

First Quarterly Statement

for the period from 1 October 2019 to 31 December 2019



	01/10/2019 – 31/12/2019	01/10/2018 – 31/12/2018	
Consolidated			
Income Statement	in T€	in T€	+/- %
Revenue	25,499	30,250	-15.7
Operating result/EBIT	3,681	6,555	-43.8
Earnings before tax/EBT	3,621	6,503	-44.3
Consolidated profit	2,608	4,656	-44.0
Share			
Earnings per share in €	0.48	0.85	-43.5
Number of shares	5,512,930	5,512,930	0.0
Cash flow			
Operating cash flow ¹⁾	3,108	8,054	-61.4
Staff			
Average number of staff	589	638	-7.7
	31/12/2019	30/09/2019	
Statement of Financial Position	in T€	in T€	+/- %
Non-current assets	83,764	71,877	16.5
Current assets	71,931	71,320	0.9
Equity	93,569	90,122	3.8
Non-current liabilities	37,176	30,395	22.3
Current liabilities	25,899	23,630	9.6
Total assets	156,645	144,147	8.7
Equity ratio as a %	59.7	62.5	-4.5

1) Cash generated from operations

Financial Calendar of Dr. Höhle AG

17 March 2020

Annual General Meeting in Munich

15 May 2020

Half-Year Report 19/20

7 August 2020

Third quarterly Statement 19/20

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. Höhle AG in the quarterly statement also 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 statement may be subject to rounding differences.

Market Development

The global economy has cooled off noticeably. The International Monetary Fund (IMF) reduced its projection for global growth in 2019 to 2.9%. Political issues such as the trade dispute between the USA and China and ongoing Brexit discussions, in particular, weighed on corporate sentiment and curbed both investments and exports. According to the IMF, economic growth in 2018 came to 3.6%.

Course of Business

Revenue earned by the Höhle Group declined from T€ 30,250 in the previous year to T€ 25,499 in the first quarter of financial year 2019/2020. The decline in revenue concerned all business segments. The operating result (EBIT) amounted to T€ 3,681 after T€ 6,555 in the previous year. In addition to the lower first quarter revenue, the decline in earnings also results from a change in the ratio of segment sales within the Group.

Revenues in the Adhesives segment fell from T€ 9,692 to T€ 7,707 year-on-year. In the previous year already, a significantly lower order volume with a major customer in the field of sensor technology led to a decline in revenue. As expected, the effects of the decline in sales for this application were also clearly felt in the first quarter of the current financial year. However, revenues earned with new customers, mainly in the consumer electronics sector, compensated for at least some of these effects.

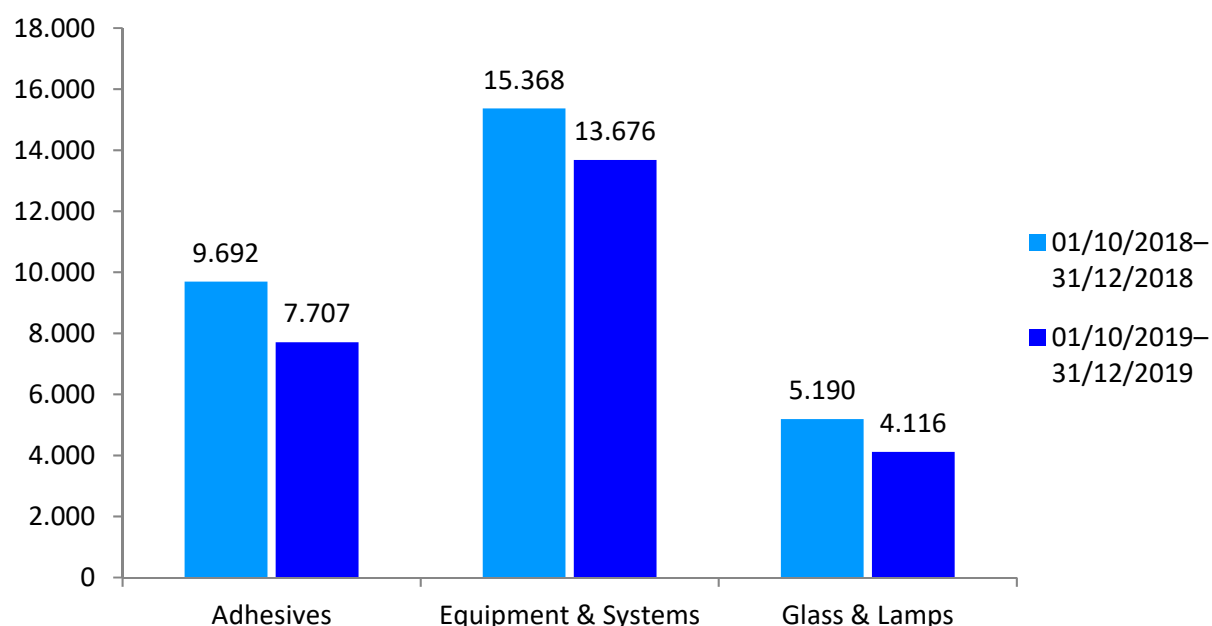
As part of the planned revenue growth, the number of staff in the areas of development and sales was increased. The segment's operating result dropped from T€ 4,145 to T€ 2,254 in the course of the revenue decline in the first quarter.

