



hönle group

Half-Year Report 2018/2019

Hönle Group – At a Glance

Hönle Group
in T€

**01/10/2018 -
31/03/2019**

01/10/2017 -
31/03/2018

+/-
%

Income Statement

Revenue	55,990	60,671	-7.7
Gross profit	39,732	41,946	-5.3
Operating result/EBIT	10,187	15,047	-32.3
Earnings before tax/EBT	10,073	14,919	-32.5
Consolidated profit	7,151	10,765	-33.6

The Share

Earnings per share in €	1.30	1.96	-33.7
Number of shares	5,512,930	5,512,930	0,0

Cash Flow

Operating cash flow ¹⁾	10,289	14,368	-28.4
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Employees

Average number of staff	637	590	8.0
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31/03/2019

30/09/2018

+/- %

Statement of Financial Position

Non-current assets	57,315	54,275	5.6
Current assets	75,158	71,248	5.5
Equity	88,427	87,250	1.4
Non-current liabilities	21,239	12,922	64.4
Current liabilities	22,806	25,351	-10.0
Total assets	132,473	125,523	5.5
Equity ratio as a %	66.8	69.5	-3.9

1) Cash generated from operations

Group Management Report

for the six-month period from 1 October 2018 to 31 March 2019

Overview

Market Development

Economic dynamics in the global economy have slowed down considerably in recent months. While the U.S. economy is currently still proving to be very robust, the industries in Japan, Europe and some emerging markets are on the verge of a recession. The trade disputes originating in the United States and the associated levying of customs duties as well as uncertainties concerning the extent of the economic decline in China particularly dampened business and consumer sentiment over the long term, leading to slackening investment growth, weaker exports and weaker private consumption in many countries.

Course of Business

The Hönle Group's sales revenues decreased by 7.7 % to T€ 55,990 in the first six months of the 2018/2019 financial year compared with the prior-year period. The operating result dropped by 32.3 % to T€ 10,187 due, primarily, to the lower proportion of adhesives revenues in total sales.

Adhesives Segment

After T€ 23,796 in the previous year, sales revenues generated in the Adhesives segment came to T€ 16,639 in the first six months of the current financial year, corresponding to a 30.1 % sales decline. Sales revenues have been adjusted for a major contract in the amount of T€ 3,390 which was settled via one of our subsidiaries in the Adhesives segment but is

actually attributable to the Equipment & Systems segment. At T€ 5,476, the segment's operating result was 51.6 % below that of the previous year's period. The main reason for the sales and earnings decline related to shifts in orders which led to a lower sales volume in the first quarter of the current financial year. Lower sales figures of one of our key customers also contributed to this development.

Equipment & Systems Segment

Adjusted sales revenues achieved in the Equipment & Systems segment advanced by 7.5 % to T€ 28,382, mainly driven by sales generated with UV drying systems in the printing industry. Owing to higher personnel expenses, the operating result of T€ 3,222 was only slightly above the previous year's figure of T€ 3,197.

Glass & Lamps Segment

Sales revenues generated in the Glass and Lamps segment rose by 4.7 % to T€ 10,969 in the first six months of the current financial year. The operating result improved from T€ 547 in the previous year to T€ 1,489 in the current financial year, primarily due to the T€ 512 earnings contribution (PY: T€ 108) provided by Raesch Quarz (Germany).

Sales by Region

Sales revenues in the first six months of the financial year declined, in particular, due to developments in the Asian economic region where sales revenues dropped from T€ 22,459 in the previous year to T€ 17,474 in the current financial year.

Sales revenues generated in Germany and in North America also dropped slightly by 7.3 % and 6.2 %, respectively, whereas sales revenues achieved in Europe outside Germany and the rest of the world increased by 12.8 % and 32.5 %, respectively.

Annual General Meeting

Dr. Höhle AG's Annual General Meeting was held on 26 March 2019. About 250 participants met at the Haus der Bayerischen Wirtschaft [House of Bavarian Industry] in Munich to listen to the presentations of the Management Board, among other things. All proposed resolutions on the agenda were adopted with a large majority. This also included the dividend increase from € 0.60 to € 0.80 per dividend-bearing share, which corresponds to a dividend distribution of T€ 4,409.

Results of Operations

At T€ 55,990, the Höhle Group's sales revenues in the first six months of the financial year were down 7.7 % from the prior-year period. The cost of materials ratio rose from 32.4 % to 33.0 %, largely due to the lower proportion of adhesives revenues in total sales.

