

Financial Statements

for the period from 1 October 2016 to 30 June 2017



	01/10/2016 - 30/06/2017 in € thousand	01/10/2015 - 30/06/2016 in € thousand	Change in %
Consolidated income statement			
Revenue	72,052	68,761	4.8
Gross profit	46,423	44,925	3.3
Operating result/EBIT	8,564	8,785	-2.5
Earnings before taxes/EBT	8,353	8,508	-1.8
Consolidated profit	5,877	5,713	2.9
The share			
Earnings per share in €	1.07	1.03	3.9
Number of shares	5,512,930	5,512,930	0.0
Cash flow			
Operating cash flow ¹⁾	7,338	9,672	-24.1
Employees			
Average number of employees	556	552	0.7
	30/06/2017 in € thousand	30/09/2016 in € thousand	Change in %
Statement of financial position			
Non-current assets	46,758	44,404	5.3
Current assets	50,654	49,871	1.6
Equity	64,568	61,669	4.7
Non-current liabilities	14,834	15,130	-2.0
Current liabilities	18,011	17,475	3.1
Total assets	97,412	94,275	3.3
Equity capital ratio as a %	66.3	65.4	1.3

1) Cash generated from operations

Financial calendar

15 December 2017

29 January 2018

Preliminary figures for financial year 2016/2017

Annual Report 2016/2017

Note

The financial statements are unaudited. They were prepared on the basis of the accounting regulations applied in the last consolidated financial statements.

The financial statements contain statements and information of Dr. Hönle AG that relate to future periods. These forward-looking statements represent assessments which were made on the basis of all information available at the time they were prepared. Should the assumptions underlying the forecasts prove to be incorrect, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the information contained in this quarterly statement, with the exception of publishing such updates as required by statutory provisions.

The figures and percentages contained in these statements may be subject to rounding differences.

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Market development

The global economic conditions have improved steadily in recent months. Accelerated economic growth appears to be taking shape in the emerging markets, in particular, and the industrialized economies also are experiencing stronger economic momentum. Economic data, particularly for the Eurozone, improved surprisingly better than expected. At the same time, the negative effects of the Brexit vote are becoming more and more apparent in the UK. Germany remains one of the key economic drivers in the Eurozone. The US economy registered weak growth at the start of the year. Following a significant decline in the Trump euphoria, the USA is expected to reach growth of about 2%. The IMF raised its global economic growth forecast slightly to 3.5% for 2017.

Development of business

In the first nine months of the 2016/2017 financial year, the Hönle Group generated revenue of €72,052 thousand or an increase of 4.8% compared to the previous year's period, primarily due to higher revenue achieved in the Adhesives and Glass & Lamps segments. The Group's operating result (EBIT) of €8,564 thousand for the nine-month period was 2.5% below the prior-year's figure.

Equipment & Systems segment

Despite the good order situation, restructuring processes led to lower revenue and earnings year-on-year. The segment's revenue dropped from €39,447 thousand in the previous year to €38,678 thousand in the current financial year and the segment's result contracted from €5,221 thousand to €3,724 thousand. The restructuring processes concern mainly the bundling of several warehouse sites at a new central warehouse in the Munich region and the relocation of the production site from Unterlüß to Gräfelfing.

Glass & Lamps segment

The positive sales development in the Glass & Lamps segment is largely due to the rising revenue recorded at Raesch Quarz (Germany) GmbH and Raesch Quarz (Malta) Ltd. Revenue generated in the Glass & Lamps segment climbed by 19.5% to €15,035 thousand. Raesch Quarz (Germany) GmbH has invested in production facilities and staff with a view to preparing for future growth. The deficit reported by Raesch Quarz (Germany) GmbH decreased slightly year-on-year, which, in addition to the higher revenue, is attributable to an improvement in the cost of materials ratio resulting from the significantly lower reject rates. Raesch Quarz (Malta) Ltd. increased its earnings contribution considerably. The operating result of the Glass & Lamps segment rose by 76.0% to €683 thousand.

