Paulo, in the third quarter of 2010.

In addition to our air conditioning, suction and extraction hoses, we expect to see market interest in our connector systems for mechanical and plant engineering and for the aviation, automotive and agricultural industries.



## Risk report

Detailed information on risk management and the possible risks to the Company is provided in the 2009 Annual Report. The disclosures made there generally still apply.

### Focus on completion of restructuring and debt finance

The high growth and diversification strategy in the years following the IPO led to a high level of debt and significant distortions 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, even jeopardising the continued existence of the company. Across this whole period, the hose business was the most reliable and by far the biggest earnings driver in the Masterflex Group, continuously generating stable cash flows and attractive margins. For more than 20 years, the Masterflex name has stood for outstanding expertise in the entire high-tech-hose systems market.

With the completion of the disposal of the Surface Technology (AMD) segment, another key goal set out in the strategic guideline defined in 2008 has almost been achieved. Only two of the five original business units without shared synergies remain: our core High-Tech-Hose Systems business unit and the equity investment in the Mobility Group.

We also reduced our debt by more than 20 % in 2009 alone. Company disposals contributed greatly to this development, despite massive losses and/or high capital requirements at some of the companies concerned. Now that the long-term financing of the Company on a stable equity base is within our reach (albeit not yet secured), the conclusion of our extensive and rigorous restructuring measures over the last two years is in sight.

As the Mobility division offers no synergies with our core business, and business development is well below our expectations, the Executive Board of Masterflex AG will intensify its focus on the potential options for the sale of the Mobility Group over the coming months. This could include the sale of the group as a whole as well as the separate sale of

individual Mobility equity investments and/or partnerships. A current lack of adequate market assessments and of purchase offers make it harder to estimate the potential future impacts on the balance sheet. Since the Mobility Group was formed by the company itself, there are no problems in terms of goodwill in the same way as for the non-core operations sold in the past (particularly Dicota, Angiokard and Surpro). At the same time, the establishment and expansion of the business was financed through loans in the past. Overall, there are receivables of around € 5.0 million in relation to various subsidiaries of the Mobility Group. In addition, development costs of around € 0.5 million have been capitalised. This is offset by inventories (around € 2.0 million) as well as patents and a business model with considerable potential for expansion. Taking all of these aspects into account, the Executive Board of Masterflex AG cannot exclude the possibility that it will be necessary to recognise a write-down in the event of the sale of the Mobility Group. This would not impact on Masterflex's liquidity position, but equity would be reduced by the amount of any such write-down.

## Opportunities

Masterflex AG has good prospects for the future thanks to its excellent material and technological expertise. This is discussed in detail in the 2009 Annual Report. The general disclosures made there still apply.

## Outlook

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

So far, the 2010 financial year has proven successful for Masterflex AG. Our extensive measures aimed at sustainably improving our business development are having the desired lasting effect.





As a result of the significant economic upturn in our core business, we are optimistic that we will achieve our existing targets by the end of the year.

The accelerated expansion of our High-Tech-Hose Systems business unit is progressing successfully and is backed by corresponding measures. We are also continuing to work on a wide range of innovations and are gradually progressing with our internationalisation strategy on a structured basis and with a rational risk/reward approach. This successful development reinforces our expectation that we will also enjoy considerably stronger growth than the market average thanks to our technology and applications expertise.

From a current perspective, the muted development in the Mobility business unit is expected to continue. As this business unit only accounts for a small share of overall Group performance, however, the impact of this development is manageable. Due to the lack of synergies with the core business unit, we are also increasingly examining the possibility of disposal.

For 2010 as a whole, we now expect consolidated revenue from continuing operations to increase by at least € 4.0 million to € 48.0 million. Operating EBIT is expected to total € 5.2 million, an increase of € 5.5 million on the prior-year figure of € -0.3 million. However, the latter figure contains the negative effect from Surpro. As such, EBIT growth based on continuing operations amounts to € 2.2 million (previous year: € 3.0 million).

Dear shareholders, Masterflex AG has successfully overcome a number of significant challenges in the past two years. We are confident that we have set the right strategic course to restore Masterflex AG's status as a healthy, high-growth company.

