

3rd Quarterly Statement

for the period from 1 October 2018 to 30 June 2019



Hönle Group in T€	01/10/2018 – 30/06/2019	01/10/2017 – 30/06/2018	+/- %
Consolidated Income Statement			
Revenue	81,240	88,750	-8.5
Operating result/EBIT	13,256	19,865	-33.3
Earnings before tax/EBT	13,084	19,669	-33.5
Consolidated profit	9,236	14,208	-35.0
The Share			
Earnings per share in €	1.69	2.58	-34.5
Number of shares	5,512,930	5,512,930	0,0
Cash Flow			
Operating cash flow ¹⁾	15,272	20,653	-26.1
Employees			
Average number of staff	630	596	5.7
	30/06/2019	30/09/2018	Change
Statement of Financial Position			
Non-current assets	60,735	54,275	11.9
Current assets	75,537	71,248	6.0
Equity	89,464	87,250	2.5
Non-current liabilities	22,995	12,922	78.0
Current liabilities	23,814	25,351	-6.1
Total assets	136,273	125,523	8.6
Equity ratio as a %	65.7	69.5	-5.5

1) Cash generated from operations

Financial Calendar of Dr. Hönle AG

6 December 2019

Preliminary figures for the FY 2018/2019

28 January 2020

Annual Report 2018/2019

Note

The Quarterly Statement is unaudited. It was prepared on the basis of the accounting regulations applied in the last consolidated financial statements.

The statements and information provided by Dr. Hönle AG in the Quarterly Statement relate to future periods. These forward-looking statements represent assessments which were made on the basis of all information available at the time they were prepared. Should the assumptions underlying the forecasts prove to be incorrect, the actual developments and results may deviate from the current expectations. The Company assumes no obligation to update the information contained in this Quarterly Statement outside the legally required publication provisions.

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

Market Development

The global economy has increasingly lost momentum in recent months. While the industrial sector in Japan, Europe and some emerging markets is on the verge of a recession, the U.S. economy is currently still robust. 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 restrained the companies' willingness to invest, leading to weaker exports and weaker private consumption in many countries.

Course of Business

The Hönle Group's sales revenues decreased by 8.5% to T€ 81,240 in the first nine months of the 2018/2019 financial year compared with the prior-year period. The operating result dropped by 33.3% to T€ 13,256, due, primarily, to the lower proportion of adhesives revenues in total sales.

Adhesives Segment

Sales revenues generated in the Adhesives segment declined from T€ 31,950 to T€ 24,608, which corresponds to a decrease of 23.0%. Sales revenues have been adjusted for a major contract in the amount of T€ 3,405 that was settled via one of our subsidiaries in the Adhesives segment but is actually attributable to the Equipment & Systems segment. The segment's operating result fell by 43.4% to T€ 8,065. The main reason for the sales and earnings decline related to shifts in orders which led to lower sales revenues in 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 declined slightly to T€ 40,056, which down 2.3% on the previous year's figure. The operating result decreased by 31.5% to T€ 3,356 due to higher sales commission payments and a rise in personnel expenses in the context of the expansion of staffing resources.

Glass & Lamps Segment

Sales revenues generated in the Glass and Lamps segment rose by 4.9% to T€ 16,577 in the nine-month period under review. At the same time, the operating result jumped 152.6% to T€ 1,834. The earnings improvement is primarily attributable to Raesch Quarz (Germany) GmbH. Higher sales revenues achieved by UV-Technik Speziallampen GmbH in the ballast water sterilisation systems segment also contributed to the positive development in the Glass & Lamps segment.

Results of Operations

The Hönle Group's sales revenues came to T€ 81,240 in the nine-month period, which is 8.5% below the previous year's figure. The cost of materials ratio improved slightly from 33.6% to 33.4%.

