2007 ANNUAL REPORT 2008

hönle group

Content

Hönle at a Glance

HÖNLE GROUP	2007/2008	2006/2007	Changes
Income Statement	**T €**	**T €**	**in %**
Revenue	**48,744**	26,246	85.7
EBITDA	**6,663**	5,007	33.1
EBIT	**5,630**	4,339	29.8
EBT	**5,908**	4,967	18.9
Net Income	**4,569**	3,167	44.3
Cash Flow			
Operating Cash Flow [1)]	**4,340**	4,647	- 6.6
Balance Sheet [2)]			
Non-current assets	**16,569**	6,492	155.2
Current assets	**31,945**	28,029	14.0
Shareholders' equity [3)]	**30,579**	28,326	8.0
Non-current liabilities	**4,108**	2,199	86.8
Current liabilities	**12,986**	3,409	280.9
Total assets	**48,514**	34,521	40.5
Capital ratio in %	**64.8**	83.8	- 22.7
Staff			
at the end of the financial year	**302**	135	123.7
Share			
Earnings per share	**0.79**	0.55	43.6
Dividend	**0.25** [4)]	0.40	- 37.5
Number of shares [2)]	**5,512,930**	5,512,930	0.0

DR. HÖNLE AG	2007/2008	2006/2007	Changes
Income Statement	**T €**	**T €**	**in %**
Revenue	**23,949**	22,023	8.7
EBIT	**3,335**	3,328	0.2
EBT	**3,557**	4,480	- 20.6
Net income	**2,526**	2,960	- 14.7

1) Cash from continuing business activities
2) as of 30/09/2007 and 30/09/2008
3) Equity attributable to Dr. Hönle AG's shareholders
4) Supervisory Board and Management Board recommendation

Dear Shareholders and Business Friends,

The past financial year was the Hönle Group's most successful year to date. We succeeded in considerably extending both sales revenues and business performance. With revenue of € 49 million and earnings before taxes of nearly € 6 million, we virtually managed to attain the projected targets - despite the perceptible signs of a weakening economy. Consequently, we were once again in a position to prove our market strength as UV specialist.

Important corporate acquisitions in the past year laid the foundation for further expansion of our market presence. In January 2009 we acquired the Panacol Group, an established adhesives supplier, followed by the acquisition of PrintConcept, a UV specialist for UV dryers in the graphic segment, in the same month. A few months later, through the acquisition of Eltosch, we gained a supplier of drying systems for the printing industry. Our product range experienced meaningful expansion as a result of these acquisitions and we are now also a direct partner of the larger printing machine manufacturers.

As you know, the economy slowed down further at the end of our financial year. Many of our customers, in particular those in the printing industry, expect retrograde revenue in the coming financial year. We will also not be able to escape the effects of this trend. In November we applied for short working hours at two companies in order to adapt our manufacturing capacities to the decline in incoming orders.

Against this background we will propose to the General Meeting that a dividend of € 0.25 per share be distributed for the 2007/2008 financial year, after € 0.40 in the previous year.

What are our plans for the new financial year? The main focus of our efforts is on integration of the new companies into the Hönle Group as well as raising available synergies. Integrating the manufacture of Eltosch systems into Dr. Hönle AG production will play a central role in this respect. This measure is an important prerequisite for long term powerful growth of Eltosch GmbH and for improving the earnings power of the Hönle Group.

We are observing the further course of the economy very carefully: All expense areas are subjected to critical analysis so that suitable cost reduction measures can be taken immediately, if necessary. As a company that is aware of its responsibility, we are now focusing on the future and not just on the coming weak economic phase.

The advantages of UV technology (in comparison with traditional drying procedures) such as high production speed, superior quality and favourable environmental compatibility will lead to an increase in the use of this technology. The Hönle Group has positioned itself more strongly than ever before after the corporate acquisitions made in the UV and adhesives market: It is now the second largest systems supplier for industrial UV technology worldwide. These are the preconditions which will help us to overcome the business slowdown and pave the way for sustained, positive corporate development. We look forward to having you continue to accompany us on this course.

Yours sincerely

Norbert Haimerl
Board of Management

Heiko Runge
Board of Management

Share

Economic slow-down impacts on price development

The Hönle stock price fell by 12.2 % to € 7.25 in the course of the overall economic development but has performed better than the market overall. The All Share comparative index lost 29.9 % in the same period.

The economic crisis intensified after the end of the financial year. The stock market values dropped considerably across a broad front. The Hönle share was also not able to escape this trend and continued to slide further.

Given the current economic situation, both the Dr. Hönle AG Management Board and the Supervisory Board will propose to the Annual Meeting that a dividend of € 0.25 per share (PY: € 0.40) be distributed. If this proposal is approved at the next General Meeting, an amount of T€ 1,297 will be paid out to some 5,000 shareholders of Hönle AG on 26 March 2009.

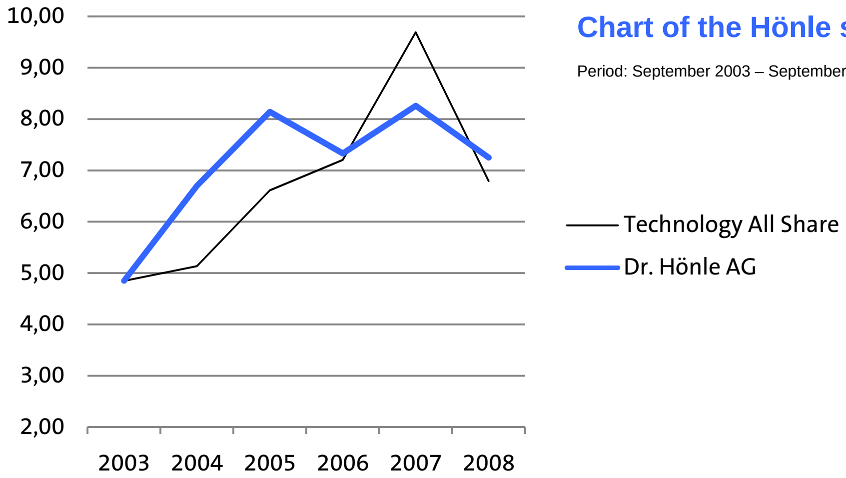

Chart of the Hönle share

Period: September 2003 – September 2008

Transparent and continuous financial communication

The Internet plays an important role in the financial communication of Dr. Hönle AG. For this reason, the Company places great emphasis on a transparent, informative and up-to-date website.

In addition, the Management Board and IR managers communicate personally with institutional investors, private investors and analysts on current business development and the company strategy.

Repurchase of stock

In the past financial year Hönle repurchased 35,550 of its own shares in the amount of T€ 312 from the stock market. The average price per share was € 8.77. The total portfolio of own shares held by the Company thus increased to 325,839 shares of stock which equals 5.91 % of all shares outstanding.

Hönle Share Data

Securities identification Number (WKN)	515710
ISIN	DE5157101
Stock Exchange Symbol	HNL
Transparency level	Prime Standard

Index Affiliation:	
Technology All Share	DE0008468943
Prime All Share	DE0007203325
DAXsubsector Advanced Industrial Equipment	DE0007203895
DAXsubsector All Advanced Industrial Equipment	DE000A0SM817
DAXsector Industrial	DE0009660282
DAXsector All Industrial	DE000A0SM7R8
CDAX	DE0008469602

Price at the Beginning of the Financial Year in €	8.25
Price at the End of the Financial Year in €	7.25
Peak Price	€ 9.50 on 16.05.2008
Lowest Price	€ 6.66 on 30.09.2008
Annual Revenue in Shares	2,294,240
Annual Revenue in €	19,635,154
Number of Shares on 30.09.2008	5,512,930
Market Capitalisation on 30.09.2008	39,968,743
Earnings per Share in €	0.79
Price Earnings Ratio (P/E ratio) [1]	9.2
Cash per Share in € [2]	2.12
Cash-Adjusted P/E Ratio [1]	6.49
Dividend per Share in €	0.25
Dividend Yield in % [1]	3.4

[1] as of 30.09.2008; basis: financial year 2007/2008
[2] liquid assets, financial assets and treasury stock

Group Management Report of Dr. Hönle AG

for the 2007/2008 Financial Year

Business Operations and General Conditions

Market Development

The business climate has become increasingly gloomy in recent months. The Ifo Business Climate Index dropped significantly in the course of the last year. Turmoil in the financial markets and high commodity prices noticeably slowed down the growth of the global economy. The Hönle Group's biggest sales market, namely the printing industry, found itself in a sideways movement. Following an initial slight upward trend, the Ifo Index for the German printing industry fell considerably during the second half of the financial year. After the DRUPA (the world's largest trade fair for printing machines) in June of 2008, many manufacturers of printing machines were still expecting an investment boom, which, however, did not materialise. In particular, the offset printing segment saw only restrained investment activity.

While many printing machine manufacturers suffered from falling revenue in the past year, the market for digital printing, in contrast, experienced growth. Other markets for UV applications also proved very robust. Both domestic and foreign demand for sunlight simulation and surface disinfection systems increased as compared to the previous year.

Course of Business

Hönle acquired four companies in the past financial year. The company acquired the Panacol Group, an established supplier of adhesives, in January of 2008. In the same month, PrintConcept GmbH, a UV specialist for UV drying systems in the graphics segment, was acquired. In May, Dr. Hönle AG acquired Eltosch Torsten Schmidt GmbH (Eltosch GmbH), an established supplier of drying systems for the printing industry. Furthermore the company acquired Adphos Eltosch Service GmbH (AES GmbH), which renders services for Eltosch GmbH.

The new corporate acquisitions enabled the Hönle Group to strengthen its market position substantially in some of its traditional business segments. The focus of Hönle Group's business activities is on the development, manufacture and sale of UV/IR equipment and UV lamps. In addition, the Group develops, manufactures and sells adhesives and plastics. With these products, Hönle is active in the following company segments:

- 'Inks and Coatings':

equipment and lamps for drying inks and coatings

- 'Adhesives and Plastics':

adhesives and plastics as well as equipment for curing adhesives and plastics

- 'Other':
UV disinfection systems and sunlight simulation equipment

The corporate acquisitions led to an increase in revenues in the ‘Inks and Coatings’ and also the ‘Adhesives and Plastics’ segments.

In a varied market environment, the Hönle Group succeeded in increasing its total sales revenue by 85.7 % to T€ 48,744. in financial year 2007/2008. Excluding the acquisitions sales revenue would amount to T€ 27,777, which is 5.8 % above the previous year’s level. Revenues climbed by 63.9 % to T€ 29,452 in the biggest business segment, i.e. 'Inks and Coatings.' Without the acquisitions, sales revenue in this segment would have increased by 10.7 % to T€ 19,891. Also in this year, digital and ink jet printing in particular proved to be the principal growth drivers for UV-based applications. Hönle benefited from the increasing trend to employ UV drying systems in connection with high quality digital printers. Owing to the two corporate acquisitions in the printing sector, sales revenue in the offset printing segment also increased. Eltosch and PrintConcept achieved a large part of their sales revenue from drying systems for offset printing machines.

In percentage terms, the 'Adhesives and Plastics' business segment recorded the highest growth rate. Due to the Panacol Group acquisition, Hönle increased its market share in the adhesives segment considerably. Revenues generated with adhesives and equipment for curing adhesives soared by 175.7 % to T€ 16,851. Adjusted for the corporate acquisitions, revenues would have amounted to T€ 5,619, which would correspond to a revenue decline of 8.1 %.

By contrast, the smallest business segment of the Hönle Group, which was not strengthened by acquisitions recorded purely organic growth: Sales revenue increased by 12.6 % to T€ 2,442 in the ‘Other’ segment. Business picked up significantly in this segment with regard to both surface disinfection and sunlight simulation products.

Regionally too, revenue increased significantly. Germany continued to be the most important sales market with a 42.1 % share in total revenue. Compared to the previous year, sales revenue achieved in Germany climbed by 75.3 % to T€ 20,501, and sales revenue in the rest of Europe jumped by 102.4 % to T€ 17,341. Due to the corporate acquisitions and strong demand from the US and Asia, sales revenue achieved outside of the European Union soared by 82.1 % to T€ 10,902.

Initial consolidation of the new companies, in particular of Eltosch, which still completely outsources its production, led to a perceptible rise in the cost of materials ratio. Moreover, the euro became stronger against the US dollar and many Asian currencies in the past financial year and this impacted negatively on the earnings power of the export business. Finally, special events contributed to an increase in the cost of materials. As a consequence, the operating result improved by only 29.8 % to T€ 5,630 in the reporting year, which is disproportionately low overall. Owing to the lower financial result achieved in the past financial year, earnings before taxes were 18.9 % up from the previous year's level. Net income for the year rose over-proportionally by 44.3 % to T€ 4,569, due to the lower tax burden.

The newly acquired companies developed as follows:
Together, Eltosch GmbH and Adphos Eltosch Service GmbH (AES GmbH), both of which have been included in the consolidated financial statements as of 15 May 2008, achieved consolidated revenue of T€ 7,752 and a consolidated operating result of T€ 154 by the end of the financial year. The entire production of plant and equipment was still performed by external suppliers in the past financial year and this resulted in a high cost of materials ratio. For this reason, Hönle had already begun to integrate the first Eltosch GmbH production areas into Dr. Hönle AG in the past financial year with a view to improving profitability on a sustained basis.

The Panacol Group was taken over as at 1 January 2008. The Group generated consolidated revenue of T€ 11,300 and a consolidated operating result of T€ 651 by the end of the financial year. In particular, Panacol's Asia business developed favourably. New customers were gained and new, promising projects were initiated at the same time. Various restructuring measures aimed at a further increase in the Company's earnings power were taken: Firstly, the head offices of Panacol GmbH and Wellomer GmbH will be combined at one location and the two companies will be merged. Secondly, synergies with regard to the Panacol Group and Dr. Hönle AG sales activities will be made use of systematically and sales capacities will be further expanded.

PrintConcept GmbH, which has been included in the consolidated financial statements since 1 January 2008, achieved consolidated revenue in the amount of T€ 1,915 and a consolidated operating result of T€ 282.

Uniform ERP systems and IT structures in line with the Group's standards were introduced at many of the new companies. The other companies will soon follow. Accounting activities of the newly acquired companies are, for the most part, already performed centrally by Dr. Hönle AG. In addition, Hönle has extended the group-wide reporting system to include the new companies. This ensures that all relevant corporate data is available as required and that reliable group-wide controlling can be performed.

In all, the Management Board is satisfied with the development of the past financial year. Strategically important companies were acquired during the past financial year, as planned. In so doing, we were able to significantly extend our market position. As a result of the corporate acquisitions, Hönle advanced to become the second largest systems supplier worldwide in the growth market for industrial UV technology. At the same time, Hönle is gaining direct access to the manufacturers of sheet-fed offset printing machines, thus tapping new sales potential. The acquisition of a company specialising in adhesives, in turn, increases recurring revenue from consumer goods and thus reduces Hönle's dependence on cyclical fluctuations relating to the capital goods sector. Furthermore, it was possible to significantly increase total revenue in the past financial year as planned.

Group Structure

The Hönle Group is a leading systems provider in the UV/IR technology sector worldwide. The product range encompasses equipment and adhesives for industrial applications. The parent company, Dr. Hönle AG, has its head office at Gräfelfing, near Munich. The company holds interests in several domestic and foreign companies.

No	Name and Head Office	Nominal Capital		Participation	Held via
Direct Participations					
1	Adphos Eltosch Service GmbH, Hamburg	€	25,000	100.00 %	
2	Agita Holding AG, Zurich, Switzerland	CHF	50,000	100.00 %	
3	Aladin GmbH, Gräfelfing	€	500,000	60.00 %	
4	Eltosch Torsten Schmidt GmbH, Hamburg	€	750,000	100.00 %	
5	Honle Spain S.A., Barcelona, Spain	€	160,200	60.00 %	
6	Honle UV France S.á.r.l., Bron, France	€	7,622	100.00 %	
7	Honle UV (UK) Ltd., Hawarden, Great Britain	£	71,000	100.00 %	
8	PrintConcept GmbH, Köngen	€	26,000	70.00 %	
9	Wellomer GmbH, Maxdorf	€	400,000	100.00 %	
Indirect Participations					
10	Domino S.á.r.l., Gennevilliers, France	€	7,622	100.00 %	11
11	Eleco Produits E.F.D., Gennevilliers, France	€	352,000	99.96 %	14
12	Megadustries S.á.r.l., Guadeloupe	€	15,245	76.00 %	11
13	Megadustries S.á.r.l., Martinique	€	21,343	75.71 %	11
14	Panacol AG, Zurich, Switzerland	CHF	50,000	100.00 %	2
15	Panacol Elosol GmbH, Oberursel	€	255,646	100.00 %	14

Management System

The main goal of Hönle's Management is to increase both revenue and profit at Group level to enable sustained growth in corporate value. In doing so, Hönle also aims at fulfilling its social responsibility vis à vis employees, customers, suppliers, and investors.

In addition to corporate performance, the operative margins of all companies in the Hönle Group serve as important financial indicators for checking profitability. Therefore, Hönle continually monitors the development of revenues and cost/income ratios in the individual Group companies and compares these with its internal planning.

The most important control parameters of the past financial year and the respective changes in comparison with the previous year are presented in the following table:

Control Parameters	**2007/2008**	**2006/2007**	**Change**
Revenue	48,744 T€	26,246 T€	85.7 %
Net Income for the Year	4,569 T€	3,167 T€	44.3 %
Cash Provided by Operating Activity	4,340 T€	4,647 T€	- 6.6 %
Cost of Materials Ratio	44.3 %	33.6 %	31.8 %
Personnel Expense Ratio	28.1 %	29.0 %	- 3.1 %
Other Operating Expenses Ratio	17.5 %	20.2 %	- 13.4 %
EBIT-Margin	11.6 %	16.5 %	- 29.7 %
Net Return on Sales	9.4 %	12.1 %	- 22.3 %

This management report provides more detailed information on the individual control parameters, in particular in the chapters: Course of Business, Results of Operations, Financial Position, and Outlook. It also informs about measures that are planned for the further development of the control parameters.

Research & Development

Technological innovations are the basis for sustained positive business development. Only in this way can customer demands be satisfied in the long-term and an edge gained over competition. In order to attain this goal, the Sales & Marketing and Development departments work closely together with technical universities, research institutions and industrial companies. Order-independent research and development expenses incurred by the Hönle Group rose from T€ 672 in the previous year to T€ 900 in the financial year under review. The average number of R&D staff increased from 18 to 34 employees.

In the past financial year, research and development activities were focused mainly on efficiency improvement and on LED technology.

With the pureUV product, Hönle developed a UV drying system of the latest generation. The device, which is based on patented reflector geometry, is particularly suitable for drying temperature-sensitive substrates. pureUV requires very little energy for achieving optimum curing results and high production speeds. Efficiency can be improved by up to 50 % when using pureUV in conjunction with Hönle electronic power supply equipment. In line with the customers' requests, pureUV can be produced in different assembly dimensions.

Hönle also brought some new products to market maturity in the UV-LED technology segment. The powerful bluepoint LED, for example, enables the input of complete program sequences. With up to four LED heads that can be activated separately and are equipped with diodes which emit various wavelengths (365/400/460nm), it can be used flexibly. In conjunction with the typical LED service life of more than 10,000 hours, the bluepoint LED enables an optimised production process and saves both time and money.

Panacol developed innovative adhesives specifically for monochromatic UV radiation. The products comply with state-of-the-art requirements regarding yellowing protection, moisture resistance, adapted elasticity, and high stability. This is exemplified by the "Form in Place Gaskets" which belongs to the successful Vitralit® product series. The gaskets are available in any form or size, and they replace various types of gaskets for solids.

Another innovation introduced to the market is the Elecolit® 3063. This electrically conductive, anisotropic adhesive is UV and UV-LED curable, which so far is the only adhesive having such properties. Its usage ranges from the bonding of conductive particles of sizes 10µ (standard size) to 30µ.

Environmental Aspect

UV drying processes are usually significantly more environmental-friendly than conventional thermal drying processes. The considerably better energy performance of modern UV drying systems as compared to conventional infrared and hot air drying systems speaks in favour of their utilisation. Moreover, the use of UV technology significantly reduces the amount of solvents that are harmful to the environment. Last, but not least, the high quality and scratch resistance of the paints help reduce repair work that is necessary due to mechanical stresses and strains.

The VOC Directive issued by the European Union was implemented into German law in the year 2001 as the 31st Federal Emissions Directive. The Directive limits the emission of volatile organic compounds (VOC). The schedule concerning practical implementation stipulates 2013 as the end of transitional periods. The Directive will then become fully effective. The use of UV inks and paints represents a possibility for achieving compliance with that Directive. For this reason, the opportunities for further popularisation of UV technology in the printing and painting and coating segments are promising in the near future.

The process that is aimed at the further reduction of emissions as promulgated in the National Emission Ceilings Directive, for example, is continuing at cross-national level. A further reduction in emission limits would create additional revenue potential for UV technology.

Results of Operations

Hönle Group's sales revenue increased especially due to the acquisitions by 85.7 % to T€ 48,744 in the past financial year. The operating result (EBIT) was up by 29.8 % to T€ 5,630. In particular, the gross profit ratio of Eltosch GmbH in the past financial year led to disproportionately low development of the operating result. Eltosch GmbH's high cost of materials ratio is primarily due to the fact that external suppliers performed almost all production-related activities in the past financial year. Moreover, the strong euro negatively impacted the profitability of the export business. During the past financial year, the euro continued to gain against the US dollar and many Asian currencies.

