



9 MONTHS REPORT  
2010 | 2011

# Hönle Group – at a Glance

	<b>01.10.2010 - 30.06.2011</b>	01.10.2009 - 30.06.2010	Changes
<b>Statement of Comprehensive Income</b>			
	<b>T€</b>	<b>T€</b>	<b>%</b>
Revenue	<b>48,036</b>	39,023	23.1
EBITDA	<b>8,639</b>	3,801	127.3
EBIT	<b>7,642</b>	2,912	162.4
EBT	<b>7,364</b>	2,749	167.9
Consolidated net income	<b>5,186</b>	1,801	188.0
<b>Share</b>			
Earnings per share	<b>0.92</b>	0.32	187.5
Number of shares	<b>5,512,930</b>	5,512,930	0.0
<b>Cash flow</b>			
	<b>T€</b>	<b>T€</b>	
Operating Cash flow <sup>1)</sup>	<b>8,134</b>	2,975	173.4
<b>Staff</b>			
Average number of employees	<b>322</b>	254	26.8
	<b>30.06.2011</b>	30.09.2010	Changes
<b>Statement of Financial Position</b>			
	<b>T€</b>	<b>T€</b>	<b>%</b>
Non-current assets	<b>18,105</b>	17,124	5.7
Current assets	<b>33,116</b>	27,310	21.3
Shareholder's equity	<b>35,560</b>	30,769	15.6
Non-current liabilities	<b>3,769</b>	3,705	1.7
Current liabilities	<b>11,892</b>	9,960	19.4
Total assets	<b>51,221</b>	44,434	15.3
Capital ratio in %	<b>69.4</b>	69.2	0.3

1) Cash from continuing business activities

# Hönle Group Report

for the nine-month period from 1 October 2010 to 30 June 2011

## Overview

The global economic upswing continued in the first six months of 2011. Recently, however, the economic expansion slowed slightly, which is attributable to the impact of the earthquake catastrophe in Japan and the increase in raw material prices.

The upswing in the German economy also continued. Production activities in Germany during the first half of 2011 were higher than the levels reported before the onset of the economic crisis. The main growth driver was the investing activity, which accounts for approximately 50 % of the increase in production activities this year. Added to this is the increase in private consumption, which rose to an extent last seen ten years ago.

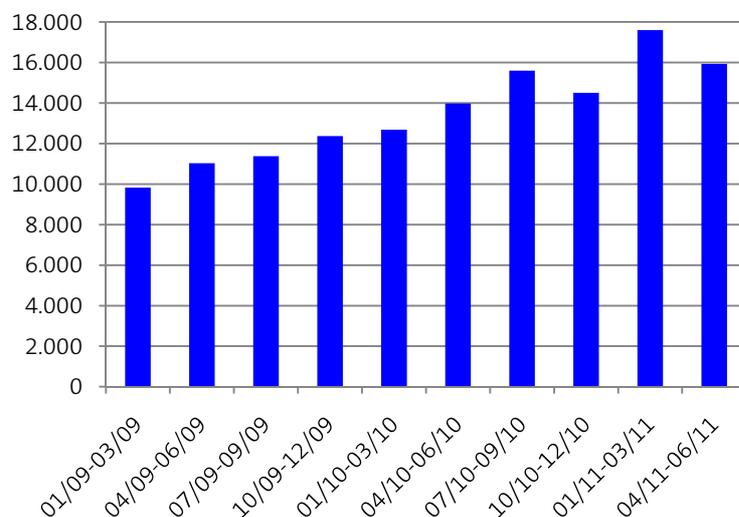
The Hönle Group's business development reflects the economic recovery: Since the spring of 2009, sales revenues have been increasing. The follow-

ing graph describes the development of quarterly sales revenues during the course of the economic upturn.

In the first nine months of the 2010/2011 financial year, sales came to T€ 48,036, up 23.1 % from the same period in the previous year. The Hönle Group's operating result (EBIT) saw an even greater increase, rising by 162.4 % to T€ 7,642.

Additional expansion space is needed for expanding Dr. Hönle AG's business activities. As scheduled, the Company has thus started to expand the production and office areas at the Gräfelfing, Munich, production site. New facilities and offices will be created on about 1,700 square metres of space and are scheduled to be ready for use by the end of the year.

**Development of Quarterly Sales (T€)**



UV-Technik Speziallampen GmbH reported very encouraging business development. Since the acquisition of the company in January 2011, its profitability has improved considerably. All measures aimed at the company's restructuring were effective. Following relocation of the manufacturing process for medium-pressure lamps into Aladin GmbH, the sale of the former UV System GmbH and the acquisition of the company premises in Wümbach, Ilmenau, increasing the productivity of lamp production was begun. Efficiency is to be enhanced through the optimisation of production processes and the purchase of new production plants. This also serves to ensure the consistently high quality of the lamps.

Dr. Höhle AG concluded a license agreement with a Spanish company on the exclusive utilisation of brand rights concerning adhesives in the consumer goods segment.

The agreement runs for a period of four years and includes a subsequent purchase option for the licensee. Total income from license agreements plus the purchase price for the brand rights (at least € 400,000) in the event that the option is exercised amount to at least € 3 million. As a consequence, Dr. Höhle AG generated income from license agreements in the amount of T€ 810 for the first time in the third quarter of the current financial year. Moreover, the trading operations of the Eleco Produits E.F.D. subsidiary, which markets and sells adhesives, were sold to the Spanish licensee. The trademark rights have been used from the Eleco Produits E.F.D. for the French consumer market.