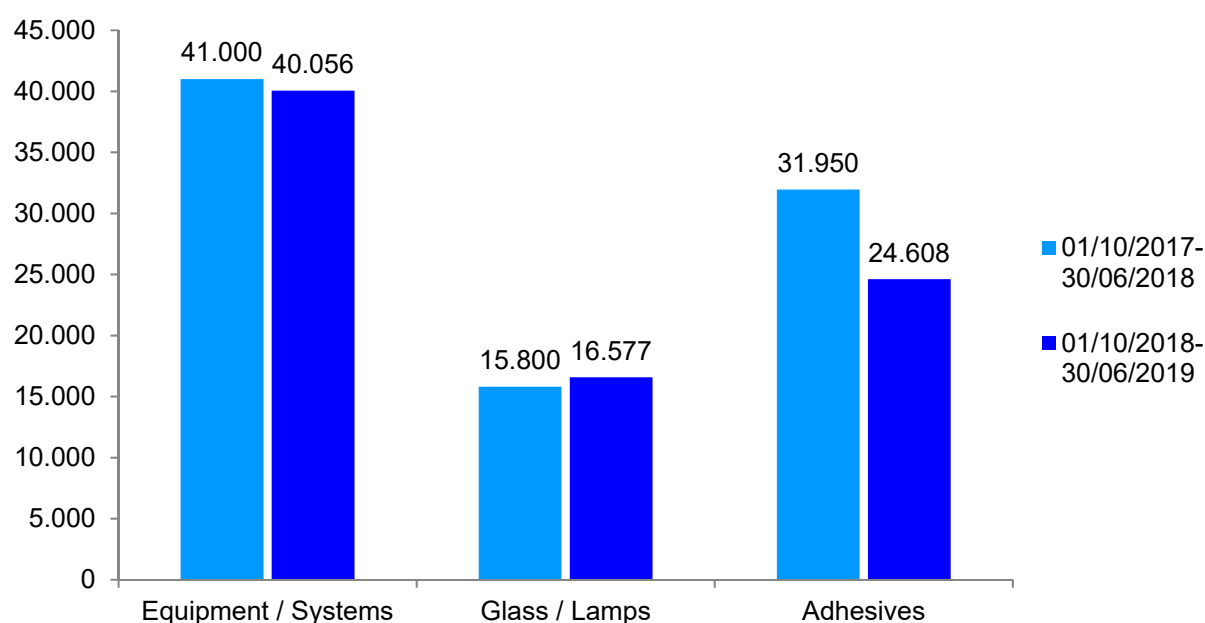
The personnel expense ratio climbed from 29.1% to 32.6%, which is mainly due to the staff increase. The ratio of other operating expenses advanced from 13.5% to 16.4%, mainly as a consequence of the rise in sales commission payments associated with a large-scale contract in the Equipment & Systems segment.

The operating result (EBIT) decreased from T€ 19,865 to T€ 13,256, which translates into an EBIT margin of 15.9% (PY: 21.9%). Earnings before taxes (EBT) contracted from T€ 19,669 to T€ 13,084. After income taxes, the consolidated net income came to T€ 9,236 (PY: T€ 14,208), which corresponds to earnings per share of € 1.69 (PY: € 2.58). Consequently, net profit on sales dropped from 16.0% to 11.4%.

Earnings Development

in T€	01/10/18 – 30/06/19	01/10/17 – 30/06/18	+/- %
Revenue	81,240	88,750	-8.5
Operating result/EBIT	13,256	19,865	-33.3
Earnings before tax/EBT	13,084	19,669	-33.5
Consolidated profit	9,236	14,208	-35.0
Earnings per share in €	1.69	2.58	-34.5

Sales by Segment in T€ (adjusted)



Financial Position

The Hönle Group's cash flow from operating activities came to T€ 15,272, down from T€ 20,653 reported in the previous year.

At T€ 7,770, investments were up on the previous year's level of T€ 3,494. 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€ 1,062 (PY: T€ -6,046) is largely due to the taking out of bank loans in connection with the new construction projects and the dividend payment to the shareholders. Overall, cash and cash equivalents increased by T€ 3,378 (PY: T€ 8,658) in the first nine months of the current financial year.

Cash Flow and Liquidity Development

in T€	01/10/18 – 30/06/19	01/10/17 – 30/06/18	+/- %
Cash generated from operations	15,272	20,653	-26.1
Cash flows from investing activities	-7,770	-3,494	-122.4
Cash flows from financing activities	1,062	-6,046	117.6
Change in cash and cash equivalents	3,378	8,658	-61.0

Net Assets

Non-current assets rose from T€ 54,275 to T€ 60,735 in the nine-month period, largely due to the rise in property, plant and equipment. Investments in property plant are discussed in the section "Financial position". The Hönle Group's current assets increased from T€ 71,248 to T€ 75,537, mainly as a result of the rise in cash and cash equivalents and inventories. With an equity ratio of 65.7% and cash and cash equivalents in the amount of T€ 15,415, the Hönle Group's financing continues to be on solid ground. Long-term loans rose from T€ 4,560 to T€ 10,268, which, among other factors, is due to the above-mentioned construction projects. The assessment of the interest rate hedging instruments (SWAP) associated with the real estate loans resulted in a rise in other non-current liabilities from T€ 533 to T€ 4,647. Non-current liabilities increased from T€ 12,922 to T€ 22,995. In contrast, current liabilities decreased from T€ 25,351 to T€ 23,814.