Results from ordinary activities (EBT) climbed to T€ 5,908, which is 18.9 % up on the previous year's level. Net income for the year increased over-proportionally by 44.3 % to T€ 4,569, due to the lower tax burden as compared to the previous year.

The EBIT margin dropped from 16.5 % to 11.6 % and the net profit on sales decreased from 12.1 % to 9.4 %. The cost of materials ratio increased from 33.6 % in the previous year to 44.3 % in the financial year under review. The personnel expense ratio improved slightly from 29.0 % to 28.1 %. The other operating expenses ratio dropped from 20.2 % in the previous year to 17.5 % in the financial year under review.

Earnings Development

in T€	2007/2008	2006/2007	Change
Revenue	48,744	26,246	85.7 %
Gross Profit	29,262	17,864	63.8 %
Operating Result (EBIT)	5,630	4,339	29.8 %
Results from Ordinary Business Activities (EBT)	5,908	4,967	18.9 %
Net Income for the Year	4,569	3,167	44.3 %

Financial Position

The acquisition of the Panacol Group, PrintConcept GmbH, Eltosch Torsten Schmidt GmbH and Adphos Eltosch Service GmbH was the main reason for significant changes in the Hönle Group's cash flow statement for the past financial year.

Net income for the year includes a non-cash negative difference due to the acquisition of the Panacol Group in the amount of T€ 666. This negative difference results from the asset value – which was higher than the purchase price - relating to acquisition of the Panacol Group. This led to an operating result in the amount of T€ 6,162 before changes in the net current assets.

The significant changes in the net current assets concern a reduction in the items, trade accounts receivable and trade accounts payable, as well as an increase in inventories. The decrease in trade receivables amounting to T€ 1,441 was mainly due to the acquisition of Eltosch GmbH. The decrease in trade payables by T€ 1,964 is also attributable to Eltosch GmbH. Due to financing through Dr. Hönle AG, Eltosch GmbH significantly reduced its trade payables.

The increase in inventories – in particular concerning Dr. Hönle AG, Eltosch GmbH and AES GmbH – used up cash in the amount of T€ 1,890. This development is linked to an increase in sales revenue and shorter delivery periods at Dr. Hönle AG. At Eltosch GmbH and AES GmbH, the increase in inventories is attributable to the orders position as at the end of the financial year. After taking into account the changes in the net current assets, current liquid assets provided by operating activity amount to T€ 4,340.

Cash used for investing activities in financial year 2007/2008 was primarily determined by the purchase price payments for the acquired companies and the purchase of property, plant and equipment as well as intangible assets. Cash used for the acquisition of Eltosch GmbH, AES GmbH, the Panacol Group and PrintConcept GmbH amounted to T€ 7,276. Payments in the amount of T€ 843 relating to the purchase of property, plant and equipment and intangible assets primarily concern investments in expansion of the IT infrastructure at the new subsidiaries. Investments in new technical equipment and in business and operating equipment took place at Aladin GmbH.

Cash used in the amount of T€ 973 for loans and liabilities to banks as well as cash used for dividend payments in the amount of T€ 2,076 and for the acquisition of own shares in the amount of T€ 312 led to a decrease amounting to T€ 3,361 in cash flows from financing activities in the past financial year. The repayment of loans and liabilities to banks in the amount of T€ 973 concern a loan taken out by Eltosch GmbH, which was repaid through Dr. Hönle AG's financing activities.

Net Assets

The acquisitions made in the financial year under review had a considerable impact on the consolidated balance sheet. Intangible assets increased by T€ 1,277 to T€ 2,086, which is due in particular to the acquisition of PrintConcept GmbH, for which intangible assets were determined at T€ 1,047 within the scope of the purchase price allocation. Tangible assets increased by T€ 2,219 to T€ 6,045. The main reason for this was the first-time consolidation of the Panacol Group, which is reporting tangible assets in the amount of T€ 1,797 in its balance sheet. Moreover, the company acquisitions led to an increase in the Hönle Group's goodwill value. The respective balance sheet item increased by T€ 6,564 to T€ 6,927.

Inventories jumped from T€ 6,298 to T€ 11,039, which was mainly due to the Panacol Group and Eltosch GmbH. Trade receivables rose by T€ 5,721 to T€ 10,390. This increase too is mainly due to consolidation of the Panacol Group, Eltosch GmbH and also Adphos Eltosch Service GmbH. Liquid assets declined by T€ 8,828 to T€ 8,927 as a result of the company acquisitions.

The balance sheet also showed some considerable changes on the liabilities side: During the past financial year, Dr. Hönle AG repurchased 35,550 shares from the market. Own shares reported under shareholders' equity increased correspondingly to T€ 2,531, reflecting the purchase costs of the shares in the amount of T€ 312. Retained earnings increased by T€ 2,285 to T€ 10,605. All of this contributed greatly to an increase in the equity attributable to Dr. Hönle AG's shareholders by T€ 2,253 to the present T€ 30,579.

Deferred taxes increased by T€ 815 to T€ 988. Trade accounts payable rose by T€ 4,625 to T€ 5,427. The main reason for this significant increase was the first-time consolidation of Eltosch GmbH. In particular, the newly acquired Panacol Group led to an increase in "other current liabilities", which increased by T€ 3,080 to T€ 4,520 across the Group. Other accruals increased by T€ 1,016 to T€ 1,605.

The balance sheet total increased by T€ 13,993 to T€ 48,514. The Hönle Group's equity capital ratio was 64.8 %.

The total amount of liquid assets, financial assets and own shares amounted to T€ 11,702 as at 30 September 2008.

Development of Net Assets

in T€	30.09.2008	30.09.2007	Change
ASSETS			
Non-current assets			
Intangible assets	2,086	809	1,277
Property, plant and equipment	6,045	3,826	2,219
Goodwill	6,927	363	6,564
Financial assets	244	346	-102
Other non-current assets	730	826	- 96
Deferred taxes	537	322	215
Total non-current assets	**16,569**	**6,492**	**10,077**
Current assets			
Inventories	11,039	4,741	6,298
Trade accounts receivable	10,390	4,669	5,721
Other current assets	1,032	635	397
Tax refund claims	557	229	328
Liquid assets	8,927	17,755	- 8,828
Total current assets	**31,945**	**28,029**	**3,916**
Total assets	**48,514**	**34,521**	**13,993**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Subscribed capital	5,513	5,513	0
Own shares	- 2,531	- 2,219	- 312
Additional paid-in capital	16,916	16,778	138
Legal reserve	49	49	0
Special item revaluation	- 262	- 160	- 102
Retained earnings	10,605	8,320	2,285
Currency differences	289	45	244
Equity attributable to Dr. Hönle AG shareholders	30,579	28,326	2,253
Minority interest	841	587	254
Total shareholders' equity	**31,420**	**28,913**	**2,507**
Non-current liabilities			
Non-current loans (less current portion)	743	800	- 57
Non-current portion of finance lease obligations	280	2	278
Other non-current liabilities	332	1	331
Pension accruals	1,765	1,223	542
Deferred taxes	988	173	815
Total non-current liabilities	**4,108**	**2,199**	**1,909**
Trade accounts payable	5,427	802	4,625
Liabilities to associated companies	4	2	2
Advance payments received	512	259	253
Current portion of finance lease obligation	104	5	99
Current loans towards banks and current portion of non-current loans	279	0	279
Other current liabilities	4,520	1,440	3,080
Other accruals	1,605	589	1,016
Accruals for taxes	535	312	223
Total current liabilities	**12,986**	**3,409**	**9,577**
Total liabilities and shareholders' equity	**48,514**	**34,521**	**13,993**

Employees

The average number of staff employed by the Hönle Group rose from 133 in financial year 2006/2007 to 258 in the financial year under review. The number of employees at the end of the financial year was 302 (PY: 135). Excluding the acquisitions, the average number of staff employed in the financial year would have been 150 or 158 as at the end of the financial year.

The employees (including part-time worker, not including the Management Board) were engaged in the following functional areas:

Functional Areas

	On average 2007/2008	On average 2006/2007	Change
Sales	59	24	145.8 %
Research & Development	34	18	88.9 %
Production, Service	93	61	52.5 %
Logistics	23	10	130.0 %
Administration	49	20	145.0 %
Total	258	133	94.0 %

Personnel expenses rose by 83.8 % to T€ 13,922 in the past financial year. They were structured as follows:

Personnel Expenses

in T€	2007/2008	2006/2007	Change
Wages and salaries	11,527	6,305	82.8 %
Social security and pension costs	2,395	1,271	88.4 %
Total	13,922	7,576	83.8 %

Hönle also invests in professional training with a view to covering the future demand for qualified personnel: At the end of the financial year, the Group employed ten trainees, i.e. three more than in the previous year. Presently, the company is providing training for industrial clerks, design draughtsmen, IT administrators, marketing communication assistants, and specialists for warehouse logistics.

Hönle strives to ensure high qualification levels among its employees and therefore regularly invests in employee qualification and training. Various company events, sports and recreational facilities that are open to everyone, an open information policy and short communication channels contribute to the good company climate and high employee motivation. This is also reflected in the low fluctuation rate and low sickness rates within the Hönle Group.

Subsequent Report

Due to the present orders situation, Hönle applied for short-time working hours. Short-time working hours have been introduced at Eltosch Torsten Schmidt GmbH in Hamburg as of 1 November 2008, and for a production sub-area of Dr. Hönle AG in Gräfelfing/Munich as of 17 November 2008.

Disclosures according to Section 315 (4) HGB

Re No. 1: The nominal capital of Dr. Hönle AG reported as of the financial year-end amounted to € 5,512,930; it is split up into 5,512,930 no-par bearer shares. Each share of stock carries one voting right. Shares carrying special rights do not exist.

Re No. 3: Pursuant to Section 21 (1) WpHG, shareholders must report significant participating interests in listed companies. The only shareholder who has reported a participating interest in Dr. Hönle AG of more than 10 % is Dietrich Freiherr von Dobeneck. Pursuant to Section 21 (1) WpHG, Mr. von Dobeneck reported on 12 February 2006 that he held a voting share of 10.28% in Dr. Hönle AG as of 25 January 2006; 8.41 % of the voting rights were allocable to him under Section 22 (1) Sent. 1 No. 1 WpHG.

Re No. 6: The Supervisory Board appoints the Dr. Hönle AG Management Board for a respective maximum term of up to five years. Each amendment to the Company's Articles of Incorporation requires a resolution by the Shareholders' Meeting.

Re No. 7: In the future also, the Management Board and Supervisory Board are to be enabled to use authorised capital for the acquisition of companies and company shareholdings. To this end, the Annual General Meeting held on 16 March 2005 authorised the Management Board, with approval by the Supervisory Board, to increase the nominal capital through a single or repeated issuance of new, no-par bearer shares by up to 2,620,000 shares up to 15 March 2010. Moreover, the Annual General Meeting held on 29 February 2008 authorised the company to purchase up to 551,293 of its own shares up to 31 August 2009 in the interest of its shareholders.

Re No. 8: In the event of a change of ownership at Dr. Hönle AG, the Management Board is entitled to resign from office. The Management Board is then entitled to receive a severance payment. Further details are provided in the following remuneration report.

Risk Report

Dr. Hönle AG's risk policy is aligned to the entrepreneurial objectives of sustained growth and the improvement of the company's performance so as to thus contribute to its corporate value. In order to reach these objectives, risks are to be recognised and evaluated at an early stage and the introduction of appropriate measures is to limit any possible negative impact and avoid threats to the company's existence.

Hönle introduced a formalised risk management system for monitoring risks. The principles documented in a risk manual define the procedures for dealing with risks. In consideration of the amount of potential damages, the probability of the occurrence of losses, and also in view of the opportunities arising for the Company, decisions are made as to whether the respective risks are to be avoided, reduced, transferred or accepted.

In the past financial year, risk reports were sent to the risk manager as required (risk identification). All risks were evaluated within the scope of a predefined scale for evaluation of potential losses and probability of occurrence (risk evaluation). Necessary measures were defined and taken as required (risk management). In addition, risk discussions were held with the responsible risk managers at quarterly intervals, the risk situation was observed and measures were monitored (risk controlling). The Dr. Hönle AG Management Board is informed of the company's current risk situation at regular intervals and is promptly notified when defined risk thresholds for individual risks are reached. All responsibilities, principles, and procedural approaches are documented in a risk management manual and all risk reports are recorded on standardised forms (risk documentation).

From the current perspective, Dr. Hönle AG is exposed to the following internal and external risks:

Market Risks

Towards the end of the financial year, in particular, the business climate turned gloomy. Turmoil on the financial markets and high commodity prices slowed down the growth of the global economy. The Hönle Group's biggest sales market (the printing industry), was also stagnating. The investment boom expected by many manufacturers of printing machines did not materialise. There are many indicators that a global recession is imminent and that a longer period of economic downturn may follow. At present, an economic downturn presents the greatest risk for the Hönle Group's revenue and income development. Hönle addresses this risk by continuously monitoring the market, thus enabling early implementation of appropriate measures.

Financial Risks

The euro declined significantly against the US dollar towards the end of the financial year. It can be assumed that, if the euro exchange rate should resume its rise, this could adversely impact on Hönle's export business. However, since all sales are invoiced in euro, Hönle does not engage in any currency hedging transactions. Hönle addresses the exchange rate fluctuations which affect regional price structures through continuous market monitoring and product or price adjustments, as necessary.

At the same time, a weak euro may offer competitive advantages in the rest of Europe.

Dr. Hönle AG holds shares in its financial assets in the amount of T€ 219, which are primarily comprised of international Blue Chips. At the end of the financial year, the stock prices were revalued – with neutral effect on profits - at current market values, resulting in a negative effect amounting to T€ 102. The revaluation was performed due to the overall negative development of stock prices. It is possible that stock prices will continue to drop; this will require another valuation adjustment. On the other hand, there is also a chance of future positive development and a corresponding stock market recovery. The treasury stock of Dr. Hönle AG is also exposed to similar opportunities and risks concerning its value in the event of its disposal.

Dr. K. Hönle Medizintechnik GmbH recorded loan liabilities to Dr. Hönle AG totalling T€ 279 as of 30 September 2008. Despite this company's positive business development and the regular repayment of loan obligations in recent years, a valuation adjustment concerning the receivables cannot be completely ruled out in the future. Hönle has therefore securitised these loans through personal guarantees issued by both managing shareholders of Dr. K. Hönle Medizintechnik GmbH for the corresponding amounts. The value of this collateral is examined at periodic intervals.

Operational Risks

Dr. Hönle AG took over Eltosch Torsten Schmidt GmbH in May of 2008. Should the indications of deteriorating business development in the offset printing segment gradually become a reality, this could lead to negative operating results if the company's sales revenues were to decline. Hönle will take appropriate measures in order to improve profitability, should the need arise. After the end of the financial year, short-time working hours had already been introduced at the company.

Honle UV UK Ltd., a subsidiary of Dr. Hönle AG, achieved a negative operating result. The further business development of the company must therefore be monitored critically. Hönle is counteracting the possibility of another negative result by means of strict cost management. On the other hand, several ongoing projects offer the chance of positive business development and increasing profits.

The loss of key customers would possibly lead to a decline in revenues. Hönle addresses this risk through intensive monitoring of its key customers and ongoing examination of their financial performance. Moreover, customer satisfaction in regard to key accounts is continually monitored. Additionally, expansion of the customer base into economically unrelated target industries leads to an improved risk structure. In contrast, the successful cooperation with key customers forms a good basis for further expansion of business activities and for continued growth with strong partners in the future also.

It cannot be ruled out that individual customers will delay payment or be unable to fulfil their payment obligations in the future. However, the customers of Dr. Hönle AG have thus far demonstrated good payment behaviour. Hönle adapts the payment conditions to customers' credit standing as needed.

The possible loss of staff members who have significant know-how represents an internal risk at the company. In order to minimise this risk, Hönle has introduced a deputisation principle which ensures information sharing and the retention of professional know-how in the company.

Overall Risk

When viewing the overall risk, the market risks arising from the economic development take on the greatest significance. In all, there are no discernible risks that could jeopardise the company's existence at present or in the future.

Remuneration Report

Remuneration of Management Board Members

The total remuneration of Management Board members includes fixed and variable components. Management Board members receive stock options in Dr. Hönle AG as a variable remuneration component with long-term incentive effect.

The tasks of the respective Management Board member, his personal performance, as well as the economic situation, profit and future outlook of the company are some of the criteria used in evaluating the suitability of remuneration.

The Supervisory Board regularly reviews the structure and amount of the remuneration of Management Board members.

Fixed Remuneration (not based on performance)

in T€	Salary		Other Renumeration		Total	
	07/08	06/07	07/08	06/07	07/08	06/07
Norbert Haimerl	170	157	15	15	185	172
Heiko Runge	170	157	11	10	181	167
Total	340	314	26	25	366	339

Performance-Based Remuneration

in T€	Profit Sharing Bonus *	
	07/08	06/07
Norbert Haimerl	137	95
Heiko Runge	137	95
Total	274	190

*) inclusive the deferred amount of the previous year

Pensions

in T€	Annual Remuneration Upon Reaching Pensionable Age		Addition to Pension Accruals	
	as at 30.09.2008	as at 30.09.2007	2007/2008	2006/2007
Norbert Haimerl	36	36	17	18
Heiko Runge	36	36	14	15
Total	72	72	31	33

In addition, benefits in the amount of T€ 12 were paid to surviving dependents of former Management Board members.

Stock Options

As remuneration components, the Management Board members receive Dr. Hönle AG stock options with long-term incentive effect. The ability to exercise the options is linked to the achievement of specified targets. Dr. Hönle AG stock options may only be exercised when the stock price reaches a defined annual value.

Management Board members hold each 10.000 options from the stock option programme dated 26 February 2004. The waiting period concerning exercising has already been completed for some of the options. These stock options, however, were not exercisable given a stock price of € 7.25 at the end of the 2007/2008 financial year. The exercise waiting period concerning the remaining part of the options has not yet been completed.

Payments upon Termination of Management Board Activity

The Supervisory Board appoints the Dr. Hönle AG Board of Management for a maximum period of office of five years, respectively.

In the event of a change in the ownership structure of Dr. Hönle AG (change of control), Management Board members are entitled to terminate their Board of Management Service Agreement within a period of three months after obtaining knowledge of the change in the ownership structure with a three-month notice period, and to resign from office at that time. A change in the ownership structure is defined as any direct or indirect assumption of control over Dr. Hönle AG by a third party within the meaning of the German Securities Purchase and Takeover Act (Wertpapiererwerbs- und Übernahmegesetzes [WpÜG]). In the event of resignation, the respective Management Board member is entitled to a severance payment in the amount of two annual gross salaries (including performance-based compensation), up to a maximum of T€ 400. Calculation of the annual gross salary is based on the average salary for the past three financial years prior to leaving the company.

Compensation of Supervisory Board Members

The total compensation for Supervisory Board members is comprised of fixed and variable components. It is based on the tasks and responsibility of the respective Supervisory Board member and on the economic performance of the Hönle Group.

No further compensation, e.g. for consulting or intermediary services, is granted.

Fixed Compensation (not based on performance)

in T€	Total	
	as at 30.09.2008	as at 30.09.2007
Dr. Hans-Joachim Vits	8	8
Prof. Dr. Karl Hönle	6	6
Eckhard Pergande	4	4
Total	18	18

Performance-Based Compensation

in T€	Total	
	as at 30.09.2008	as at 30.09.2007
Dr. Hans-Joachim Vits	8	8
Prof. Dr. Karl Hönle	6	6
Eckhard Pergande	4	4
Total	18	18

Forecast Report

Market Outlook

The global economy continued to weaken after the end of the financial year. After hitting the banks, the crisis is now increasingly affecting other industries also. The business climate of trade and industry has continued to deteriorate accordingly in recent months. Companies have become much more sceptical with regard to expected development in the upcoming year, in particular.

Demand in the printing industry was already noticeably restrained in certain segments in the past financial year. Demand slumped even more after the end of the financial year and now concerns further segments of the printing industry. The financing of many orders is not secured, which led to an overall decline in investments in the printing industry.

On the other hand, more positive development is expected with regard to other markets serviced by the Hönle Group: At present, Hönle is expecting almost unchanged demand with regard to the adhesives market and in the UV disinfection and sunlight simulation segments.

Outlook for the Hönle Group

Dr. Hönle AG acquired several companies in the financial year under review. Therefore, special focus is placed on speedy integration of the acquired companies, in particular of Eltosch GmbH. Up to now, the entire production activities and installation of the Eltosch machinery have been performed by third parties. In addition to the Hönle products, drying equipment is also to be manufactured at Dr. Hönle AG under the Eltosch brand name in the future. This will lead to an efficiency improvement in the production of UV and IR equipment. At the same time, a high quality standard is being ensured respecting the equipment for the printing industry. Moreover, direct access to the manufacturers of printing machines for the sheet-fed offset printing segment is intended to expand existing customer relationships and also help gain new customers.