The agreement with the financing partners is a key condition for successfully completing the Group restructuring and ensuring the future of the Company on a long-term basis. Due to the considerable complexity of the interdependent conditions and the large number of banks involved, negotiations are not yet complete, meaning that the develop-

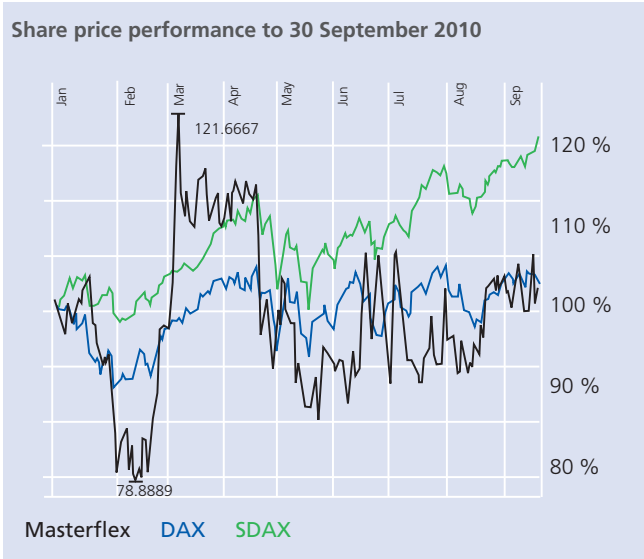


ment of Masterflex AG is still subject to a degree of uncertainty as of the end of the reporting period and the date on which this interim report went to press. Once an agreement is reached, however, Masterflex AG will again be able to concentrate all of its energy on expanding the profitable High-Tech-Hose Systems business unit and generating further growth on the basis of a viable capital structure.

Operating business development underlines the significance and performance of the High-Tech-Hose Systems business unit. Despite the many difficult challenges over the last two years, it is clear that we have not neglected our core business. We see great growth potential for Masterflex AG, which we will consistently access by developing our expertise. Through internal and external market research, we have identified considerable market potential for High-Tech-Hose Systems, including a figure of around € 600 million worldwide for spiral hoses alone. Our strategic roadmap with a range of creative ideas has been developed with this in mind and is already being systematically implemented.



## The Masterflex Share



Masterflex AG saw varied share price development in the first nine months of the 2010 financial year. 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 six-month high on 15 March and 16 March 2010 of € 4.38 and € 4.20 respectively, equivalent to a price gain of more than 50% compared with the all-time low. Following the publication of the 2009 consolidated financial statements on 29 April 2010, the share price declined despite the positive outlook for the 2010 financial year and has since been below both the DAX and SDAX.

A slight recovery began in late June 2010. Having reached a low of € 3.10 at the start of June, the share price climbed to an interim high of € 3.80 following the announcement that Masterflex AG had reached an agreement with its financing partners. The share price then fluctuated between € 3.40 and € 3.80 up until the publication date of this report.

Our investor relations activities are aimed at promoting confidence in the strategic realignment and retrenchment around the profitable core High-Tech-Hose Systems business unit through transparent capital market communications, as well as highlighting the resulting growth and earnings potential.

We also strive to present the measures and achieved milestones in restoring Masterflex AG's status as a well-capitalised enterprise in a transparent manner.

## 2010 Annual General Meeting

The Annual General Meeting of Masterflex AG was held on 17 August 2010 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](http://www.masterflex.de). The half-yearly report for 2010 was also presented and published on this date.

The Annual General Meeting elected the members of the Supervisory Board. Mr. Friedrich Wilhelm Bischooping was reappointed as Chairman of the Supervisory Board. Mr. Georg van Hall was also reappointed to the Supervisory Board and was unanimously elected as Deputy Chairman at the subsequent Supervisory Board meeting. Prof. Detlef Stolten did not stand for re-election. Mr. Axel Klomp, certified auditor and tax advisor, was proposed as his successor at the Annual General Meeting and was also elected. Mr. Klomp has extensive expertise in the fields of accounting and auditing and is also a proven expert on small and medium-sized enterprises.