Revenues in the Equipment & Systems segment decreased from T€ 15,368 to T€ 13,676. While sales revenues earned with drying systems for the printing industry rose in the first quarter, revenues earned with equipment for adhesives curing and sun simulation systems saw a decrease. At T€ 1,681, the operating result was slightly below the previous year's quarterly result of T€ 1,760.

Glass & Lamps segment revenues declined from T€ 5,190 to T€ 4,116 in the current financial year's first quarter. The operating result dropped from T€ 650 in the previous year to T€ -254 in the current financial year. This decline in revenue and earnings is due to the business development reported for Raesch Quarz (Germany) GmbH, in particular, where the weakening semiconductor market led to a temporary sales decline.

The production site of Aladin GmbH was relocated from Rott am Inn to Ilmenau. At the new location, which is located on the premises of UV-Technik Speziallampen GmbH, medium pressure lamps will be manufactured, developed and produced on the basis of customer specifications from January 2020 onwards. A new factory building was constructed within the scope of the relocation which accommodates the production sites of Aladin and also provides additional production capacities for the planned growth in the area of ballast water disinfection.

Sales by segment in T€ (adjusted)



Sales are adjusted for an order from the Equipment & systems segment in the amount of T€ 436 (PY: T€ 2,429 T€). The order was processed via one of our subsidiaries which is allocated to the Adhesives segment.

Results of Operations

The Hönle Group's sales revenues amounted to T€ 25,499 in the first quarter, down 15.7% from the prior year's period. Gross profit dropped 19.1% to T€ 17,520 while the cost of materials ratio increased from 31.7% in the previous year to 34.8% in the current quarter as a result of a changed product mix within the Hönle Group.

Personnel expenses decreased by 5.8% to T€ 8,803 as a consequence of the Hönle Group's staff reduction. The decline in revenues led to an increase in the personnel expense ratio from 30.0% to 33.1%, however. The ratio of other operating expenses declined from 15.9% in the previous year to 13.1% in the current financial year, largely due to lower sales commission in connection with a major order.

The operating result (earnings before interest and tax/EBIT) decreased by 43.8% to T€ 3,681, corresponding to an EBIT margin of 13.8% after 21.0% in the previous year. Earnings before tax (EBT) dropped 44.3% to T€ 3,621. After income taxes, the consolidated profit amounted to T€ 2,608 which represents a decline of 44.0%. Earnings per share fell from € 0.85 € to € 0.48. Net profit on sales decreased from 15.4% to 10.2% in the first quarter.

Earnings development

in T€	01/10/19 – 31/12/19	01/10/18 – 31/12/18	+/- %
Revenue	25,499	30,250	-15.7
Gross profit	17,520	21,661	-19.1
Operating result (EBIT)	3,681	6,555	-43.8
Earnings before tax (EBT)	3,621	6,503	-44.3
Consolidated profit	2,608	4,656	-44.0
Earnings per share in €	0.48	0.85	-43.5

Financial Position

Cash generated from operations amounted to T€ 3,108 (PY: T€ 8,054) in the period from 1 October 2019 to 31 December 2019. At T€ 7,571, investments were above the previous year's level of T€ 2,233. They mainly concern investments in new corporate premises at Dr. Höhle AG, Panacol-Elosol GmbH and UV-Technik Speziallampen GmbH.

The cash flow from financing activities in the amount of T€ 4,868 (PY: T€ -390) is mainly attributable to proceeds from bank borrowings for the financing of construction projects.

In all, cash and cash equivalents decreased by T€ 553 in the first three months of the current financial year (PY: T€ 3,514 increase).

Cash Flow and Liquidity Development

in T€	01/10/19 – 31/12/19	01/10/18 – 31/12/18	+/- %
Cash generated from operations	3,108	8,054	-61.4
Cash flow from investing activities	-7,571	-2,233	-239.1
Cash flow from financing activities	4,868	-390	1.348.2
Change in cash and cash equivalents	-553	3,514	-115.7

Net Assets

Non-current assets grew from T€ 71,877 to T€ 83,764 in the first quarter, mainly due the increase in property, plant and equipment which rose in the context of the Höhle Group's construction projects, in particular. In addition, the right to use property, plant and equipment from leases was capitalized in the amount of € 6 million due to the first-time application of IFRS 16 (Annual Report 2018/2019, pages 70, 71), leading to an increase in property, plant and equipment on the assets side of the statement of financial position and to an increase in the current and non-current portions of finance lease obligations on the liabilities side.