Panacol GmbH and Wellomer GmbH will move to new company premises. Due to the synergy effects thus to be obtained, corporate performance will continue to rise over the long-term. Revenues are to be further expanded through expansion of the sales activities of the Panacol Group in Southeast Asia and elsewhere. In addition, with the development of powerful adhesives, in particular for the glass industry, a promising business segment is being intensively exploited.

PrintConcept GmbH will move to a new and bigger company building in order to be able to accommodate future growth. The focus of the company's business activities is on the sheet-fed and rotary offset printing segment. Direct access to the manufacturers of offset printing machines is intended to further improve its market position in the offset segment.

The economic downturn and the restrained investment activities – which can be clearly observed at present – will also impact on Hönle's business development. At the end of the financial year, the number of contracts in hand at the individual companies of the Hönle Group are, for the most part, below the previous year's level. Presently, it is difficult to forecast the extent and duration of the restrained investing behaviour, in particular in the printing industry. It is assumed that the weakness of the economy will have a significantly less severe impact on the Hönle Group's other sales markets.

Hönle analyses all expense areas critically and introduces appropriate measures for reducing costs, as necessary. For example, Hönle reacts to changing circumstances by reducing personnel expenses, which also includes the introduction of short-time working hours. Moreover, the transfer and concentration of functions of the individual companies to Dr. Hönle AG will reduce the Group's overall annual expenses.

With liabilities to banks amounting to less than one million euros and cash and cash equivalents as well as own shares of more than eleven million euros, the Hönle Group's financing is based on solid ground. The investment volume for the organic expansion of business activities will be maintained at the previous year's level and will likely be below one million euros.

All in all, the financial year will focus on integration of the new companies into the Hönle Group and on exploiting synergies. In this context, an important objective is the realisation of cost savings potential through integrating the production of the Eltosch machinery into Dr. Hönle AG. This will form a significant basis for the long-term and profitable growth of the Hönle Group.

Due to its inherent system-related advantages, UV technology will gain importance in the future. Quality, time and environmental aspects will be the driving force behind increased utilisation of UV technology in existing markets and tapping new markets with this technology. As a result of the company acquisitions, the Hönle Group has positioned itself more strongly than ever in this up and coming market: It is now the second largest systems supplier worldwide in the market for industrial UV technology. The company is thus well equipped to endure a period of economic weakness and to set the course for sustained positive corporate development.

Gräfelfing, 20 December 2008
Dr. Hönle AG

Norbert Haimerl
Board of Management

Heiko Runge
Board of Management

Corporate Governance Report

Statement pursuant to Section 161 AktG on the observance of recommendations concerning the German Corporate Governance Code by Dr. Hönle AG as at 1 December 2008

The German Corporate Governance Code presents essential statutory regulations governing the management and supervision of German listed companies and includes internationally and nationally recognised standards for corporate governance. The German Corporate Governance Code defines three different standards, namely regulations that describe current statutory law, recommendations of the government commission, and government commission suggestions.

Under currently valid statutory law, corporations are obliged to act in compliance with the legal provisions defined in the German Corporate Governance Code. The companies may deviate from the recommendations but are required to make an annual disclosure concerning such deviations. In accordance with Section 161 AktG [German Stock Corporation Act], the Management Board and the Supervisory Board of German listed companies are required to issue annual statements concerning observance of the recommendations of the government commission.

Deviations from the suggestions of the German Corporate Governance Code need not be disclosed. Dr. Hönle AG complies to a large extent with the recommendations of the German Corporate Governance Code. The Company's past, present and expected future practices deviate from the recommendations of the German Corporate Governance Code as amended on 6 June 2008 with respect to the following points:

Deductibles concerning D&O Insurance Policies

The German Corporate Governance Code recommends that an adequate deductible be stipulated in liability insurance policies which a corporation takes out for its Management Board and Supervisory Board members [Directors and Officers Liability Insurances, in short D&O insurance] (Code paragraph 3.8, sub-paragraph 2). Dr. Hönle AG is not of the opinion that such deductibles would improve the Management Board and Supervisory Board members' motivation and responsibility respecting their duties and functions. Dr. Hönle AG does not plan to alter its current D&O insurance contracts, which do not provide for deductibles concerning members of corporate bodies.

Composition of the Management Board

The German Corporate Governance Code recommends that the Management Board shall have a chairman or a spokesman (Code paragraph 4.2.1, sentence 1). At present, the Management Board of Dr. Hönle AG is comprised of two persons. The distribution of business and cooperation within the Management Board is governed, among other things, by the rules of internal procedure. Both Management Board members have worked together closely and successfully for years. Dr. Hönle AG does not have a Management Board chairman or a Management Board spokesman.

Payments to a Management Board Member in the Event of Premature Termination of Board Activity

In accordance with German Corporate Governance Code recommendations, when concluding Management Board contracts care shall be taken to ensure that payments - including fringe benefits - made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate for no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and, if appropriate, also the expected total compensation for the current financial year (Code paragraph 4.2.3, sub-paragraph 4). The Supervisory Board appoints the Management Board members of Dr. Hönle AG for a maximum term of office of five years. In the event of premature termination of Management Board activity, the Management Board contracts provide for continuation of Management Board compensation until the end of the contract term. Should a Management Board member leave the company due to a change in the ownership structure (change of control), the respective Management Board member is entitled to a severance payment in the amount of two annual gross salaries (including performance-based compensation), up to a maximum amount of T€ 400. Calculation of the annual gross salary is based on the average annual gross salaries paid for the past three financial years prior to leaving the company.

Formation of Supervisory Board Committees

The German Corporate Governance Code recommends that the Supervisory Board shall form committees with sufficient expertise, in particular an audit committee (Code paragraph 5.3.1, sentence 1). At present the Dr. Hönle AG Supervisory Board consists of three members. Decision-making committees must also consist of three members. Owing to the size of the Dr. Hönle AG Supervisory Board, no committees are formed at present.

Age Limits concerning Supervisory Board Members

The German Corporate Governance Code recommends that age limits be defined for Supervisory Board members (Code paragraph 5.4.1, sentence 2). Dr. Hönle AG regards such a limitation as being an inappropriate limitation of the shareholders' right to elect Supervisory Board members.

Compensation of Supervisory Board Members

The German Corporate Governance Code recommends that Supervisory Board members shall receive fixed as well as performance-related compensation (Code paragraph 5.4.6, sub-paragraph 2). Dr. Hönle AG is not of the opinion that a performance-related component would improve the quality of the activities of the Supervisory Board. The company therefore intends to discontinue the practice of splitting up compensation for the Supervisory Board into performance-independent and performance-related components and to introduce fixed compensation for Supervisory Board members at its next General Meeting of Shareholders.

Accounting

The German Corporate Governance Code recommends that, prior to publication, half-year and quarterly financial reports shall be discussed with the Management Board by the Supervisory Board or its Audit Committee (Code paragraph 7.1.2, sentence 2). Within the scope of an efficient publishing process, Dr. Hönle AG has already published interim reports in the past without extensive preliminary discussions with the Supervisory Board and intends to continue this practice in the future also.

Furthermore, the German Corporate Governance Code recommends that the consolidated financial statements shall be publicly accessible within a period of ninety days, and the interim report within a period of forty-five days, after the financial year-end (Code paragraph 7.1.2, sentence 4).

Dr. Hönle AG has already published preliminary figures for the financial year within ninety days after the financial year-end and intends to continue this practice in the future. However, in accordance with the Stock Exchange Directive for Prime Standard Securities of the Frankfurt Stock Exchange, the Annual Report is published within four months after the end of the reporting period. The half-year and quarterly financial reports are published within two months after the end of the reporting year, in accordance with the Stock Exchange Directive for Prime Standard Securities of the Frankfurt Stock Exchange.

Disclosure in accordance with the German Corporate Governance Code

The German Corporate Governance Code recommends that information on compensation, securities holdings and securities transactions of corporate bodies as well as on stock option programmes be provided in the Corporate Governance Report. In some instances, these disclosures must also be made in other sections of this Annual Report. In order to avoid repetition, corresponding details are to be found in the respective sections which are pointed out below.

Compensation of Management Board Members

The German Corporate Governance Code recommends that compensation for Management Board members be disclosed in a compensation report, which is part of the Corporate Governance Report (Code paragraphs 4.2.2 to 4.2.5). Within this context, the compensation system for Board members is to be described in a generally understandable way. Dr. Hönle AG discloses the Board compensation in detail in the Management Report of this Annual Report– see chapter: Compensation Report - and explains the basic features of the compensation system in a generally understandable manner.

Compensation of Supervisory Board Members

The German Corporate Governance Code recommends that the compensation of Supervisory Board members be individualised in the Corporate Governance Report and classified according to compensation components (Code paragraph 5.4.7, subparagraph 3). Dr. Hönle AG discloses the compensation for Supervisory Board members in the Management Report of this Annual Report in the chapter: Compensation Report.

Directors Dealings

The German Corporate Governance Code recommends that dealings in company shares or related financial instruments by Management Board and Supervisory Board members shall be published in the Corporate Governance Report (Code paragraph 6.6, subparagraphs 1 and 3). Dr. Hönle AG publishes the securities transactions of executive staff on its homepage: www.hoenle.de under the column "Investor Relations", "Directors' Dealings".

Securities Holdings of Corporate Bodies

The German Corporate Governance Code recommends that disclosures be made in the Corporate Governance Report concerning ownership of company shares or related financial instruments by Management Board and Supervisory Board members (Code paragraph 6.6, sub-paragraphs 2 and 3). Dr. Hönle AG provides detailed disclosures concerning ownership of shares or related financial instruments in the Corporate Governance column in the chapter on "Securities Holdings and Subscription Rights of Corporate Bodies”.

Stock Option Programmes

The German Corporate Governance Code recommends that information about stock option programmes and similar security-based incentive systems of the company be provided in the Corporate Governance Report (Code paragraph 7.1.3). Dr. Hönle AG deals with the stock option programmes in detail in the Notes to this Annual Report in the chapter: Stock Option Programmes.

Report of the Supervisory Board

We have duly performed our legal and statutory duties during the last financial year. We continuously monitored the Hönle Group business development and we were involved in all decisions of basic importance for the company.
For the purpose of preparing Board meetings, the Management Board provided us with current and detailed information on the course of business. Moreover, we were informed verbally or in writing about special occurrences on an ad hoc basis.

The Management Board and the Supervisory Board were fully represented at the four meetings held in the reporting year. On the basis of comprehensive reports prepared by the Management Board and subsequent consulting, we dealt, inter alia, with the course of business, the assets and financial position, corporate planning and risk management. Following extensive discussions, and to the extent required by law, the company's articles of incorporation or a Supervisory Board resolution, we approved all proposals submitted by the Management Board.

We were able to satisfy ourselves as to the correctness and appropriateness of the work performed by the Management Board.

At the meeting held on 19 November 2007, we received a report on current Group figures as well as a comparison with the forecast figures. In this context, the Management Board also discussed personnel expenses and explained deviations in personnel costs in comparison with the previous year's level and from the figures planned. Another issue dealt with was the rise in consultancy expenses incurred for acquisition projects, which led to an increase in other operating expenses. The current status of acquisition projects was of central significance within the scope of the company's strategic orientation. In particular, the status of the Panacol and PrintConcept acquisition projects was discussed in detail.

After we conducted a close examination, the Management Board presented us and the appointed annual auditor at the meeting held on 16 January 2008 the audited annual financial statements of Dr. Hönle AG and the audited consolidated financial statements as at 30 September 2007. In addition, the Management Board reported about the profitability of the company, in particular with respect to the profitability of equity capital pursuant to Section 90 (1) Item 2 AktG. Following in-depth discussions with the annual auditor and the Management Board about the annual financial statements, we endorsed the annual financial statements of Dr. Hönle AG and approved the consolidated financial statement. The agenda and resolution proposals concerning the General Meeting on 29 February 2008 were determined at the same meeting. We approved the Management Board's proposal that a dividend of € 0.40 per share be paid out to the shareholders of Dr. Hönle AG. Thereafter, the Management Board discussed the current business situation of the Hönle Group and the planning for financial year 2007/2008. In addition, we issued a declaration of conformity concerning the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act, which had previously been coordinated with the Management Board. Finally, the Management Board reported in detail about the activities performed during the previous financial year in the field of financial market communication and also on the development of the Hönle share.

At the Supervisory Board meeting held on 28 February 2008, we received a report on the consolidated interim financial statements as at January 2008. The report included information on business development, the financial position and results of operations as well as a forecast concerning further development. Subsequently, we were informed about the course of business concerning the newly acquired companies and the current status of integration measures taken. A further issue discussed at the Supervisory Board meeting was an analysis of the Eltosch acquisition project.

An extraordinary Supervisory Board meeting was held on 30 April 2008 due to Dr. Hönle AG's plan to acquire Eltosch GmbH. Following a detailed scrutiny of the project and pertaining terms and conditions, we approved the acquisition in general. The Management Board also informed us about the current business development of the Hönle Group.

At the meeting held on 11 August 2008, the Management Board elaborated on the current course of business based on the nine-month report. In this context, emphasis was placed on the integration level relating to Panacol, PrintConcept and Eltosch. In the course of the Eltosch acquisition, Hönle acquired a minority interest in AES GmbH. We approved the Management Board's proposal to acquire a 100 % stake in AES GmbH. The company provides all services for Eltosch.

The German Corporate Governance Code was altered and supplemented in some areas. The Supervisory Board came to an agreement with the Management Board on the implementation of recommendations and suggestions of the Code and issued a joint statement as required under Section 161 AktG. The statement was included in the Annual Report and published on the Internet, thus making it permanently available to the shareholders.

The composition of the Supervisory Board and the Management Board did not undergo any changes in financial year 2007/2008.

The Annual General Meeting held on 29 February 2008 appointed AWT Horwath GmbH, Wirtschaftsprüfungsgesellschaft, Munich, as annual auditor for the 2007/2008 financial year.

AWT Horwath GmbH audited the annual financial statements as at 30 September 2008 and the management report of Dr. Hönle AG, as well as the consolidated financial statements and group management report, and issued an unqualified auditors' opinion in each case.

At the Supervisory Board meeting held on 30 January 2009, the annual auditor informed us in detail about the audit report. The annual auditor reported about significant findings of the audit of the annual financial statements and the management report, as well as of the consolidated financial statements and the group management report, and provided supplementary information about the previous financial year. In particular, the auditor discussed the net assets, financial position and results of operations of the stock corporation and the Group.

The reports of the annual auditor were presented to us for inspection. The audit results were approved by the Supervisory Board. Furthermore, we examined the annual financial statements, the management report, the consolidated financial statements, and the group management report. There being no objections, the Supervisory Board approved the consolidated financial statements of Dr. Hönle AG and the annual financial statements were thus endorsed.

The Management Board and the Supervisory Board of Dr. Hönle AG shall propose to the General Meeting on 25 March 2009 that a dividend of € 0.25 per share entitled to dividend be distributed to the shareholders.

The Supervisory Board wishes to extend its gratitude to the Management Board and all employees of the Hönle Group for their dedication, which contributed significantly to this successful financial year.

The Supervisory Board

Dr. Hans-Joachim Vits
Supervisory Board Chairman
Gräfelfing, 30 January 2009

Executive Bodies

Management Board

Norbert Haimerl, (46)

Responsible for Finances

Norbert Haimerl completed his business management studies at the Regensburg University for Applied Science with a diploma in business management. [Dipl.-Betriebswirt (FH)]. He commenced his career in 1990 as assistant to the management of Schiessl GmbH & Co. KG. During the years from 1992 to 1996, he worked for MAN Roland Vertrieb Bayern GmbH as a management assistant. In 1996 he changed jobs to take up a position as commercial manager with Dr. Hönle AG, and was appointed to the Company Board with effect from 1 January 2000.

Heiko Runge, (44)

Responsible for Sales and Technology

Heiko Runge completed his physical technology studies at the Wedel University for Applied Science with a diploma in engineering [Dipl. Ing. (FH)]. He began his career in 1990 as product manager for marketing at Eltosch Torsten Schmidt GmbH. Three years later, he changed jobs to work for Dr. Hönle AG. Here, his first position was as marketing manager, and he was appointed to the Management Board with effect from 1 January 2000.

Supervisory Board

Dr. Hans-Joachim Vits, Lawyer

Supervisory Board Chairman

Hans-Joachim Vits headed the commercial management of Robert Bosch Espanola S.A., Madrid, before he entered the services of an asset management firm as managing partner. At the same time he worked as a lawyer for a law firm based in Düsseldorf and also fulfilled numerous voluntary functions in an honorary capacity, inter alia, as a member of the National Board of St. John Ambulance Brigade [Johanniter Unfallhilfe].

Prof. Dr. Karl Hönle, Physicist

Vice Chairman of the Supervisory Board

Karl Hönle is an emeritus professor at the Munich University for Applied Science. There, he held the Chair in technical optics and laser technology, and was representative concerning the transfer of technology and for the trade fair participation of Bavarian applied science universities. As member of the Panel, he headed the Labor für Lichttechnik (GbR), and is member of the DIN standards committee for light technology. Additionally Prof. Hönle is responsible for management of Dr. Hönle Medizintechnik GmbH and member of the Dachau district assembly.

Eckhard Pergande, Banker

Supervisory Board member

Eckhard Pergande is the former Chairman of the Management Board of Lagerland AG, Munich. Previously, he was spokesman of the Management Board of Münchener Bank e.G., Munich.

Shareholdings and Option Rights of the corporate bodies

Securities portfolio as at 30 September 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	220,000	3.99	0
Eckhard Pergande	4,200	0.07	0
Dr. Hönle AG	325,839	5.91	
Total	**944,583**	**17.13**	**20,000**
Overall	**5,512,930**	**100.00**	

Consolidated Financial Statement

Auditor's Report

We have audited the consolidated financial statements prepared by the Dr. Hönle AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 October 2007 to 30 September 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the shareholder agreement of incorporation are the responsibility of the board of management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the shareholder agreement of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 20 January 2009

AWT Horwath GmbH
Auditing Company

ppa. S. Spitaler	J. Zimmermann
Auditor	Auditor

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, 20 January 2009

Dr. Hönle AG

Norbert Haimerl
Board of Management

Heiko Runge
Board of Management

Consolidated Income Statement

for the period 1 October 2007 until 30 September 2008 according to IFRS

	Notes		01.10.2007 – 30.09.2008 in T€		01.10.2006 – 30.09.2007 in T€
Revenue	(6)		48,744		26,246
Changes in inventories of finished goods and work in progress			832		- 80
Other operating income	(7)		1,654		500
Cost of purchased materials and services	(8)		21,968		8,802
Personnel expenses	(9)		13,922		7,576
Depreciation and amortization including Goodwill	(10)		1,033		668
Other operating expenses	(11)		8,677		5,281
Operating result/EBIT			**5,630**		**4,339**
Interest income	(12)	544		716	
Interest expense	(13)	266		88	
Financial result			278		628
Earnings before tax and minority interest/EBT			**5,908**		**4,967**
Income tax	(14)		1,339		1,800
Consolidated net income for the year			**4,569**		**3,167**
Share in earnings attributable to minority interest	(15)		208		154
Share in earnings attributable to Dr. Hönle AG shareholders			4,361		3,013
Earnings per share (basic) in €	(18)		0.84		0.58
Earnings per share (diluted) in €	(18)		0.82		0.56
Weighted average shares outstanding (basic)			5,192,737		5,181,106
Weighted average shares outstanding (diluted)			5,349,629		5,398,521

Consolidated Balance Sheet

as of 30 September 2008 according to IFRS

ASSETS	Notes	30.09.2008 in T€	30.09.2007 in T€
Non-Current Assets			
Immaterielle Vermögenswerte	(19)	2,086	809
Property, plant and equipment	(19)	6,045	3,826
Goodwill	(19)	6,927	363
Financial assets	(19)	244	346
Other non-current assets	(20)	730	826
Deferred taxes	(21)	537	322
Total non-current assets		**16,569**	**6,492**
CURRENT ASSETS			
Inventories	(22)	11,039	4,741
Trade accounts receivable	(23)	10,390	4,669
Other current assets	(24)	1,032	635
Tax refund claims	(25)	557	229
Liquid assets	(26)	8,927	17,755
Total current assets		**31,945**	**28,029**
TOTAL ASSETS		**48,514**	**34,521**

LIABILITIES AND SHAREHOLDER'S EQUITY	Notes	30.09.2008 in T€	30.09.2007 in T€
SHAREHOLDER'S EQUITY	(27)		
Subscribed capital		5,513	5,513
Own shares		- 2,531	- 2,219
Additional paid-in capital (capital reserves)		16,916	16,778
Legal reserve		49	49
Special item revaluation		- 262	- 160
Retained earnings		10,605	8,320
Currency differences		289	45
Equity attributable to Dr. Hönle AG's shareholders		**30,579**	**28,326**
Minority interest		841	587
Total Shareholder's Equity		**31,420**	**28,913**
NON-CURRENT LIABILITIES			
Non-current loans (less current portion)	(28)	743	800
Non-current portion of finance lease obligations	(29)	280	2
Other non-current liabilities	(30)	332	1
Pension accruals	(31)	1,765	1,223
Deferred taxes	(21)	988	173
Non-current liabilities		**4,108**	**2,199**
CURRENT LIABILITIES			
Trade accounts payable	(32)	5,427	802
Liabilities to associated companies	(33)	4	2
Advance payments received	(34)	512	259
Current portion of finance lease obligations	(29)	104	5
Current loans towards banks and current portion of non-current loans	(35)	279	0
Other current liabilities	(36)	4,520	1,440
Other accruals	(37)	1,605	589
Tax accruals	(38)	535	312
Total current liabilities		**12,986**	**3,409**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**48,514**	**34,521**