Under this agreement, Höhle also sold its marketing companies in the Caribbean islands.

Megadustries S.à.r.l., based in Guadeloupe, and Megadustries S.à.r.l., based in Martinique, engaged in the sale and marketing of adhesives in the consumer market. The entire sold business segment had an annual sales volume of nearly € 3 million and did not make any significant contribution to the results of Eleco Products E.F.D. in recent years.

By concentrating on doing business strictly with industrial clients, the precondition for further increasing the profitability of the Eleco Produits E.F.D. subsidiary in the future was provided.

In-house production of LED arrays constitutes an important objective for promoting technological progress. This includes investments in machines and plants. Höhle is accumulating important know-how concerning the development and production of LED systems and, at the same time, reduces the manufacturing costs for these systems.

The adhesives segment underwent several personnel-related changes: The focus on doing business with industrial clients and the associated sale of the consumer goods business segment of Eleco led to a reduction in sales staff at Eleco. At the same time, Höhle hired several application engineers in Panacol GmbH in order to meet the increased demand for industrial adhesives. Höhle is presently engaging in several promising adhesives projects with technology and global market leaders.

## Results of Operations

The Hönle Group generated sales revenues of T€ 15,931 in the third quarter. Several orders were postponed from the third quarter to the fourth quarter. Consequently, sales were down 9.5 % from the previous quarter. However, sales were up 14.1 % from the year-earlier quarter. During the nine-month period, sales rose from T€ 39,023 in the previous year to T€ 48,036 in the current financial year.

Dr. Hönle AG generated license income in the amount of 810 T€, which are included in the other operating income. Licensing income results from a contract with a Spanish company about the use of trademarks for adhesives in the consumer area.

With respect to the 'Equipment and Systems' business segment, Hönle succeeded in increasing sales revenues from T€ 27,074 in the year-earlier period to T€ 34,896 in the current financial year, which corresponds to 72.6 % of the Group's sales revenues. Hönle experienced a significant rebound in demand in the capital goods sector- also the printing industry experienced a significant recovery. Hönle also succeeded in increasing sales revenues in the 'Adhesives' business segment. In this segment, sales revenues came to T€ 13,140, which represents a 10% increase over the previous year.

The German mechanical engineering industry benefited, in particular, from the economic upturn. The strong domestic demand was also felt by the Hönle Group: Domestic sales increased 29.4 % to T€ 20,421 year-on-year, with the result that 42.5 % of Hönle's total sales were generated in Germany. In the other European countries, sales revenues climbed 13.7 % to T€ 16,745, and sales in the rest of the world increased by 27.6 % to T€ 10,870. Inter alia the economic upturn is due to the strong demand stemming from Asia.

The positive sales development resulted in a significant improvement in the Hönle Group's earnings power. The Group's operating result (EBIT) climbed from T€ 2,912 in the previous year to T€ 7,642 in the current financial year. Earnings before taxes (EBT) climbed from T€ 2,749 to T€ 7,364 in the same period, while the consolidated result increased from T€ 1,801 to T€ 5,186. This corresponds to earnings per share of € 0.92 (PY: € 0.32).

In accordance with the earnings improvement, the EBIT margin jumped from 7.5 % in the previous year to 15.9 % in the first nine months of the 2010/2011 financial year, while net profit on sales climbed from 4.6 % to 10.8 %.

The cost of materials ratio increased from 40.5 % to 41.4 %, due, among other things, to fire damage in the first quarter. Owing to the higher sales level, the personnel expense ratio decreased from 32.3 % to 31.3 % and the ratio of other operating expenses fell from 20.0 % to 17.0 %.

## Earnings Development

In T€	01.10.10 - 30.06.11	01.10.09 - 30.06.10	Change
Revenue	<b>48,036</b>	39,023	23.1 %
Gross profit	<b>31,933</b>	24,104	32.5 %
Operating result/EBIT	<b>7,642</b>	2,912	162.4 %
EBT	<b>7,364</b>	2,749	167.9 %
Consolidated net income	<b>5,186</b>	1,801	188.0 %
Earnings per share in €	<b>0.92</b>	0.32	187.5 %

## Financial Position

The strong performance led to an increase of the financial strength of the Hönle Group. Operating cash flow improved from T€ 2,975 in the previous year to T€ 8,134 in the current fiscal year.

As part of a licensing agreement in the field of adhesives Hönle sold their distributors Megadustries S.à.r.l based in Guadeloupe and Megadustries S.à.r.l. based in Martinique. For the sale of the two companies less sold net cash Hönle received T€ 157.

Further the UV Technik Speziallampen GmbH acquired in the third quarter, the building of the

company. The payments for the acquisition of tangible and intangible assets therefore rose by T€ 600. Cash flow from investing activities amounted in the first nine months totally T€ -1,374.

Despite a dividend distribution in the amount of T€ 1,574 and the acquisition of UV-Technik Speziallampen GmbH, liquid assets have increased by a total of T€ 3,190 since the beginning of the financial year.

## Cash Flow and Liquidity Development

in T€	01.10.10 - 30.06.11	01.10.09 - 30.06.10	Change
Cash from			
Continuing business activities	<b>8,134</b>	2,975	173.4 %
Net cash from operating activities	<b>6,122</b>	2,636	132.2 %
Net cash used for investing activities	<b>-1,374</b>	-473	-190.5 %
Net cash from financing activities	<b>-2,070</b>	-1,043	-98.5 %
Changes in liquid assets	<b>3,190</b>	1,822	75.1 %

## Net Assets

Hönle Group's liquid assets amounted to T€ 9,933 as at 30 June 2011.