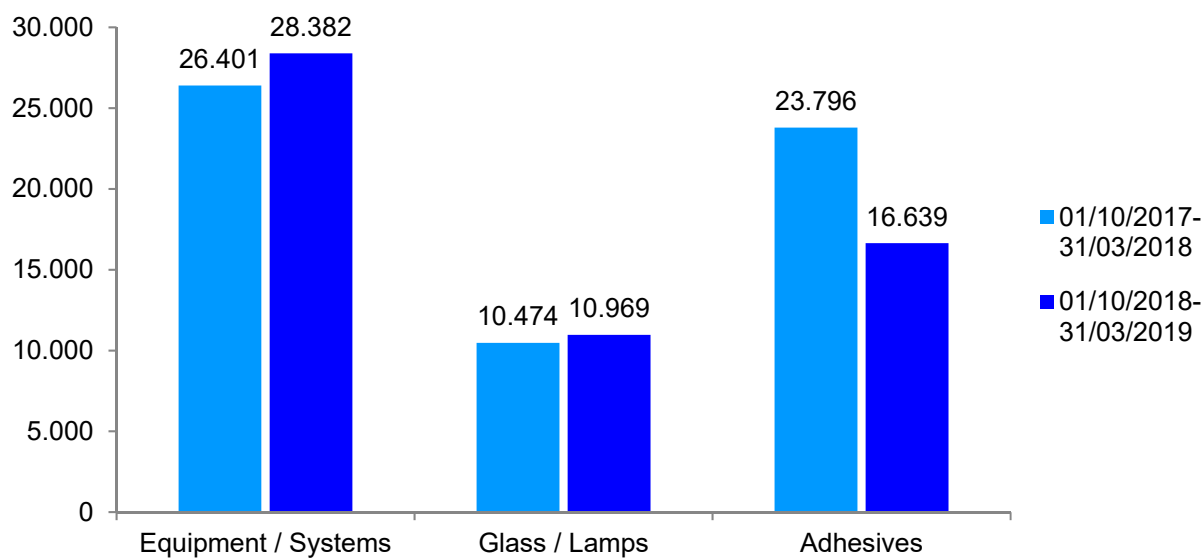
The personnel expense ratio climbed from 28.0 % to 31.9 %, partly due to the increase in personnel. The ratio of other operating expenses advanced from 13.1 % to 16.3 %, mainly as a consequence of the rise in sales commission payments associated with a large-scale contract in the Equipment & Systems segment.

Owing to lower adhesives sales, the operating result (EBIT) decreased from T€ 15,047 to T€ 10,187, which translates into an EBIT margin of 17.6 % (PY: 24.5 %). Earnings before taxes (EBT) contracted from T€ 14,919 to T€ 10,073. After income taxes, the consolidated net income came to T€ 7,151 compared to T€ 10,765 in the previous year. This compares to earnings per share of € 1.30 (PY: € 1.96). Consequently, net profit on sales dropped from 17.7 % to 12.8 %.

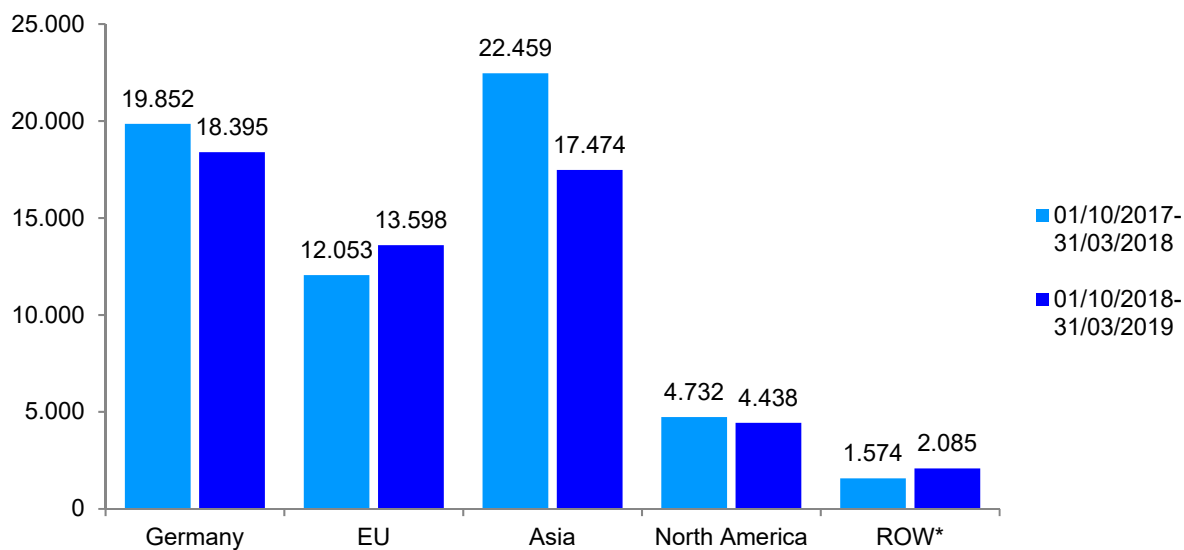
Earnings Development

in T€	01/10/18 - 31/03/19	01/10/17 - 31/03/18	+/- %
Revenue	55,990	60,671	-7.7
Gross profit	39,732	41,946	-5.3
Operating result/EBIT	10,187	15,047	-32.3
Earnings before tax/EBT	10,073	14,919	-32.5
Consolidated profit	7,151	10,765	-33.6
Earnings per share in €	1.30	1.96	-33.7

