2008

3 MONTHS REPORT 2009

hönle group

Hönle at a Glance

Hönle Group Figures	2008/2009 3 Months	2007/2008 3 Months	Changes
Income Statement	**T €**	**T €**	**in %**
Revenue	**12,751**	7,281	75.1
EBITDA	**- 308**	1,553	- 119.8
EBIT	**- 592**	1,381	- 142.9
EBT	**- 594**	1,562	- 138.0
Consolidated net income	**- 580**	1,147	- 150.6
Share			
Earnings per share	**- 0.11**	0.20	- 155.0
Number of shares	**5,512,930**	5,512,930	0.0
Cashflow			
Operating Cashflow 1)	**- 676**	2,191	- 130.9
Balance Sheet 2)			
Non-current assets	**16,612**	16,569	0.3
Current assets	**29,640**	31,945	- 7.2
Shareholder's equity	**30,327**	30,579	- 0.8
Non-current liabilities	**4,083**	4,108	- 0.6
Current liabilities	**10,977**	12,986	- 15.5
Total assets	**46,252**	48,514	- 4.7
Capital ratio in %	**67.4**	64.8	4.1
Staff			
at the end of the quarter	**287**	134	114.2

1) Cash from continuing business activities
2) as of 31/12/2008 and 30/09/2008

Hönle Group Report
for the three months from 1 October 2008 to 31 December 2008

Overview

The economic situation deteriorated noticeably in the first quarter of the financial year. All regions and many industries are affected by this development and new orders declined significantly in the printing industry, in particular.

Hönle was also not exempted from this negative economic development. In comparison with the previous year, the Hönle Group's sales revenue increased by 75.1 % to T€ 12,751 in the first quarter of the financial year as a result of acquisition activities. However, the operating result dropped to T€ -592 compared to T€ 1,381 in the previous year. Sales revenue and the operating result achieved in the previous quarter, i.e. the fourth quarter of the past financial year, still amounted to T€ 15,857 and T€ 822, respectively.

Hönle had already initiated a comprehensive programme aimed at improving the company's earnings position in the previous year. The program focuses on the optimisation of production processes, cost savings in purchasing, and adjustment of the personnel cost structure. The cost reduction program includes short-term as well as medium- and long-term measures. Initial effects will make themselves felt in the current financial year, while other measures will take effect from the beginning of the next financial year onwards.

Successful integration of the new companies into the Hönle Group plays a fundamental role in cost reduction. Manufacture of the Eltosch systems which, in the past, was outsourced completely, is gradually being transferred to Dr. Hönle AG. Panacol GmbH and Wellomer GmbH began to prepare for their move to the new, jointly used company premises. Production processes of these companies, too, are combined to enable more efficient and cost-saving production.

Moreover, savings in purchasing will improve the cost situation. Measures have been taken to centralise materials procurement relating to plant engineering and construction and the adhesives segment within the Hönle Group. This will further optimise purchasing conditions.

The program aimed at improving the earnings position also includes the introduction of short-time working hours at the companies affected by a drop-off in orders. In November, the Hönle Group applied for short-time work at two companies in order to adjust production capacities to the decline in new orders in the short term. Short-time working was introduced at Eltosch GmbH in Hamburg as of 1 November 2008, and at a production sub-area of Dr. Hönle AG in Gräfelfing near Munich as of 17 November 2008.

Results of Operations

Following T€ 7,281 in the previous year, the Hönle Group generated sales revenue of T€ 12,751 in the first three months of financial year 2008/2009, which represented a 75.1 % increase by the end of the year. The sales revenue increase is attributable to acquisitions undertaken in the past financial year, and already reflects the impact of the current restrained investing behaviour: Sales revenue in the previous quarter still amounted to T€ 15,857.

Sales revenue achieved in the 'Inks and Coatings' segment amounted to T€ 7,829, which is 45.5 % up on the previous year's level. The Panacol Group acquisition led to a jump in sales revenue by 202.8 % to T€ 4,309 in the 'Adhesives and Plastics' segment. Excluding complementary purchases, sales revenue achieved in the 'Other' segment climbed 28.7 % to T€ 612. The photovoltaics market, in particular, led to a growing demand for UV systems in this segment.