Current assets improved slightly from T€ 71,320 to T€ 71,931.

With an equity ratio of 59.7% and cash and cash equivalents of T€ 14,024, the Höhle Group's financing is on solid ground. Non-current liabilities increased from T€ 30,395 to T€ 37,176 in the first quarter due, among other things, to the taking out of real estate loans and the capitalisation of non-current portions of finance lease obligations in accordance with IFRS 16. Current liabilities climbed from T€ 23,630 to T€ 25,899 largely as a result of the increase in the current portions of finance lease obligations pursuant to IFRS 16.

Statement of Financial Position

in T€	31/12/2019	30/09/2019	+/- %
Non-current assets	83,764	71,877	16.5
Current assets	71,931	71,320	0.9
Equity	93,569	90,122	3.8
Non-current liabilities	37,176	30,395	22.3
Current liabilities	25,899	23,630	9.6
Total assets	156,645	144,147	8.7

Outlook

Overall market

The International Monetary Fund reduced its global growth forecast for 2020 by 0.1 percentage points to 3.3%. The Phase 1 Trade Agreement concluded between the USA and China and the initial Brexit agreement led to an improvement in leading economic indicators. The outbreak of coronavirus meant a new risk for economic development, however. China, in particular, is expected to face considerable economic weakness, at least over the short term. A pandemic would have extremely negative effects because people would travel and consume less and transport routes and supply chains would be interrupted. Even if the economy is slowly regaining momentum, economic dynamics are expected to remain subdued. In the USA, economic growth is continuing, albeit at a somewhat slower pace than in the previous year. In Europe, the economy is stabilizing as the situation in the manufacturing industry is beginning to ease and the service sector continues to grow satisfactorily.

Outlook for the Höhle Group

Although the Höhle Group started the new year with restraint, the Management Board continues to assume that revenues of € 105 to 115 million and an operating profit of € 17 to 20 million will be generated by the Höhle Group in the 2019/2020 financial year.

Adhesives Segment

As in the previous year, the orders from a major customer in the sensor technology sector will be lower in the current financial year also. However, revenue earned with both new and existing customers are expected to compensate for the decline in sales with this customer. Höhle succeeded in further extending the partnership with existing major customers and gain new high-potential customers at the same time. Höhle's customer base now includes all major smartphone manufacturers.

Since both the number and the volume of customer projects saw an increase, the Management Board sees good preconditions for strong medium- and long term business development in the Adhesives segment - the most profitable and also the most promising business segment of the Höhle Group.

Equipment & Systems Segment

Following a revenue decline in the previous year which was attributable, in particular, to weaker business in the printing industry, revenue and earnings in the Equipment & Systems segment are expected to rise again in the 2019/2020 financial year.

The Höhle Group further expanded its business relationships with existing customers in the printing industry and extended its product range in the printing sector with a view to developing sales potential outside the UV curing business.

In the field of surface disinfection, Höhle will add new technologies to its existing product range. Rising sales and the cost-saving measures already implemented are expected to contribute to a significant improvement in earnings in the Equipment & Systems segment by the end of the financial year.

Glass & Lamps Segment

In the Glass & Lamps segment, Aladin GmbH was relocated to site of UV-Technik Speziallampen GmbH. Production capacities were significantly increased at the new location to accommodate the planned growth in the ballast water disinfection segment.

It is expected that the quartz glass market will pick up in the first half of the year 2020. After a weaker first quarter, successful product qualification and ongoing qualification processes with major customers from the semiconductor and fibre optics market are expected to contribute to a sales and earnings increase in the second half of the financial year.

Consolidated Income Statement

for the period from 1 October 2019 to 31 December 2019

	01/10/2019 – 31/12/2019 in T€	01/10/2018 – 31/12/2018 in T€
Revenue	25,499	30,250
Changes in inventories of finished goods and work in progress	1,126	932
Other work performed by entity and capitalised	5	19
Other operating income	166	347
Cost of purchased materials and services	9,274	9,887
Personnel expenses	8,803	9,343
Depreciation and amortisation of property, plant and equipment and intangible assets	815	812
Amortisation of rights of use pursuant to IFRS 16	778	0
Other operating expenses	3,476	4,951
Impairment pursuant to IFRS 9	-33	0
Operating result /EBIT	3,681	6,555
Financial income	6	4
Financial expenses	65	57
Financial result	-60	-52
Earnings before tax and non-controlling interest/EBT	3,621	6,503
Income taxes	1,013	1,847
Consolidated profit or loss	2,608	4,656
Share in earnings attributable to non-controlling interests	-21	-3
Share in earnings attributable to Dr. Hönle AG shareholders	2,629	4,659
Earnings per share (basic) in €	0.48	0.85
Earnings per share (diluted) in €	0.48	0.85
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 31 December 2019