Statement of Changes in Equity

for the period 1 October 2007 until 30 September 2008 according to IFRS

	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€	Retained earnings in T€	Cur-rency-differ-ences in T€	Equity attr. to share-holders*) in T€	Min-ority-interest in T€	Total in T€
As at 01.10.2006	**5,433**	**- 2,178**	**16,721**	**49**	**- 193**	**6,850**	**28**	**26,710**	**433**	**27,143**
Conditional capital increase	80		16					**96**		96
Purchase of own shares		- 41						**- 41**		- 41
Change in additional paid in capital due to IFRS 2			41					**41**		41
Valuation of investments due to IAS 39 not affecting net income					33			**33**		33
Dividend distribution						- 1,543		**- 1,543**		- 1,543
Currency differences							17	**17**		17
Change in minority interest affecting net income								**0**	154	154
Consolidated net income for the year 2006/2007						3,013		**3,013**		3,013
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 in additional paid in capital due to IFRS 2			13					**13**		13
Change in additional paid-in capital due to acquisition of minority interest			125					**125**		125
Valuation of investments due to IAS 39 not affecting net income					- 102			**- 102**		- 102
Dividend distribution						- 2,076		**- 2,076**		- 2,076
Currency differences							244	**244**		244
Change in minority interest affecting net income								**0**	208	208
Change in minority interest due to business combinations								**0**	46	46
Consolidated net income for the year 2007/2008						4,361		**4,361**		4,361
As at 30.09.2008	**5,513**	**- 2,531**	**16,916**	**49**	**- 262**	**10,605**	**289**	**30,579**	**841**	**31,420**

The Statement of Changes in Equity is explained in the notes (27).
*) Equity attributable to Dr. Hönle AG's shareholders

Consolidated Cash Flow Statement

for the period 1 October 2007 until 30 September 2008 according to IFRS

	01.10.2007-30.09.2008 in T€	01.10.2006-30.09.2007 in T€
Cash flows from operating activities:		
Net income for the year before minority interest and taxes	5,908	4,967
Adjustments for:		
Depreciation of fixed assets	1,033	668
Profit/loss due to retirement of fixed assets	15	0
Financial income	- 544	- 716
Interest expenses	266	88
Income from the sale of securities	0	- 38
Income due to release of negative difference of Panacol	- 666	0
Other non-cash expenses/income	137	136
Non-cash change in additional paid-in capital due to IFRS 2	13	41
Operating result before changes to net current assets	**6,162**	**5,146**
Increase/decrease in accruals	- 72	228
Increase/decrease in trade accounts receivable	1,441	- 724
Increase/decrease in other assets	263	90
Increase/decrease in inventories	- 1,890	- 267
Increase/decrease in trade accounts payable	- 1,964	- 90
Increase/decrease in liabilities to associated companies	2	2
Increase/decrease in advance payments received	94	78
Increase/decrease in other liabilities	304	184
Cash from continuing business activities	**4,340**	**4,647**
Interest paid	- 266	- 88
Income taxes paid	- 2,188	- 1,800
Net cash from operating activities	**1,886**	**2,759**
Cash flows from investing activities:		
Payments received from the sale of fixed assets (incl. reimbursement of participation certificates)	0	6,022
Payments received from financial assets due to sale of shares	0	157
Net payments of business combinations	- 7,276	0
Payments for acquisition of minority interest	- 155	0
Purchase of property, plant and equipment and intangible assets	- 843	- 925
Payments received from non-current receivables	192	131
Payments for non-current receivables	- 64	- 83
Payments received from interest	473	474
Payments received from dividends	71	422
Net cash from investing activities	**7,602**	**6,198**
Cash flows from financing activities:		
Payments received from capital increases	0	96
Payments received from loans and non-current liabilities to banks	- 973	- 184
Dividends paid	- 2,076	- 1,543
Purchase of own shares	- 312	- 41
Net cash from financing activities	**- 3,361**	**- 1,672**
Currency differences	175	17
Exchange rate differences of liquid assets	74	0
Net increase/decrease in cash	**- 8,828**	**7,302**
Cash at the beginning of the reporting period	**17,755**	**10,453**
Cash at the end of the reporting period	**8,927**	**17,755**
Changes in liquid assets	**- 8,828**	**7,302**

The cash flow statement is explained in the notes (43).

Notes to the IFRS Consolidated Financial Statements

for Financial Year 2007/2008 of Dr. Hönle AG, Gräfelfing

GENERAL INFORMATION

1. Accounting Basis

Dr. Hönle AG is a stock listed corporation. It is registered with the Commercial Register of the Munich (Germany) local court under HR B No. 127507. The Company's head office is located at Gräfelfing near Munich, Germany.

Dr. Hönle AG is among the leading suppliers worldwide of industrial UV technology. Together with its subsidiaries, the Group sells UV radiation systems, UV lamps, UV adhesives and casting compounds for industrial applications.

The present consolidated financial statements of Dr. Hönle AG and its subsidiaries have been prepared in accordance with Section 315a HGB [German Commercial Code] ("consolidated financial statements in accordance with international accounting standards"), in conformity with the International Financial Reporting Standards (IFRS) and the pertaining interpretations of the International Accounting Standards Board (IASB) to be applied pursuant to the Directive No. 1606/2002 of the European Parliament and the European Council governing the application of international accounting standards within the EU.

The consolidated financial statements include the income statement, the balance sheet, the statement of changes in shareholders' equity, the cash flow statements and the notes to the financial statements.

The financial year of Dr. Hönle AG and its consolidated subsidiaries covers the period from 1 October to 30 September.

The present consolidated financial statements were prepared in full compliance with relevant IFRS standards as approved by the EU and therefore present a true and fair view of the Hönle Group's net assets, financial condition and results of operations and cash flows.

The consolidated financial statements are prepared in euro currency. Unless otherwise stated, the amounts quoted are shown as T€ (thousand euros).

The Dr. Hönle AG Management Board has released the consolidated financial statements for further distribution to the Supervisory Board on 20 January 2009.

2. Estimates and Assumptions

Preparation of the consolidated financial statements requires estimates and assumptions that have impacted on the amounts shown and on related disclosures. As a consequence, some leeway is provided for management of the consolidated financial statements which is exercised to the best knowledge of those responsible for their preparation. However, actual results may deviate from these estimates and assumptions.

The most significant future-related assumptions and other significant sources of uncertainties of estimation as at the reporting date which involve a considerable risk of major adjustments to the book values of assets and debts becoming necessary within the next financial year are listed in the respective section of these Notes. Estimates and assessments within the Hönle Group relate, to a large extent, to the valuation of goodwill (cf. paragraph 19), pension accruals (cf. paragraph 31), other accruals (cf. paragraph 37),and the determination of deferred taxes (cf. paragraph 21).

3. Consolidation

Consolidated Group

The consolidated financial statements as of 30 September 2008 include the parent company, Dr. Hönle AG, and the following subsidiaries:

Name	Head Office	Participation quota reporting year	Participation quota prior year	Held via
Indirect participations:				
(1) Aladin GmbH, Gräfelfing	Germany	60.00%	60.00%	
(2) Honle UV France S.a.r.l., Bron	France	100.00%	100.00%	
(3) Honle UV UK Ltd., Hawarden	England	100.00%	100.00%	
(4) Honle Spain S.A., Gava	Spain	60.00%	60.00%	
(5) Wellomer GmbH, Maxdorf	Germany	100.00%	51.00%	
(6) PrintConcept GmbH, Köngen	Germany	70.00%	0.00%	
(7) Eltosch Torsten Schmidt GmbH, Hamburg	Germany	100.00%	0.00%	
(8) Adphos Eltosch Service GmbH, Hamburg	Germany	100.00%	0.00%	
(9) Agita Holding AG, Zurich	Switzerland	100.00%	0.00%	
Direct participations:				
(10) Panacol AG, Zurich	Switzerland	100.00%	0.00%	(9)
(11) Panacol Elosol GmbH, Oberursel	Germany	100.00%	0.00%	(10)
(12) Eleco Produits EFD, SAS, Paris	France	99.96%	0.00%	(10)
(13) Domino S.a.r.l., Paris	France	100.00%	0.00%	(12)
(14) Megadustries Martinique	France	75.71%	0.00%	(12)
(15) Megadustries Guadeloupe	France	76.00%	0.00%	(12)

The participation quota also represents the voting rights quota.

The above-mentioned companies are fully consolidated since they are controlled in each case by the majority of voting rights.

Although controlled to 100 %, Solitec Gesellschaft für technischen Produktvertrieb mbH (hereinafter referred to as Solitec GmbH) has not been consolidated since the company is of minor importance in terms of providing a true and fair view of the Group's net assets, financial position and results of operations. The net income for the financial year of Solitec amounts to T€ 7 (PY: T€ 7), and equity capital amounts to T€ 34 (PY: T€ 27.)

In comparison with the previous year, the following changes took place regarding the companies included in the consolidation group:

- On 31 July 2008 Dr. Hönle AG acquired the remaining 49% stake in Wellomer GmbH, thus holding 100% of the shares as of the reporting date.

In addition, the reporting period saw the following business combinations:

- Acquisition of a 100% stake in Agita Holding AG, Zurich, including the Panacol Group (hereinafter "Panacol" or "Panacol Group") as of 1 January 2008
- Acquisition of a 70% stake in PrintConcept UV Systeme GmbH, Köngen (hereinafter "PrintConcept GmbH") as of 1 January 2008
- Acquisition of a 100% stake in Eltosch Torsten Schmidt GmbH, Hamburg (hereinafter "Eltosch GmbH") as of 15 May 2008
- Acquisition of a 49% stake in Adphos Eltosch Service GmbH, Hamburg (hereinafter "AES GmbH) as of 15 May 2008. The remaining 51% share was acquired on 7 August 2008. As at the balance sheet date, 100% of the shares in AES GmbH are held.

Details on these business combinations are provided in paragraph 45.

The average number of staff (excluding the Management Board) within the Group, allocated to functional segments, is as follows:

	2007/2008	2006/2007
Sales	59	24
Research & Development	34	18
Production, Service	93	61
Logistics	23	10
Administration	49	20
Total	258	133

Consolidation Methods

- **Capital Consolidation**

Capital consolidation of the fully consolidated companies is based on the purchase method.

Differences between acquisition costs and the prorated equity from the acquisition of companies or minority shares are allocated to the pertaining cash-generating units. Debit differences are released and recorded under profit or loss. Differences within the scope of the acquisition of minorities are set off directly in equity capital.

The cash-generating units are reviewed for any impairment in value at annual intervals. If impairment in value has been determined, non-scheduled write-down is applied.

- **Consolidation of Receivables and Debts**

Receivables and liabilities between consolidated companies were set off within the process of consolidating receivables and debts.

- **Expense and Income Consolidation**

Intra-group sales as well as income and expenses between consolidated companies were netted.

- **Elimination of Intra-Group Profits**

The intra-group profits from internal supply relationships that are included in the inventory holdings of consolidated companies as at the balance sheet date have been eliminated, unless they are of minor importance.

Currency Translation

As a general rule, the functional currency and the reporting currency of Dr. Hönle AG and its European subsidiaries is the euro (€).

The functional currency for the subsidiaries in England and Switzerland is the British Pound (GBP) or the Swiss Franc (CHF), respectively. Asset and liability items are translated at the rates applicable at the balance sheet date; shareholders' equity, by contrast, is stated at historical rates. The resulting currency differences are included in equity with neutral effect on operating results. Changes concerning this special item are reflected in the statement of changes in shareholders' equity. Income statement items are translated at average rates.

Exchange rates concerning the currencies significant for the Hönle Group developed as follows:

		As of		Average Rate	
		30.09.2008 in €	30.09.2007 in €	2007/2008 in €	2006/2007 in €
1 British Pound	GBP	1.2653	1.4355	1.3094	1.4832
1 Swiss Franc	CHF	0.6304	-	0.6185	-

Foreign currency receivables and liabilities are generally stated at the median rate valid as of the balance sheet date in accordance with IAS 21. Hedging transactions were not carried out.

4. Newly Published Accounting Provisions

The following new or revised IASB or IFRIC standards were to be applied for the first time in financial year 2007/2008. The comparative figures were adjusted as required.

- IFRS 7 “Financial Instruments: Disclosures”: Application of this standard involves extensive disclosures concerning the financial instruments held
- IAS 1 “Presentation of Financial Statements” – “Additional Disclosures on the Capital of Companies”. The change requires additional disclosures regarding the Group’s Equity Capital Management.
- IFRIC 10 “Interim Financial Reporting and Impairment”: This interpretation does not impact on the consolidated financial statements.
- IFRIC 11 “Intra-Group Transactions and Transactions with Own Shares in accordance with IFRS 2”. This interpretation does not impact on the consolidated financial statements

The following new regulations were adopted by the IASB or IFRIC, respectively, in financial year 2007/2008, and approved and published by the EU. Early application of these regulations is not possible:

- Adjustment, IAS 27 “Consolidated and Separate Financial Statements pursuant to IFRS” (expected effective date: 1 July 2009): This standard relates to the treatment of the acquisition and sale of shares in ownership interests that do not result in the loss of control, and to the treatment of sales that lead to a loss of control. The standard may impact on financial statements in the future.
- Adjustment, IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements”. The revised version enables treatment of terminable instruments and obligations arising from liquidation as equity capital if certain conditions are met. The adjustment will not impact on the financial statements of the Hönle Group.
- Adjustment, IAS 39 “Financial Instruments: Recognition and Measurement”: To be applied for reporting years beginning on or after 1 July 2009. The application principles relating to the designation of inflation risks as a hedged item and the designation of a unilateral risk in a hedged item (with an option as a hedging transaction, for instance) were supplemented. The adjustment will not impact on the financial statements of the Hönle Group.
- Adjustment, IFRS 1 “First-Time Adoption of International Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements pursuant to IFRS”: The aim is to simplify the measurement of participations in separate financial statements to be prepared on IFRS basis for the first time: The adjustment will not impact on the financial statements of the Hönle Group.
- Adjustment, IFRS 2 “Share-based Payment” (effective date: 1 January 2009): The changes clearly indicate that only the performance and service conditions are to be taken into account as exercise conditions. In addition, the provisions governing termination during the service period apply irrespective of whether the company or the employee terminated the contract. The adjustment will probably not impact on the financial statements of the Hönle Group.
- Adjustment, IFRS 3: “Business Combinations” and IAS 27 (expected effective date: 1 July 2009): The major changes relate to purchase price determination, the measurement of minority shares, and the accounting method concerning successive corporate acquisitions. Application of the standard will impact on the measurement approaches of future business combinations and share acquisitions. Application of the option concerning the minority disclosure is being examined.

- In May 2008 the IASB published the first collective standard "Improvements to IFRSs" respecting minor changes to existing IFRS standards. The first sub-section includes changes that may impact on accounting, measurement or recording. The second sub-section includes changes concerning formulation or editorial changes. To the extent not otherwise regulated, the changes are to be applied to financial years beginning on or after 1 January 2009: early application is permitted. At present, the Group does not expect that application of the reworked versions, to the extent that they are endorsed by the EU in this form, will impact significantly on the financial statements presentation.
- IFRIC 15 "Accounting of Real Estate Sales prior to Completion of Construction Work". This interpretation will probably not impact on accounting within the Hönle Group.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". The possible impact is being examined.

5. Accounting and Valuation Methods

The balance sheet and income statement of companies included in consolidation were prepared in general agreement with the parent company's accounting and valuation methods as follows.

Intangible Assets

Acquired intangible assets are stated at acquisition costs in accordance with IAS 38; they are amortised according to schedule over their expected useful lives.

The expected useful lives are as follows:

Brand names	15 years
Customer base and other rights	1 to 10 years
Computer software	1 to 10 years
Licenses and franchise contracts	8 to 10 years
Patents and other industrial property rights	7 years
Processes, models, drafts and prototypes	10 years

Property, Plant and Equipment

Property, plant and equipment are valued at acquisition or manufacturing costs net of accumulated depreciation in accordance with IAS 16. Depreciable fixed assets are written off according to schedule using the straight-line method of depreciation.

The following useful lives are assumed, depending on the type of asset:

Buildings	10 to 50 years
Technical equipment and machines	3 to 19 years
Other equipment, factory and office equipment	1 to 21 years

Maintenance expenses are treated as expense for the period.

Initial Consolidation and Goodwill

Initial consolidation of group companies is based on the purchase method. In accordance with this method, assets, debts and contingent liabilities of acquired entities which were identified pursuant to the provisions of IFRS 3 are measured at fair value as of the acquisition date and compared with the costs of the acquirer (purchase price allocation). The non-acquired portions in the fair values of assets and debts are disclosed under minority interest.

Any surplus of acquisition costs exceeding the value of the acquired re-assessed equity capital is capitalised as goodwill and subsequently subjected to periodic impairment tests at the end of the financial year.

If the acquired value of equity capital exceeds the cost of the acquirer, the difference is immediately recognised as income.

Differences resulting from minority interests acquired after transfer of control are set off directly in equity capital.

The annual impairment tests respecting goodwill are carried out using the discounted cash flow method. In so doing, future expected cash flows from the most recent management planning are used as a basis, extrapolated on the basis of long-term growth rates and margin development assumptions and discounted with the capital costs of the unit to be measured.

For details on the assumptions used in impairment tests, see paragraph 19.

Financial Instruments

In accordance with IAS 39, financial instruments are allocated either to financial assets or liabilities measured at fair value through profit or loss, to financial assets held-to-maturity, loans and receivables as well as to financial assets or liabilities that are available for sale.

The reported **shares in associated companies**, while categorised as “financial assets available-for-sale”, are stated at acquisition costs. No active market exists for these shares and the fair values cannot be determined reliably through reasonable efforts.

The disclosed **shares** are classified as “available-for-sale financial assets”. After initial recognition they are reported at the fair value resulting from the stock market price as at the reporting date. The profits or losses arising from fair value adjustment are recorded under equity with neutral effect on earnings in accordance with IAS 39. The accumulated profit or loss previously recorded under equity is recorded as earnings at the time when the financial assets are derecognised or when impairment in the value of the financial investment has been determined.

The depreciated acquisition costs of **current receivables** generally correspond to the nominal amount or the repayment amount, respectively.

Recognisable risks are accounted for by recording adequate impairment.

As a general rule, regular purchases and sales of financial assets are stated as at the settlement date.

Deferred Taxes

Deferred taxes are calculated on the basis of the balance sheet liability method (IAS 12). In principle, this involves creating deferred tax assets and deferred tax liabilities for all temporary valuation differences between the values applied according to IFRS and the tax values of balance sheet items. Deferred tax assets were taken into account only where it is expected that they can be realised, however.

In accordance with IAS 12, deferred tax assets are to be recorded for the future use of tax losses carried forward to the extent that it is probable that future taxable income against which the unused tax losses can be offset will be available.

When calculating deferred taxes, the following tax rates were applied:

- Group companies in Germany: 25 % to 32.28 % (PY: 25 %)
- Group companies in the UK: 28 % (PY: 25 %)
- Group companies in France: 33 1/3 % (PY: 33 1/3 %)
- Group companies in Spain: 30 % (PY: 30 %)
- Group companies in Switzerland: 21 %

The tax rates applicable with respect to the German company differ due to differing trade tax factors at the individual sites.

As a general rule, deferred taxes are valued and recorded at the tax rate valid as at the balance sheet date.

Inventories

As a general rule, raw materials and supplies are stated at acquisition cost in accordance with IAS 2. Acquisition costs are determined using the first-in, first-out method as the sub sequential usage method. Finished goods and work in progress are recorded at manufacturing costs, which also contain, in addition to directly allocable costs, fixed and variable manufacturing and material overheads.

The cost of debt is charged to expenditure at the full amount.

Slow-moving items are written down at the lower of acquisition or manufacturing costs and the net realisable value. The net realisable value represents the estimated sales proceeds that are achievable in the normal course of business, net of estimated manufacturing and selling costs.

Receivables, Other Assets

Trade receivables are allocated as financial assets to the category “Loans and Receivables”. They are stated at depreciated acquisition costs since payments are fixed and determinable and no active market exists. Doubtful receivables and receivables involving recognisable risks are subject to adequate value adjustments. Bad debts are written off. Due to a special payment agreement respecting a customer order, the resulting receivable was discounted over its residual term.

Other **receivables** and **other assets** are stated at nominal value or at the lower present value as of the effective date.

Foreign currency receivables are translated at current rates in accordance with IAS 21.

Long term receivables were not discounted since interest rates are based on general market terms and, with respect to the repurchase value of employers’ pension liability insurance concerning employees’ pension claims, the amount shown in the balance sheet that corresponds with the market value of the receivable as of the balance sheet date.

Leasing

In cases where lease agreements qualify as finance leasing within the meaning of IAS 17, the lease asset is capitalised in the balance sheet and the payment obligation respecting future lease instalments is carried as a financial liability using the effective interest method. Treatment as financing leasing leads to a depreciation expense in the income statement which is contingent on the useful life of the lease asset and the financing expense.