In the first three months of the year, domestic revenue rose from T€ 3,097 in the previous financial year to T€ 5,988 in the reporting year. Sales revenue generated during the same period in Europe outside Germany climbed by T€ 1,810 to T€ 4,640 whereas revenues achieved outside Europe dropped from T€ 2,374 to T€ 2,123 as a result of sluggish business with the Americas.

The export portion thus came to 53.0 % (PY: 57.5 %) in the first quarter. 36.4 % of the goods were sold in Europe outside Germany, while 16.6 % were sold outside Europe.

The cost of materials ratio rose from 33.7 % to 45.9 % mainly due to the acquisition of Eltosch GmbH. The personnel expense ratio increased from 28.6 % in the previous year to 33.9 % in the current year while the other operating expenses ratio climbed from 17.8 % to 26.2 % in the same period.

Earnings before interest and taxes (EBIT) dropped from T€ 1,381 in the previous year to T€ -592 by the end of the year. Earnings before tax (EBT) tumbled from T€ 1,562 to T€ -594 in the same period. The Group's result decreased from T€ 1,147 in the previous year to T€ -580 in the past quarter.

The EBIT margin dropped from 19.0 % in the previous year to -4.6 % in the first quarter of financial year 2008/2009, and net profit on sales decreased from 15.8 % to -4.5 %.

Financial Position

The payment of a purchase price instalment concerning the Panacol Group acquisition as well as payment of profit sharing bonuses and commission were mainly responsible for the reduction in other liabilities in the amount of T€ 1,262.

Cash provided by operating activity decreased by T€ 676 in the first quarter.

Parity changes concerning the pound sterling, Swiss franc and U.S. dollar led to an operating loss in the amount of T€ 385 in the first quarter. These losses from currency differences are reported under the items 'Currency differences' and 'Currency-related change in cash and cash equivalents.'

Overall, the first three months of the current financial year saw a cash outflow in the amount of T€ 845.

Net Assets

Trade receivables decreased by T€ 1,203 to T€ 9,187 in the first quarter.

Liquid assets, securities and own shares amount to T€ 10,824. The equity capital ratio is 67.4 %.

Research and Development

Products that conform to market requirements are the basis for successful business development. In the first quarter of the financial year, the Hönle Group employed a staff of 46 (PY: 21) in its Research and Development department. This staff performed order-independent as well as customer-oriented activities. The order-independent R&D expenses amounted to T€ 236 in the first quarter of 2009 after T€ 194 in the corresponding previous year's quarter.

Personnel

As at 31 December 2008, the Hönle Group employed a staff of 287 compared to 134 employees in the past year. The staff increase is due to the Panacol Group, PrintConcept GmbH, Eltosch GmbH, and Adphos Eltosch Service GmbH acquisitions.

Subsequent Report

Due to the present orders position, Hönle further extended short-time working. Since 1 February 2009, additional segments of Dr. Hönle AG in Gräfelfing near Munich and of Aladin GmbH in Rott am Inn are affected by short-time working, which has now been introduced at three companies. About one out of three employees are affected by this regulation.

Outlook

The economic situation has continued to deteriorate since the first quarter. The Ifo Business Climate Index, a gauge of the business climate, continued to drop. The business climate is particularly gloomy in the manufacturing sector, where the Index dropped for the eighth consecutive time.
The printing industry, which is an important market for the Hönle Group, also suffered from a decline in sales revenue. The orders position continued to weaken noticeably in recent times.

The restrained investing behaviour, which can be observed in many sectors, will also impact on Hönle Group's business development. However, at present it is almost impossible to forecast the extent and duration of the restrained investing behaviour, in particular in the printing industry.

In February, the Hönle Group further extended short-time working in order to adjust production capacities to the decline in new orders. Presently, about 35 % of the staff is affected by short-time working hours.