Statement of Financial Position

in T€	30/06/2019	30/09/2018	+/- %
Non-current assets	60,735	54,275	11.9
Current assets	75,537	71,248	6.0
Equity	89,464	87,250	2.5
Non-current liabilities	22,995	12,922	78.0
Current liabilities	23,814	25,351	-6.1
Total assets	136,273	125,523	8.6

Outlook

Overall market

The global economy has contracted considerably in recent months. The ongoing trade disputes and uncertainties surrounding the outcome of the Brexit, in particular, have severely dampened business and consumer sentiment, leading to slackening investment growth, weaker exports and weaker private consumption. A further escalation in the trade dispute between the United States and other economies cannot be ruled out either.

China tries to boost economic growth by providing expansive monetary and fiscal policy stimuli. However, the road to economic recovery has been bumpy to date. A lot of economic data also points to an economic slackening in the U.S. The economic and political challenges faced by Europe remain daunting. However, in view of the stable economic situation in the service segment, a recession in Europe is unlikely.

Outlook for the Höhle Group

The Management Board expects the Höhle Group to achieve sales revenues ranging from € 105 million to € 110 million in the 2018/2019 financial year and an operating result of between € 17 million to € 19 million after it had assumed that the Group would achieve sales revenues at the lower end of € 115 million to € 130 million and an operating result ranging at the lower end of between € 22 million to € 30 million.

According to current information, a change in the supplier strategy relative to an application that is important to us will impact adversely on the Höhle Group's sales development in the Adhesives segment. As a consequence, lower sales revenues are expected to be earned from business with a large-scale client in the sensor technology segment.

The Management Board nevertheless predicts a healthy business development for the coming years. Both the expansion of existing important customer relationships and the acquisition of new customers, which also includes technology and global market leaders in the electronics, automotive and medical technology segments, are expected to contribute to this development.

Moreover, Höhle succeeded in considerably improving both the quality and the number and volume of customer projects in the Adhesives segment compared with the previous year. The number of products already qualified at customers' sites was also sharply expanded.

In order to accelerate growth, sales capacities in the Adhesives segment will be increased by 35% in the 2019/2020 financial year. Höhle also invests in the expansion of research and development capacities.

Sales and earnings in the Equipment & Systems segment in the 2018/2019 financial year will be lower than in the previous year. This is largely due to a decline in incoming orders from the printing industry.

The Management Board predicts positive sales and earnings development in the Glass and Lamps segment.

In addition to the favourable course of business reported by Raesch Quarz (Germany) GmbH, higher sales revenues earned in the ballast water disinfection systems segment at UV-Technik Speziallampen GmbH will contribute to this development.

Consolidated Income Statement

for the period from 1 October 2018 to 30 June 2019 (in T€)

	01/04/2019 – 30/06/2019	01/10/2018 – 30/06/2019	01/04/2018 – 30/06/2018	01/10/2017 – 30/06/2018
Revenue	25,251	81,240	28,079	88,750
Changes in inventories of finished goods and work in progress	344	2,182	1,143	1,924
Other work performed by entity and capitalised	0	56	10	73
Other operating income	112	1,053	265	639
Cost of purchased materials and services	8,801	27,893	10,563	30,505
Personnel expenses	8,742	27,230	9,185	26,422
Depreciation and amortisation expense	830	2,479	779	2,361
Other operating expenses	4,235	13,650	4,154	12,234
Impairment in accordance with IFRS 9	30	23	0	0
Operating result/EBIT	3,069	13,256	4,817	19,865
Profit/loss from investment accounted for using the equity method	1	-1	0	9
Financial income	3	10	4	14
Financial expenses	62	181	72	218
Financial result	-58	-171	-67	-196
Earnings before tax and non-controlling interests/EBT	3,010	13,084	4,750	19,669
Income taxes	926	3,848	1,307	5,461
Consolidated profit	2,085	9,236	3,443	14,208
Share in earnings attributable to non-controlling interests	-28	-57	11	-14
Share in earnings attributable to Dr. Höhle AG shareholders	2,113	9,293	3,432	14,222
Earnings per share (basic) in €		1.69		2.58
Earnings per share (diluted) in €		1.69		2.58
Average shares outstanding (basic)		5,511,854		5,511,854
Average shares outstanding (diluted)		5,511,854		5,511,854