# Notes to the Interim Financial Statements First Nine Month 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 with the previous year. Surpro GmbH, D-Wilster, which was included in the consolidated financial statements for the previous year, was sold and deconsolidated with effect from 31 August 2010. Masterduct SA Holding Inc., Houston, USA, and its subsidiary, Masterduct Brasil LTDA., Santana de Parnaiba, Brazil, were founded.

## 3. Discontinued business units

The Supervisory Board of Masterflex AG approved the sale of Surpro GmbH on 22 and 23 June 2010. Masterflex subsequently sold its equity investment in Surpro GmbH, D-Wilster, with effect from 31 August 2010. The carrying amount of the associated net assets exceeds the gain on disposal less ancillary costs to sell, meaning that write-downs of € 4,998 thousand were recognised when reclassifying the business unit as held for sale. The disposal of Surpro GmbH forms part of the Group's long-term strategy of focusing its activities on the core High-Tech-Hose Systems business unit.

Details on the assets and liabilities sold are presented below.



### Carrying amount of net assets sold

	September 30, 2010 EUR thou.
<b>Current assets</b>	
Cash	51
Trade receivables	1,439
Inventories	4,101
Other	158
<b>Noncurrent assets</b>	
Other loans	724
<b>Current liabilities</b>	
Liabilities	-3,302
Provisions	-675
<b>Noncurrent liabilities</b>	
Liabilities	-527
Provisions	-1,166
Deferred taxes	-163
<b>Net assets sold</b>	<b>640</b>
Loss on sale	-433
<b>Total</b>	<b>207</b>

### Sale price

	September 30, 2010 EUR thou.
Sale price settled in cash	0
Deferred gain on disposal	207
<b>Total</b>	<b>207</b>

### Net cash inflow from sale

	September 30, 2010 EUR thou.
Sale price settled in cash	0
Less: cash issued on sale	-51
<b>Total</b>	<b>-51</b>

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.



## Result components

	September 30, 2010 EUR thou.	September 30, 2009 EUR thou.
<b>Result from discontinued business units</b>		
Revenue	8,574	20,068
Changes in inventories of finished goods	-316	-588
Other operating income	174	274
	<b>8,432</b>	<b>19,754</b>
Costs of materials	-3,712	-10,956
Other expenses	-10,380	-10,511
Earnings before taxes	-5,660	-1,713
Income tax expense to be included	32	351
<b>Earnings after taxes from discontinued business units</b>	<b>-5,628</b>	<b>-1,362</b>
<b>thereof:</b>		
Loss from fair value measurement less disposal costs	-4,998	0
Loss on sale	-433	0
<b>Loss from the disposal of business unit</b>	<b>-5,341</b>	<b>0</b>
<b>Cash flows from discontinued business units</b>		
Net cash flows from operating activities	617	472
Net cash flows from investment activities	-13	-120
Net cash flows from financing activities	-556	-821
<b>Total Net cash flows</b>	<b>48</b>	<b>-469</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 operation.

Segment reporting	High-Tech-Hose systems	Mobility
September 30, 2010	EUR thou.	EUR thou.
Revenue from non-Group third parties	34,573	3,201
Revenue from other business units	0	0
<b>Total revenue</b>	<b>34,573</b>	<b>3,201</b>
Earnings (EBIT)	5,965	-345
Earnings (EBIT) – adjusted	5,965	-345
Investments in property, plant and equipment and intangible assets	1,053	11
Assets	47,167	4,342
Depreciations	1,766	23

Segment reporting	High-Tech-Hose systems	Mobility
September 30, 2009	EUR thou.	EUR thou.
Revenue from non-Group third parties	29,392	4,528
Revenue from other business units	60	0
<b>Total revenue</b>	<b>29,452</b>	<b>4,528</b>
Earnings (EBIT)	2,836	-122
Earnings (EBIT) – adjusted	2,836	-122
Investments in property, plant and equipment and intangible assets	745	87
Assets	47,643	5,893
Depreciations	1,773	68

## 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 September 2010, the basic earnings per share from continuing operations amounted to € -0.06 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.
37,774	0	37,774	8,575	46,349
0	0	0	0	0
37,774	0	37,774	8,575	46,349
5,620	-2,895	2,725	-5,575	-2,850
5,620	-1,234	4,386	96	4,482
1,064	0	1,064	13	1,077
51,509	8,888	60,397	1,298	61,695
1,789	0	1,789	354	2,143