Following the acquisition of several companies, integrating the new companies into the Hönle Group will be given priority in the new financial year. The main objective is to save costs by expanding the output chain and by centralising certain functions such as joint purchasing activities. The cost reduction programme includes short-term as well as long-term measures.

Manufacture of the Eltosch systems, which to date has been outsourced to external suppliers, will be transferred to Dr. Hönle AG in the course of this financial year. Production will then be combined and Eltosch and Hönle systems will be produced at one joint site which is both efficient and cost saving. Panacol GmbH and Wellomer GmbH will move to new company premises which they will use jointly. The production processes of these companies will also be combined to enable more efficient and cost-saving manufacture. Moreover, R&D capacities can be utilised more efficiently.

Savings in Purchasing will improve the cost situation. Materials procurement in plant engineering and in the adhesives segment will be centralised within the Hönle Group, which will optimise purchasing conditions.

Overall, the Board of Management is convinced that UV technology will continue to grow in popularity despite the present economic situation. Due to the advantages of UV technology in comparison with conventional drying and curing processes, its popularity and use in new fields will increase. Following the corporate acquisitions, the Hönle Group has positioned itself strongly in a very interesting market environment: It is now the second largest systems supplier worldwide in the market for industrial UV technology. Hönle is thus well equipped to overcome a period of economic weakness and to emerge stronger from the financial crisis. The restructuring measures initiated will see Hönle better positioned than ever for future profitable growth after the presently restrained investing behaviour has come to an end.

Consolidated Income Statement

for the period 1 October 2008 until 31 December 2008 according IFRS

		01.10.2008 - 31.12.2008 in T€		**01.10.2007 - 31.12.2007 in T€**
Revenue		**12,751**		**7,281**
Changes in inventories of finished goods and work in progress		- 950		19
Other operating income		402		102
Cost of purchased materials and services		5,417		2,463
Personnel expenses		4,001		2,086
Depreciation and amortization including goodwill		284		172
Other operating expenses		3,093		1,300
Operating result/EBIT		**- 592**		**1,381**
Interest income	58		203	
Interest expense	60		22	
Financial result		- 2		181
Earnings before tax and minority interest/EBT		**- 594**		**1,562**
Income tax		14		- 415
Consolidated net income		**- 580**		**1,147**
Share in earnings attributable to minority interest		24		24
Share in earnings attributable to Dr. Hönle AG shareholders		- 604		1,123
Earnings per share (basic) in €		- 0.12		0.22
Earnings per share (diluted) in €		- 0.11		0.21
Weighted average shares outstanding (basic)		5,192,737		5,209,739
Weighted average shares outstanding (diluted)		5,342,791		5,368,339

The consolidated interim report is unaudited.

Consolidated Balance Sheet

as of 31 December 2008 according IFRS

ASSETS	31.12.2008 in T€	30.09.2008 in T€
LONG-TERM ASSETS		
Intangible assets	2,087	2,086
Property, plant and equipment	6,000	6,045
Goodwill	6,927	6,927
Financial assets	211	244
Other non current assets	713	730
Deferred taxes	674	537
Total non-current assets	**16,612**	**16,569**
CURRENT ASSETS		
Inventories	10,539	11,039
Trade accounts receivable	9,187	10,390
Amounts owed by associated companies	1	0
Other current assets	1,127	1,032
Tax refund claims	704	557
Liquid assets	8,082	8,927
Total current assets	**29,640**	**31,945**
TOTAL ASSETS	**46,252**	**48,514**