The purchase of shares of Tangent Industries Inc. and the founding of Hoenle UV Technology (Shanghai) Trading Limited led to an increase in the balance sheet financial assets by a total of T€ 124.

Short- and long-term assets increased during the third quarter from T€ 49,753 to T€ 51,221. This is mainly due to the decrease in trade accounts receivable by T€ 1,327 and the increase in cash and cash equivalents by T€ 2,843.

With an equity capital ratio of 69.4 %, Hönle Group financing continues to be on very solid ground.

## Balance Sheet

In T€	30.06.2011	30.09.2010	Change
Non-current assets	<b>18,105</b>	17,124	5.7 %
Current assets	<b>33,116</b>	27,310	21.3 %
Shareholders' equity	<b>35,560</b>	30,769	15.6 %
Non-current liabilities	<b>3,769</b>	3,705	1.7 %
Current liabilities	<b>11,892</b>	9,960	19.4 %
Balance sheet total	<b>51,221</b>	44,434	15.3 %

## Research and Development

Hönle Group's order-independent research and development expenses decreased from T€ 510 in the previous year to T€ 610 in the first nine months of the current financial year. The number of staff employed in the Research and Development department was 43 (previous year: 41). Consequently, 13.4 % of the workforce is employed in research and development. The focus of the activities of R&D staff was on order- and product-related development.

In the third quarter, the Hönle Group participated at several trade fairs. The new Elecolit® 3655 used in the production of semi-conductors and LED units proved to be a highlight. This cutting-edge adhesive was developed for high power LED chip bonding, in particular, but may also be used in the solar industry. Very fine filler materials in specially adjusted size proportions enable top filling levels and, at the same time, good dispensability. The adhesive is completely free from solvents and diluents. Excellent thermal conductivity and high electrical conductivity are achieved with the special filler material.

In addition to conventional UV technology, Hönle also exhibited high-performance UV LED systems for intermediate and final drying in the inkjet printing segment at FESPA, which is the trade fair for digital printing in Hamburg. The UV drying systems are available in several wavelengths (365/375/385/395/405 nm) and can thus be ideally adjusted to the respective application. In addition to the commonly known advantages of LED technology, such as the long service life of the LEDs, the elimination of warm-up and cool-down

periods and the possibility to switch LEDs on or off at short intervals, the LED Powerline impresses by reason of its compact size and its high irradiation power.

The most recent LED workshops held by Hönle in April and May 2011 met with great success and the seminar series will be continued at the head office in Gräfelfing, Munich. These LED workshops offer original equipment manufacturers (OEMs), end users and chemical suppliers an opportunity to obtain information on the technology and curing mechanisms of LED curing, and allows them to further enhance the technology and curing mechanisms by means of presentations and own tests conducted in the application lab.

## Personnel

In view of the positive business development and the acquisition of UV-Technik Speziallampen GmbH, Hönle's staff level increased significantly in the current financial year. As at 30 June 2011, the Hönle Group employed a staff of 342. The average number of staff employed by Hönle rose from 254 to 322 in the nine-month period under consideration. Compared to the previous year, the workforce increased in the production, service, and logistics divisions, in particular. Hönle Group's

staff of 322 included 34 part-time employees, which corresponds to 10.6 % of total staff.

The sale of the business segment 'Adhesives for Consumer Goods' in Eleco in the third quarter was accompanied by a decline in the staff level in Eleco, which particularly affected sales employees. At the same time, Hönle hired new application engineers in order to meet the increased demand for industrial adhesives.

In the first nine months of the current financial year, the employees were engaged in the following functional areas:

## Functional Areas

	<b>01.10.10 - 30.06.11</b>	01.10.09 - 30.06.10	Change
Sales	<b>68</b>	63	7.9 %
Research & Development	<b>43</b>	42	2.4 %
Production, Service	<b>124</b>	85	45.9 %
Logistics	<b>37</b>	25	48.0 %
Administration	<b>50</b>	39	28.2 %
Total	<b>322</b>	254	26.8 %

## Personnel Expenses

In T€	<b>01.10.10 - 30.06.11</b>	01.10.09 - 30.06.10	Change
Wages and salaries	<b>12,260</b>	10,256	19.5 %
Social security and pension costs	<b>2,840</b>	2,275	24.8 %
Total	<b>15,100</b>	12,531	20.5 %

Personnel expenses increased from T€ 12,531 in the prior-year's period to T€ 15,100 in the first nine months of the current financial year due, in particular, to the increase in staff numbers.

continued to rise and increased from 16 in the previous year to 24 as at 30 June 2011.

Hönle invests in occupational training with a view to partially covering the future demand for qualified personnel from in-house staff also: As in the previous years, the number of trainees

### **Subsequent Report**

On 10 August 2011, Dr. Hönle AG acquired a 51 % share in Mitronic GmbH, with registered office in Wolfratshausen. Mitronic's product range encompasses lighting technology-based machine and plant engineering, which includes lighting systems for crash tests and sunlight simulation systems. The company also develops and markets daylight PAR lamps and electronic power supplies for exhibition stand construction, among other applications. The automotive industry is Mitronic's largest sales market.