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.
33,920	0	33,920	20,068	53,988
60	0	60	0	60
33,980	0	33,980	20,068	54,048
2,714	-2,962	-248	-1,469	-1,717
2,714	-1,055	1,659	-1,358	301
832	0	832	36	868
53,536	6,520	60,056	26,768	86,824
1,841	0	1,841	776	2,617

## 7. Treasury shares

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

## 8. Employees

The Group had a total of 397 employees at 30 September 2010, up 2.6 % on the same period of the previous year (387 employees).

## 9. Income tax expense

Income tax expense in this interim 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, D-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 statements and the interim management report contained in this interim report have not been audited in accordance with section 317 of the German Commercial Code or reviewed by an auditor.

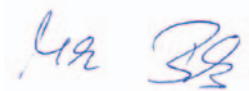
## 12. Responsibility statement

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.

November 2010



Dr. Andreas Bastin  
Chief Executive Officer



Mark Becks  
Member of the Executive Board



## 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>3 November</b>	Interim report III/2010
<b>November</b>	Implementation of the equity measure

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
Masterduct Inc.	USA	Houston	100*
Flexmaster USA, Inc.	USA	Houston	100*
Masterduct S.A. Holding Inc.*	USA	Houston	100*
Masterduct Brasil LTDA.	BR	Santana d. P.	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 & Timm GmbH	D	Norderstedt	100*
Masterflex Scandinavia AB	S	Kungsbacka	100
SURPRO Verwaltungsgesellschaft mbH	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	September 30, 2010 * EUR thou.	December 31, 2009 EUR thou.
<b>NONCURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>6,086</b>	<b>6,263</b>
Concessions, industrial and similar rights	882	872
Development costs	1,876	1,949
Goodwill	3,258	3,258
Advance payments	70	184
<b>Property, plant and equipment</b>	<b>20,893</b>	<b>25,427</b>
Land, land rights and buildings	12,035	12,708
Technical equipment and machinery	6,251	9,012
Other equipment, operating and office equipment	1,933	3,140
Advance payments and assets under development	674	567
<b>Noncurrent financial assets</b>	<b>3,163</b>	<b>3,969</b>
Noncurrent financial instruments	210	250
Other loans	2,953	3,719
<b>Other assets</b>	<b>128</b>	<b>269</b>
<b>Deferred taxes</b>	<b>6,565</b>	<b>5,840</b>
	<b>36,835</b>	<b>41,768</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>	<b>9,374</b>	<b>13,077</b>
Raw materials and consumables used	5,962	6,286
Work in progress	360	3,256
Finished products and goods purchased and held for sale	3,050	3,520
Advance payments	2	15
<b>Receivables and other assets</b>	<b>7,803</b>	<b>6,485</b>
Trade receivables	5,769	4,355
Other assets	2,034	2,130
<b>Income tax assets</b>	<b>1</b>	<b>189</b>
<b>Cash in hand and bank balances</b>	<b>7,682</b>	<b>7,779</b>
	<b>24,860</b>	<b>27,530</b>
<b>Total Assets</b>	<b>61,695</b>	<b>69,298</b>

\* unaudited



Equity and liabilities	September 30, 2010 * EUR thou.	December 31, 2009 EUR thou.
<b>SHAREHOLDERS' EQUITY</b>		
<b>Consolidated equity</b>	<b>-4,860</b>	<b>782</b>
Subscribed capital	4,366	4,366
Capital reserve	17,521	17,521
Retained earnings	-25,489	-19,618
Revaluation reserve	-631	-590
Exchange differences	-627	-897
<b>Minority interest</b>	<b>215</b>	<b>213</b>
<b>Total equity</b>	<b>-4,645</b>	<b>995</b>
<b>NONCURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>177</b>	<b>1,302</b>
<b>Noncurrent financial liabilities</b>	<b>17,994</b>	<b>19,472</b>
<b>Other current liabilities</b>	<b>2,801</b>	<b>2,809</b>
<b>Deferred taxes</b>	<b>596</b>	<b>1,467</b>
	<b>21,568</b>	<b>25,050</b>
<b>CURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>3,667</b>	<b>2,895</b>
<b>Current financial liabilities</b>	<b>35,664</b>	<b>34,973</b>
<b>Income tax liabilities</b>	<b>1,356</b>	<b>712</b>
<b>Other current liabilities</b>	<b>4,085</b>	<b>4,673</b>
Trade payables	1,832	2,248
Other current liabilities	2,253	2,425
	<b>44,772</b>	<b>43,253</b>
<b>Total Equity and liabilities</b>	<b>61,695</b>	<b>69,298</b>

