2007 2008

3 MONTHS REPORT

hönle
uv technology

Hönle at a Glance

Hönle Group Figures	2007/2008 3 Months	2006/2007 3 Months	Changes
Income Statement	**T €**	**T €**	**in %**
Revenues	**7,281**	5,598	30.1
EBITDA	**1,553**	788	97.1
EBIT	**1,381**	633	118.2
EBT	**1,562**	787	98.5
Net income	**1,123**	469	139.4
Share			
Earnings per share	**0.20**	0.09	122.2
Number of shares	**5,512,930**	5,432,500	1.5
Cashflow			
Operating Cashflow [1)]	**2,191**	- 678	423.2
Balance Sheet [2)]			
Long-term assets	**6,278**	6,492	- 3.3
Current assets	**28,823**	28,029	2.8
Shareholders' equity	**29,761**	28,913	2.9
Long-term debts	**2,253**	2,199	2.5
Current liabilities	**3,087**	3,409	- 9.4
Total assets	**35,101**	34,521	1.7
Capital ratio in %	**84.8**	83.8	1.2
Staff			
at the end of the quarter	**134**	126	6.3

1) Cashflow from operating activities reported in the cashflow statement
2) as of 31/12/2006 and 30/09/2006

Hönle Group Report

for the three months from 1 October 2007 to 31 December 2007

Overview

The Hönle Group had a good start into the new financial year well with 30.1 % sales growth to € 7,281. UV inkjet printing contributed substantially to this growth; in the first quarter, Hönle sold significantly more dryers in the growth market for inkjet print applications than in the previous year. Sales of UV dryers for coating applications also rose significantly.

This positive sales development in the first quarter of the current financial year led to a remarkable improvement in results: Hönle increased the operating result (EBIT) by 118.2 % to T€ 1,381, and the EBIT margin rose to 19.0 %, compared with 11.3 % in the previous year.

In the first quarter of 2007/2008, the Hönle Group expanded its competitive position as a systems provider in the UV market substantially through two corporate acquisitions. In December 2007, and with effect from 1 January 2008, it acquired all shares in the Swiss company Panacol AG, an internationally active provider in the growth market for industrial adhesives. Panacol has three important business locations in France, Germany, and Switzerland, and earned annual sales revenue of about € 14 million in 2007 with approximately 70 employees.

This acquisition enables Hönle to significantly expand both its product range and customer base in the adhesives segment. Panacol has a broad product portfolio that extends from UV-reactive epoxides and acrylates through to structural adhesives and conductive adhesives to instant adhesives and silicons. In addition, the company markets UV equipment, dosing systems and hot bar soldering machines.

Through the Panacol take-over, Hönle increases the proportion of recurring revenues in the form of consumer goods in total sales, and thus makes itself more independent of cyclical fluctuations in the investment goods segment.

In December 2007 Hönle also signed a purchase agreement concerning the acquisition of 70 % of the shares in PrintConcept GmbH, Köngen, near Stuttgart, with effect as from 1 January 2008. The purchase agreement includes further share acquisitions of 10 % at the beginning of 2009, 2010 and 2011, respectively.

PrintConcept develops, produces and markets high quality UV systems mainly for the graphic industry. The company earns sales revenue of approximately € 3.5 million.

This take-over serves the Hönle Group's aim of expanding its market position in the business with offset printing machine producers. Through the acquisition of PrintConcept, Hönle already substantially increased its market share, in particular in the rotary offset printing segment. Together with the new subsidiaries, Hönle now intends to expand the existing contact with printing machine manufacturers and so tap into new revenue potential.

Results of Operations

In the first three months of financial year 2007/2008, the Hönle Group achieved sales revenues of T€ 7,281 (after T€ 5,598 in the previous year), an increase of 30.1 % within the quarter.

At 38.5 %, sales revenues in the largest segment, inks and paints, rose even more strongly. Due, in particular, to the successful developments with inkjet printing and coating applications, sales revenues reached T€ 5,382 (PY: T€ 3,885) in the first quarter. The adhesives and synthetics business segment grew in the first quarter by 11.5 % to T€ 1,423 (PY: T€ 1,276). Revenues earned with the "Other" segment, which includes disinfection and sunlight simulation equipment amounted to T€ 476 (PY: T€ 437).