The acquisition of Mitronic GmbH provides Hönle with a new group of customers in the automotive industry segment, which represents the greatest sales market for sunlight simulation systems.

Direct access to this market translates into further growth potential for Dr. Hönle AG.

## **Outlook**

The global economy continues to expand. However, experts predict that the upward economic trend will lose momentum slightly. The industrialised nations are intensifying their efforts aimed at reducing the debt/equity ratio and the fiscal policy continues to tighten. Additionally, the economic policy pursued in the emerging markets is expected to be aimed at decreasing output growth in view of the high capacity utilisation.

In Germany the business climate has worsened, however, is still positive. Particularly in manufacturing, the outlook has deteriorated.

The Höhle Group's economic outlook continues to be positive. Against the backdrop of the current order situation, Höhle expects to deliver a good fourth quarter. Consequently, the Management Board again raises the forecast for the current year. The Company aims to increase sales revenues from € 54.6 million in the previous year to at least € 65 million in the current financial year, while the operating result is projected to come in at between € 9.5 million to € 10 million during the same period, up from € 5.5 million reported in the previous year.

The Höhle Group will thus post the best results by far in its history.

A key task in the upcoming months will be the successful integration of Mitronic GmbH, which was recently acquired. The purchase, IT, accounting and controlling departments are to be transferred to Dr. Höhle AG. Furthermore, production processes are to be analysed and made more efficient. Synergies between the Höhle Group and Mitronic are expected to lead to an increase in sales and earnings in the acquired company. In all, the planned measures are predicted to optimise Mitronic's business processes, to ensure high quality and to increase profitability.

In addition to strictly organic growth, the acquisition of companies operating in the lamps and adhesives technology segments will continue to play an important role in the further development of the Group's structure in the future.

# Consolidated Statement of Comprehensive Income

for the period 1 October 2010 until 30 June 2011 according IFRS

	01.04.2011 - 30.06.2011 in T€	01.04.2010 - 30.06.2010 in T€	01.10.2010 - 30.06.2011 in T€	01.10.2009 - 30.06.2010 in T€
<b>Revenue</b>	<b>15,931</b>	<b>13,967</b>	<b>48,036</b>	<b>39,023</b>
Changes in inventories of finished goods and work in progress	103	-156	137	-193
Other operating income	1,924	489	3,692	1,015
Cost of purchased materials and services	6,695	6,030	19,932	15,741
Personnel expenses	5,352	4,288	15,100	12,531
Depreciation and amortization including goodwill	344	313	997	889
Other operating expenses	2,905	2,854	8,194	7,772
<b>Operating result/EBIT</b>	<b>2,662</b>	<b>815</b>	<b>7,642</b>	<b>2,912</b>
Interest income	11	9	31	27
Interest expense	141	57	309	190
Financial result	-130	-48	-278	-163
<b>Earnings before tax and non-controlling interests/EBT</b>	<b>2,532</b>	<b>767</b>	<b>7,364</b>	<b>2,749</b>
Income tax	735	249	2,178	948
<b>Consolidated net income</b>	<b>1,797</b>	<b>518</b>	<b>5,186</b>	<b>1,801</b>
Share in earnings attributable to non-controlling interests	150	20	376	137
Share in earnings attributable to Dr. Hönle AG shareholders	1,647	498	4,810	1,664
Earnings per share (basic) in €			0.92	0.32
Earnings per share (diluted) in €			0.92	0.32
Weighted average shares outstanding (basic)			5,247,697	5,187,091
Weighted average shares outstanding (diluted)			5,247,697	5,187,091

# Consolidated Total Comprehensive Income

for the period 1 October 2010 until 30 June 2011 according IFRS

	<b>01.10.2010 - 30.06.2011 in T€</b>	<b>01.10.2009 - 30.06.2010 in T€</b>
<b>Consolidated net income</b>	<b>5,187</b>	<b>1,801</b>
Other comprehensive income:		
- Valuation of investments due to IAS 39 not effecting net income	166	-8
- Currency differences	515	579
Other comprehensive income after tax	680	571
<b>Total comprehensive income for the period</b>	<b>5,867</b>	<b>2,372</b>
Thereof account for:		
- Share in earnings attributable to non-controlling interests	376	137
- Share in earnings attributable to Dr. Hönle AG shareholders	5,491	2,235