The lease instalments or rental payments in the case of operating leases are directly recorded as expense in the income statement.

Own Shares (Treasury Stock)

Acquired own shares are deducted from equity as a special item in the amount of the acquisition costs pursuant to IAS 32.33.

Minority Interest

In accordance with IAS 27, minority interests in the consolidated balance sheet are reported as a separate item under shareholders’ equity. The losses of a consolidated subsidiary attributable to the minority interests that exceed the minority interest in the equity of the subsidiary are charged against the majority interest in consolidated equity to the extent that the minority has a binding obligation to, and is able to, compensate for the losses. Any profits subsequently reported by the subsidiary at a later date are to be allocated in full to the majority interest until the loss share previously taken over by the majority has been refunded to the minority.

Liabilities

Financial liabilities are stated in the balance sheet at depreciated acquisition costs using the effective interest method. They primarily include trade accounts payable and loans received.

Current liabilities are always recorded at their settlement or repayment amount. **Non-current other liabilities** are reported in the balance sheet at their respective repayable amounts.

The depreciated acquisition costs of current liabilities generally correspond to the nominal amount or the repayment amount.

Current liabilities also include liabilities to employees arising from profit-sharing bonuses and other bonuses, Christmas bonus, holidays not taken, and flexi-time surpluses.

Liabilities denominated in foreign currencies are translated at current rates pursuant to IAS 21.

Accruals

The actuarial determination of **pension accruals** is based on the projected unit credit method concerning employee benefits as defined in IAS 19. This method takes future expected salary and pension increases into account, in addition to the pensions and acquired pension entitlements known as at the balance sheet date. Actuarial gains and losses are recognised using the corridor method in accordance with IAS 19.92.

Other accruals are reported in accordance with IAS 37 if a current legal or factual obligation exists as a result of a past event, if the outflow of resources with economic benefit concerning the settlement of this obligation is likely to occur at a probability rate of more than 50%, and if the amount of the obligation can be assessed reliably. Other accruals take all recognisable risks into account. They are stated on the basis of their probable amounts.

Tax accruals include obligations arising from current income taxes.

Stock Option Plan

The stock option program for the Management Board and employees is accounted for in accordance with IFRS 2, using time-adjusted methods and on the basis of option price models. In so doing, the options are measured at the present values applicable on the day of their being granted. The option value determined is distributed and recognised as personnel expense in the income statement over the term of the options.

Sales Realisation

Sales are realised after conclusion of sales contracts and upon delivery of the goods concerned (passage of risk), and upon acceptance in the event of the conclusion of work contracts. Sales from services are realised upon provision of the respective services.

Sales revenues are reported net of VAT, sales reductions and credit notes.

Public Subsidies

Performance-based public subsidies are posted as income in the income statement during the period for which they were granted.

Cost of Debt

Cost of debt is charged to operations at the time of origin.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement was prepared in accordance with the total cost method.

6. Revenues

Details concerning the allocation of revenues are provided in the explanations on segment reporting.

T€ 8 (PY: T€ 8) concern revenues from supplies to Dr. K. Hönle Medizintechnik GmbH that have been delivered at generally accepted market terms.

7. Other Operating Income

	2007/2008 T€	2006/2007 T€
Release of accruals	110	121
Private vehicle use	170	108
Increases in asset values reinsurance (employers' pension liability insurance)	64	83
Income from the disposal of securities	4	34
Off-period income	19	111
Rental income	87	28
Subsidies/investment grant	82	8
Release of debit difference	666	0
Other	452	7
	1,654	500

Other operating income includes public subsidies in the amount of T€ 82 (PY: T€ 8).

8. Cost of Purchased Materials and Services

	2007/2008 T€	2006/2007 T€
Cost of raw materials and supplies and of purchased merchandise	20,623	8,706
Cost of purchased services	1,345	96
	21,968	8,802

9. Personnel Expenses

	2007/2008 T€	2006/2007 T€
Wages and salaries	11,527	6,305
Social security and pension costs	2,395	1,271
	13,922	7,576

In accordance with IFRS 2, overall, personnel expenses include the amount of T€ 13 (PY: T€ 41). The prorated amount attributable to the Dr. Hönle AG Management Board amounts to T€ 2 (PY: T€ 6).

With respect to the stock options, reference is made to paragraph 48.

10. Depreciation and Amortisation including Goodwill

The structure of amortisation/depreciation of property, plant and equipment and of intangible assets is presented in the Schedule of Fixed Assets.

In financial year 2007/2008 no non-scheduled amortisation of goodwill was recorded due to the annual impairment test. More details concerning impairment tests are provided in the comments on fixed assets (paragraph 19).

11. Other Operating Expenses

Other operating expenses are classified as follows:

	2007/2008 T€	2006/2007 T€
Cost of office space	2,090	1,522
Insurance, membership fees and charges	455	274
Maintenance and repair	198	98
Vehicle costs	644	303
Advertising and representation	672	233
Travel expenses	969	220
Shipment, goods delivery, packaging	1,817	1,055
Postage, telephone	244	107
Office supplies, technical literature	111	53
Consulting, bookkeeping, year-end closing costs and costs of being public	931	837
Other costs	546	579
	8,677	5,281

The fixed compensation paid to the Supervisory Board for financial year 2007/2008 amounts to T€ 18. Subject to the approval of the 2009 Shareholders' Meeting concerning the Management Board's and the Supervisory Board's proposal on the appropriation of profits for financial year 2007/2008, the Supervisory Board shall receive additional, variable compensation amounting to T€ 18 for financial year 2007/2008.

Expenses from operating lease agreements amounted to T€ 270 in financial year 2007/ 2008 (PY: T€ 134).

12. Interest Income

	2007/2008 T€	2006/2007 T€
Income from long-term financial investments	71	242
Other interest and similar income	473	474
	544	716

Income from financial assets and other securities primarily relates, at T€ 71 (PY: T€ 220), to distributions of the Dr. Hönle AG securities portfolio and a Hönle France fund investment which is allocated to cash and cash equivalents.

Other interest and similar income relate, at T€ 449 (PY: T€ 412), to interest received from bank balances and deposits.

The amount of T€ 24 (PY: T€ 40) concerns interest received from loans extended to Dr. K. Hönle Medizintechnik GmbH.

13. Interest Expenses

The item Interest and similar Expenses includes interest expenses in the amount of T€ 59 (PY: T€ 31) which are attributable to long term Group loans.

The interest portion for finance leasing agreements included in interest expense amounts to T€ 19 (PY: T€ 1).

The interest expense also includes the amount of T€ 13 which is attributable to pension benefits concerning surviving dependents of former managing directors.

14. Income Tax

Actual and deferred tax expenses and income are structured as follows:

	2007/2008 T€	2006/2007 T€
Actual income tax expense and income:		
Actual income tax expense for the period	1,637	1,761
Expenses/income relating to off-period income taxes	0	-21
	1,637	1,740
Deferred tax expense and income:		
from a change in fixed assets	14	-54
from a change in current assets	36	0
from a change in accruals	-63	19
from a change in liabilities	-32	0
from a change in losses carried forward	-192	34
from a change in the deferred tax rate	0	35
from consolidation effects	-61	20
from other valuation differences	0	6
	- 298	60
Total tax expense	1,339	1,800

The following overview represents the transition between the tax expense which would result when applying the current German tax rate of 25 % of the Group parent (corporation tax, solidarity surcharge, trade tax), and the tax expense in the consolidated financial statements prepared in accordance with IFRS:

	2007/2008 T€	2006/2007 T€
Earnings before income taxes	5,908	4,967
Theoretical tax rate in %	25.0	36.0
Computed tax expense	1,477	1,788
Changes in the computed tax expenses due to:		
- deviating tax assessment base	- 191	30
- off-period effects	-3	-21
- deviating local tax rates	64	-32
- tax rate changes	0	35
- other	-8	0
Actual tax expense	1,339	1,800
Effective Group tax rate in %	22.7	36.2

The table below reflects the tax rates applicable in the respective countries and used for the calculation of deferred taxes:

	Germany %	Switzerland %	England %	France %	Spain %
Corporation tax / income tax	15.0	21.0	28.0	33.33	30.0
Addition tax on income tax	0.8				
Trade tax	9.2				
Total	25.0	21.0	28.0	33.33	30.0

15. Minority Interest

Minority shares in the results for the financial year are made up as follows:

	2007/2008 T€	2006/2007 T€
Profit shares:		
Aladin GmbH	153	170
Honle Spain S.A.	13	10
PrintConcept GmbH	26	0
Adphos Eltosch Service GmbH	54	0
Eleco Produits EFD, SAS	0	0
Megadustries S.a.r.l., Martinique	3	0
Megadustries S.a.r.l., Guadeloupe	0	0
Loss shares:		
Wellomer GmbH	- 41	- 26
	208	154

16. Off-Period Expenses and Income

The item “Other operating income” includes off-period income in the amount of T€ 19 (PY: T€ 119), and T€ 110 (PY: T€ 121) from the release of accruals.

The item “Other operating expenses” includes off-period expense in the amount of T€ 122 (PY: 146). Of this amount, T€ 19 are attributable to consulting services, T€ 6 to insurance, T€ 8 to fees, and T€ 5 to subsequent commission payments.

17. Research and Development Costs

Research and development costs are recorded as expense as they accrue. Development costs are not capitalised since the Hönle Group does not fully meet the capitalisation requirements defined in IAS 38 “Intangible Assets”, or because the amounts to be capitalised are immaterial due to the short time span between technical feasibility and actual market launch.

The expenses for order-independent research and development recorded during the reporting period amount to T€ 900 (PY: T€ 672).

18. Earnings per Share

In accordance with IAS 33, earnings per share are determined by dividing the share in earnings attributable to Dr. Hönle AG shareholders by the weighted average of the number of shares issued during the period.

The weighting of the average number of shares or of potential shares, respectively, takes the date of share issuance or the date of subscription rights to potential shares into consideration. The average number of own shares (320,193 shares of stock) was deducted from the weighted number of shares both in the undiluted and in the diluted earnings per share.

Undiluted earnings per share.

	2007/2008	2006/2007
Portion attributable to Dr. Hönle AG shareholders in T€	4,361	3,013
Weighted number of shares of stock	5,512,930	5,470,649
Net of own shares	-320,193	-289,543
Number of shares included in calculation	5,192,737	5,181,106
Undiluted earnings per share in €	**0.84**	**0.58**

In accordance with IAS 33, the determination of diluted earnings is based on the assumption that all potentially diluted shares (subscription rights within the scope of the employee participation program) are converted into shares.

Diluted earnings per share

	2007/2008	2006/2007
Portion attributable to Dr. Hönle AG shareholders in T€	4,361	3,013
Weighted number of shares of stock	5,512,930	5,470,649
Net of own shares	-320,193	-289,543
Weighted number of potential shares of stock	156,892	217,415
Number of shares included in calculation	5,349,629	5,398,521
Diluted earnings per share in €	**0.82**	**0.56**

NOTES TO THE CONSOLIDATED BALANCE SHEET

19. Non Current Assets

Fixed assets include the following balance sheet items:

- Intangible assets
- Property, plant and equipment
- Goodwill
- Financial assets

The development of acquisition costs, accumulated amortisation/depreciation, value adjustments neutral in their effect on profits, and the book values of fixed assets are shown in the Schedule of Fixed Assets.

Schedule of Consolidated Fixed Assets of Dr. Hönle AG for the period from 1 October 2007 to 30 September 2008

	Purchase and manufacturing costs							Accumulated depreciation								Book Value	
	as at 01.10.07 T€	Change in the consoli-dated group	Addi-tions T€	Dis-posals T€	Trans-fers T€	Cur-rency differ-ences T€	as at 30.09.08 T€	as at 01.10.07 T€	Change in the consoli-dated group	Addi-tions T€	Write-ups T€	Dis-posals T€	Cur-rency differ-ences T€	as at 30.09.08 T€	Re-valu-ation T€	30.09.08 T€	30.09.07 T€
INTANGIBLE ASSETS																	
Brand names	0	127	0	0	0	0	127	0	0	6	0	0	0	6	0	121	0
Customer base and other rights	0	909	0	0	0	0	909	0	0	113	0	0	0	113	0	796	0
Computer software	481	723	107	2	43	0	1,352	401	673	82	0	2	0	1,154	0	198	80
Licenses and franchise agreements	0	50	0	0	0	0	50	0	28	2	0	0	0	30	0	20	0
Patents and other industrial property rights	347	250	6	12	0	0	591	41	0	53	0	0	0	94	0	497	306
Procedures, models, drafts and prototypes	595	144	0	0	0	0	739	240	0	70	0	0	0	310	0	429	355
Advance payments received and intangible assets concerning development	68	0	0	0	- 43	0	25	0	0	0	0	0	0	0	0	25	68
	1,491	2,203	113	14	0	0	3,793	682	701	326	0	2	0	1,707	0	2,086	809
TANGIBLE ASSETS																	
Land and buildings	1,293	1,485	1	3	0	0	2,776	90	186	66	0	0	0	342	0	2,434	1,203
Technical equipment and machines	2,646	673	236	9	73	0	3,619	955	555	266	9	0	0	1,767	0	1,852	1,691
Other equipment, factory and office equipment	1,926	2,964	476	104	0	- 4	5,258	1,067	2,181	375	26	78	- 1	3,516	0	1,742	859
Payments on account	73	0	17	0	- 73	0	17	0	0	0	0	0	0	0	0	17	73
	5,938	5,122	730	116	0	- 4	11,670	2,112	2,922	707	35	78	- 1	5,625	0	6,045	3,826
GOODWILL	391	6,564	0	0	0	0	6,955	28	0	0	0	0	0	28	0	6,927	363
FINANCIAL ASSETS																	
Shares in associated companies	51	0	0	25	0	0	26	25	0	0	0	25	0	0	0	26	26
Long term investments	543	0	0	0	0	0	543	63	0	0	0	0	0	63	- 262	218	320
	594	0	0	25	0	0	569	88	0	0	0	25	0	63	- 262	244	346
	8,414	13,889	843	155	0	- 4	22,987	2,910	3,623	1,033	35	105	- 1	7,423	- 262	15,302	5,344

Schedule of Consolidated Fixed Assets of Dr. Hönle AG
for the period from 1 October 2006 to 30 September 2007

	Purchase and manufacturing costs					Accumulated depreciation					Book Value	
	as at 01.10.06 T€	Additions T€	Disposals T€	Umbuchungen T€	as at 30.09.07 T€	as at 01.10.06 T€	Additions T€	Disposals T€	as at 30.09.07 T€	Revaluation T€	30.09.07 T€	30.09.06 T€
INTANGIBLE ASSETS												
Computersoftware	459	34	12	0	481	355	58	12	401	0	80	104
Patents and other industrial property rights	356	29	38	0	347	10	31	0	41	0	306	346
Procedures, models, drafts and prototypes	595	0	0	0	595	180	60	0	240	0	355	415
Advance payments received and intangible assets concerning development	25	43	0	0	68	0	0	0	0	0	68	25
	1,435	106	50	0	1,491	545	149	12	682	0	809	890
TANGIBLE ASSETS												
Land and buildings	1,276	17	0	0	1,293	56	34	0	90	0	1,203	1,220
Technical equipment and machines	2,419	227	0	0	2,646	734	221	0	955	0	1,691	1,685
Other equipment, factory and office equipment	1,675	292	67	26	1,926	870	264	67	1,067	0	859	805
Payments on account	26	73	0	-26	73	0	0	0	0	0	73	26
	5,396	609	67	0	5,938	1,660	519	67	2,112	0	3,826	3,736
GOODWILL	181	210	0	0	391	28	0	0	28	0	363	153
FINANCIAL ASSETS												
Shares in associated companies	51	0	0	0	51	25	0	0	25	0	26	26
Long term investments	6,688	0	6,145	0	543	67	0	4	63	-160	320	6,428
	6,739	0	6,145	0	594	92	0	4	88	-160	346	6,454
	13,751	925	6,262	0	8,414	2,325	668	83	2,910	-160	5,344	11,233

Intangible Assets

Brands, customer bases and also manufacturing technology were acquired within the course of acquisition processes during financial year 2007/2008 and were capitalised as intangible assets in fixed assets. The capitalised order portfolios acquired in this context were written down over a one-year period.

The item also includes capitalisable external development services and adjustment expenses concerning ERP software.

Intangible assets are amortised over a useful life of between 1 - 15 years applying the straight line method.

Property, Plant and Equipment

- **Land and Buildings**

This item includes the Aladin GmbH business premises which were acquired by Dr. Hönle AG in financial year 2004/2005. Depending on the respective type of use, the building is written down over a period of between 10, 33.33 or 50 years. In order to provide collateral for the property loan, a first mortgage of T€ 800 was taken out in favour of the lender (cf. paragraph 28).

The item also includes a Domino S.a.r.l. business building which was acquired within the framework of a finance lease. The book value as at 30 September 2008 amounts to T€ 769. The building is depreciated straight line over a useful life of 33.33 years. Correspondingly, a finance lease liability was reported on the liability side (paragraph 29). Due to the existing lease relationship, availability of the building is limited. A purchase option in force at the end of the contract term will be made use of, according to current planning.

- **Technical Equipment and Machines**

The assets disclosed under this item are depreciated over their useful lives of between 3 to 19 years applying the straight line method.

- **Other Equipment, Factory and Office Equipment**

Assets shown under this item are depreciated over their regular useful lives of between 1 to 21 years, applying the straight-line method of depreciation.

The factory and office equipment includes vehicles which were acquired within the framework of a finance lease. The vehicles' book values amounted to T€ 65 as of 30 September 2008. A corresponding finance lease liability was reported on the liability side (paragraph 29). Due to the existing lease relationships, availability of the vehicles is limited. The agreed upon purchase option at the end of the contract term is to be made use of, according to current planning.

Goodwill

The goodwill disclosed consists of the following:

	30.09.2007 T€	Additions 2007/2008 T€	30.09.2008 T€
Dr. Hönle AG (respecting Dr. K. Hönle Produktionsgesellschaft mbH)	285	0	285
Honle UV UK Ltd.	18	0	18
Honle UV France S.a.r.l.	60	0	60
Eleco Produits EFD, SAS	0	3	3
PrintConcept GmbH	0	1,999	1,999
Eltosch Torsten Schmidt GmbH	0	4,502	4,502
Adphos Eltosch Service GmbH	0	60	60
	363	6,564	6,927

Goodwill values from business combinations are allocated to those cash-generating units or groups of cash-generating units that draw benefit from the combinations. In the Dr. Hönle Group, goodwill values in the amount of T€ 6,927 (PY: T€ 363) were allocated exclusively to a group of cash-generating units which form the equipment and systems business segment.

The achievable amount for this group of cash-generating units is determined in order to perform an impairment test in accordance with IAS 36. The achievable amount is the higher amount from the fair value of the cash generating unit net of any sales costs and their usage value. The achievable amount concerning the equipment and systems business segment is determined on the basis of the usage value.

The usage value is the cash value of future cash flows that are expected from the continued use of cash generating units and their disposal at the end of their useful life. The usage value is determined using the discounted cash flow method on the basis of current corporate planning data in accordance with IAS 36. The planning horizon is five years. A weighted average capital cost rate (WACC) is used to discount the cash flows.

The cash flow projection is based on the profits/losses of the individual Group companies which are determined within the scope of a detailed planning process using internal historical values and external economic data. Planning is based, in particular, on assumptions concerning sales development, sales prices as well as purchase prices for materials and primary products. The assumptions take cost-reducing measures already taken as well as replacement investments into account. Revenue growth rates in the planning period range between +0.6 % and + 5 %.

Following the five-year planning horizon, growth rates of 1 % are assumed for the following cash flows. The growth rates are not higher than the long-term industry growth in the sectors of industry in which the cash generating units are engaged.

The usage value of the cash generating units is determined on the basis of these cash flow projections, using a capital cost rate before income tax of 9.754 %. In the previous year, cash generating units were created on the basis of other internal structures. The capital cost rates before income tax were between 12.844 % and 15,413 % for purposes of the impairment tests to be performed.

The impairment test performed did not indicate a need for devaluation. The Management Board is of the opinion that, according to reasonable judgement, a possible change in the basic assumptions on which the determination of the achievable amount is based will not lead to the accumulated book value of the cash generating units exceeding their accumulated achievable amount.

Financial Assets

This item includes **shares in associated companies** in the amount of T€ 26; they relate exclusively to the 100% investment in Solitec GmbH. The company was not included in the consolidated group due to its insignificance for the Group.

The item also includes **long term investments.**

These concern exclusively globally operating corporations.

Any changes in the market value of these shares are recorded in the special item revaluation, under equity with neutral effect on profits. Amounts released are recorded as income upon sale, or under acquisition costs in the event of a lasting decline in market value.

As at the balance sheet date, the stock market value of the shares held was T€ 218 (PY: T€ 320). As a consequence of the present value adjustment as of 30 September 2008, a reduction of the special item revaluation was recorded with respect to the shares held as of the balance sheet date. Overall, the special item revaluation declined by T€ 102 and amounted to T€ -262 (PY: T€ -160) on 30 September 2008.