LIABILITIES AND SHAREHOLDERS´ EQUITY	31.12.2008 in T€	30.09.2008 in T€
SHAREHOLDERS´ EQUITY		
Subscribed capital	5,513	5,513
Own shares	- 2,531	- 2,531
Additional paid-in capital (capital reserves)	16,916	16,916
Legal reserve	49	49
Special item revaluation	- 295	- 262
Retained earnings	10,001	10,605
Currency differences	674	289
Equity attributable to Dr. Hönle AG's shareholders	**30,327**	**30,579**
Minority interest	865	841
Total Shareholders´ Equity	**31,192**	**31,420**
NON-CURRENT DEBTS		
Non-current loans (less current portion)	737	743
Non-current portion of finance lease obligation	253	280
Other non-current liabilities	325	332
Pension accruals	1,792	1,765
Deferred taxes	976	988
Non-current liabilities	**4,083**	**4,108**
CURRENT LIABILITIES		
Trade accounts payable	4,660	5,427
Liabilities to associated companies	6	4
Advance payments received	525	512
Current portion of finance lease obligation	98	104
Current loans towards banks and current portion of non-current loans	305	279
Other current liabilities	3,264	4,520
Other accruals	1,617	1,605
Tax accruals	502	535
Total current liabilities	**10,977**	**12,986**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**46,252**	**48,514**

The consolidated interim report is unaudited.

Consolidated Statement of Changes in Equity

for the period 1 October 2008 until 31 December 2008

	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€	Consilid. retained earnings/ loss in T€	Cur-ency differ-ences in T€	Equity attribu-table to Dr. Hönle AG's shareholders in T€	Minority interest in T€	Total in T€
As at 01.10.2007	**5,513**	**- 2,219**	**16,778**	**49**	**- 160**	**8,320**	**45**	**28,326**	**587**	**28,913**
Purchase of own shares		- 312						- 312		- 312
Change of additional paid in capital due to IFRS 2			4					4		4
Valuation of investments due to IAS 39 not effecting net income					- 20			- 20		- 20
Dividend distribution								0		0
Currency differences							29	29		29
Change of minority interest affecting net income								0	24	24
Share in earnings attributable to minority interest						1,123		1,123		1,123
As at 31.12.2007	**5,513**	**- 2,531**	**16,782**	**49**	**- 180**	**9,443**	**74**	**29,150**	**611**	**29,761**
As at 01.10.2008	**5,513**	**- 2,531**	**16,916**	**49**	**- 262**	**10,605**	**289**	**30,579**	**841**	**31,420**
Purchase of own shares								0		0
Change of additional paid in capital due to IFRS 2								0		0
Valuation of investments due to IAS 39 not effecting net income					-33			-33		-33
Dividend distribution								0		0
Currency differences							385	385		385
Change of minority interest effecting net income								0	24	24
Share in earnings attributable to minority interest						-604		-604		-604
As at 31.12.2008	**5,513**	**- 2,531**	**16,916**	**49**	**- 295**	**10,001**	**674**	**30,327**	**865**	**31,192**

The consolidated interim report is unaudited.

Consolidated Cash Flow Statement

for the period 1 October 2007 until 31 December 2007 according to IFRS

	01.10.2008-31.12.2008 in T€	01.10.2007-31.12.2007 in T€
Cashflows from operating activities:		
Net income for the year before minority interest and taxes	-594	1,562
Adjustments for:		
Depreciation of fixed assets	284	172
Financial income	- 58	- 203
Interest expenses	60	22
Other non-cash expenses/income	21	19
Non-cash change in additional paid-in capital due to IFRS 2	0	4
Operating result before changes to net current assets	**- 287**	**1,576**
Increase/decrease in accruals	39	49
Increase/decrease of trade accounts receivable	1,203	1,204
Increase/decrease of other assets	-96	- 66
Increase/decrease in inventories	479	- 177
Increase/decrease in trade accounts payable	- 767	- 137
Increase/decrease in liabilities to associated companies	2	- 2
Increase/decrease in advance payments received	13	- 9
Increase/decrease in other liabilities	- 1,262	- 247
Cash from continuing business activities	**- 676**	**2,191**
Interest paid	- 60	- 22
Income tax paid	- 315	- 411
Net cash from operating activities	**- 1,051**	**1,758**
Cashflows from investing activitiest:		
Purchase of property, plant and equipment and intangible assets	- 240	- 125
Payments received from non-current receivables	26	166
Payments for non-current receivables	- 9	- 21
Payments received from interest	34	200
Payments received from dividends	24	3
Net cash used for investing activities	**- 165**	**223**
Cashflows from financing activities:		
Payments received from loans and non-current liabilities to banks	- 14	- 2
Dividends paid	0	0
Purchase of own shares	0	- 312
Net cash from financing activities	**-14**	**- 314**
Currency differences	294	29
Exchange rate differences of liquid assets	91	0
Net increase/decrease in cash	**- 845**	**1,696**
Cash at the beginning of the reporting period	**8,927**	**17,755**
Cash at the end of the reporting period	**8,082**	**19,451**
Changes in liquid assets	**- 845**	**1,696**