Sales by Segment in T€ (adjusted)



Sales by Region in T€



*) Rest of world

Financial Position

The cash flow from operating activities came to T€ 10,289 (PY: T€ 14,368) in the first six months of the current financial year.

At T€ 3,896, investments were up on the previous year's level of T€ 2,114. They include, in particular, investments in construction projects at UV-Technik Speziallampen GmbH, Panacol-Elosol GmbH and Dr. Hönle AG as well as

investments in production facilities at Raesch Quarz (Germany) GmbH.

The cash flow from financing activities in the amount of T€ 650 (PY: T€ -4,446) is largely due to the taking out of bank loans in connection with new construction projects and the dividend payment to the shareholders.

Overall, cash and cash equivalents increased by T€ 3,226 (PY: T€ 6,101) in the first six months of the current financial year.

Cash Flow and Liquidity Development

in T€	01/10/18 - 31/03/19	01/10/17 - 31/03/18	+/- %
Cash generated from operations	10,289	14,368	-28.4
Cash flows from investing activities	-3,896	-2,114	-84.3
Cash flows from financing activities	650	-4,446	114.6
Change in cash and cash equivalents	3,226	6,101	-47.1

Net Assets

Non-current assets rose from T€ 54,275 to T€ 57,315 in the first six months of the financial year, largely due to the rise in property, plant and equipment. The Hönle Group's current assets increased from T€ 71,248 to T€ 75,158, mainly as a result of the rise in liquid assets and inventories.

With an equity ratio of 66.8 % and liquid assets in the amount of T€ 15,263, the Hönle Group's

financing is on solid ground. The Group acquired land for the planned expansion of business activities and commenced the construction of new business premises. Long-term loans increased from T€ 4,560 to T€ 9,844 largely in the context of these activities. Non-current liabilities increased from T€ 12,922 to T€ 21,239. In contrast, the current liabilities decreased from T€ 25,351 to T€ 22,806.

Statement of Financial Position

in T€	31/03/2019	30/09/2018	+/- %
Non-current assets	57,315	54,275	5.6
Current assets	75,158	71,248	5.5
Equity	88,427	87,250	1.4
Non-current liabilities	21,239	12,922	64.4
Current liabilities	22,806	25,351	-10.0
Total assets	132,473	125,523	5.5