20. Other Non-Current Assets

	30.09.2008 T€	30.09.2007 T€
Loans	205	419
Asset value, employers' pension liability insurance	468	404
Other	57	3
	730	826

The loans mainly include annuity loans extended by Dr. Hönle AG to Dr. K. Hönle Medizintechnik GmbH which are fully secured through guaranties issued by Prof. Dr. Hönle and another shareholder of Dr. K. Hönle Medizintechnik GmbH.

The residual book value of the loans amounted to T€ 279 (PY: T€ 549) as at 30 September 2008. The non-current portion amounts to T€ 195 (PY: T€ 419); the current portion of T€ 84 (PY: T€ 130) is disclosed under the item: Other current assets (cf. paragraph 24).

The loans extended to Dr. K. Hönle Medizintechnik GmbH bear an interest rate of 6.5 %, respectively, and are due to expire on 31 October 2008 or on 31 October 2011, respectively. One of the loans with a residual value of T€ 3 will be repaid by 31 October 2008. The annuity for the remaining loan amounts to T€ 96 in the following year and T€ 106, respectively, in the following years.

21. Deferred Taxes

Tax deferrals recorded are to be allocated to the following balance sheet items or issues:

	30.09.2008		30.09.2007	
	Asset T€	Liability T€	Asset T€	Liability T€
Fixed assets	7	282	9	3
Current assets	8	275	0	163
Accruals	182	128	25	0
Liabilities	181	0	0	0
Tax losses carried forward	465	0	273	7
- deferred taxes on losses	465	0	273	7
- value adjustment	0	0	0	0
Consolidation effect	58	667	15	0
Total before netting and set-off	901	1,352	322	173
Netting of deferred tax assets/liabilities	- 364	- 364	0	0
Total	537	988	322	173

In accordance with IAS 12, deferred tax assets can be capitalised for unused tax losses carried forward to the extent that future taxable income is likely to be available against which the unused tax losses can be offset. Value estimates are based on annual planning from which predictions concerning the use of tax losses in the future can be derived.

The Wellomer GmbH, Honle Spain S.A., Honle UV UK Ltd., Domino S.a.r.l. and Eltosch Torsten Schmidt GmbH subsidiaries also recorded tax losses carried forward as of 30 September 2008. The losses carried forward by Honle Spain S.A., Wellomer GmbH, Domino S.a.r.l. and Eltosch Torsten Schmidt GmbH were fully set off against deferred tax assets. The deferred tax assets on losses carried forward by Honle UV UK Ltd. can be set off at the amount of the offsettable deferred tax liabilities concerning temporary differences from debt consolidation between Dr. Hönle AG and Honle UV UK Ltd.. Deferred taxes in the amount of T€ 3 remain, which were not included in valuation.

22. Inventories

Inventories are made up as follows:

	30.09.2008 T€	30.09.2007 T€
Raw materials and supplies, incl. descriptive material (at acquisition costs)	8,020	3,964
less depreciation	1,065	476
	6,955	3,488
Finished goods and merchandise (at acquisition or manufacturing costs)	4,541	1,595
less depreciation	549	342
	3,992	1,253
Advance payments made	92	0
	11,039	4,741

The book value of inventories disclosed at their net realisable value (fair value) amounts to T€ 2,816 (PY: T€ 332).

In the 2007/2008 reporting period, inventories amounting to T€ 19,927 (PY: T€ 8,627) were recorded as expense and the amount of T€ 694 (PY: T€ 85) was expensed as impairments of inventories.

The inventories disclosed are subject to retention of title only as is usual within the scope of purchase contracts.

23. Trade Accounts Receivable

Trade Accounts Receivables are made up as follows:

	30.09.2008 T€	30.09.2007 T€
Total trade receivables	10,932	4,806
less value adjustments	542	137
	10,390	4,669

The fair values of trade receivables correspond to book values. Value adjustments concern receivables which most probably cannot be collected. The residual term of trade receivables is less than one year, with the exception of T€ 58 (PY: T€ 55).

As of the balance sheet date, no trade accounts receivable were recorded from Dr. K. Hönle Medizintechnik GmbH (PY: T€ 2).

Value adjustments concerning trade accounts receivable developed as follows:

	2007/2008 T€	2006/2007 T€
As at 1 October	137	153
Change in consolidated group	414	0
- Utilisation	-123	-64
- Release (without utilisation)	-197	-3
- Addition	311	51
- Currency differences	0	0
as at 30 September	542	137

24. Other Current Assets

	30.09.2008 T€	30.09.2007 T€
Prepaid expenses	308	226
Other current assets	724	409
	1,032	635

Prepaid expenses consist of the following:

	30.09.2008 T€	30.09.2007 T€
Insurance	75	0
Maintenance agreements	40	0
Trade fairs	66	0
Other	127	226
	308	226

The other assets disclosed are not subject to restraints concerning ownership or disposal.

The other current assets are structured as follows:

	30.09.2008 T€	30.09.2007 T€
Receivables from Supervisory Board members	24	23
VAT	323	23
Bonus claims due from supplier relationships	39	0
Short term portion of loan	108	130
Deferred interest	24	123
Receivables from promised investment grants	17	0
Receivables from employees	77	0
Other	112	110
	724	409

The disclosed book values correspond to fair values. Residual terms are less than one year.

Short term receivables from Supervisory Board members in the amount of T€ 24 (PY: T€ 23) are subject to interest at a rate of 6 %; collateral was not provided.

The short term repayment proportion of the annuity loan extended to Dr. K. Hönle Medizintechnik GmbH amounts to T€ 84 (PY: T€ 130). The long term portion is included in the item "Other long term assets" (cf. paragraph 20).

25. Tax Refund Claims

Tax refund claims consist of the following:

	30.09.2008 T€	30.09.2007 T€
Dr. Hönle AG	324	180
Honle UV UK Ltd.	4	0
Aladin GmbH	26	0
Wellomer GmbH	3	49
PrintConcept GmbH	118	0
Eltosch Torsten Schmidt GmbH	82	0
	557	229

This item includes a receivable of T€ 177 (PY: T€ 87) from capitalisation of a claim for payment of the corporation tax credit pursuant to Section 37 KStG n.v. at present value concerning Dr. Hönle AG and Eltosch Torsten Schmidt GmbH.

26. Liquid Assets

Liquid assets include cheques, cash in hand and bank balances. This item also represents cash and cash equivalents relevant to the cash flow statement within the meaning of IAS 7.

Bank credit balances are held with various banks at annual interest rates of approximately 0.5% to 4.35%.

27. Shareholders' Equity

Equity Capital Management

In addition to achieving adequate interest on the equity capital utilised, the Hönle Group aims at keeping the equity capital ratio and pertaining liquidity reserves at a continuously high level to enable further growth through acquisitions and to increase the corporate value.

With respect to changes in equity capital in financial year 2007/2008 reference is made to the statement of changes in consolidated equity.

Subscribed Capital

The subscribed capital (share capital) amounts to € 5,512,930. Accordingly, one share of stock grants a computational share of € 1.00 in corporate capital. The shares of stock are made out to the bearer.

As of 30 September 2008, shares issued and outstanding were as follows:

	30.09.2008 Share of stock	30.09.2007 Share of stock
Number of shares issued	5,512,930	5,512,930
less own shares	325,839	290,289
Shares in circulation	5,187,091	5,222,641

Own Shares (Treasury Stock)

The shareholders' meetings in previous years authorised Dr. Hönle AG to acquire up to a total of 10% of the respective share capital pursuant to Section 71 (1) No. 8, AktG.

At the Shareholders' Meeting held on 29 February 2008, a resolution was passed to again authorise Dr. Hönle AG to acquire treasury stock up to a total of 10 % of the share capital of € 5,512,930 by 31 August 2009 pursuant to Section 71 (1) No. 8, AktG. The Company may not use the authorisation to trade in own shares.

Within the scope of these authorisations, shares were acquired as follows:

Financial year	2001/2002	2002/2003	2005/2006	2006/2007	2007/2008	Total
Number of own shares	23,039	120,000	142,250	5,000	35,550	325,839
Acquisition costs in T€	120	823	1,235	41	312	2,531
Average acquisition costs per share in €	5.20	6.86	8.68	8.05	8.77	7.77

In accordance with IAS 32, own shares are accounted for as a deduction of acquisition costs at a total amount of T€ 2,531; they are disclosed in an equity capital adjustment item. The average share price for all own shares held is € 7.77. The market price of own shares as of 30 September 2008 amounts to T€ 2,362 (PY: T€ 2,398).

Pursuant to Section 71b AktG, Dr. Hönle AG is not entitled to any rights arising from its own shares; in particular, these shares do not entitle to dividends.

Additional paid-in Capital

Additional paid-in capital is made up as follows:

	30.09.2008 T€	30.09.2007 T€
Additional paid-in capital, financial year 1999	51	51
Capital increase due to IPO in financial year 2000/2001	17,600	17,600
Allocation of costs due to IPO (fictitious tax effect included)	- 1,186	-1,186
Additional paid-in capital due to the exercising of stock options	55	55
Change due to IFRS 2	271	258
Change due to the acquisition of minority interest	125	0
	16,916	16,778

Legal Reserve

The legal reserve was set up in accordance with Section 150 AktG [German Stock Corporation Act].

Special Item Revaluation

The special item revaluation, in the amount of T€ -262 (PY: T€ -160) as of 30 September 2008 includes value adjustments arising from changes in “available-for-sale assets” which were measured at present value. The change in the present values of shares still held in the stock portfolio amounts to T€ -102.

Retained Earnings

The previous year's consolidated retained earnings amounted to T€ 8,320. The Dr. Hönle AG dividend distribution for financial year 2006/2007 amounted to T€ 2,076 (or € 0.40 per share entitled to dividend). Taking the share in earnings attributable to Dr. Hönle AG shareholders in the amount of T€ 4,361 for 2007/2008 into account, the consolidated retained earnings as at 30 September 2008 amount to T€ 10,605.

The Dr. Hönle AG Management Board and Supervisory Board propose to the Annual General Meeting 2009 that a dividend of € 0.25 per share entitled to dividend be paid. This corresponds to T€ 1,297 (PY: T€ 2,076).

Authorised Capital 2005

In accordance with a resolution passed by the Shareholders' Meeting on 16 March 2005, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital by up to T€ 2,620, through one or several issues of new, no-par shares (common stock), made out to the bearer, by 15 March 2010, in exchange for cash contributions and/or contributions in kind. With the approval of the Supervisory Board, the Management Board is authorised to wholly or partly exclude shareholders' subscription rights in certain instances.

Conditional Capital

Stock Option Plan 2002 of 27 February 2002

The Shareholders' Meeting on 20 November 2000 passed a resolution concerning a conditional increase in share capital by up to T€ 364 for the purpose of servicing option rights; the Management Board was authorised to issue these options in accordance with the stock option programme (Employee Participation Program).

Stock Option Plan 2004 of 26 February 2004

In order to enable the Company to grant further stock options to employees, the 2004 Shareholders' Meeting resolved one new conditional capital ("Conditional Capital II") in the amount of T€ 160.

For more details on existing stock option programmes, see paragraph 48.

Minority Interest

Minority interest is structured as follows:

	30.09.2008 T€	30.09.2007 T€
Aladin GmbH	515	360
Honle Spain S.A.	54	41
Wellomer GmbH	0	186
PrintConcept GmbH	249	0
Eleco Produits EFD, SAS	1	0
Megadustries S.a.r.l., Guadeloupe	8	0
Megadustries S.a.r.l., Martinique	14	0
	841	587

When recognising subsidiaries' profits/losses that are attributable to minority shares, netting with losses incurred by the respective companies and not yet taken over from previous years was taken into account.

28. Non-Current Loans (less Current Portion)

This item includes mainly a bank loan in the amount of T€ 776 used to finance acquisition of the Aladin GmbH business premises. The non-current portion amounts to T€ 729. The loan is due to expire in 2025, and will be repaid in 34 semi-annual instalments starting from September 2008. The interest rate is 3.90% (from March 2005). Collateral covering the full amount was granted to the lender in the form of a first mortgage.

29. Finance Lease Obligations

The finance lease obligations include the present values of minimum lease instalments for one building and several vehicles (passenger cars). The portions that fall due within one year are disclosed in the balance sheet as current lease obligations. The present values of minimum lease instalments due after one year are reflected under non-current finance lease obligations.

The liabilities arising from the finance lease relationship developed as follows:

As at 30.09.2008	Residual term, up to one year T€	Residual term, between one and five years T€	Residual term, more than five years T€
Minimum lease payment	126	306	0
Interest portion	22	26	0
Present value	104	280	0

As at 30.09.2007	Residual term, up to one year T€	Residual term, between one and five years T€	Residual term, more than five years T€
Minimum lease payment	5	2	0
Interest portion	0	0	0
Present value	5	2	0

30. Other Non-Current Liabilities

This item includes a loan vis à vis a shareholder of the newly acquired subsidiaries with a residual book value of T€ 100. The loan has been concluded for an indefinite period of time and is interest-bearing at an annual rate of 5 %. Repayment agreements have not been concluded.

A further loan concerns an external supplier. The loan is interest-bearing at a rate of 10 %. The current repayment portion is T€ 28 and is disclosed under current liabilities. The non-current portion amounts to T€ 232.

31. Pension Accruals

Pension accruals are set up to cover pension commitments associated with old age, invalidity, and surviving dependents' benefit plans.

The pension accruals concerning defined benefit plans are determined in accordance with IAS 19, applying the projected unit credit method; i.e., future commitments are calculated on the basis of pension benefits accrued as of the balance sheet date. Trend assumptions concerning the relevant parameters that have an impact on future commitments are taken into account. This relates, in particular, to the fluctuation of future salary trends and the respective applicable interest rate.

Pension accruals concern pension commitments to employees of Group companies in Germany and to employees of the French subsidiaries. As a general rule, pension entitlements are acquired after two years of service.

Benefits concerning surviving dependents of former managing directors are included in pension accruals in the amount of T€ 207.

Pension accruals were as follows as at the balance sheet date:

	30.09.2008 T€	30.09.2007 T€
Present value of pension obligation as at the balance sheet date	1,228	1,359
Additions due to business combinations	428	0
Actuarial gains (+) losses (-) not recorded in the balance sheet	109	-136
	1,765	1,223

Actuarial gains or losses result from portfolio changes and deviations from actual trends (e.g. income or interest increases), in comparison with calculation assumptions.

With the exception of a sub-amount of T€ 31, the pension commitment recorded in the balance sheet is not fund-financed.

The income statement for the financial year includes the following pension commitment expenses:

	2007/2008 T€	2006/2007 T€
Current service expense	81	77
Redemption amount concerning actuarial losses	- 1	3
Redemption amount concerning retrospective pension plan changes	0	0
Interest expense	75	60
	155	140

The interest expense includes the amount of T€ 13 which is attributable to pension benefits concerning surviving dependents of former managing directors.

Movements within pension commitments were as follows in the reporting year:

	30.09.2008 T€	30.09.2007 T€
Carrying value of pension commitment at beginning of the year	1,223	1,113
Additions due to business combinations	419	0
Expense as above	155	140
Current pension payments at the expense of pension accrual	- 32	-30
	1,765	1,223

The Company assumes that the pension commitment in the amount of T€ 1,730 will be met after more than 12 months.

The following actuarial assumptions served as a basis for determining the carrying value of the pension commitment:

	01.10.2008	01.10.2007	01.10.2006
Discount rate	6.25%	5.25%	4.75%
Rate of increase in pension payments	2.00%	2.00%	1.50%

Actuarial gains and losses of T€ 109 (PY: T€ - 136) which were not recorded as of 30 September 2008 include, inter alia, the effect of changes in the discounting rate as of 1 October 2008 and 1 October 2007, respectively.

The following overview reflects the development of present values of the pension commitment and the fair values of the plan assets over the last five balance sheet days:

	30.09.2008 T€	30.09.2007 T€	30.09.2006 T€	30.09.2005 T€	30.09.2004 T€
Present value of pension commitment as at the balance sheet date	1,656	1,359	1,297	1,258	765
Fair values of plan assets	31	0	0	0	0

32. Trade Accounts Payable

Trade accounts payable are reported at repayment amounts. Given the short payment periods concerning these liabilities, the respective amounts are in line with the market value of the liabilities.

33. Liabilities to Associated Companies

This item relates to the internal account with Solitec Gesellschaft für technischen Produktvertrieb mbH.

34. Advance Payments Received

Advance payments received on account of orders relate to payments from customers for services not yet provided by the Company. The amounts are shown net and do not include VAT.

35. Current Bank Liabilities and Current Portion of Non-Current Loans

As a general rule, liabilities to banks are stated at the respective repayable amounts.

Short term liabilities to banks amounted to T€ 279 (PY: T€ 0) at the end of the reporting period.

Current account credit lines granted by banks totalled T€ 2,090 (PY: T€ 1,690) as at 30 September 2008; when drawn upon, these credit lines are subject to the usual market interest rates.

36. Other Current Liabilities

	30.09.2008 T€	30.09.2007 T€
Wage tax and VAT	549	159
Social security contributions	239	47
Profit sharing bonus and other bonuses	1,056	484
Christmas bonus	460	332
Holidays not taken	400	187
Flexi time surpluses	94	87
Other personnel-related liabilities	273	68
License liabilities and similar liabilities	93	0
Purchase price obligations	1,059	0
Other	297	76
	4,520	1,440

The liabilities concerning profit sharing bonuses and other bonuses relate to performance-based sales remuneration and obligations concerning profit sharing bonuses to the management boards and directors of individual consolidated group companies.

The liabilities for Christmas bonus were set up to account for appropriate Christmas allowance allocation (10/12). A respective mark-up was calculated for employers' social security contributions.

The liabilities for holidays not taken were determined on a pro rata temporis basis due to the deviating financial year. A respective mark-up was calculated for employers' social security contributions.

The flexi-time surpluses liability relates to employees' overtime account credits which are stated including employers' social security contributions.

The liabilities for Supervisory Board compensation amount to T€ 36 (PY: T€ 36). The fixed Supervisory Board compensation amounted to T€ 18 in financial year 2007/2008. Subject to a resolution of the upcoming 2009 Shareholders' Meeting concerning the appropriation of profits for financial year 2007/2008 as proposed by the Board of Management and the Supervisory Board, the latter shall receive additional, variable compensation of T€ 18 for financial year 2007/2008.

The item also includes the amount of T€ 112 for accrued wage liabilities to former employees.

37. Other Accruals

The following disclosures concerning the other accruals are to be made in accordance with IAS 37:

	As at 01.10.2007 T€	Change in the consolidated group T€	Utilisation T€	Release T€	Addition T€	As at 30.09.2008 T€
Contractual obligations vis à vis third parties:						
Warranties and guaranties	141	254	140	51	296	500
Renovation costs	136	0	0	0	26	162
Invoices outstanding	252	788	778	52	549	759
Other	60	166	180	7	145	184
Total	589	1,208	1,098	110	1,016	1,605

The accruals for **warranties and guaranties** relate to warranties provided with or without a legal obligation to do so and to the cost of reworking as a result of returns. As a general rule, the accrual is calculated at 0.5% of risk-prone revenue, whereby the percentage rate is derived from historical values.

The accrual for **renovation costs** concerns mainly renovation obligations following the vacating of rented business premises at Gräfelfing. Overall, Dr. Hönle AG presently assumes a volume of app. T€ 240. The amount is based on the obligations arising from the rental contract and on estimates following consultations with the respective firms and experts.

The accrual for **invoices outstanding** was recorded for invoices received during the new financial year and relating to the reporting period, as well as for invoices expected for supplies and services provided during the reporting period. In addition, the item includes the expected cost of preparation and audit of the annual financial statements of consolidated companies and the consolidated financial statements, including publication. The amounts stated are based on agreed upon supply conditions and arrangements.

The expected **outflow of cash** concerning these accruals is as follows:

	30.09.2008 in %	30.09.2007 in %
In the following year	89	76
In the following 2 - 5 years	10	24
In the following 6 - 10 years	1	0
	100	100

The expected cash outflow in the following 2 to 5 years relates solely to renovation costs concerning the rented buildings up to the end of the contract term.

38. Tax Accruals

Tax accruals were set up in the amount of expected actual payment obligations concerning income taxes for both the financial year and previous years.

OTHER DISCLOSURES

39. Contingent Liabilities

In addition to existing liabilities which are covered by accruals, no significant obligations exist currently, that may occur as a consequence of future uncontrollable events.

No guaranties were extended to parties outside the Group.

40. Contingent Receivables

There are no contingent receivables as defined under IAS 37.

41. Other Financial Obligations

Other financial obligations of the Group are as follows:

	Annual obligation		Total obligation	
	30.09.2008 T€	30.09.2007 T€	30.09.2008 T€	30.09.2007 T€
Equipment lease agreements	262	151	546	305
Room rental contracts	2,021	1,277	8,743	5,578
	2,283	1,428	9,289	5,883

42. Management of Financial Risks

Risk Management Principles

Within the scope of its operative activities, the Dr. Hönle Group is exposed to risks that are also dealt with in the Management Report.

Since possible risks are considered to be low at the time being, no derivatives are applied as at the balance sheet date to limit the financial risks within the Hönle Group.

Significant risks associated with financial assets and debts are allocated to liquidity, credit and market risks.

Liquidity Risks

Basically, liquidity risks relate to the Hönle Group not being able to comply with its obligations that result from financial liabilities.

One of the Hönle Group's management targets is a sustained increase in the operative cash flow. In this context, the liquidity situation is monitored on an ongoing basis.