The consolidated interim report is unaudited.

Explanatory Notes

to the 3-Month Report of the Financial Year 2008/2009

Hönle prepares the consolidated interim financial statement in accordance with International Financial Reporting Standards (IFRS) published by the International Financial Reporting Standards Board (IFRIC) and their interpretations, to be applied in the European Union (EU). Hönle prepares and publishes the consolidated interim financial statements in euro currency (€).

The consolidated interim financial statement as at 31 December 2008, as well as the consolidated statement of changes in equity, the statement of cash flows and the explanatory notes for the periods ending as at 31 December 2008 and 2007 have not been provided with an audit certificate. It has been prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in the context of the consolidated financial statement prepared by the company for the 2007/2008 financial year. The significant accounting, valuation and consolidation methods have not undergone any significant change compared with the Annual Report 2007/2008.

The shares which were valued according to IAS standard 39 for the first time in financial year 2001/2002 and which are held as financial investments were adjusted to the fair value as at 31 December 2008 and treated with neutral effect on profits. The value of these shares amounted to T€ 185 at the end of the quarter, compared to T€ 218 as at 30 September 2008. The difference amounting to T€ -33 was recorded in the special item revaluation in the equity capital with neutral effect on profits.

In the first quarter of financial year 2008/2009 Dr. Hönle AG had to pay an additional rate of T€ 540 within the scope of the acquisition of the Panacol Group. A liability recorded in the financial statement as of 30 September 2008 for this transaction was adjusted correspondingly.

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

	Germany as at 12/08	Germany as at 12/07	Europe as at 12/08	Europe as at 12/07	Rest of the world as at 12/08	Rest of the world as at 12/07	Eliminia-tions as at 12/08	Eliminia-tions as at 12/07	Consolidated as at 12/08	Consolidated as at 12/07
INCOME:										
External sales	5,988	3,097	4,640	1,810	2,123	2,374			12,751	7,281
Intra-group sales	1,485	345	592	223	12	0	-2,089	-568	0	0
Total sales	7,473	3,442	5,232	2,033	2,135	2,374	-2,089	-568	12,751	7,281
NET EARNINGS:										
Segment result (operating result)	**-437**	**627**	**-14**	**283**	**-54**	**473**	**-87**	**- 2**	**-592**	**1,381**
Interest income									34	200
Interest expense									-60	-22
Income from securities									24	3
Earnings before tax and minority interest									**-594**	**1,562**
Income taxes									14	-415
Earnings before minority interest									**-580**	**1,147**
OTHER INFORMATION:										
Segment assets:										
- by sales region	14,696	7,192	12,273	3,762	5,595	4,748	3,304	-1,685	35,868	14,017
- by assets location	24,316	14,766	6,002	936	2,246	0	3,304	-1,685	35,868	14,017
Non-allocated assets:										
- Financial assets									211	326
- Non-current receivables									713	681
- Tax refund claims									704	303
- Deferred tax assets									674	323
- Cash and cash equivalents									8,082	19,451
Consolidated assets									**46,252**	**35,101**
Segment debt (by sales areas)	**8,183**	**2,199**	**7,382**	**2,208**	**2,248**	**1,383**	**-5,325**	**-1,791**	**12,488**	**3,999**
Deferred tax liabilities									976	226
Tax accruals									502	339
Non-current loans									1,088	776
Consolidated liabilities (current and non-current)									**15,054**	**5,340**
Investments:										
- by sales region	143	80	60	22	37	28	0	0	240	130
- by assets location	240	125	0	5	0	0	0	0	240	130
Segment amortisation/depreciation (by sales region)	159	91	85	34	40	47	0	0	284	172
Non-cash expenses of the segment (by sales region)	451	121	305	70	188	85	0	0	943	276

The parameters to be segmented by sales areas are allocated using an allocation formula derived in a uniform manner from revenues.