# Consolidated Statement of Financial Position

as of 30 June 2011 according IFRS

<b>ASSETS</b>	<b>30.06.2011</b>	<b>30.09.2010</b>
	<b>in T€</b>	<b>in T€</b>
<b>LONG-TERM ASSETS</b>		
Goodwill	7,294	6,927
Intangible assets	1,778	1,746
Property, plant and equipment	6,920	6,027
Financial assets	397	249
Other non current assets	673	810
Deferred taxes	1,043	1,365
<b>Total non-current assets</b>	<b>18,105</b>	<b>17,124</b>
<b>CURRENT ASSETS</b>		
Inventories	12,378	10,897
Trade accounts receivable	9,573	8,396
Other current assets	986	1,031
Tax refund claims	246	243
Cash and cash equivalents	9,933	6,743
<b>Total current assets</b>	<b>33,116</b>	<b>27,310</b>
<b>TOTAL ASSETS</b>	<b>51,221</b>	<b>44,434</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>30.06.2011</b> in T€	<b>30.09.2010</b> in T€
<b>SHAREHOLDERS' EQUITY</b>		
Subscribed capital	5,513	5,513
Own shares	- 2,060	- 2,531
Additional paid-in capital (capital reserves)	16,139	16,325
Legal reserve	49	49
Special item revaluation	- 96	- 262
Retained earnings	12,930	9,747
Currency differences	1,540	1,025
<b>Equity attributable to Dr. Hönle AG's shareholders</b>	<b>34,015</b>	<b>29,866</b>
Non-controlling interests	1,545	903
<b>Total Shareholders' Equity</b>	<b>35,560</b>	<b>30,769</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-current loans (less current portion)	612	635
Non-current portion of finance lease obligation	0	69
Other non-current liabilities	60	187
Pension accruals	2,030	1,853
Deferred taxes	1,067	961
<b>Non-current liabilities</b>	<b>3,769</b>	<b>3,705</b>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	2,293	2,689
Advance payments received	1,595	640
Current portion of finance lease obligation	93	102
Current loans towards banks and current portion of non-current loans	632	68
Other current liabilities	4,757	4,122
Other accruals	1,383	1,320
Tax liabilities	1,139	1,019
<b>Total current liabilities</b>	<b>11,892</b>	<b>9,960</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>51,221</b>	<b>44,434</b>

# Consolidated Statement of Changes in Equity

for the period 1 October 2010 until 30 June 2011

	sub- scribed capital in T€	own shares in T€	Addi- tional paid-in capital in T€	legal reserve in T€	Special item revalu- ation in T€	Consolid. retained earnings/ loss in T€	Cur- rency differ- ences in T€	Equity attribu- table to Dr. Hönle AG's shareholders in T€	non-con- trolling interests in T€	Total in T€
<b>As at 01.10.2009</b>	<b>5,513</b>	<b>-2,531</b>	<b>16,427</b>	<b>49</b>	<b>-265</b>	<b>5,146</b>	<b>484</b>	<b>24,823</b>	<b>801</b>	<b>25,624</b>
Purchase/sale of own shares								0		0
Purchase of additional paid in capital due to purchase of non-controlling interests			-25					-25		-25
Valuation of investments due to IAS 39 not effecting net income					-8			-8		-8
Dividend disbursement								0	-31	-31
Currency differences							579	579		579
Change of non-controlling interests effecting net income								0	137	137
Change of non-controlling interests due to acquisitions								0	-72	-72
Change in accumulated profit due to sale of subsidiaries								0		0
Share in earnings attributable to Dr. Hönle AG shareholders						1,664		1,664		1,664
<b>As at 30.06.2010</b>	<b>5,513</b>	<b>-2,531</b>	<b>16,402</b>	<b>49</b>	<b>-273</b>	<b>6,810</b>	<b>1,063</b>	<b>27,033</b>	<b>835</b>	<b>27,868</b>
<b>As at 01.10.2010</b>	<b>5,513</b>	<b>-2,531</b>	<b>16,325</b>	<b>49</b>	<b>-262</b>	<b>9,747</b>	<b>1,025</b>	<b>29,866</b>	<b>903</b>	<b>30,769</b>
Purchase/sale of own shares		471						471		471
Purchase of additional paid in capital due to purchase of non-controlling interests			-186					-186		-186
Valuation of investments due to IAS 39 not effecting net income					166			166		166
Dividend disbursement						-1,574		-1,574	-65	-1,639
Currency differences							515	515		515
Change of non-controlling interests affecting net income								0	376	376
Change of non-controlling interests due to acquisitions								0	331	331
Change in accumulated profit due to sale of subsidiaries						-53		-53		-53
Share in earnings attributable to Dr. Hönle AG shareholders						4,810		4,810		4,810
<b>As at 30.06.2011</b>	<b>5,513</b>	<b>-2,060</b>	<b>16,139</b>	<b>49</b>	<b>-96</b>	<b>12,930</b>	<b>1,540</b>	<b>34,015</b>	<b>1,545</b>	<b>35,560</b>

# Consolidated Statement of Cash Flows

for the period 1 October 2010 until 30 June 2011 according to IFRS

	01.10.2010- 30.06.2011 in T€	01.10.2009- 30.06.2010 in T€
<b>Cash flows from operating activities:</b>		
Net income for the year before non-controlling interests and taxes	7,364	2,749
Adjustments for:		
Depreciation of fixed assets	997	889
Losses on disposal of fixed assets	0	3
Financial income	-31	-27
Interest expenses	309	190
Non-cash expenses/income from sale of subsidiary	-172	0
Other non-cash expenses/income	-217	138
<b>Operating result before changes to net current assets</b>	<b>8,250</b>	<b>3,942</b>
Increase/decrease in accruals	19	103
Increase/decrease of trade accounts receivable	-960	-747
Increase/decrease of other assets	192	-64
Increase/decrease in inventories	-709	-1,364
Increase/decrease in trade accounts payable	-247	314
Increase/decrease in liabilities to associated companies	0	-2
Increase/decrease in advance payments received	795	119
Increase/decrease in other liabilities	794	674
<b>Cash from continuing business activities</b>	<b>8,134</b>	<b>2,975</b>
Interest paid	-309	-190
Income tax paid	-1,703	-149
<b>Net cash from operating activities</b>	<b>6,122</b>	<b>2,636</b>
<b>Cash flows from investing activities:</b>		
Purchases of company shares minus net cash acquired	-224	0
Sale of company shares minus net cash sold	157	0
Proceeds from sale of fixed assets	3	36
Purchase of property, plant and equipment and intangible assets	-1,219	-571
Changes in financial assets	-134	0
Payments received from non-current receivables	48	67
Payments for non-current receivables	0	-32
Changes in qualifying insurance policy	90	0
Changes in financial assets	-127	0
Payments received from interest	26	18
Payments received from dividends	5	9
<b>Net cash used for investing activities</b>	<b>-1,374</b>	<b>-473</b>
<b>Cash flows from financing activities:</b>		
Proceeds from sale of non-controlling interests	26	0
Payments for the acquisition of non-controlling interests	-61	-263
Payments received from loans and non-current liabilities to banks	-461	-780
Payments for dividends	-1,574	0
<b>Net cash from financing activities</b>	<b>-2,070</b>	<b>-1,043</b>
Currency differences	183	542
Exchange rate differences of liquid assets	330	160
<b>Net increase/decrease in cash</b>	<b>3,190</b>	<b>1,822</b>
<b>Cash at the beginning of the reporting period</b>	<b>6,743</b>	<b>3,158</b>
<b>Cash at the end of the reporting period</b>	<b>9,933</b>	<b>4,980</b>
<b>Changes in cash and cash equivalents</b>	<b>3,190</b>	<b>1,822</b>