According to our current planning, no liquidity bottlenecks are recognisable within the Hönle Group at present.

The following tables reflect the contractually agreed interest and repayments concerning all liabilities:

As at 30.09.2008	Residual term up to 1 year		Residual term between 1 and 5 years		Residual term more than 5 years		Total amount	
	Interest T€	Repayment T€	Interest T€	Repayment T€	Interest T€	Repayment T€	Interest T€	Repayment T€
Liabilities to banks	31	279	101	202	127	541	259	1,022
Trade accounts payable	0	5,427	0	0	0	0	0	5,427
Other financial liabilities	42	4,733	71	513	8	267	121	5,513
Total	73	10,439	172	715	135	808	380	11,962

As at 30.09.2007	Residual term up to 1 year		Residual term between 1 and 5 years		Residual term more than 5 years		Total amount	
	Interest T€	Repayment T€	Interest T€	Repayment T€	Interest T€	Repayment T€	Interest T€	Repayment T€
Liabilities to banks	32	24	108	188	149	588	289	800
Trade accounts payable	0	802	0	0	0	0	0	802
Other financial liabilities	0	1,547	0	3	0	128	0	1,678
Total	32	2,373	108	191	149	716	289	3,280

Credit Risks

The credit risk refers to the default risk inherent in financial liabilities.

Amounts outstanding are continuously monitored within the course of receivables management. The financial performance of key account customers is also monitored on a permanent basis. Contracts are in some instances secured on the basis of credit information. Credit information is also obtained with respect to new customers or changes in the payment pattern.

The book values of financial assets represent the maximum default risk in the event that contracting partners should fail to meet their payment obligations.

Any default risks discernible as at the balance sheet date are subject to respective value adjustments.

The age structure of non value-adjusted trade accounts receivables is as follows:

Age structure of overdue receivables	Net	Thereof not yet due	Thereof overdue but not yet value-adjusted		
			< 90 days	90 to 180 days	>180
	T€	T€	T€	T€	T€
Trade accounts receivable	10,390	7,588	998	832	972

The other assets do not include any overdue items.

Market Risks

The market risk is classified into interest-, currency- and other risks.

Currency Risks

The Hönle Group is exposed to currency risks in as much as foreign currencies are purchased and not resold in the same volume in the respective currency.

Risks resulting from foreign currency receivables, liabilities, and from incomplete contracts and accrued and deferred items are considered to be low with respect to their possible impact since the main transaction and invoicing currency is the respective functional currency of the country concerned. With the exception of the companies in Switzerland and Great Britain, the functional currency within the Hönle Group is the euro.

Consequently, no rate hedging measures are taken.

If the euro had been stronger (weaker) by 10 % relative to the Swiss franc, the effect on consolidated equity would have been +/- T€ 244.

Relative to the British pound, the effect on consolidated equity in the event of the euro being stronger /weaker) by 10% would have been +/- T€ 41 (PY: +/- T€ 30).

Interest Rate Risks

Interest rate risks are associated with variable interest-bearing financial instruments vis à vis banks.

The interest rate risks to which the Hönle Group is exposed are considered to be immaterial.

All loans recorded as at the balance sheet date are subject to fixed interest agreements. Only current overdrafts and credit balances on current accounts as well as fixed term balances bear variable interest rates.

If the market interest level had changed by +/- 100 basis points, net income for the year would have been lower (higher) by T€ 37 (PY: T€ 43).

Price Risks

Among the other price risks, the currency risk requires mention.

With respect to securities held in the financial assets portfolio (available-for-sale), if the securities price had been higher (lower) by 10%, the effect on equity capital would have been +/- T€ 26 (PY: +/- T€ 16).

Other Disclosures on Financial Assets and Debts

The following table provides an overview of a transition of financial assets and debts included in the balance sheet items pursuant to the measurement categories of IAS 39 as well as impairments recorded in the respective financial year under profit or loss, the net profits/losses as well as the total interest expense and income:

Book values: 30.09.2008	Loans and receivables T€	Available for sale T€	Financial liabilities accounted for at depreciated AC T€
Financial assets	0	244	0
Other non-current assets	262	0	0
Trade accounts receivable	10,390	0	0
Other current assets	678	0	0
Liquid assets	0	8,927	0
Non-current financial liabilities	0	0	1,354
Current financial liabilities	0	0	5,181
Trade accounts payable	0	0	5,427
Total	11,330	9,171	11,962
Amount of impairments recorded under profit or loss	-157	0	0
Net profit / loss	-51	14	0
Total interest expense	0	-33	-179
Total interest income	24	491	0

Book values: 30.09.2007	Loans and receivables T€	Available for sale T€	Financial liabilities accounted for at depreciated AC T€
Financial assets	0	346	0
Other non-current assets	421	0	0
Trade accounts receivable	4,669	0	0
Other current assets	410	0	0
Liquid assets	0	17,755	0
Non-current financial liabilities	0	0	803
Current financial liabilities	0	0	1,675
Trade accounts payable	0	0	802
Total	5,500	18,101	3,280
Amount of impairments credited to operations	-13	0	0
Net profit / loss	0	383	0
Total interest expense	0	-48	-28
Total interest income	40	421	0

The fair values of assets classified as loans and receivables or as financial liabilities, respectively, correspond to book values. Fair values are not determinable for these assets since no active markets exist to this end.

43. Consolidated Cash Flow Statement

The cash flow statement shows the changes in the Group's cash and cash equivalents during the financial year which resulted from an inflow and outflow of funds. In accordance with IAS 7 (Cash Flow Statements), cash flows are subdivided into operating, financing and investing activities. Cash and cash equivalents in the reporting year encompass the liquid assets disclosed in the balance sheet.

Within the scope of financing activities, cash was used mainly for dividend payments amounting to T€ 2,076 (PY: T€ 1,543). Net cash used for corporate acquisitions amounted to T€ 7,276 (PY: T€ 0). In addition, investments in property, plant and equipment and in intangible assets were made in the amount of T€ 843 (PY: T€ 925).

44. Group Segment Reporting

The UV products manufactured or sold by the group companies are homogenous with regard to production processes, customers, and sales methods. The individual products may be used in a variety of application areas and sectors of industry. The application area for the devices may vary within a single buyer's sector of industry.

Due to this special feature and the broad client structure, it may be assumed that, with regard to business development in the entire product and sales segment, a homogenous risks and opportunities structure also exists.

Deviating economic conditions as well as risks and opportunities are primarily a consequence of regional differences in individual sales areas.

For this reason, business activities are divided into geographic segments as the primary segment, and application-related segments as the secondary segment in accordance with IAS 14. This corresponds to the Group's organisational structure, according to which the manufacture of all products is under uniform control.

In addition to Dr. Hönle AG, the products are sold in various geographic segments through the independent selling companies: Honle UV UK Ltd., Honle UV France S.à.r.l., Honle Spain S.A., and the newly acquired companies of PrintConcept GmbH, Eltosch GmbH, AES GmbH and the Panacol Group.

The following primary (geographic) and secondary (application-related) segments are formed and oriented towards market and customer locations or, respectively, to a customer-related application solution:

Geographic segment
Sales market, Germany
Sales market, European Union countries, excluding Germany
Sales market, rest of the world

Application-specific segments
Curing of adhesives and plastics (segment 1)
Drying of inks and coatings (segment 2)
Others (segment 3)

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

	Germany		Europe		Rest of the world		Elimi-nations		Konsi-dated	
	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€
INCOME:										
External sales	20,501	11,692	17,341	8,566	10,902	5,988	0	0	48,744	26,246
Intra-group sales	3,431	862	2,352	1,618	71	0	-5,854	-2,480	0	0
Total sales	23,932	12,554	19,693	10,184	10,973	5,988	-5,854	-2,480	48,744	26,246
NET EARNINGS:										
Segment result (operating result)	**2,069**	**2,065**	**1,704**	**1,272**	**1,394**	**964**	**463**	**38**	**5,630**	**4,339**
Interest income									473	474
Interest expense									-266	-88
Income from securities									71	242
Earnings before tax and minority interest									**5,908**	**4,967**
Income taxes									-1,339	-1,800
Earnings before minority interest									**4,569**	**3,167**
OTHER INFORMATION:										
Segment assets:										
By sales region	15,305	7,846	13,214	5,360	7,746	3,678	1,254	-1,841	37,519	15,043
By assets location	27,984	15,720	6,287	1,164	1,994	0	1,254	-1,841	37,519	15,043
Non-allocated assets:										
Financial assets									244	346
Non-current receivables									730	826
Tax refund claims									557	229
Deferred tax assets									537	322
Cash and cash equivalents									8,927	17,755
Consolidated assets									**48,514**	**34,521**
Segment debt (by sales regions)	**10,746**	**2,402**	**7,944**	**2,945**	**3,218**	**1,033**	**-7,464**	**-2,057**	**14,444**	**4,323**
Deferred tax liabilities									988	173
Tax accruals									535	312
Non-current loans									1,127	800
Consolidated liabilities (current and non-current)									**17,094**	**5,608**
Investments:										
By sales region	392	504	278	238	173	183	0	0	843	925
By assets location	697	898	146	27	0	0	0	0	843	925
Segment amortisation/depreciation (by sales region)	584	362	262	172	187	134	0	0	1,033	668
Non-cash expenses of the segment (by sales region)	544	260	323	190	306	135	0	0	1,173	585

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

The segment 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 changes to pension accruals and other accruals.

The transfer prices and the transfer price calculation basis of intra-group services and supplies follow the arms' length principle, i.e., at the terms and conditions that would be applied in a transaction with third parties. No changes have occurred in this respect in comparison with previous years.

The Group figures to be segmented are allocated to individual secondary segments as follows:

	Segment 1		Segment 2		Segment 3		Elimination		Consolidated	
	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€	as at 09/08 T€	as at 09/07 T€
INCOME:										
External sales	16,851	6,112	29,452	17,966	2,442	2,168	0	0	48,744	26,246
Intra-group sales	2,102	466	3,543	1,861	209	153	- 5,854	- 2,480	0	0
Total sales	18,953	6,578	32,995	19,827	2,651	2,321	- 5,854	- 2,480	48,744	26,246
Segment assets:										
by business segments	13,250	4,030	21,294	11,499	1,721	1,355	1,254	- 1,841	37,519	15,043
Investments:										
by business segments	335	244	456	606	52	74	0	0	843	925

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

The transfer prices and the transfer price calculation basis of intra-group services and supplies follow the arms' length principle, i.e., at the terms and conditions that would be applied in a transaction with third parties. No changes have occurred in this respect in comparison with previous years.

45. Disclosure on Business Combinations

Wellomer

Dr. Hönle AG acquired the remaining 49% stake in Wellomer GmbH as at 31 July 2008 and thus holds 100% of the shares as at the reporting date.

Acquisition costs concerning the shares acquired total T€ 67. The difference relative to the Wellomer equity capital in the amount of T€ 77 was booked against reserves with neutral effect on earnings.

Agita Holding AG, Zurich, inclusive Panacol-Group

As at 1 January 2008, Dr. Hönle AG acquired all shares in the Swiss Agita Holding AG, which, in turn, is a 100% parent company of the Panacol Group.

The Panacol Group is represented at three sites in France, Germany, and Switzerland. In 2007, the group generated revenue of approximately € 14 million with ca. 70 employees. The Panacol Group offers a wide product spectrum ranging from UV-reactive epoxides and acrylates to structural adhesives through to conductive instant adhesives and silicones. Moreover, the group sells UV equipment, dosing systems and soldering machines.

With this acquisition, Dr. Hönle AG aims at substantial expansion of its adhesive segment, an increase in the portion of recurring revenue in total revenue in the form of consumer goods and, as a consequence, becoming more independent from cyclical fluctuations in the capital goods segment.

The Panacol Group has been included in the consolidated financial statements of Dr. Hönle AG since 1 January 2008.

Acquisition costs for the shares acquired total T€ 5,660. Up to the present, the amount of T€ 4,669 has been paid in cash. In addition, there are further potential purchase price liabilities that are to be paid in financial year 2008, depending on the final EBIT of the Panacol Group. The settlement currently expected is T€ 991. Incidental acquisition costs included in the purchase price amount to T€ 167.

The fair values of assets acquired and debts taken over as at the acquisition date and their respective book values immediately prior to the business combination are as follows:

	Book values in T€	**Fair Value in T€**
Non-current assets		
Intangible assets	34	305
Property, plant and equipment	1,285	1,797
Other assets	96	96
Deferred taxes	155	155
Current assets		
Inventories	2,493	2,493
Trade accounts receivable	2,744	2,744
Other assets	321	321
Cash and cash equivalents	2,795	2,795
Debts		
Accruals	731	731
Trade accounts payable	1,325	1,325
Financial liabilities	480	480
Other debts	1,230	1,230
Deferred tax liabilities	343	593
Net assets	**5,814**	**6,347**
Minority interest		-20
Acquired net assets		**6,327**

Cash and cash equivalents acquired amounted to T€ 2,795. After netting with the acquisition costs paid to date, the cash outflow was T€ 1,874.

A negative difference (favourable acquisition) resulted from these cash flows and the re-valued assets and debts in the amount of T€ 666 which was recognised as income after renewed review. The amount is disclosed in the income statement under other operating income.

Land and buildings in France acquired within the scope of the corporate acquisitions are based on a contractual relationship which is to be classified as finance lease. The land and buildings were capitalised at fair value within the scope of purchase price allocation. The residual liability from the lease amounts to T€ 329 as at 30 September 2008.

The consolidated net income in the current period includes profit of T€ 474 attributable to the acquired companies of the Panacol Group. The EBIT for the same period amounted to T€ 651. The consolidated net income would have been higher (increased of T€ 79), corresponding to the profit of the acquired companies of the Panacol Group if the business combination had already taken place as at 1 October 2007.

Other operating income from the release of negative differences from capital consolidation is not included.

Consolidated revenue increased by T€ 11,300 as a result of the Panacol Group acquisition. Had the business combination taken place as early as on 1 October 2007, consolidated revenue would have been higher by T€ 3,401 compared to the revenue actually achieved. Sales revenue during the period from 1 October 2007 to 30 September 2008 amounted to T€ 14,701.

No business segments were discontinued or sold within the framework of the business combination.

PrintConcept UV-Systeme GmbH, Köngen

Dr. Hönle AG acquired a 70 % stake in PrintConcept GmbH, Köngen near Stuttgart as at 1 January 2008. The purchase agreement also includes the obligation to acquire an additional 10 % stake in the shares in the years 2009, 2010 and 2011, respectively.

PrintConcept GmbH develops, produces and sells high-quality UV systems primarily for the graphics industry. The company generated revenue of approximately € 3.5 million in 2007.

This acquisition is intended to lead to a significant improvement in the market position of Dr. Hönle AG in the offset printing segment. With this business combination alone, Dr. Hönle AG was able to increase its market share in the sheet-fed offset printing considerably. The aim is to extend existing contacts to printing machine manufacturers (together with the subsidiaries), in order to open up new revenue potential.

PrintConcept GmbH has been included in the consolidated financial statements of Dr. Hönle AG since 1 January 2008.

The acquisition costs for the shares acquired total T€ 2,519 as at the acquisition date. They were paid in cash. Incidental acquisition costs included in the purchase price amount to T€ 69.

The fair values of acquired assets and debts transferred as well as their book values immediately prior to the business combinations are illustrated below:

	Book value in T€	Fair Value in T€
Non-current assets		
Intangible assets	3	1,047
Property, plant and equipment	85	85
Other assets	0	0
Deferred taxes	12	12
Current assets		
Inventories	244	244
Trade accounts receivables	449	449
Other assets	10	10
Cash and cash equivalents	115	115
Debts		
Accruals	335	335
Trade accounts payable	271	271
Financial liabilities	54	54
Other debts	262	262
Deferred tax liabilities	0	297
Net assets	**-4**	**743**
Minority interest		-223
Acquired net assets		**520**

Acquired cash and cash equivalents amounted to T€ 115 which, overall, resulted in a cash outflow amounting to T€ 2,404.

Goodwill in the amount of T€ 1,999 results from these cash flows and the acquired assets and transferred debts. The key factors responsible for recording goodwill were expected synergies concerning sales which are to enable joint use of existing contacts with printing machine manufacturers, further expansion of existing business relationships, and the opening up of new revenue potential.

Given the assumption that the planned earnings targets (EBIT) will be met for the years 2008-2010, financial obligations arising from the planned acquisition of another 30 % stake in the years 2009 to 2011 will amount to T€ 2,190.

The consolidated net income for the current period includes a profit of PrintConcept GmbH in the amount of T€ 178. EBIT for the same period were T€ 282. The consolidated net income would have increased by another T€ 48 if the business combination had already taken place on 1 October 2007.

Consolidated revenue increased by T€ 1.915 as a result of the PrintConcept GmbH acquisition. Had the business combination taken place on 1 October 2007, consolidated revenue would have been higher by T€ 1,388 than the revenue actually achieved. Revenue for the period from 1 October 2007 to 30 September 2008 came to T€ 3,303.

No business segments were discontinued or sold within the framework of the business combination.

Eltosch Torsten Schmidt GmbH, Hamburg

By agreement dated 8 May 2008, Dr. Hönle AG acquired a 100% stake in Eltosch Torsten Schmidt GmbH, Hamburg, from Advanced Photonics Technologies AG. Transfer of control took place on 15 May 2008 when the full purchase price was paid.

Receivables of Advanced Photonics Technologies AG from Eltosch GmbH were acquired within the context of the corporate acquisition.

Eltosch is among the leading companies in the field of curing technology for printing machines. The company has developed, manufactured and sold UV, infrared and hot air dryers, which have been used primarily in offset printing for more than 30 years. With approximately 40 employees, the company generated revenue of over € 20 million in the past financial year. Following the business transfer, Dr. Hönle AG views itself as the second largest systems supplier on the strong growth market for UV technology.

Eltosch GmbH has been included in the consolidated financial statements of Dr. Hönle AG since 15 May 2008.

Acquisition costs for the acquired shares and shareholder receivables total T€ 3,216: They were paid in cash. Incidental costs included in the purchase price amount to T€ 359.

As at the acquisition date, the fair values of the acquired assets and transferred debts as well as their book values immediately prior to the business combination are as follows:

	Book Value in T€	Fair Value in T€
Non-current assets		
Intangible assets	7	122
Property, plant and equipment	285	285
Current assets		
Inventories	1,566	1,566
Trade accounts receivable	2,951	2,951
Other assets	175	175
Cash and cash equivalents	499	499
Debts		
Accruals	864	864
Trade accounts payable	4,372	4,372
Financial liabilities	1,269	1,269
Other debts	211	211
Deferred tax liabilities	0	168
Net assets	**-1,233**	**-1,286**
Minority interest		0
Acquired net assets		**-1,286**

Intra-group receivables and liabilities between Eltosch GmbH and Dr. Hönle AG, which were acquired by Dr. Hönle AG in the context of the corporate acquisition are not included in the above overview.

The amount recorded for parts of the Eltosch Torsten Schmidt GmbH assets and debts is preliminary since the respective assets and debts have not as yet been conclusively determined.

Acquired cash and cash equivalents amounted to T€ 499 which, overall, resulted in a cash outflow amounting to T€ 2,717.

The goodwill resulting from these cash flows and the acquired assets and transferred debts amounts to T€ 4,502. The main factors leading to recording goodwill are expected synergies with Dr. Hönle AG and its subsidiaries, in particular with respect to Sales, Production and Administration.

The consolidated net income for the current period includes a loss incurred by Eltosch Torsten Schmidt GmbH in the amount of T€ 87. EBIT for the same period amounted to T€ -175. The consolidated net income would have been lower by another T€ -1,527 in line with the loss of Eltosch Torsten Schmidt GmbH if the business combination had already taken place as at 1 October 2007.

Consolidated revenue increased by T€ 6,352 due to the Eltosch Torsten Schmidt GmbH acquisition. If the business combination had already taken place as at 1 October 2007, consolidated revenue would have been higher by T€ 12,277 compared to the revenue actually achieved. Revenue in the period from 1 October 2007 to 30 September 2008 amounted to T€ 18,629.

No business segments are discontinued or sold within the scope of the business combination.

Adphos Eltosch Service GmbH, Hamburg

By contract of 8 May 2008, Dr. Hönle AG acquired 49.0 % of the shares in Adphos Eltosch Service GmbH (AES GmbH), Hamburg, from Advanced Photonics Technologies AG. However, Dr. Hönle AG already held a further 26 % of potential voting rights in terms of IAS 27.14 et seq., on 15 May 2008 (payment of the full purchase price for 49.0% of the business shares), so that transfer of control took place on 15 May 2008.

A purchase and assignment agreement concerning the residual 51.0% of the business shares was concluded on 3 July 2008.

Within the scope of this corporate acquisition, receivables from Photonics Technologies AG to AES GmbH were acquired.

AES GmbH is a service company and, in this capacity, provides assembly and maintenance work and also processes major sections of the spare parts business for its fellow subsidiary, Eltosch GmbH, and for Eltosch customers.

AES GmbH has been included in the consolidated financial statements of Dr. Hönle AG since 15 May 2008.

Acquisition costs for all shares amounted to T€ 304. Incidental costs included in the purchase price came to T€ 34.