The segmental assets are defined as the sum total of intangible assets, property, plant and equipment, inventories and current receivables. Segment liabilities comprise long term and current liabilities. Non-cash segment expenses include alterations to pension accruals and other accruals.

The transfer prices of intra-group deliveries and services are subject to the same conditions as those applicable for third parties.

The Group figures to be segmented are allocated to individual secondary segments as follows (un-audited):

	Adhesives/ plastics [1]		Inks/ coatings [2]		Other [3]		Eliminia-tions		Consolidated	
	per 12/08 T€	per 12/07 T€	per 12/08 T€	per 12/07 T€	per 12/08 T€	per 12/07 T€	per 12/08 T€	per 12/07 T€	per 12/08 T€	per 12/07 T€
INCOME:										
External sales	4.309	1.423	7.829	5.382	612	476	0	0	12.751	7.281
Intra-group sales	601	128	1.454	410	34	30	-2.089	-568	0	0
Total sales	4.910	1.551	9.283	5.792	646	506	-2.089	-568	12.751	7.281
Segment assets:										
- by business segments	12.753	3.161	17.772	11.540	2.039	1.001	3.304	-1.685	35.868	14.017
Investitionen:										
- by business segments	42	25	184	96	14	9	0	0	240	130

Allocation of the figures to be segmented according to sales areas is based on an allocation key that is uniformly derived from sales revenues.

The segmental assets are defined as the sum total of intangible assets, property, plant and equipment, inventories and current receivables.

The transfer prices of intra-group deliveries and services are subject to the same conditions as those applicable for third parties.

[1] The adhesives/plastics segment includes amongst others adhesives and UV-units for curing adhesives and plastics
[2] The segment inks/coatings includes amongst others UV-driers for printing machineries and coatings
[3] The segment others includes amongst others UV-disinfection units and sun simulation units

Shareholdings and Option Rights of the Corporate Bodies

Securities portfolio as at 31 December 2008:

	Number of shares	Shares as percentage of nominal capital	Number of options
Board of Management			
Norbert Haimerl	25,000	0.45	10,000
Heiko Runge	16,100	0.29	10,000
Supervisory Board			
Dr. Hans-Joachim Vits	353,444	6.41	0
Prof. Dr. Karl Hönle	220,000	3.99	0
Eckhard Pergande	4,200	0.07	0
Dr. Hönle AG	325,839	5.91	
Sum	**944,583**	**17.13**	**20,000**
Shares total	**5,512,930**	**100.00**	

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, 27 February 2009

Dr. Hönle AG
The Board of Management

Note

This quarterly report contains statements and information concerning the Hönle Group that are related to future periods. These future-oriented statements can be recognized by formulations such as "plan", "expect", "intend", "endeavour", "will", "estimate", "assume", "aim is" or similar expressions. Such statements have been made due to the present situation and current expectations, and may deviate considerably both positively or negatively from actual developments. Uncertainties arise due to the following factors, among others: Changes in the overall national and international economic environment, changes to the underlying political conditions, the introduction of new products or technologies by other companies, a change in the investment pattern of customer segments that are significant for the Hönle Group, changes to exchange and interest rates, the integration of acquired businesses, and also to other factors. Hönle is not obligated to adjust or update future-oriented statements.

Financial Calendar

27 February 2009

3 - Month Report 2008/2009

25 March 2009

Shareholders' Meeting in Munich

26 March 2009

Dividend Payment

– subject to the agreement of the shareholders meeting –

29 May 2009

6 - Month Report 2008/2009

28 August 2009

9 - Month Report 2008/2009

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