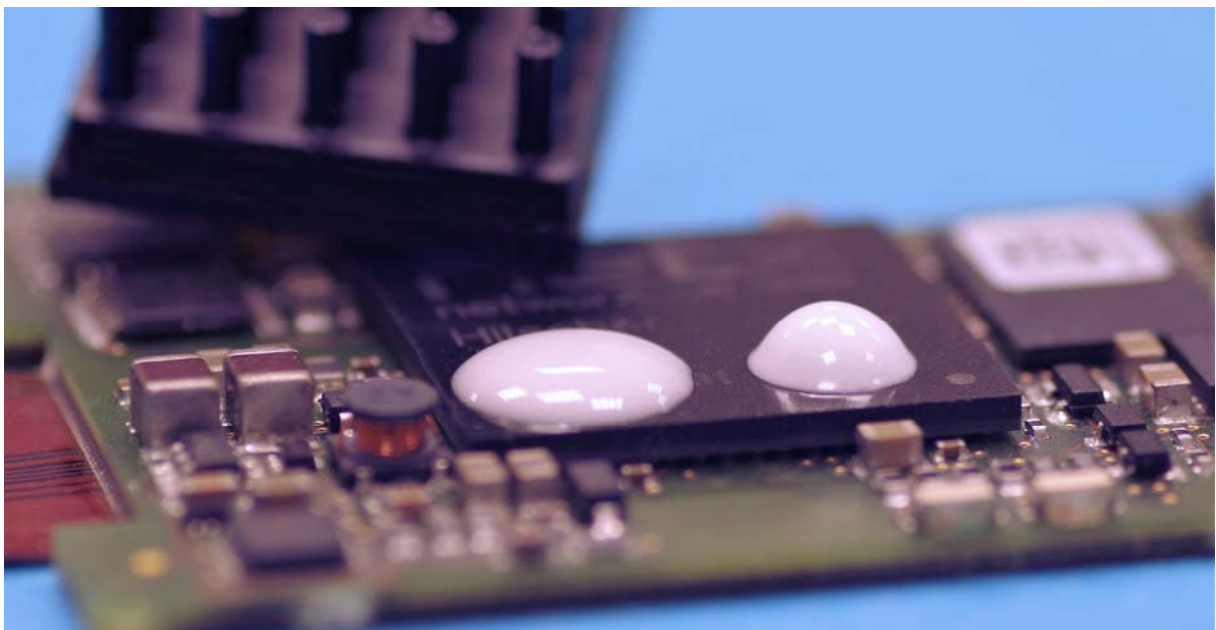
Research and Development

The Hönle Group companies developed new high-performance products and adapted existing products to meet customer-specific requirements. An average of 86 employees worked in the research and development departments, eight more than in the previous year. The Hönle Group's research and development expenses rose from T€ 2,916 in the previous year to T€ 3,057 in the financial year under review.

Panacol-Elosol GmbH developed new heat-curing adhesives with excellent heat-conducting properties. The adhesives with high metal adhesion were specially developed for bonding and dissipating heat from power electronics. Elecolit 6603, for example, is provided with mineral-based fillers that ensure excellent electrical insulation. The adhesive is flexible and can also be used as a casting compound. It's flow behaviour is good and it can be applied easily. Variations of this adhesive are characterized by high rigidity and form stability and the degree of viscosity can be individually adjusted.

For the first time, UV-Technik Speziallampen GmbH presented digital UV components for water sterilisation at this year's Aquatech trade fair in Shanghai. The advantage of these components in comparison with the systems currently in use lies in the option for combination with other systems, which optimises the interaction with all relevant modules. The functions are displayed on a touch panel and can thus be visualised at any time. Changes in operating conditions can be captured and system parameters be adapted at an early stage.

At this year's Fespa trade fair, Dr. Hönle AG showcased drying systems that were specifically developed for inkjet printing applications. They range from LED-UV and UV through to IR systems. In addition to the jetCURE product series and numerous infrared variants, Hönle also presented an enhanced version of the jetCURE LED. The new development reaches irradiation intensities of 18,000 mW/qcm. It is particularly powerful and energy-efficient at the same time, enabling reliable and even faster curing of UV-reactive printing inks and paints.



Employees

In the first six months of the current financial year, the Hönle Group employed an average staff of 637, which is 8.0 % more than in the prior-year period. The workforce increase mainly concerned the production and service departments. In addition, new employees were

recruited in the development departments of Panacol Elosol GmbH and Dr. Hönle AG. 78 employees or 12.2 % of the total workforce worked part-time. In the first half of the current financial year, the employees were engaged in the following functional areas:

Functional Areas

Reporting date	31/03/19	31/03/18	+/- %
Sales & Marketing	88	84	4.8
Research & Development	90	79	13.9
Production, Service	306	279	9.7
Logistics	83	78	6.4
Administration	69	70	-1.4
Total	636	590	7.8

Functional Areas

Average for the period	01/10/18 - 31/03/19	01/10/17 - 31/03/18	+/- %
Sales & Marketing	88	84	4.8
Research & Development	89	78	14.1
Production, Service	307	279	10.0
Logistics	84	79	6.3
Administration	69	70	-1.4
Total	637	590	8.0

Personnel Expenses

in T€	01/10/18 - 31/03/19	01/10/17 - 31/03/18	+/- %
Wages and salaries	15,199	14,233	6.8
Social security and Pension costs	3,289	3,004	9.5
Total	18,488	17,237	7.3

Personnel expenses rose by 7.3 % to T€ 18,488 in the first six months of the current financial year.

Hönle invests in occupational training with a view to covering the future demand for qualified personnel: The Hönle Group offers apprenticeships in the areas of business, technology, chemicals, and logistics. As at 31 March, 32 young people received occupational training at the Hönle Group (PY: 34).

Outlook

Overall market

The pace of global economic growth is expected to slow down considerably. Given the continued expansive monetary policy, an economic slump is not to be expected, however. The International Monetary Fund (IMF) predicts an increase in global production of 3.3 % and 3.6 % for 2019 and 2020 after 3.6 % in the year 2018.

The leading indicators in China and other emerging markets improved again slightly of late. Nevertheless, the trade dispute between the U.S. and China involves considerable conflict potential. Moreover, it is unclear whether the lower growth in many regions of the world is primarily due to increasing protectionism or whether other reasons are responsible for this development.

Hönle Group

Following a very successful financial year 2017/2018, weaker sales and earnings development is expected for the Adhesives segment in the current financial year, taking the above-mentioned sales shift into account. Moreover, lower sales figures of a key customer will impact adversely on the development of sales. Some adhesives projects that were scheduled for realisation in the present financial year will probably be postponed to the next financial year. However, in view of the expansion of existing customer relationships and numerous ongoing projects, the Management Board expects powerful business development over the medium- to long-term.