By region, Hönle achieved the highest revenue growth in North America and South East Asia; the Company succeeded in more than doubling revenues outside Europe from T€ 1,152 to T€ 2,374 before the year-end. This success is primarily due to the rising demand for inkjet printing equipment and surface coatings in those areas. In Germany, Hönle increased revenues from T€ 2,749 to T€ 3,097, and from T€ 1,697 to T€ 1,810 in the rest of Europe. The proportion of exports was 57.5 % (PY: 50.9 %) in the first quarter.

The cost of materials ratio dropped in the first quarter of the current financial year from 34.6 % to 33.7 %. Personnel expenses also dropped, and improved from 31.8 % to 28.6 %. The ratio of other operating expenses fell from 21.1 % to 17.8 %.

Significantly higher revenues and the improved costs situation led to a substantial improvement in results during the first quarter of the current financial year: Hönle succeeded in more than doubling the operating result (EBIT) within the quarter from T€ 633 in the previous year to T€ 1,381. The pre-tax result (EBT) also doubled during the same period from T€ 787 to T€ 1,562. Net income for the period rose even more strongly to T€ 1,123 after being T€ 469 in the previous year; this corresponds to earnings per share of € 0.20 (PY: € 0.09).

The positive earnings development also led to a marked improvement in margins; in the first quarter of financial year 2007/2008, the EBIT margin was 19.0 %, after 11.3 % in the previous year; net profit on sales reached 15.4 % compared with 8.4 % in the previous year.

Financial Position

Due to the positive development of the operating business, cash provided by operating activities amounted to T€ 2,191 (PY: T€ -678) in the first quarter of the current financial year. Liquid assets rose by a total of T€ 1,696 to T€ 19,451; they had dropped by T€ 909 in the same period of the previous year.

Net Assets Position

Despite the positive revenue development, Hönle succeeded in reducing the amount of trade payables from T€ 4,669 to T€ 3,465 in the first quarter.

During this quarter, Dr. Hönle AG purchased 35,550 of its own shares (treasury stock) through the stock exchange at acquisition cost of T€ 312. Consequently, the Company now has a total of 325,839 shares, which represents a 5.9 % share in capital stock.

Research and Development

The Hönle Group is presently expanding its research and development department since products in keeping with market requirements form the basis for further successful business development of the systems provider. In the first quarter, the number of R&D staff was 21 (PY; 18); they were engaged in activities independent of orders and customer-related activities. In the first quarter, R&D expenses independent of orders amounted to T€ 194 after being T€ 139 in the previous year's quarter.

Personnel

The number of staff employed in the Hönle Group (excluding management boards) rose from 126 as at 31 December 2006 to 134 as at 31 December 2007. The staff increase mainly concerned the development and production segments.

Outlook

The business market environment for UV technology is positive at present despite the global economic turbulence; in the first quarter, Hönle succeeded in increasing sales perceptibly in comparison with the previous year, even in the recession-prone USA. In February 2008, the Hönle Group's incoming and orders on hand are far above the previous year's level. Against this background, the Hönle Group is striving to achieve a 60 % sales increase for the current financial year, and a 40 % rise in the operating result (EBIT).

This planned highly dynamic development is based on both Hönle's organic growth in the offset printing and inkjet printing segments, in particular, and on the integration of the two companies acquired in December 2007, Panacol and PrintConcept, including the pertaining synergy effects.

The acquisition of Panacol will enable Hönle to broaden its adhesives product portfolio that had previously been concentrated at the Wellomer subsidiary through several well known and well-established brands. This permits a stronger combination of adhesives and equipment as an adhesives system, and this will increase the efficacy of the marketing activities of both companies, underline

Hönle's position as a systems provider on the market and, at the same time, provide for new sales opportunities.
The already successful business development in offset printing in the first quarter will gain even more momentum after acquisition of the majority in PrintConcept. Today, the new subsidiary is already directly supplying a number of printing machine manufacturers in the offset printing segment, and can now facilitate Hönle's access to providers in this market. Together with Hönle, PrintConcept will be able to realise projects of a magnitude that it had not been able to manage alone. The Hönle Group therefore expects a marked rise in revenues and earnings in this large market segment in the future.