\* unaudited

## Consolidated Income Statement

Continued business units	01.01.– 30.09.2010* EUR thou.	01.01.– 30.09.2009* EUR thou.
1. Revenue	37,774	33,920
2. Changes in inventories of finished goods and work in progress	-37	-909
3. Work performed by the enterprise and capitalised	6	121
4. Other operating income	413	527
<b>Gross profit</b>	<b>38,156</b>	<b>33,659</b>
5. Costs of materials	-12,834	-12,672
6. Staff costs	-12,069	-11,332
7. Depreciations	-1,789	-1,841
8. Other expenses	-7,078	-6,155
9. Financial result		
Financial expense	-2,589	-2,693
Other financial result	36	66
<b>10. Earnings before taxes and non-operating expenses</b>	<b>1,833</b>	<b>-968</b>
11. Non-operating expenses	-1,661	-1,907
<b>12. Earnings before taxes</b>	<b>172</b>	<b>-2,875</b>
13. Income tax expense	-312	908
<b>14. Earnings after taxes from continued business units</b>	<b>-140</b>	<b>-1,967</b>
<b>Discontinued business units</b>		
<b>15. Earnings after taxes from discontinued business units</b>	<b>-5,628</b>	<b>-1,361</b>
<b>16. Consolidated net income/loss</b>	<b>-5,768</b>	<b>-3,328</b>
<b>Other result</b>		
17. Currency translation differences from the translation of foreign operations	270	-141
18. Net result from "available-for-sale" financial assets	-41	-3
<b>19. Other result for the period under review, after taxes</b>	<b>229</b>	<b>-144</b>
<b>20. Overall result for the period under review</b>	<b>-5,539</b>	<b>-3,472</b>
<b>Consolidated net income/loss:</b>	<b>-5,768</b>	<b>-3,328</b>
thereof minority interests	108	98
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-5,876</b>	<b>-3,426</b>
<b>Overall result for the period under review:</b>	<b>-5,539</b>	<b>-3,472</b>
thereof minority interests	108	98
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-5,647</b>	<b>-3,570</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	-0.06	-0.47
from discontinued business units	-1.29	-0.31
from continued and discontinued business units	-1.35	-0.78

\* unaudited



Continued business units	01.07.– 30.09.2010* EUR thou.	01.07.– 30.09.2009* EUR thou.
1. Revenue	12,863	10,825
2. Changes in inventories of finished goods and work in progress	106	-300
3. Work performed by the enterprise and capitalised	0	18
4. Other operating income	144	168
<b>Gross profit</b>	<b>13,113</b>	<b>10,711</b>
5. Costs of materials	-4,409	-3,996
6. Staff costs	-4,136	-3,640
7. Depreciations	-600	-609
8. Other expenses	-2,418	-1,931
9. Financial result		
Financial expense	-856	-1,038
Other financial result	3	41
<b>10. Earnings before taxes and non-operating expenses</b>	<b>697</b>	<b>-462</b>
11. Non-operating expenses	-870	-491
<b>12. Earnings before taxes</b>	<b>-173</b>	<b>-953</b>
13. Income tax expense	-168	426
<b>14. Earnings after taxes from continued business units</b>	<b>-341</b>	<b>-527</b>
<b>Discontinued business units</b>		
<b>15. Earnings after taxes from discontinued business units</b>	<b>-546</b>	<b>-433</b>
<b>16. Consolidated net income/loss</b>	<b>-887</b>	<b>-960</b>
<b>Other result</b>		
17. Currency translation differences from the translation of foreign operations	-274	-199
18. Net result from "available-for-sale" financial assets	2	3
<b>19. Other result for the period under review, after taxes</b>	<b>-272</b>	<b>-196</b>
<b>20. Overall result for the period under review</b>	<b>-1,159</b>	<b>-1,156</b>
<b>Consolidated net income/loss:</b>	<b>-887</b>	<b>-960</b>
thereof minority interests	15	14
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-902</b>	<b>-974</b>
<b>Overall result for the period under review:</b>	<b>-1,159</b>	<b>-1,156</b>
thereof minority interests	15	14
<b>thereof attributable to shareholders of Masterflex AG</b>	<b>-1,174</b>	<b>-1,170</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	-0.08	-0.12
from discontinued business units	-0.13	-0.10
from continued and discontinued business units	-0.21	-0.22