Adhesives segment

The Adhesives segment reported very positive business development. Revenue climbed by 9.6% to €18,339 thousand in the first nine months, while the operating result surged by 30.9% to €4,156 thousand in the same period. The customer base was further expanded in the consumer electronics

and other segments, particularly in Europe and Asia. This is expected to contribute perceptibly to revenue growth in the Adhesives segment in the future.

Results of operations

The Hönle Group's operating result (EBIT) in the first nine months of the financial year came to €8,564 thousand, which is slightly below the previous year's figure of €8,785 thousand. The temporary decline in earnings is primarily due to restructuring processes in the Equipment & Systems segment.

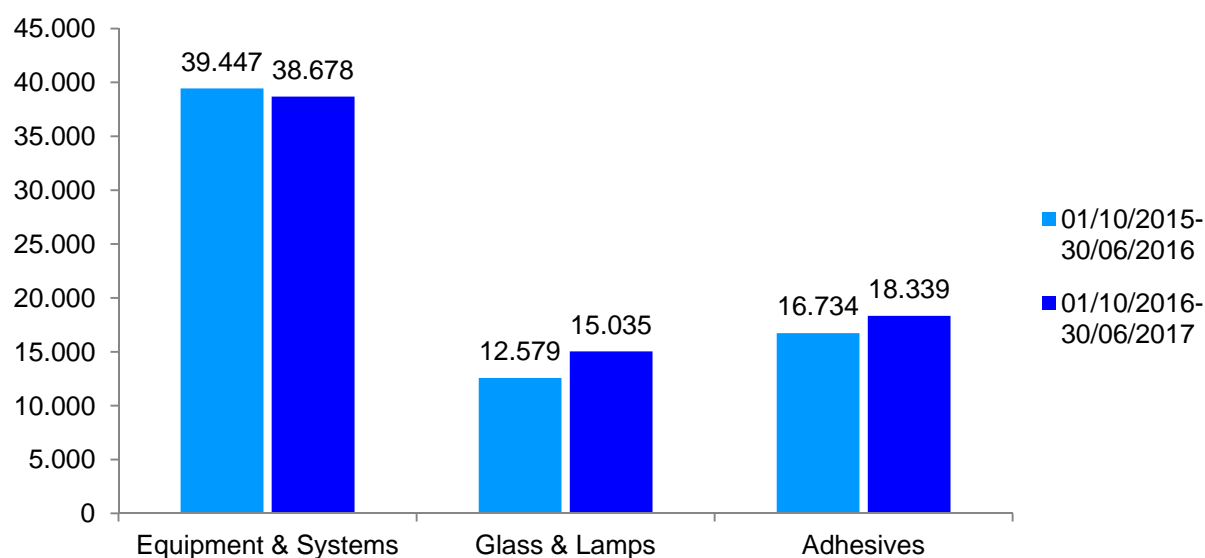
The Hönle Group's earnings before taxes decreased from €8,508 thousand to €8,353 thousand, while consolidated profit advanced from €5,713 thousand to €5,877 thousand due to a lower tax burden.

This corresponds to earnings per share of €1.07 (PY: €1.03). The EBIT margin came to 11.8% in the reporting year after 12.3% in the previous year. The net profit on sales ratio dropped from 8.3% to 8.2%. The cost of materials ratio improved from 37.9% in the previous year to 36.7% in the current financial year as a consequence of the higher share of revenue contributed by the Adhesives segment. The personnel expense ratio increased from 32.5% to 33.7% due mainly to the restructuring measures and the ratio of other operating expenses saw an increase from 15.4% to 15.6%.