Consolidated Income Statement

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

		01.10.2007 - 31.12.2007 in T€		01.10.2006 - 31.12.2006 in T€
Revenues		**7,281**		**5,598**
Other operating income		102		62
Changes in inventories of finished goods and work in progress		19		199
Cost of purchased materials and services		- 2,463		- 2,006
Personnel expenses		- 2,086		- 1,843
Depreciation and amortization inclusive goodwill		- 172		- 155
Other operating expenses		- 1,300		- 1,222
Operating income/EBIT		**1,381**		**633**
Interest income	203		177	
Interest expense	- 22		- 23	
Financial result		181		154
Result before income taxes (and minority interest)/EBT		**1,562**		**787**
Income tax		- 415		- 281
Result before minority interest		**1,147**		**506**
Minority interest		- 24		- 37
Net income		**1,123**		**469**
Accumulated income brought forward		8,320		6,850
Accumulated net income		**9,443**		**7,319**
Net income per share (basic) in €		0.22		0.09
Net income per share (diluted) in €		0.21		0.09
Weighted average shares outstanding (basic)		5,209,739		5,145,193
Weighted average shares outstanding (diluted)		5,368,339		5,403,373

The consolidated interim report is unaudited.

Consolidated Balance Sheet

as of 31 December 2007 according IFRS

ASSETS	31.12.2007 in T€	30.09.2007 in T€
LONG-TERM ASSETS		
Intangible assets	781	809
Tangible assets	3,804	3,826
Goodwill	363	363
Financial assets	326	346
Long term portion of prepaid expenses and other long term assets	681	826
Deferred taxes	323	322
Total long-term assets	**6,278**	**6,492**
CURRENT ASSETS		
Inventories	4,903	4,741
Trade accounts receivable	3,465	4,669
Current portion of prepaid expenses and other current assets	701	635
Tax refund claims	303	229
Cash and cash equivalents	19,451	17,755
Total current assets	**28,823**	**28,029**
TOTAL ASSETS	**35,101**	**34,521**

LIABILITIES AND SHAREHOLDERS´ EQUITY	31.12.2007 in T€	30.09.2007 in T€
SHAREHOLDERS´ EQUITY		
Share capital	5,513	5,513
Own shares	- 2,531	- 2,219
Additional paid in capital	16,782	16,778
Legal reserve	49	49
Special item revaluation	- 180	- 160
Retained earnings	9,443	8,320
Currency disparities	74	45
Equity attributable to Dr. Hönle AG's shareholders	**29,150**	**28,326**
Minority interest	611	587
Total Shareholders´ Equity	**29,761**	**28,913**
LONG-TERM DEBTS		
Long-term debts, less current portion	776	800
Long-term portion of finance lease obligation	1	2
Other long-term debts	0	1
Pension accruals	1,250	1,223
Deferred taxes	226	173
Total long term debts	**2,253**	**2,199**
CURRENT LIABILITIES		
Trade accounts payable	665	802
Liabilities to associated companies	0	2
Advance payments received	250	259
Current portion of finance lease obligation	5	5
Current liabilities and current portion of long term debts	24	0
Other current liabilities	1,193	1,440
Other accrued expenses	611	589
Income tax payable	339	312
Total current liabilities	**3,087**	**3,409**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**35,101**	**34,521**

The consolidated interim report is unaudited.

Consolidated Statement of Changes in Equity

for the period 1 October 2007 until 31 December 2007

	Share capital in T€	Own shares in T€	Additional paid-in capital in T€	Legal reserve in T€	Special item revaluation in T€	Consolidated retained earnings/ loss in T€	Currency disparities in T€	Minority interest in T€	Total in T€
As at 01.10.2006	**5,433**	**- 2,178**	**16,721**	**49**	**- 193**	**6,850**	**28**	**433**	**27,143**
Dividend disbursement									0
Conditional capital increase									0
Purchase of own shares		- 41							- 41
Currency disparities							- 5		- 5
Change of minority interest effecting net income								37	37
Valuation of investments due to IAS 39 not effecting net income					24				24
Change of additional paid in capital due to IFRS 2			10						10
Net income						469			469
As at 31.12.2006	**5,433**	**- 2,219**	**16,731**	**49**	**- 169**	**7,319**	**23**	**470**	**27,637**
As at 01.10.2007	**5,513**	**- 2,219**	**16,778**	**49**	**- 160**	**8,320**	**45**	**587**	**28,913**
Dividend disbursement									0
Conditional capital increase									0
Purchase of own shares		- 312							- 312
Currency disparities							29		29
Change of minority interest effecting net income								24	24
Valuation of investments due to IAS 39 not effecting net income					- 20				- 20
Change of additional paid in capital due to IFRS 2			4						4
Net income						1,123			1,123
As at 31.12.2007	**5,513**	**- 2,531**	**16,782**	**49**	**- 180**	**9,443**	**74**	**611**	**29,761**

The consolidated interim report is unaudited.