Sales and earnings in the Equipment & Systems segment in the 2018/2019 financial year are expected to be lower than in the previous year. This assessment is based on a continued decrease in order intake, particularly concerning incoming orders from the printing industry.

Positive sales and earnings development is predicted for the Glass and Lamps segment. A high order backlog at Raesch Quarz (Germany) GmbH will contribute to this development. In addition, higher sales revenues in ballast water sterilisation segment are predicted to lead to a positive business development at UV-Technik Speziallampen GmbH.

Overall Assessment of Future Business Development

The Management continues to assume that the Hönle Group will achieve the lower end of the communicated target range of € 115 million to € 130 million with respect to sales revenues and € 22 million to 30 million as regards the operating result in financial year 2018/2019.

Ongoing projects, in particular in the adhesives segment, indicate that the Hönle Group can surpass the positive financial year 2017/2018 in financial year 2019/2020.

In addition to strictly organic growth, corporate acquisitions will also play an important role in the expansion of Hönle Group's activities. Over the medium term, the Hönle Group intends to further expand its market position, especially in the area of short-lived economic goods such as industrial adhesives.

Consolidated Income Statement

for the period from 01 October 2018 to 31 March 2019 (IFRS)

in T€	01/01/2019 - 31/03/2019	01/10/2018 - 31/03/2019	01/01/2018 - 31/03/2018	01/10/2017 - 31/03/2018
Revenue	25,740	55,990	31,135	60,671
Changes in inventories of finished goods and work in progress	906	1,837	-25	781
Other work performed by entity and capitalised	37	56	42	63
Other operating income	594	941	187	374
Cost of purchased materials and services	9,205	19,092	10,004	19,943
Personnel expenses	9,144	18,488	8,851	17,237
Depreciation and amortisation expense	838	1,650	765	1,582
Other operating expenses	4,464	9,415	4,064	8,080
Impairment in accordance with IFRS 9	-7	-7	0	0
Operating result/EBIT	3,632	10,187	7,656	15,047
Profit/loss from investment accounted for using the equity method	-3	-2	9	9
Financial income	3	8	4	9
Financial expenses	62	119	69	146
Financial result	-62	-114	-56	-129
Earnings before tax and non-controlling interests/EBT	3,570	10,073	7,600	14,919
Income taxes	1,076	2,922	2,035	4,154
Consolidated profit or loss	2,495	7,151	5,565	10,765
Share in earnings attributable to non-controlling interests	-26	-29	19	-25
Share of earnings attributable to Dr. Hönle AG shareholders	2,521	7,180	5,545	10,790
Earnings per share (basic) in €		1.30		1.96
Earnings per share (diluted) in €		1.30		1.96
Average shares outstanding (basic)		5,511,854		5,511,854
Average shares outstanding (diluted)		5,511,854		5,511,854

Consolidated Statement of Comprehensive Income

for the period from 01 October 2018 to 31 March 2019 (IFRS)

in T€	01/10/2018 - 31/03/2019	01/10/2017 - 31/03/2018
Consolidated net income	7,151	10,765
Other comprehensive income for the period:		
Items that may be subsequently reclassified to profit or loss		
- Difference from currency translation	118	-121
- Reserve for hedging transactions	-2,782	12
- Income tax effects	730	-3
Positions that will not be reclassified to profit or loss		
- Actuarial gains / (losses) on defined benefit pension plans	-70	0
- Income tax effects	18	0
Total other comprehensive income	-1,986	-113
Total comprehensive income	5,165	10,652
Thereof:		
- Comprehensive income attributable to non-controlling interests	-29	-25
- Comprehensive income attributable to Dr. Hönle AG shareholders	5,194	10,678

Consolidated Statement of Financial Position

as of 31 March 2019 (IFRS)