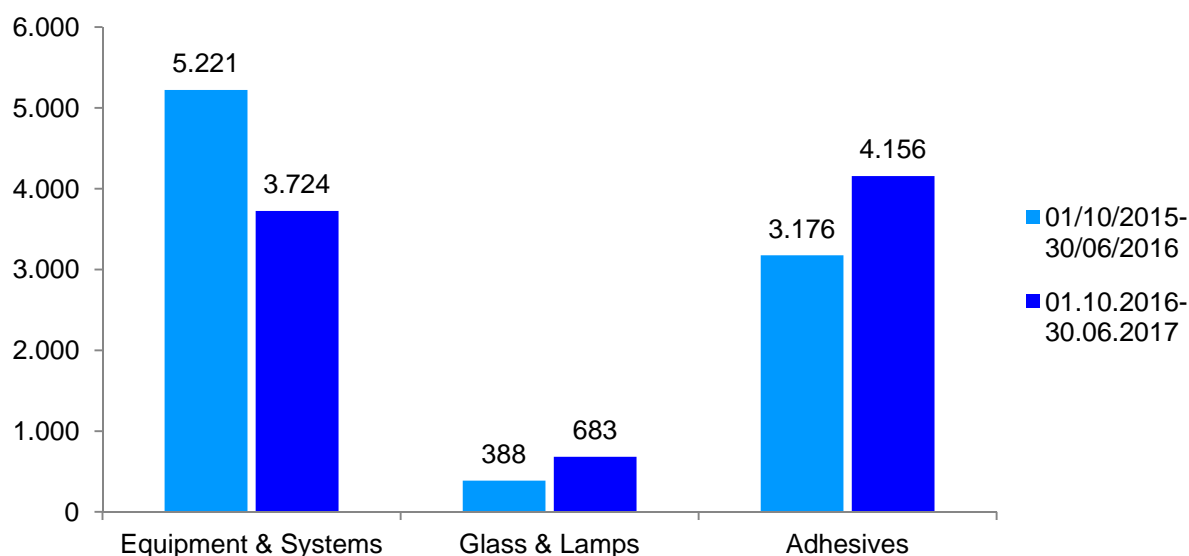
Earnings development

in € thousand	01/10/16 - 30/06/17	01/10/15 - 30/06/16	Change in %
Revenue	72,052	68,761	4.8
Gross profit	46,423	44,925	3.3
Operating result (EBIT)	8,564	8,785	-2.5
Earnings before taxes (EBT)	8,353	8,508	-1.8
Consolidated net income	5,877	5,713	2.9
Earnings per share in €	1.07	1.03	3.9

Sales by segment (in € thousand)



Operating result by segment (in € thousand)



Financial position

The Hönle Group generated cash from operations in the amount of €7,338 thousand (PY: €9,672 thousand) which is below the previous year's figure due to higher trade accounts receivable, in particular.

At €4,223 thousand, investments were somewhat up from the previous year's level of €4,024 thousand. In addition to expenses incurred for business equipment and software licenses, the investments also included technical equipment, particularly investments in production facilities for Raesch Quarz (Germany) GmbH.

Cash flow from financing activities amounted to minus €984 thousand (PY: minus €3,663 thousand) and are largely attributable to dividend payments of €3,031 thousand and the repayment (minus €2,315 thousand) and taking out (€4,245 thousand) of bank loans.

In all, cash and cash equivalents decreased by €2,676 thousand in the current financial year.

Cash flow and liquidity development

in € thousand	01/10/16 - 30/06/17	01/10/15 - 30/06/16	Change in %
Cash generated from operations	7,338	9,672	-24.1
Cash flow from investing activities	-4,223	-4,024	-4.9
Cash flow from financing activities	-984	-3,663	73.1
Increase/decrease in cash and cash equivalents	-2,676	-1,851	-44.6

Net assets

Non-current assets increased by 5.3% to €46,758 thousand in the current financial year, largely due to the rise in property, plant and equipment at Raesch Quarz (Germany) GmbH. The company invested in a new processing centre for quartz glass tubes. Current assets climbed by 1.6% to €50,654 thousand, mainly in connection with the rise in inventories at Raesch Quarz (Germany) GmbH and Panacol-Elosol GmbH. Cash and cash equivalents decreased from €6,516 thousand to €3,840 thousand.