Consolidated Statement of Financial Position

as of 30 June 2019 (in T€)

A SSETS	30/06/2019	30/09/2018
NON-CURRENT ASSETS		
Goodwill	18,849	18,849
Intangible assets	2,427	2,619
Property, plant and equipment	32,449	26,972
Investment property	1,180	1,210
Investments accounted for using the equity method	32	30
Financial assets	27	27
Other non-current assets	1,366	1,269
Deferred tax assets	4,404	3,298
Total non-current assets	60,735	54,275
CURRENT ASSETS		
Inventories	36,828	33,279
Trade accounts receivable	17,641	22,999
Receivables from companies in which an equity investment is held	155	167
Other current assets	4,621	2,114
Current tax assets	877	652
Cash and cash equivalents	15,415	12,037
Total current assets	75,537	71,248
TOTAL ASSETS	136,273	125,523
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	5,513	5,513
Own shares	-8	-8
Capital reserves	16,596	16,596
Retained earnings	67,193	64,985
Equity attributable to Dr. Höhle AG shareholders	89,294	87,086
Non-controlling interests	170	163
Total equity	89,464	87,250
NON-CURRENT LIABILITIES		
Non-current loans (less current portion)	10,268	4,560
Non-current portion of finance lease obligations	161	210
Other non-current liabilities	4,647	533
Pension provisions	6,218	5,988
Accrued public investment grants	282	332
Deferred tax liabilities	1,418	1,300
Total non-current liabilities	22,995	12,922
CURRENT LIABILITIES		
Trade accounts payable	6,803	6,838
Liabilities to affiliated companies	1	0
Prepayments received	1,428	1,300
Current portion of finance lease obligations	65	64
Current liabilities to banks and current portion of non-current loans	2,006	2,263
Other current liabilities	6,757	7,090
Other provisions	570	590
Current tax liabilities	6,183	7,206
Total current liabilities	23,814	25,351
TOTAL EQUITY AND LIABILITIES	136,273	125,523

Statement of Consolidated Cash Flows

for the period from 1 October 2018 to 30 June 2019 (in T€)

	01/10/2018– 30/06/2019	01/10/2017– 30/06/2018
Cash flows from operating activities		
Consolidated profit before non-controlling interests and taxes	13,084	19,669
Adjustments for:		
Depreciation of intangible assets, property, plant and equipment and investment property	2,479	2,361
Gains/losses from the disposal of intangible assets, property, plant and equipment and investment property	98	20
Financial income	-9	-23
Financial expenses	181	218
Other non-cash expenses/income	668	120
Operating result before changes to net current assets	16,501	22,365
Increase/decrease in provisions	58	89
Increase/decrease in trade accounts receivable	5,833	1,677
Increase/decrease in receivables from companies in which an equity investment is held	12	25
Increase/decrease in other assets	-2,575	-1,418
Increase/decrease in reinsurance policy	-123	-64
Increase/decrease in inventories	-4,296	-4,382
Increase/decrease in trade accounts payable	-16	658
Increase/decrease in liabilities to companies in which an equity investment is held	0	-3
Increase/decrease in advance payments received	128	834
Increase/decrease in other current liabilities	-319	835
Increase/decrease in accrued public investment grants	68	36
Cash generated from operations	15,272	20,653
Interest paid	-98	-138
Income tax paid	-5,138	-2,360
Cash flows from operating activities	10,036	18,155
Cash flows from investing activities		
Payments received from the disposal of intangible assets, property, plant and equipment and investment property	74	11
Payments for the purchase of property, plant and equipment and intangible assets	-7,880	-3,444
Payments received from non-current receivables	26	54
Payments for non-current receivables	0	-130
Interest received	10	15
Cash flows from investing activities	-7,770	-3,494
Cash flows from financing activities		
Payments received from loans to and liabilities to banks	7,107	1,300
Payments for loans and liabilities to banks	-1,723	-3,288
Payments for the purchase of non-controlling interests	-60	-800
Equity contributions by non-controlling shareholders	147	49
Dividends paid	-4,409	-3,307
Cash flows from financing activities	1,062	-6,046
Exchange rate differences	25	13
Exchange rate-related change in funds	26	30
Net increase/decrease in cash and cash equivalents	3,378	8,658
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	15,415	13,875