ASSETS	31/03/2019	30/09/2018
NON-CURRENT ASSETS	in T€	in T€
Goodwill	18,849	18,849
Intangible assets	2,489	2,619
Property, plant and equipment	29,423	26,972
Investment property	1,190	1,210
Investment accounted for using the equity method	30	30
Financial assets	27	27
Other non-current assets	1,326	1,269
Deferred tax assets	3,981	3,298
Total non-current assets	57,315	54,275
CURRENT ASSETS		
Inventories	36,221	33,279
Trade accounts receivables	18,263	22,999
Receivables from companies in which an equity investment is held	160	167
Other current assets	4,423	2,114
Current tax assets	827	652
Cash and cash equivalents	15,263	12,037
Total current assets	75,158	71,248
TOTAL ASSETS	132,473	125,523
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	5,513	5,513
Own shares	-8	-8
Capital reserves	16,596	16,596
Retained earnings	66,129	64,985
Equity attributable to Dr. Höhle AG shareholders	88,229	87,086
Non-controlling interests	198	163
Total equity	88,427	87,250
NON-CURRENT LIABILITIES		
Non-current loans (less current portion)	9,844	4,560
Non-current portions of finance lease obligations	177	210
Other non-current liabilities	3,314	533
Pension provisions	6,164	5,988
Accrued public investment grants	299	332
Deferred tax liabilities	1,441	1,300
Total non-current liabilities	21,239	12,922
CURRENT LIABILITIES		
Trade accounts payable	6,013	6,838
Prepayments received	1,491	1,300
Current portion of finance lease obligations	65	64
Current liabilities to banks and current portion of non-current loans	1,996	2,263
Other current liabilities	6,242	7,090
Other provisions	593	590
Current tax liabilities	6,407	7,206
Total current liabilities	22,806	25,351
TOTAL EQUITY AND LIABILITIES	132,473	125,523

Consolidated Statement of Changes in Equity

for the period from 01 October 2018 to 31 March 2019 (IFRS)

in T€	R e t a i n e d e a r n i n g s								E q u i t y		
	Sub- scribed capital	Own shares	Capital reserves	Legal and other reserves	Reserve from measure- ment IFRS 9	Derivative financial instrument	Actuarial gains/losses on defined pension plans	Currency translation differences	Equity attributable to Dr. Hönle AG's share- holders	Non- controlling interests	Total
As at 01 October 2017	5,513	-8	16,596	45,894	0	-34	-1,829	1,748	67,880	1,898	69,778
Consolidated net income				10,790					10,790	-25	10,765
Other comprehensive income						9		-121	-113		-113
Total comprehensive income				10,790		9		-121	10,678	-25	10,652
Equity contribution by minority shareholders										49	49
Dividend distribution				-3,307					-3,307		-3,307
As at 31 March 2018	5,513	-8	16,596	53,377	0	-25	-1,829	1,627	75,251	1,922	77,172
As at 01 October 2018	5,513	-8	16,596	65,305	0	-177	-2,024	1,822	87,087	164	87,250
Change in the according due to IFRS 9					335						
As at 01 October 2018 (adjusted)	5,513	-8	16,596	63,305	335	-117	-2,024	1,822	87,087	164	87,250
Consolidated net income				7,180					7,180	-29	7,151
Other comprehensive income						-2,052	-52	118	-1,986		-1,686
Total comprehensive income				7,180		-2,052	-52	118	5,194	-29	5,165
Changes due to the purchase of non-controlling interest				23					23	-83	-60
Equity contribution by non-controlling shareholders										147	147
Dividend distribution				-4,409					-4,409		-4,409
As at 31 March 2019	5,513	-8	16,596	68,099	335	-2,169	-2,076	1,940	88,230	198	88,428

Statement of Consolidated Cash Flows

for the period from 01 October 2018 to 31 March 2019 (IFRS)

in T€	01/10/2018- 31/03/2019	01/10/2017- 31/03/2018
Cash flows from operating activities		
Consolidated profit before non-controlling interests and taxes	10,073	14,919
Adjustments for:		
Depreciation of intangible assets, property plant and equipment and investment property	1,650	1,582
Gains/losses from disposal of intangible assets, property, plant and equipment and investment property	23	-3
Financial income	-6	-18
Financial expenses	119	146
Other non-cash expenses/income	-318	75
Operating result before changes to net current assets	11,541	16,701
Increase/decrease in provisions	536	57
Increase/decrease in trade accounts receivable	5,241	829
Increase/decrease in receivables from companies in which an equity investment is held	7	29
Increase/decrease in other assets	-2,339	-1,029
Increase/decrease in reinsurance policy	-81	-71
Increase/decrease in inventories	-3,194	-2,662
Increase/decrease in trade accounts payable	-807	163
Increase/decrease in liabilities to companies in which an equity investment is held	0	-3
Increase/decrease in advance payments received	191	419
Increase/decrease in other current liabilities	-835	-79
Increase/decrease accrued public investment grants	30	14
Cash generated from operations	10,289	14,368
Interest paid	-65	-93
Income tax paid	-3,836	-1,546
Cash flows from operating activities	6,389	12,729
Cash flows from investing activities		
Payments received from the disposal of intangible assets, property, plant and equipment and investment property	13	4
Payments for the purchase of property, plant and equipment and intangible assets	-3,941	-2,063
Changes in financial assets	-1	0
Payments received from non-current receivables	24	65
Payments for non-current receivables	0	-130
Interest received	8	9
Cash flows from investing activities	-3,896	-2,114
Cash flows from financing activities		
Payments received from loans and liabilities to banks	5,745	1,300
Payments for loans and liabilities to banks	-773	-2,488
Payments for the purchase of non-controlling interests	-60	0
Equity contributions by non-controlling shareholders	147	49
Dividends paid	-4,409	-3,307
Cash flows from financing activities	650	-4,446
Exchange rate differences	44	-56
Exchange rate-related change in funds	40	-12
Net increase/decrease in cash and cash equivalents	3,226	6,101
Cash and cash equivalents at the beginning of the reporting period	12,037	5,217
Cash and cash equivalents at the end of the reporting period	15,263	11,318