With equity of €64,568 thousand and an equity ratio of 66.3%, the Hönle Group continues to be very solidly financed.

Non-current liabilities dropped by 2.0% to €14,834 thousand in the first nine months of the financial year, primarily due to the repayment of loans. Current liabilities increased by 3.1% to €18,011 thousand due, inter alia, to the taking out of bridging loans.

Statement of financial position

in € thousand	30/06/2017	30/09/2016	Change in %
Non-current assets	46,758	44,404	5.3
Current assets	50,654	49,871	1.6
Equity	64,568	61,669	4.7
Non-current liabilities	14,834	15,130	-2.0
Current liabilities	18,011	17,475	3.1
Total assets	97,412	94,275	3.3

Outlook

Overall market

The leading indicators in the Eurozone have begun to improve perceptibly of late. While Germany remains one of the key economic drivers in the region, the economic outlook for France and Italy is also improving. The economic recovery in Europe was boosted by the decreasing political risks following the elections in Austria, the Netherlands and France. The next critical new elections will take place in Italy in the spring of 2018. The economy is predicted to grow in many emerging markets this year and in the following year.

Both the positive development of the leading indicators and the improved real economy data indicate that the forecasts made by the International Monetary Fund (IMF) might still be too cautious. The IMF raised its global growth forecast from 3.4% to 3.5% for 2017 but has left the forecast of 3.6% for 2018 unchanged. The expected growth rate for the emerging markets is 4.5% in 2017 and 2.0% for the advanced economies. The outlook for Africa has clouded over somewhat, while the outlook for the UK, Japan, China and Russia has improved.

Outlook for the Höhle Group

Assuming that the general economic conditions remain as they are, our expectations for the Höhle Group continue to be for revenue of €95 million to €105 million and an operating result of €14 million to €16 million in the 2016/2017 financial year.

The relocation of a production site and the bundling of several warehouse sites at a new central warehouse resulted in a temporary drop in revenue and earnings in the Equipment & Systems segment. Orders in the Adhesives segment will contribute significantly to very good business development in the fourth quarter. The Höhle Group's operating result in the next quarter is thus expected to be significantly higher than in the previous year. In the first quarter of the 2017/2018 financial year orders in the smart devices business will continue to contribute to a very favourable course of business and a leap in Höhle Group's earnings.

Consolidated income statement

for the period from 1 October 2016 to 30 June 2017

	01/10/2016 - 30/06/2017 in € thousand	01/10/2015 - 30/06/2016 in € thousand
Revenue	72,052	68,761
Changes in inventories of finished goods and work in progress	355	2,467
Other work performed by entity and capitalised	106	73
Other operating income	503	653
Cost of purchased materials and services	26,593	27,029
Personnel expenses	24,428	23,140
Depreciation and amortisation expense	2,154	2,038
Other operating expenses	11,278	10,962
Operating result/EBIT	8,564	8,785
Profit/loss from investments accounted for using the equity method	0	1
Financial income	32	15
Financial expenses	243	294
Financial result	-211	-278
Earnings before tax and non-controlling interests/EBT	8,353	8,508
Income taxes	2,476	2,795
Consolidated income	5,877	5,713
Share of earnings attributable to non-controlling interests	6	31
Share of earnings of Dr. Hönle AG shareholders	5,871	5,681
Earnings per share (basic) in €	1.07	1.03
Earnings per share (diluted) in €	1.07	1.03
Average number of shares outstanding (basic)	5,511,854	5,511,854
Average number of shares outstanding (diluted)	5,511,854	5,511,854