As at the acquisition date, the fair values of the acquired assets and transferred debts as well as their book values immediately prior to the business combination are as follows:

	Book Value in T€	Fair Value in T€
Non-current assets		
Intangible assets	30	30
Property, plant and equipment	34	34
Current assets		
Inventories	243	243
Trade accounts receivable	1,019	1,019
Other assets	90	90
Cash and cash equivalents	23	23
Debts		
Accruals	173	173
Trade accounts payable	777	777
Other debts	95	95
Net assets	**394**	**394**
Minority interest		-150
Acquired net assets		**244**

The amount recorded for parts of the Adphos Eltosch Service GmbH assets and debts is preliminary since the respective assets and debts have not as yet been conclusively determined.

Intra-group receivables and liabilities between AES GmbH and Dr. Hönle AG that were acquired by Dr. Hönle AG in the context of the corporate acquisition are not taken into account in the above table.

Acquired cash amounted to T€ 23. Overall, this resulted in a cash outflow amounting to T€ 281.

The goodwill resulting from these cash flows and the acquired assets and transferred debts amounts to T€ 60. The main factors leading to the recording of goodwill are expected synergies with Dr. Hönle AG and its subsidiaries, in particular with respect to the Service segment.

The consolidated net income for the current period includes a profit of Adphos Eltosch Service GmbH in the amount of T€ 224. EBIT for the same period amounted to T€ 328. The consolidated net income would have been higher by another T€ 50 in line with the profit of Adphos Eltosch Service GmbH if the business combination had already taken place on 1 October 2007

Consolidated revenue increased by T€ 1,400 as a result of the Adphos Eltosch Service GmbH acquisition. If the business combination had already taken place on 1 October 2007, consolidated revenue would have been higher by T€ 2,264 in comparison with the revenue actually achieved. Revenue in the period from 1 October 2007 to 30 September 2008 amounted to T€ 3,664.

No business segments are discontinued or sold within the scope of the business combination.

Dr. Hönle AG acquired the remaining 51% stake in Adphos Eltosch Service GmbH as at 7 August 2008 and thus holds 100% of the shares as at the reporting date.

Acquisition costs for the acquired 51% stake total T€ 155. The difference of T€ 48 with respect to the equity capital of Adphos Eltosch Service GmbH was booked against reserves with neutral effect on profits.

If all business combinations had already taken place on 1 October 2007, consolidated revenue at T€ 67,588 would have been higher by T€ 18,844 compared to the revenue actually achieved. Consolidated net income would have been lower by T€ -1,349 to T€ 3,220 respectively, had the business combinations already taken place on 1 October 2007.

46. Disclosure on Relationships with Related Parties

Related parties within the meaning of IAS 24 are named below. With respect to disclosures related to the Board of Management and the Supervisory Board, reference is made to our comments under paragraph 47.

With respect to reportable business relationships, reference is made to our comments on individual balance sheet and income statement items.

- Controlled companies not included in the consolidated financial statements

Solitec Gesellschaft für technischen Produktvertrieb mbH, Gräfelfing

- Companies under the controlling influence of a member of the Group Supervisory Board:

Dr. K. Hönle Medizintechnik GmbH, Kaufering

The annuity loans extended by Dr. Hönle AG to Dr. K. Hönle Medizintechnik GmbH are secured in full through guaranties issued by Prof. Dr. Hönle and another shareholder of Dr. K. Hönle Medizintechnik GmbH.

The residual book value of the loan amounts to T€ 279 PY: T€ 549) as of 30 September 2008. The non-current portion is T€ 195 (PY: T€ 419). The current portion in the amount of T€ 84 (PY: T€ 130) is reported under the item: Other current assets (cf. paragraphs 20 and 24).

The loans are interest-bearing at an interest rate of 6.5 % and are due to expire on 31 October 2008 (previously 31 October 2011).

One of the loans involving a residual value of T€ 3 was repaid by 31 October 2008. The annuity for the remaining loans amounts to T€ 96 in the following year, and to T€ 106 respectively in the remaining years.

Interest income in the amount of T€ 24 (PY: T€ 40) is attributable to the loan extended to Dr. K. Hönle Medizintechnik GmbH.

See also paragraphs 12, 20, 23.

Benefits in the amount of T€ 12 were paid to surviving dependents of former managing directors. These benefits are covered by pension accruals in the amount of T€ 207 (cf. paragraph 31). The interest expense includes a respective amount of T€ 13.

47. Disclosures on Corporate Bodies

Management Board

Norbert Haimerl, Diplom-Betriebswirt (FH)
Heiko Runge, Diplom-Ingenieur (FH)

The Company is represented either by two Management Board members or by one member of the Management Board together with an authorised signatory (Proxy).

Management Board members are authorised to represent the Company when carrying out transactions where they themselves act as third party representatives (without limitation).

Supervisory Board

Dr. Hans-Joachim Vits, Wuppertal – Chairman,
Lawyer, self-employed

Prof. Dr. Karl Hönle, Dachau - Deputy Chairman
Physicist, Emeritus Professor of Technical Optics and Laser Technology at the Munich University for Applied Sciences (now emeritus status), Managing Director of Dr. K. Hönle Medizintechnik GmbH

Eckhard Pergande, Seefeld
Banker

None of the Supervisory Board members is represented on the Supervisory Board of any other company.

Total remuneration for the Management Board members in financial year 2007/2008 amounted to:

Mr. Norbert Haimerl	T€	322 (PY: T€ 227)
Mr. Heiko Runge	T€	318 (PY: T€ 222)

Total compensation for the Supervisory Board amounted to T€ 36 (PY: T€ 36) in financial year 2007/2008.

For more details concerning the Management Board and Supervisory Board remuneration, see the Remuneration Report, which is an integral part of the Management Report.

48. Stock Option Plans

Stock Option Plan 2002 of 27 February 2002

The Shareholders' Meeting on 20 November 2000 passed a resolution concerning a conditional increase in share capital by up to T€ 364 for the purpose of servicing option rights; the Management Board was authorised to issue these options in accordance with the stock option programme (Employee Participation Program).

In accordance with planning and up to four years after registration of the conditional capital in the Commercial Register, the eligible persons were granted a total of 364,000 subscription rights to Dr. Hönle AG shares by the Management Board and the Supervisory Board.

The following persons are entitled to subscribe:

- the Dr. Hönle AG Management Board, with a maximum of 55,000 subscription rights,
- other Dr. Hönle AG employees, with a maximum of 240,900 subscription rights,
- members of the management of affiliated companies, with a maximum of 22,000 subscription rights,
- other employees of affiliated companies, with a maximum of 46,100 subscription rights.

In accordance with Item 1 of the Stock Option Program, the same number of new subscription rights could be issued to the group for which they were initially intended provided the previous subscription rights were definitely not exercisable or had definitely lapsed, or if the eligible persons had definitely waived their subscription rights in written form.

When Dr. Hönle AG was listed on the stock market on 24 January 2001 and during the following years, the entitled persons were offered options within the scope of the total 364,000 subscription rights which were accepted in full within the defined assignment window.

In accordance with Item 1 of the Stock Option Program (modification resolution by the Shareholders' Meeting on 27 February 2002), in March 2003 the Company offered its employees an opportunity to ultimatively waive the share options issued so far (written form required).

In exchange, the employees would receive the same number of options under the conditions of the Stock Option Program 2002.

The changed initial value of € 2.39 (the average of the last 10 XETRA Hönle share closing prices prior to the Shareholders' Meeting held before subscription of the share options) serves as the basis for calculating the exercise hurdle and the subscription price.

The subscription rights can be exercised within a period of 5 years. At most, each of the entitled persons may exercise 40 % of subscription rights after two years, a further 30 % after three years, and the remaining 30 % after four years. The subscription rights may be exercised within two weeks subsequent to the date of the Ordinary Shareholders' Meeting or publication of the quarterly reports for either the second or third quarter of a calendar year ("exercise periods").

During the maturity period, subscription rights may only be exercised if the average closing price of Dr. Hönle AG shares in Frankfurt stock exchange XETRA-trade has increased during the time-span from the sixth to the twenty-fifth trading day (inclusive), before commencement of the relevant exercise period by an average 15 % per year ("performance target"), compared with the relevant value at the issue date ("initial value"). In the event of options being issued within the first tranche, the initial value equals the issue price of Dr. Hönle AG shares (€ 12.00). Within the scope of follow-up programs, the initial value equals the arithmetically determined average closing price of Dr. Hönle AG shares in Frankfurt stock exchange XETRA-trade on the last ten trading days prior to the date of the last Ordinary Shareholders' Meeting before issuance of the stock options.

The average closing price of the Dr. Hönle AG share necessary to achieve the performance target before commencement of an exercise period is known as the "indexed initial value". If, during the maturity period, the subscription rights performance target is exceeded at the beginning of an exercise period, it is not necessary that the performance target for exercising the respective subscription rights during further exercise periods be exceeded.

The price to be paid by entitled persons for acquisition of the shares ("exercise price") is the initial value less 75 % of the difference between the current stock exchange price and the indexed initial value; at a minimum, however, it is 50 % of the initial value and it must, in any event, be at least the minimum issue amount.

The current stock exchange price of a Dr. Hönle AG share is the determined arithmetical average closing price of the Dr. Hönle AG share in Frankfurt stock exchange XETRA-trade during the time-span between the sixth and the twenty-fifth trading day (inclusive), prior to commencement of the relevant exercise period.

Subscription rights are not transferable and can only be exercised by persons entitled to these rights.

The Company may meet its obligations to procure shares after exercising the subscription rights either by

(1) issuing shares from the conditional capital created for this purpose, by
(2) sale of own shares, by
(3) payment of the difference per share between the exercise price and the current stock exchange price, or by
(4) issuing a smaller number of shares at the lowest issue amount, i.e., € 1.00 per share (Section 9 (1) AktG), instead of one share at the exercise price defined in the Stock Option Program.

In order to comply with the last-mentioned alternative, the Company is entitled to subscription rights to be issued as from entry of the resolution of the Shareholders' Meeting on 27 February 2002 in the Commercial Register and, with the consent of the persons entitled, to subscription before this date. With respect to this alternative method of share procurement, the number of subscription rights to be exercised per share is determined on the basis of the following formula:

$$B = \frac{K - M}{K - A}$$

B = Number of subscription rights to be exercised for subscription to one share
K = Price of a Dr. Hönle share at the time of exercising the subscription right
M = Lowest issue amount pursuant to Section 9 (1) AktG, i.e., € 1.00
A = Exercise price

If the obligation is met through payment of the difference, an entitled party is not obliged to pay the exercise price. The Management Board, together with the Supervisory Board, makes a decision as to which of these possibilities (which may also be combined) is selected in the individual case. In any event, the Management Board and the Supervisory Board decision is to be based exclusively on the interests of the Company.

The shares to be acquired by entitled persons within the scope of exercising an option are not subject to a blocking period with respect to their sale.

Within the scope of the above described exchange offer, all options that had not prematurely lapsed as a result of the respective employee having left the company were collected and re-issued in March 2003. A total of 220,800 options from the first tranche (granted on the occasion of the IPO in January 2001) and 62,800 options from the second tranche (granted after the Shareholders' Meeting in March 2001) were concerned.

In addition to these 283,600 options, a further 15,600 options were granted in the 2002/2003 financial year. A further 37,000 options were granted in financial year 2003/2004. Of the total 336,200 options initially issued, 332,700 options were still in circulation on 1 October 2004.

A total of 272,930 stock options were granted in recent financial years. As a result, the subscribed capital increased by T€ 273, and the capital reserves increased by T€ 55 due to the premium paid. A total of 19,870 stock options were called in. Consequently, the stock options saw a reduction to 39,900.

In the past financial year, no further stock options were exercised (1st to 3rd tranche) or could be exercised (4th trance). The 2,900 stock options from tranche 1-3 were not exercised and have lapsed.

The stock option program enables Dr. Hönle AG to service the options either in the form of shares or in cash at the time of their being exercised. Dr. Hönle AG decided to service the options through issuance of shares from the Conditional Capital which leads to a dilution of shares.

The granting of such option rights means that an increase in employee compensation by the total value of the option at the date when it was granted has been agreed upon with a view to future services performed. Upon performance of services during the period after the granting of options and up to the time when the respective tranche of the option can be exercised at the earliest (vesting period), the Company acquires the compensation for the option (work service).

For this reason, capital reserves are to be built up on a prorated basis over the period during which employees perform their services.

In accordance with IFRS 2, stock options are reported at fair value. The fair value is determined at the time of option issuance and is distributed over the period of the respective vesting period. The fair value is determined using the Monte Carlo Simulation. The individual stock options were issued on two different dates (1st – 3rd tranche and 4th tranche), which resulted in two different fair values.

The following model parameters and premises were used to determine the option price:

1. The initial value per share amounts to € 2.39 (1st – 3rd tranche) or € 8.12, respectively (4th tranche).
2. The maturity of the options covers a period of up to five years due to the three vesting periods.
3. The market price of the underlying share at the issue date is € 2.10 or € 6.64, respectively.
4. The average share price at the exercise date in financial year 2004/2005 was € 8.82 and at the exercise date in financial year 2005/2006 amounted to € 9.70. It was € 7.75 in financial year 2006/2007.
5. In accordance with IFRS 2. the fluctuation is to be determined on the basis of the number of expected valid option rights rather than on fair value basis.
6. The future expected stock price volatility is 30%. Volatility was determined on the basis of historical volatility during the two previous years. Previous years were not included in the determination of the historical volatility in order to exclude special influences.
7. An annual dividend pay-out of € 0.30 per share entitled to dividend is assumed.
8. The non-risk interest for the term of the option amounts to 3.29% (1st – 3rd tranche) or 3.29 %, respectively (4th tranche).

A fair value of € 0.30 (1st – 3rd tranche) and € 1.21 (4th tranche) was determined for an option on the basis of the assumptions presented above.

The total expense recorded for Stock Option Program 2002 during the reporting period amounts to T€ 0 (PY: T€ 3) for tranches 1 to 3, and T€ 1 (PY: T€ 6) for tranche 4. It is disclosed as personnel expense or correspondingly as an increase in shareholders' equity (additional paid-in capital).

The following overviews illustrate the portfolio development of stock options and the exercise prices for the respective issue dates:

1st Stock Option Program 2000/2002

1. - 3. Tranche	**30.09.2008**		**30.09.2007**	
	Weighted average exercise price per share in €	Number of options	Weighted average exercise price per share in €	Number of options
Options outstanding at beginning of reporting period	1.20 €	2,900	1.20 €	99,480
Options granted in the reporting period	0.00 €	0	0.00 €	0
Options expired in the reporting period	1.20 €	2,900	0.00 €	0
Options exercised in the reporting period	0.00 €	0	1.20 €	80,430
Options called in and reissued in the reporting period	0.00 €	0	1.20 €	16,150
Options outstanding at end of reporting period	1.20 €	0	1.20 €	2,900
Options exercisable at end of reporting period	0.00 €	0	1.20 €	2,900

4. Tranche	**30.09.2008**		**30.09.2007**	
	Weighted average exercise price per share in €	Number of options	Weighted average exercise price per share in €	Number of options
Options outstanding at beginning of reporting period	8.12 €	37,000	8.12 €	37,000
Options granted in the reporting period	0.00 €	0	0.00 €	0
Options expired in the reporting period	0.00 €	0	0.00 €	0
Options exercised in the reporting period	0.00 €	0	0.00 €	0
Options called in and reissued in the reporting period	0.00 €	0	0.00 €	0
Options outstanding at end of reporting period	8.12 €	37,000	8.12 €	37,000
Options exercisable at end of reporting period	0.00 €	0	0.00 €	0

The weighted average of the remaining maturity of an option is 0 days (1st to 3rd tranche) and 173 days (4th tranche), respectively.

Stock Option Plan 2004 of 26 February 2004

The 2004 Shareholders' Meeting resolved on new conditional capital ("Conditional Capital II") in order to enable the granting of further share options to employees.

Stock Option Plan 2004 comprises a total of 160,000 subscription rights (total volume).

The subscription rights are granted as follows:

- A total of 120,000 subscription rights (75 %) is allocated to Dr. Hönle Aktiengesellschaft employees and employees of domestic and foreign affiliated companies
- A total of 20,000 subscription rights (12.5 %) is allocated to Board members of Dr. Hönle Aktiengesellschaft
- A total of 20,000 subscription rights (12.5 %) is allocated to management members of domestic and foreign affiliated companies of Dr. Hönle Aktiengesellschaft

More detailed particulars of Stock Option Plan 2004 were provided in the Shareholders' Meeting agenda and they were also made available on a permanent basis in the Internet www.hoenle.de.

The following refers only to significant deviations from Stock Option Plan 2002:

- Stock Option Plan 2004 is due to expire at the end of Dr. Hönle AG's 2009/2010 financial year.
- The subscription rights shall be granted within a period of four weeks following the Ordinary Shareholders' Meeting of Dr. Hönle Aktiengesellschaft or following the announcement of an annual report, interim report, or quarterly report of the Company.
- The price to be paid by the persons entitled to acquire shares ("exercise price") represents the initial value less 75 % of the difference between the amount of the current market price and the indexed initial value; at a minimum, however, 65 % of the initial value or the minimum issue amount, whichever is higher.
- The "performance target" is 10% per year, i.e., the "relevant market price" at the time of exercising an option must exceed the "initial value" (the relevant value at the issue date) by an average of at least 10 % per year.
- Subscription rights may be exercised subject to expiry of the waiting periods and subject to achievement of the performance target within four weeks following the day of the annual Ordinary Shareholders' Meeting, or publication of the quarterly report for the third quarter of a given financial year.

In financial year 2003/2004, a total of 125,700 options were granted in two tranches from this Stock Option Program. Of the 125,700 options initially granted, 118.700 are still outstanding as of 30 September 2008. All of these 118,700 stock options were granted within the scope of the first tranche. No options are exercisable within the scope of the second tranche.

It was not possible to exercise the stock options as of 30 September 2008 since the stock price of € 7.25 as of 30 September 2007 was below the performance target.

With respect to accounting treatment, reference is made to the disclosures and explanations relating to Stock Option Program 2002.

The fair value is determined at the time when the option is issued and is allocated over the term of the respective vesting period. The fair value is determined using the Monte Carlo Simulation. The individual stock options were issued on two different dates (1st tranche and 2nd tranche), which consequently leads to two different fair values.

The following model parameters and premises were used in order to determine the option price:

- Initial value per share is € 8.12 for both tranches.
- The term of the options extends over a period of up to five years due to the three vesting periods.
- The market price of the underlying share is € 6.76 or € 6.15, respectively, as of the issue date.
- In accordance with IFRS 2, the fluctuation is to be determined on the basis of the number of expected valid option rights rather than on a fair value basis.
- The future expected volatility of the stock price is 30%. Volatility was determined on the basis of historical volatility during the two previous years. Previous years were not included in the determination of the historical volatility in order to exclude special influences.
- An annual dividend distribution of € 0.30 per share entitled to dividend is assumed.
- The non-risk interest for the term of the option is 3.63% (1st tranche) and 3.40% (2nd tranche).

On the basis of the assumptions presented above, a fair value of € 1.79 (1st tranche) and € 1.36 (2nd tranche) was determined.

The total expense recorded for Stock Option Program 2004 in the reporting period amounts to T€ 12 (PY: T€ 32) for the 1st tranche. It is disclosed as personnel expense, or correspondingly as an increase in shareholders' equity (capital reserves).

The following overview reflects the portfolio development of stock options and the exercise prices valid at the respective issue dates concerning the 1st tranche of the Stock Option Program 2004. There are no options outstanding for the second tranche.

2nd Stock Option Program 2004

1. Tranche	**30.09.2008**		**30.09.2007**	
	Weighted average exercise price per share in €	Number of options	Weighted average exercise price per share in €	Number of options
Options outstanding at beginning of reporting period	8.12 €	118,700	8.12 €	121,700
Options granted in the reporting period	0.00 €	0	0.00 €	0
Options expired in the reporting period	0.00 €	0	0.00 €	0
Options exercised in the reporting period	0.00 €	0	0.00 €	0
Options called in and reissued in the reporting period	0.00 €	0	8.12 €	3,000
Options outstanding at end of reporting period	8.12 €	118,700	8.12 €	118,700
Options exercisable at end of reporting period	0.00 €	0	0.00 €	0

The weighted average of the remaining term to maturity of an option is 251 days (1st tranche) or 0 days, respectively (2nd tranche), because there are no outstanding options from this tranche.

49. Corporate Governance Statement pursuant to Section 161 AktG

In December 2007, the Management Board and the Supervisory Board of Dr. Hönle AG issued a Corporate Governance statement in accordance with Section 161 AktG, and have provided shareholders with permanent access to it on the Company's Internet page at (www.hoenle.de).

50. Annual Auditor's Fees

The fees to be paid to Wirtschaftsprüfungsgesellschaft AWT Horwath GmbH consisted of the following in financial year 2007/2008:

	2007/2008 T€	2006/2007 T€
Financial statements audit (individual and consolidated)	107	77
Tax consulting services	20	64
Other services	72	83
Total	199	224

51. Consolidated Financial Statements - Signature

Gräfelfing, 20 December 2008

Norbert Haimerl
(Board of Management)

Heiko Runge
(Board of Management)

Financial Calendar

30 January 2009

Annual Report 2007/2008

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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