Explanatory Notes

to the half-year report 2018/2019

Hönle prepares the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) published by the International Financial Reporting Standards Board (IASB) and the pertaining interpretations as to be applied in the European Union.

The present consolidated financial statements were prepared in accordance with IAS 34 "Interim financial reporting". They should be read in context with the consolidated financial statements published by the Company for the financial year 2017/2018.

The consolidated statement of financial position as of 31 March 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the statement of consolidated cash flows for the periods ending on 31 March 2019 and 2018 as well as the notes to the consolidated financial statements are unaudited and were not subjected to a critical review.

The material recognition, measurement and consolidation methods applied have remained unchanged compared with those for the financial year 2017/2018 – with the exceptions listed below.

IFRS 9 – Financial Instruments

Dr. Hönle AG initially applied standard IFRS 9 as of 1 October 2018, taking the simplification- and transitional provisions into account.

The first-time application of the new impairment model as of 1 October 2018 led to a reduction in the reported valuation adjustments of trade accounts receivables in the amount of T€ 480 (before deferred taxes). The cumulative effect of the initial date of application was reported under equity with neutral effect on profit or loss and without adjusting the prior year's period.

In addition, the initial application of IFRS 9 led to a change in the categories of financial instruments concerning the classification of financial assets and financial liabilities.

The initial reporting of financial assets pursuant to IFRS 9 requires classification into the categories "financial values measured at fair value through profit or loss" (FVthPL), "measured with neutral effect on profit/loss via the other comprehensive income (FVthOCI) or "measured at amortized cost" (AC). Financial assets based on the recognition of contractual cash flows and pertaining cash inflows /outflows are allocated to the category "at amortized cost".

The classification of financial liabilities has not undergone any change in comparison with IAS 39.

	Measurement categories IAS 39	Measurement categories IFRS 9	Carrying amount as of 10/01/2018 IAS 39 in T€	Carrying amount as of 10/01/2018 IFRS 9 in T€
Equity investments	AfS	FVthOCI	27	27
Other non-current assets	LaR	AC	89	89
Trade accounts receivable	LaR	AC	22,999	23,479
Other current assets	LaR	AC	1,789	1,789
Liquid assets	LaR	AC	12,037	12,037
Total			36,941	37,394
Liabilities to banks	FLAC	AC	6,823	6,823
Trade accounts payable	FLAC	AC	6,838	6,838
Other non-current liabilities	FLAC	AC	586	586
Other current financial liabilities	FLAC	AC	6,661	6,661
Derivatives in connection with effective CF hedge	CF hedge	CF hedge	157	157
Total			21,065	21,065

IFRS 15 – Revenues from Contracts with Customers

IFRS 15 replaces all previous standards and interpretations on revenue realization, in particular IAS 18 Sales Revenues and IAS 11 Manufacturing Contracts. IFRS 15 is based on the principle that sales revenues must be realized at the time when control over the product or service is transferred to the customer. The initial application has not impacted on the items in the consolidated income statement (including earnings per share) and the consolidated statement of cash flows. Apart from changes in the balance sheet disclosure, the initial application does not result in any further change-over effects. The change-over was made using the modified retrospective approach. The previous year's figures were not adjusted.

IFRS 15 requires the separate disclosure of contractual assets and contractual liabilities in the statement of financial position. In Dr. Hönle AG's consolidated statement of financial position, this leads to changes in the balance sheet disclosure of the following items as of 31 March 2019:

Prepayments received reported in the statement of financial position in the amount of T€ 1,491 represent contractual liabilities pursuant to IFRS 15.

With respect to the categorization of revenues from contracts with customers, reference is made to the segment reporting as of 31 March 2019. The sales revenues are consistent with the revenues from contracts with customers.

Measurement at Fair Value

Interest swaps (derivatives with effective hedging relationship) are regularly and recurrently measured on the basis of input parameters that can be observed on the market. The most frequently used measurement methods include option price and swap models using cash value calculations. The models include various parameters such as the business partners' credit standing, foreign exchange spot and forward rates and interest yield curves. As of 31 March 2019, the derivative positions are measured at market value (mark-to-market). The default risk of the group and the bank is considered to be low.