Consolidated statement of financial position

As at 30 June 2017

ASSETS	30/06/2017	30/09/2016
NON-CURRENT ASSETS	in € thousand	in € thousand
Goodwill	18,849	18,849
Intangible assets	2,663	2,905
Property, plant and equipment	19,433	17,191
Investment property	1,258	1,301
Investments accounted for using the equity method	37	37
Financial assets	43	32
Other non-current assets	967	902
Deferred tax assets	3,507	3,187
Total non-current assets	46,758	44,404
CURRENT ASSETS		
Inventories	29,925	27,415
Trade accounts receivable	13,562	13,076
Receivables from companies in which an equity investment is held	209	213
Other current assets	2,530	2,003
Current tax assets	588	648
Cash and cash equivalents	3,840	6,516
Total current assets	50,654	49,871
TOTAL ASSETS	97,412	94,275
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	5,513	5,513
Own shares	-8	-8
Capital reserves	16,596	16,596
Retained earnings	40,551	37,776
Equity attributable to Dr. Höhle AG's shareholders	62,652	59,877
Non-controlling interests	1,915	1,792
Total equity	64,568	61,669
NON-CURRENT LIABILITIES		
Non-current loans (less current portion)	5,756	6,043
Non-current portion of finance lease obligations	160	187
Other non-current liabilities	413	537
Pension provisions	6,793	6,528
Accrued public investment grants	415	465
Deferred tax liabilities	1,297	1,369
Total non-current liabilities	14,834	15,130
CURRENT LIABILITIES		
Trade accounts payable	4,872	4,917
Liabilities to companies in which an equity investment is held	2	0
Prepayments received	916	938
Current portion of finance lease obligations	37	36
Current liabilities to banks and current portion of non-current loans	5,217	2,996
Other current liabilities	5,634	5,533
Other provisions	516	483
Current tax liabilities	818	2,573
Total current liabilities	18,011	17,475
TOTAL EQUITY AND LIABILITIES	97,412	94,275

Statement of consolidated cash flows

for the period from 1 October 2016 to 30 June 2017

	01/10/2016- 30/06/2017 in € thousand	01/10/2015- 30/06/2016 in € thousand
Cash flow from operating activities		
Profit before non-controlling interests and taxes	8,353	8,508
Adjustments for:		
Depreciation of intangible assets, property, plant and equipment and investment property	2,154	2,038
Gains/losses from disposal of intangible assets, property, plant and equipment and investment property	114	1
Financial income	-32	-16
Financial expenses	243	294
Other non-cash expenses/income	-1	174
Operating result before changes to net current assets	10,831	10,999
Increase/decrease in provisions	233	172
Increase/decrease in trade accounts receivable	-435	1,084
Increase/decrease in receivables from companies in which an equity investment is held	4	4
Increase/decrease in assets held for sale	0	294
Increase/decrease in other assets	-527	-187
Increase/decrease in reinsurance policy	-89	-71
Increase/decrease in inventories	-2,648	-3,226
Increase/decrease in trade accounts payable	-40	132
Increase/decrease in liabilities to companies in which an equity investment is held	1	-7
Increase/decrease in advance payments received	-22	1,201
Increase/decrease in other liabilities	30	-723
Cash generated from operations	7,338	9,672
Interest paid	-179	-214
Income tax paid	-4,580	-3,605
Cash flow from operating activities	2,579	5,853
Cash flow from investing activities		
Payment received from the disposal of intangible assets, property, plant and equipment and investment property	9	0
Payment for the purchase of property, plant and equipment and intangible assets	-4,276	-4,076
Change in financial assets	-11	0
Payments received from non-current receivables	24	37
Interest received	32	15
Cash flow from investing activities	-4,223	-4,024
Cash flow from financing activities		
Payments received from loans and liabilities to banks	4,245	840
Payments for loans and liabilities to banks	-2,315	-1,544
Repayment of liabilities to shareholders	0	-77
Equity contributions of minority shareholders *)	117	149
Dividends paid	-3,031	-3,031
Cash flow from financing activities	-984	-3,663
Exchange rate differences	-21	-31
Exchange rate-related change in funds	-28	13
Net increase/decrease in cash and cash equivalents	-2,676	-1,851
Cash and cash equivalents at the beginning of the reporting period	6,516	7,456
Cash and cash equivalents at the end of the reporting period	3,840	5,605

*) The previous year's values were adjusted to the presentation of the current financial year.