Consolidated Statement of Cashflows

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

	01.10.2007- 31.12.2007 in T€	01.10.2006- 31.12.2006 in T€
Cashflows from operating activities:		
Net income for the year before minority interest and taxes	1,562	787
Adjustments for:		
Depreciation of fixed assets	172	155
Interest income	- 203	- 177
Interest expenses	22	23
Other expenses/income not relating payments	19	7
Change of additional paid-in capital due to IFRS 2 not relating payments	4	10
Operating result before changes to net current assets	**1,576**	**805**
Increase/decrease of accrued expenses *	49	74
Increase/decrease of trade accounts receivable	1,204	121
Increase/decrease of other assets and the prepaid expenses (without premiums on participation certificates)	- 66	- 214
Increase/decrease in inventories	- 177	- 650
Increase/decrease in trade accounts payable	- 137	- 569
Increase/decrease in liabilities to associated companies	- 2	1
Increase/decrease in advance payments received	- 9	137
Increase/decrease in other liabilities *	- 247	- 383
Cash from ongoing business activities	**2 191**	**- 678**
Interest paid	- 22	- 23
Tax paid from income	- 411	- 256
Net cash from operating activities	**1,758**	**- 957**
Cashflows from investment:		
Purchase of tangible assets and intangible assets	- 125	- 157
Receipt of payments from long-term demands	166	27
Payments for long-term demands	- 21	- 11
Interest and dividend received	203	237
Net cash used for investment	**223**	**96**
Cashflows from financing activities:		
Receipt of payments from conditional capital surplus	0	0
Payments for debts and liabilities towards banks	- 2	- 2
Dividends paid	0	0
Purchase of own shares	- 312	- 41
Net cash from financing activities	**- 314**	**- 43**
Currency disparities	29	- 5
Net increase/decrease in cash	**1,696**	**- 909**
Cash at the beginning of the period under review	**17,755**	**10,453**
Cash at the end of the period under review	**19,451**	**9,544**
Changes in cash	**1,696**	**- 909**

*) Due to the changed disclosure concerning personnel-related accruals, the previous year's accruals and other liabilities values were adjusted.
The consolidated interim report is unaudited.

Explanatory Notes

to the 3-Month Report of the Financial Year 2007/2008

Hönle prepares the consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) published by the International Financial Reporting Standards Board (IFRIC) and their interpretations as required by the European Union (EU). The consolidated interim financial statements also comply with IFRS published by the IASB. Hönle prepares and publishes the consolidated interim financial statements in euro currency (€).

The consolidated interim financial statements as at 31 December 2007 has 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 statements prepared by the company for the 2006/2007 financial year. The significant accounting, valuation and consolidation methods have not undergone any significant change compared with the Annual Report 2006/2007.

This consolidated interim report does not include the newly acquired companies of PrintConcept GmbH, Köngen, and the Panacol Group, Zurich, since the purchase was completed on 1 January 2008. The effect on the PrintConcept GmbH, Köngen, and the Panacol Group, Zurich, acquisitions are not yet included since the purchase came into effect on 1 January 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 2007 and treated with neutral effect on profits. The value of these shares amounted to T€ 300 at the end of the quarter, compared to T€ 320 as at 30 September 2007. The difference amounting to T€ -20 was set off against the special item revaluation with neutral effect on profits and recorded under equity capital.

In the first three months of financial year 2007/2008, Dr. Hönle AG acquired 35,550 of its own shares (treasury stock) in the amount of T€ 312. The average price was € 8.77. The total number of own shares held by Dr. Hönle AG rose from 290,289 shares of stock at the end of the last financial year to 325,839 as at 31 December 2007. In accordance with IAS 32, own shares are accounted for as a deduction of acquisition costs in the total amount of T€ 2,531 as of 31 December 2007 (compared with T€ 2,219 as of 30 September 2007); they are disclosed on an equity capital adjustment item.