# Explanatory Notes

to the 9-Month Report of the Financial Year 2010/2011

Hönle prepares the interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the respective interpretations approved by the European Union, as published by the International Financial Reporting Standards Board (IASB). Hönle prepares and publishes the interim consolidated financial statements in euro currency (€).

These interim consolidated financial statements were prepared in agreement with IAS 34 "Interim financial reporting" and should be read in the context of the consolidated financial statements published by the Company for financial year 2009/2010.

The consolidated balance sheet as at 30 June 2011 and the consolidated income statement, the statement of comprehensive income, the statement of consolidated cash flows and the statement on changes in consolidated equity for the reporting periods ending on 30 June 2011 and 2010 as well as the notes to the financial statements (Notes) are neither audited nor subjected to a review.

The significant recognition, measurement and consolidation methods have remained unchanged in comparison with the 2009/2010 consolidated financial statements.

The shares held as financial assets that were measured in accordance with IAS 39 for the first time in the 2001/2002 financial year were adjusted to fair value as at 30 June 2011 within the scope of their being treated with neutral effects on profits. At the end of the quarter, the value of these shares stood at T€ 230 compared to T€ 219 as at 30 September 2010. The difference of T€ 11 was netted in equity capital in the revaluation reserve position with neutral effects on profits.

Dr. Hönle AG acquired in the second quarter of fiscal year 2010/2011 the remaining 10 % stake in PrintConcept UV-Systeme GmbH at a preliminary purchase price of T€ 607. Dr. Hönle AG thus holds 100 % shares in PrintConcept UV-Systeme GmbH.

Hoenle UV Technology (Shanghai) Trading Limited, based in Shanghai, China, was established in the second quarter of financial year 2010/2011. The company's nominal capital amounts to € 200,000. The shares are held to 100% by Dr. Hönle AG. The company was included in the Hönle Group consolidated financial statements as at 31 March 2011 for the first time.

As from the foundation date (26 January 2011) through to the end of the third quarter of 2010/2011 (30/06/2011), the financial statements information of Hoenle UV Technology (Shanghai) Trading Limited was examined with a view to the materiality of the qualitative requirements.

The financial statements information of Hoenle UV Technology (Shanghai) Trading Limited for the above-stated period impacts has an insignificant impact on the presentation of a true and fair view of the net assets, financial position and results of operations of the Hönle Group. Due to the negligible influence, the company is not consolidated.

The second quarter of 2010/2011 also saw the business combination with UV-Technik Speziallampen GmbH, Wümbach, Ilmenau, described below. Dr. Hönle AG acquired 51% of the shares and voting rights in UV-Technik Speziallampen GmbH, Wümbach, Ilmenau, with effect as from 1 January 2011. The acquisition date (1 January 2011), is the day when control over the acquired company is transferred to the acquirer and, consequently, the acquirer has the possibility to determine the finance- and business policy of the acquired enterprise. UV-Technik Speziallampen GmbH is included in the scope of consolidation from 1 January 2011 onwards.

Upon signing the purchase agreement on 7 December 2010, Dr. Hönle AG was entitled to acquire step-by-step the remaining 49% of the shares in UV-Technik Speziallampen GmbH, that can be exercised the first time from 1 January 2013.

UV-Technik Speziallampen GmbH develops, manufactures and sells UV lamps and pertaining components for water sterilisation, in particular. The company generated sales of ca. € 6.8 million in financial year 2010 with some 60 employees.

In addition, Dr. Höhle AG has a right to acquire step-by step UV-Electronic GmbH, Durchhausen, that can be exercised the first time from 1 January 2013. UV-Electronic GmbH develops, manufactures and sells electronic power supplies for UV lamps.

With the acquisition of UV-Technik Speziallampen GmbH, Höhle continues its strategy of increasing its sales in the segment of short-lived economic goods in addition to the equipment and systems business: UV-Technik Speziallampen GmbH has been included in the consolidated financial statements of Dr. Höhle AG since 1 January 2011. The inclusion took place on the basis of preliminary accounts preparation as determining the purchase price allocation, in particular, the measurement of acquired intangible assets, is time-intensive and had not been concluded as at the balance sheet date. The best possible available information at the financial statements preparation date was used to this end.