\* unaudited

## Consolidated Cash Flow Statement

Cash Flow	September 30, 2010 * EUR thou.	September 30, 2009 * EUR thou.
Result for the accounting period before taxes, interest income and financial income	-3,255	-1,815
Income tax paid	-1,157	-907
Depreciation expense for property, plant and equipment and intangible assets	2,143	2,627
Loss from the disposal of business units	5,341	0
Change in provisions	1,488	-437
Other non-cash expenses/income and gains/losses from the disposal of property, plant and equipment and intangible assets	86	-71
Changes in inventories	-399	3,729
Changes in trade receivables and other assets that cannot be allocated to investment or financing activities	-2,389	2,482
Changes in trade payables and other equity and liabilities that cannot be allocated to investment or financing activities	1,506	-2,025
<b>Net cash from operating activities</b>	<b>3,364</b>	<b>3,583</b>
Proceeds from the disposal of property, plant and equipment and intangible assets	27	83
Payments to acquire intangible assets	-1,004	-868
Proceeds from the sale of consolidated subsidiaries	84	5,100
Changes in cash and cash equivalents due to the acquisition of consolidated subsidiaries	-73	0
Changes in cash and cash equivalents due to the repayment of financial assets	0	1,200
<b>Net cash from/used in investing activities</b>	<b>-966</b>	<b>5,515</b>
Payments to owners and minority interests (dividends, purchase of own shares)	-106	-110
Interest and dividend receipts	35	79
Interest expenditure	-2,670	-2,661
Proceeds from the sale of term deposits/securities	19	65
Proceeds from raising loans	500	386
Payments for the repayment of loans	-492	-9,466
<b>Net cash from/used in financing activities</b>	<b>-2,714</b>	<b>-11,707</b>
<b>Net change in cash and cash equivalents</b>	<b>-316</b>	<b>-2,609</b>
Changes in cash and cash equivalents due to exchange rates and other factors	270	-141
<b>Cash and cash equivalents at start of period</b>	<b>7,779</b>	<b>11,012</b>
<b>Change in the consolidated group</b>	<b>-51</b>	<b>0</b>
<b>Cash and cash equivalents at the end of period</b>	<b>7,682</b>	<b>8,262</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	-3,426
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>-3,426</b>
Dividend distributions	0	0	0
Other changes	0	0	26
<b>Equity at Sept. 30, 2009</b>	<b>4,366</b>	<b>17,521</b>	<b>-8,809</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	-5,876
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>-5,876</b>
Dividend distributions	0	0	0
Other changes	0	0	5
<b>Equity at Sept. 30, 2010</b>	<b>4,366</b>	<b>17,521</b>	<b>-25,489</b>



Revaluation reserve	Exchange differences	Minority interest	Total
EUR thou.	EUR thou.	EUR thou.	EUR thou.
-611	-747	196	15,316
0	0	98	-3,328
-3	0	0	-3
0	-141	0	-141
-3	-141	98	-3,472
0	0	-111	-111
0	0	0	26
-614	-888	183	11,759
-590	-897	213	995
0	0	108	-5,768
-41	0	0	-41
0	270	0	270
-41	270	108	-5,539
0	0	-106	-106
0	0	0	5
-631	-627	215	-4,645

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

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

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