The ancillary acquisition costs incurred in the first quarter of financial year 2007/2008 for the acquisitions of PrintConcept GmbH, Köngen, and the Panacol Group in Switzerland in December 2007, were disclosed at the total amount of currently T€ 211 under Other assets. They will be allocated within the scope of the yet to be prepared purchase price allocation.

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

	Germany		Europe		Rest of the world		Elimina-tions		Consolidated	
	as at 12/07 T€	as at 12/06 T€	as at 12/07 T€	as at 12/06 T€	as at 12/07 T€	as at 12/06 T€	as at 12/07 T€	as at 12/06 T€	as at 12/07 T€	as at 12/06 T€
External sales	3.097	2.749	1.810	1.697	2.374	1.152			7.281	5.598
Intra-group sales	345	184	223	542			- 568	- 726		
Total sales	3.442	2.933	2.033	2.239	2.374	1.152	- 568	- 726	7.281	5.598
RESULTS:										
Segment result (operating result)	**627**	**322**	**283**	**174**	**473**	**119**	**- 2**	**18**	**1.381**	**633**
Interest received									200	87
Interest paid									- 22	- 23
Income from securities									3	90
Results from operating activities									**1.562**	**787**
Taxes on income									0	0
Net income before minority interest									- 415	- 281
OTHER INFORMATION									**1.147**	**506**
Segment assets:										
- by sales areas	7.192	8.035	3.762	4.986	4.748	3.134	- 1.685	- 1.282	14.017	14.873
- by location of assets	14.766	14.839	936	1.316			- 1.685	- 1.282	14.017	14.873
Non-allocated assets:										
- Financial assets									326	6.478
- Long term receivables									681	863
- Tax refund claims									303	114
- Deferred tax assets									323	264
- cash and cash equivalents									19.451	9.544
Consolidated assets									**35.101**	**32.136**
Segment liabilities (by sales areas)	**2.199**	**2.269**	**2.208**	**2.524**	**1.383**	**764**	**- 1.791**	**- 2.194**	**3.999**	**3.363**
Deferred tax liabilities									226	56
Income tax payable									339	280
Long term debts									776	800
Consolidated liabilities (current and long term portion)									**5.340**	**4.499**
Investments:										
- by sales areas	80	98	22	30	28	29			130	157
- by location of assets	125	157	5						130	157
Segment depreciation (by sales areas)	91	86	34	40	47	29			172	155
Non-cash segment expenses (by sales areas)	121	143	70	90	85	70			276	303

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.

As in the 2006/2007 Annual Report, tax accruals and long-term loans were shown separately from the segment debts in this quarter, also. Furthermore, personnel-related liabilities were disclosed under Other short term liabilities whereas in the previous year they had been recorded under Other accruals. This resulted in a change in the previous year's value for segment debts and in non-cash expenses.

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 (unaudited):

	Adhesives/ Plastics [1]		**Inks/ coatings** [2]		**Other** [3]		**Eliminations**		**Consolidated**	
	as at 12/07 T€	**as at 12/06 T€**	**as at 12/07 T€**	**as at 12/06 T€**	**as at 12/07 T€**	**as at 12/06 T€**	**as at 12/07 T€**	**as at 12/06 T€**	**as at 12/07 T€**	**as at 12/06 T€**
INCOME:										
External sales	1.423	1.276	5.382	3.885	476	437			7.281	5.598
Intra-group sales	128	118	410	569	30	39	- 568	- 726		
Total sales	1.551	1.394	5.792	4.454	506	476	- 568	- 726	7.281	5.598
Segment assets:										
- by business segments	3.161	3.772	11.540	11.184	1.001	1.199	- 1.685	- 1.282	14.017	14.873
Investments:										
- by business segments	25	38	96	107	9	12			130	157

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 2007:

	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	219,000	3.97	0
Eckhard Pergande	4,200	0.07	0
Dr. Hönle AG	325,839	5.91	
Sum	**943,583**	**17.12**	**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 statements give 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, 14 February 2008

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

14 February 2008

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29 February 2008

Shareholders' Meeting in Munich

3 March 2008

Dividend Payment

– subject to the agreement of the shareholders meeting –

15 May 2008

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14 August 2008

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