The fair values of the acquired assets and transferred liabilities recognised as at the acquisition date as well as the respective carrying amounts directly prior to the business combination are as follows:

	Carrying amounts in T€	Fair Value in T€
<b>Non-current assets</b>		
Intangible assets	94	244
Property, plant and equipment	615	577
Financial assets	2	2
<b>Current assets</b>		
Inventories	847	847
Trade accounts receivable	489	489
Other assets	171	171
Cash and cash equivalents	96	96
Deferred tax assets	0	12
<b>Liabilities</b>		
Provisions	216	225
Trade accounts payable	292	292
Financial liabilities	933	933
Other liabilities	126	37
Deferred tax liabilities	0	63
<b>Net assets</b>	<b>747</b>	<b>888</b>
Non-controlling interests		-435
<b>Acquired net assets</b>		<b>453</b>

Acquired trade accounts receivable are recorded at the amount of T€ 623 and include value adjustments of T€ 134. The acquired cash funds amounted to T€ 96. Consequently, an outflow of cash in the amount of T€ 224 was recorded.

These cash flows and the acquired assets and transferred liabilities resulted in goodwill of T€ 367. The main factors leading to goodwill recognition include expected synergies in the fields of development, production and sales.

The consolidated net income for the current period 01 October 2010 to 30 June 2011 includes profit of UV-Technik Speziallampen GmbH in the amount of T€ 480. EBIT amounted to T€ 607 for the same period. Consolidated net income would have been higher by T€ 70 if the business combination had already taken place as at 1 October 2010.

Consolidated sales increased by T€ 3,759 due to the UV-Technik Speziallampen GmbH acquisition. Had the business combination already taken place on 1 October 2010, consolidated sales would have been higher by T€ 1,693 compared to the sales actually achieved.

The corporate acquisition of UV-Technik Speziallampen GmbH resulted in further equity investments:

UV-Technik Speziallampen GmbH holds a 99% stake in UV-Technik Polska Sp. z o.o.. UV-Technik Polska Sp. z o.o. is an indirect investment. Despite a holding of 99%, UV-Technik Polska Sp. z o.o. was not included in consolidation as the company is of immaterial importance for providing a true and fair view of the net assets, financial position and results of operations of the Group.

UV-Technik Speziallampen GmbH holds 90% shares in UV-Technik France S.à.r.l.. The indirect UV-Technik France S.à.r.l. investment has existed since 7 January 2011. Despite a holding of 90%, UV-Technik France S.à.r.l. was not included in consolidation as the company is of immaterial importance for providing a true and fair view of the net assets, financial position, and results of operations of the Group.

Panacol AG owns a 25% stake in Tangent Industries Inc., Winsted, United States. The participation of Tangent Industries Inc., Winsted, United States is indirectly since 26.04.2011. To the inclusion of Tangent Industries Inc., Winsted, USA, was waived despite the presence of a 25% stake, as the company is of minor importance for providing a true and fair view of assets, liabilities, financial position and results of operations.

In the third quarter of fiscal year 2010/2011, Dr. Höhle AG acquired a further 5% stake in Honle Spain S.A., Gavá/Barcelona. Dr. Höhle AG holds 100% interest in Honle Spain SA.

Eleco Produits E.F.D. sold with effect from 28.06.2011, the subsidiaries Megadustries S.à.r.l. Guadeloupe, France and Megadustries S.à.r.l. Martinique, France. The deconsolidation was on 30.06.2011. These two divestitures were taken each by itself not essential and have shown the following impact on the consolidated financial statements on the basis of figures for the time of sale:

	Fair Value in T€
<b>Non-current assets</b>	
Intangible assets	0
Property, plant and equipment	5
Financial assets	0
<b>Current assets</b>	
Inventories	236
Trade accounts receivable	272
Other assets	24
Cash and cash equivalents	43
Deferred tax assets	17
<b>Total sold assets</b>	<b>597</b>
<b>Liabilities</b>	
Provisions	4
Trade accounts payable	281
Financial liabilities	0
Other liabilities	205
Deferred tax liabilities	0
<b>Total sold liabilities</b>	<b>490</b>
<b>Outgoing net assets</b>	<b>107</b>
Non-controlling interests	26
Profit/ (loss) from sale	119
<b>Sale price (with cash)</b>	<b>200</b>

In the 2010/2011 financial year in the consolidated cash flow statement the identity of "payments for the acquisition of non-controlling interests" is represented in the field cash flow from financing activities. The prior year figures have been adjusted to reflect the new structure.

In fiscal year 2010/2011 in the segment reporting the disclosure of cash is shown in the range of segment assets. The prior year figures have been adjusted to reflect the new structure.

## Events after 30 June 2011

Dr. Hönle AG has acquired 51% of the shares and voting rights at the Mitronic - P. Miller GmbH, Wolfratshausen. The acquisition date is the date on which control of the acquired company's passes to the purchaser, so that he gets the ability to govern the financial and operating policies of the acquired company. The Mitronic - P. Miller GmbH is included from the fourth quarter of 2010/2011 on into the group consolidation.

Mitronic - P. Miller GmbH develops, manufactures and distributes lighting products primarily for the automotive industry.

By signing the purchase agreement dated 10 August 2011, Dr. Hönle AG receives a right to acquire the remaining 49% stake in Mitronic - P. Miller GmbH.