The following table shows the financial liabilities accounted for at fair values on the basis of hierarchical levels:

Category of liabilities	Effective date	Total in T€	Quoted price on active markets	Material observable input parameter	Material non-observable input parameter
			(Level 1) in T€	(Level 2) in T€	(Level 3) in T€
Interest rate swap in conj. with effective CF hedge	31/03/2019	2,939	-	2,939	-
Interest rate swap in conj. with effective CF hedge	30/09/2018	157	-	157	-

Supplementary Report

No events of special importance have occurred after the balance sheet date that could have a major impact on the net assets, financial position and results of operations of the Dr. Hönle AG.

The Group figures that are to be reported on a segment basis are allocated to the individual segments as follows:

Financial year 2018/2019 in T€	Equipment/ Systems	Adhe- sives	Glass/ Lamps	Total	Elimina- tions	Consoli- dated
Revenue						
External customers	24,992	20,029	10,969	55,990	0	55,990
Sales with other business units	3,188	120	1,199	4,507	-4,507	0
Total sales	28,180	20,149	12,168	60,497	-4,507	55,990
EARNINGS						
Segment result (operating result)	3,222	5,476	1,489	10,187	0	10,187
Financial income	151	7	22	180	-172	8
Financial expenses	95	11	196	302	-184	118
Investment accounted for using the equity method				-2		-2
Write-downs of financial assets				-12	12	0
Earnings before taxes and non-controlling interests						10,073
Income taxes	876	1,702	283	2,861	0	2,861
Deferred taxes	-68	-85	99	-53	-114	61
Earnings before non-controlling interests						7,151
OTHER INFORMATION						
Segment assets	85,441	48,132	37,036	170,609	-44,327	126,282
Non-allocated assets						
Investment accounted for using the equity method				30		30
Financial assets				27		27
Non-current receivables				1,326		1,326
Tax refund claims				827		827
Deferred tax assets				3,981		3,981
Consolidated assets						132,473
Segment debt	46,448	10,876	31,262	88,586	-62,409	26,177
Deferred tax liabilities				1,441		1,441
Liabilities from income taxes				6,407		6,407
Non-current loans				10,021		10,021
Consolidated liabilities (current and non-current)						44,046
Investments	963	718	2,181	3,862		3,862
Segment write-downs	546	329	775	1,650		1,650
Non-cash expenses of the segment	163	12	10	185		185

Financial year 2017/2018 in T€	Equipment/ Systems	Adhe- sives	Glass/ Lamps	Total	Elimina- tions	Cosoli- dated
Revenue						
External customers	26,401	23,796	10,474	60,671	0	60,671
Sales with other business units	973	180	1,227	2,380	-2,380	0
Total sales	27,374	23,976	11,701	63,051	-2,380	60,671
EARNINGS						
Segment result (operating result)	3,197	11,303	547	15,047	0	15,047
Financial income	119	11	25	155	-146	9
Financial expenses	169	13	176	358	-212	146
Investments accounted for using the equity method				9		9
Earnings before taxes and non-controlling interests						
						14,919
Income taxes	993	3,236	125	4,354	0	4,354
Deferred taxes	-99	-27	-28	-154	-45	-199
Earnings before non-controlling interests						
						10,765
OTHER INFORMATION						
Segment assets	70,716	31,611	31,702	134,029	-27,244	106,785
Non-allocated assets						
Investments accounted for using the equity method				34		34
Financial assets				27		27
Non-current receivables				1,175		1,175
Tax refund claims				642		642
Deferred tax assets				3,076		3,076
Consolidated assets						
						111,739
Segment debt	36,246	5,792	26,774	68,812	-45,686	23,126
Deferred tax liabilities				1,245		1,245
Liabilities from income taxes				4,580		4,580
Non-current loans				5,613		5,613
Consolidated liabilities (current and non-current)						
						34,564
Investments	502	241	1,315	2,058		2,058
Segment write-downs	534	306	742	1,582		1,582
Non-cash expenses of the segment	72	5	0	77		77

Segment assets are defined as the sum total of intangible assets, property, plant and equipment, inventories, current receivables and cash and cash equivalents. Segment debt includes non-current and current obligations. Non-cash segment expenses relate to changes in pension provisions and other provisions. Transfer prices relating to intercompany services and supplies including the pertaining calculation basis are based on the same terms and conditions as those applied for third parties. In this respect no changes have been recorded in comparison with previous years.

Responsibility Statement

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 and that 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, May 17, 2019

Dr. Hönle AG
The Management Board

Note

The consolidated interim financial statements are unaudited.

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

The figures and percentages contained in this report may be subject to rounding differences.

Financial Calendar

17 May 2019
Present Half-Year Report 2018/2019

9 August 2019
3rd Quarterly Statement 2018/2019

10-11 December 2019
Munich Capital Markets Conference



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