ASSETS	31/12/2019	30/09/2019
NON-CURRENT ASSETS	in T€	in T€
Goodwill	18,849	18,849
Intangible assets	2,277	2,355
Property, plant and equipment	54,157	42,241
Investment property	1,161	1,171
Investments accounted for using the equity method	252	52
Financial assets	27	27
Other non-current assets	1,477	1,495
Deferred tax assets	5,563	5,687
Total non-current assets	83,764	71,877
CURRENT ASSETS		
Inventories	36,649	35,895
Trade accounts receivables	15,262	16,980
Receivables from companies in which an equity investment is held	142	150
Other current assets	5,034	2,841
Current tax assets	820	877
Cash and cash equivalents	14,024	14,577
Total current assets	71,931	71,320
Non-current assets held for sale	950	950
TOTAL ASSETS	156,645	144,147
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	5,513	5,513
Own shares	-8	-8
Capital reserves	16,596	16,596
Retained earnings	71,344	67,875
Equity attributable to Dr. Höhle AG shareholders	93,445	89,976
Non-controlling interests	124	146
Total equity	93,569	90,122
NON CURRENT LIABILITIES		
Non-current loans (less current portion)	19,890	14,344
Non-current portions of finance lease obligations	2,600	144
Other non-current liabilities	4,822	6,085
Pension provisions	8,332	8,264
Accrued public investment grants	249	266
Deferred tax liabilities	1,283	1,292
Total non-current liabilities	37,176	30,395
CURRENT LIABILITIES		
Trade accounts payable	5,793	7,866
Liabilities to companies in which an equity investment is held	0	3
Contract liabilities	1,816	1,410
Current portion of finance lease obligations	2,913	65
Current bank liabilities and current portion of non-current loans	1,790	1,672
Other current liabilities	6,310	5,671
Other provisions	503	502
Current tax liabilities	6,774	6,441
Total current liabilities	25,899	23,630
TOTAL EQUITY AND LIABILITIES	156,645	144,147

Statement of Consolidated Cash Flows

for the period from 1 October 2019 to 31 December 2019

	01/10/2019- 31/12/2019 in T€	01/10/2018- 31/12/2018 in T€
Cash flow from operating activities		
Consolidated profit before non-controlling interests and taxes	3,621	6,503
Adjustments for:		
Amortisation/depreciation of intangible assets and property, plant and equipment	1,593	812
Gains/losses from disposal of intangible assets and property, plant and equipment	10	13
Financial income	-6	-4
Financial expenses	65	57
Other non-cash expenses/income	236	-94
Operating result before changes to net current assets	5,519	7,287
Increase/decrease in provisions	60	37
Increase/decrease in trade accounts receivable	1,751	4,594
Increase/decrease in receivables from companies in which an equity investment is held	8	4
Increase/decrease in other assets	-2,193	-1,589
Increase/decrease in reinsurance policy	10	-39
Increase/decrease in inventories	-1,037	-1,112
Increase/decrease in trade accounts payable	-2,071	-968
Increase/decrease in liabilities to companies in which an equity investment is held	-3	2
Increase/decrease in contract liabilities	406	-7
Increase/decrease in other current liabilities	659	-187
Increase/decrease in accrued public investment grants	0	31
Cash generated from operations	3,108	8,054
Interest paid	-62	-31
Income taxes paid	-842	-1,923
Cash flows from operating activities	2,205	6,100
Cash flows from investing activities		
Payments received from the disposal of intangible assets and property, plant and equipment	0	12
Payments made for the acquisition of investments accounted for at equity	-200	0
Payments for the purchase of intangible assets and property, plant and equipment	-7,384	-2,262
Payments received from non-current receivables	8	13
Interest received	6	4
Cash flow from investing activities	-7,571	-2,233
Cash flows from financing activities		
Payment received from loans and liabilities to banks	6,094	539
Payments for loans and liabilities to banks	-581	-869
Payments made for the repayment portion of lease liabilities	-645	0
Payments for the acquisition of non-controlling interests	0	-60
Cash flow from financing activities	4,868	-390
Exchange rate differences	-21	23
Exchange rate-related change in funds	-35	14
Net increase/decrease in cash and cash equivalents	-553	3,514
Cash and cash equivalents at the beginning of the reporting period	14,577	12,037
Cash and cash equivalents at the end of the reporting period	14,024	15,551