Due to the German accounting rules the Mitronic - P. Miller GmbH was not obligated, to prepare annual financial statements according to international accounting standards. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities carried at fair value follows due to the purchase price allocation according IFRS 3 (rev 2008), which was not made at the time of the creation of the third quarter financial statement 2010/2011.

The disclosures required under IFRS 3 are based on the latest available financial statements at 31 December 2010, according to German accounting rules as shown below:

	31/12/2010
Non-current assets	59 T€
Current assets	2,064 T€
Shareholders equity	1,189 T€
Liabilities	934 T€
Revenue	5,556 T€
Net profit	1,135 T€

The Group figures to be segmented are allocated to the primary segments as follows:

	Equipment/ systems		adhesives		Elimina- tions		Consolidated	
	per 06/11	per 06/10	per 06/11	per 06/10	per 06/11	per 06/10	per 06/11	per 06/10
	T€	T€	T€	T€	T€	T€	T€	T€
<b>INCOME:</b>								
External sales	34,896	27,074	13,140	11,949			48,036	39,023
Intra-group sales	415	225	13	80	-428	-305	0	0
Total sales	35,311	27,299	13,153	12,029	-428	-305	48,036	39,023
<b>NET EARNINGS:</b>								
<b>Segment result (operating result)</b>	<b>5,945</b>	<b>2,271</b>	<b>1,858</b>	<b>781</b>	<b>-161</b>	<b>-140</b>	<b>7,642</b>	<b>2,912</b>
Interest income	272	225	36	104	-282	-311	26	18
Interest expense	290	380	118	121	-303	-311	105	190
Income from securities							5	9
Depreciation on securities							204	0
<b>Earnings before tax and non-controlling interests</b>							<b>7,364</b>	<b>2,749</b>
Income taxes	1,310	633	576	126	0	0	1,886	759
Deferred taxes	275	46	61	181	-45	-38	291	189
<b>Earnings before non-controlling interests</b>							<b>5,187</b>	<b>1,801</b>
<b>OTHER INFORMATION:</b>								
<b>Segment assets:</b>	<b>37,912</b>	<b>31,420</b>	<b>15,038</b>	<b>15,170</b>	<b>-4,087</b>	<b>-6,729</b>	<b>48,863</b>	<b>39,860</b>
Non-allocated assets:								
- Financial assets							397	233
- Non-current receivables							673	716
- Tax refund claims							246	325
- Deferred tax assets							1,043	519
<b>Consolidated assets</b>							<b>51,223</b>	<b>41,654</b>
<b>Segment liabilities</b>	<b>18,955</b>	<b>17,938</b>	<b>6,549</b>	<b>8,082</b>	<b>-12,753</b>	<b>-14,783</b>	<b>12,751</b>	<b>11,237</b>
Deferred tax liabilities							1,067	961
Tax accruals							1,139	730
Non-current loans							705	858
<b>Investments:</b>	<b>1,108</b>	<b>374</b>	<b>80</b>	<b>197</b>	<b>0</b>	<b>0</b>	<b>1,188</b>	<b>571</b>
<b>Segment amortisation/depreciation</b>	<b>760</b>	<b>656</b>	<b>237</b>	<b>233</b>	<b>0</b>	<b>0</b>	<b>997</b>	<b>889</b>
<b>Non-cash expenses of the segment</b>	<b>254</b>	<b>212</b>	<b>44</b>	<b>96</b>	<b>0</b>	<b>0</b>	<b>298</b>	<b>308</b>

Segment assets are defined as the sum total of intangible assets, property, plant and equipment, inventories, current receivables and cash and cash equivalents. Segment debt comprises non-current and current liabilities. Non-cash segment expenses take changes in pension accruals and changes in other accruals into account.

Transfer prices relating to intercompany services and supplies including the pertaining calculation basis are based on the same terms and conditions as those applied for third parties. In this respect no changes have been recorded in comparison with previous years.

# Statement of the Company's Management

We affirm that, to the best of our knowledge, the consolidated financial statement gives a true and fair view of the net assets, financial position and results of operations of the Group in accordance with generally accepted accounting principles. The group management report provides a suitable understanding of the course of business including the business results and the Group's position and suitably presents the opportunities and risks of future development.

Gräfelfing, 18 August 2011

Dr. Hönle AG  
The Board of Management

## **Note**

*The management report contains statements made and information provided by Dr. Hönle AG that relate to future time periods. The future-oriented statements represent assessments that were made on the basis of information available at the time when this report was prepared. Should the assumptions underlying the forecasts prove to be incorrect or should risks, such those as mentioned in the risk report, materialise, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the statements contained in this management report, with the exception of publishing such updates as required by statutory provisions.*

# Financial Calendar

25 August 2011

**Publication of this 9 - month report 2010/2011**

23 November 2011

**Analyst conference at the German Equity Forum in Frankfurt**

6 December 2011

**Preliminary figures for the financial year 2010/2011**

16 January 2012

**Annual Report 2010/2011**

22 March 2012

**Shareholders Meeting 2012**

Investor Relations  
Peter Weinert  
Telephone +49 (0)89 85608-173  
E-Mail [ir@hoenle.de](mailto:ir@hoenle.de)

Dr. Hönle AG • UV Technology  
Lochhamer Schlag 1 • D- 82166 Gräfelfing/München  
Telephone +49 (0)89 85608-0 • Fax +49 (0)89 85608-148  
E-Mail: [uv@hoenle.de](mailto:uv@hoenle.de) • Internet: [www.hoenle.de](http://www.hoenle.de)

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