

3rd Quarterly Statement

for the period from 1 October 2019 to 30 June 2020



Hönle Group in T€	01/10/2019 – 30/06/2020	01/10/2018 – 30/06/2019	+/- %
Consolidated Income Statement			
Revenue	71,734	81,240	-11.7
Operating result/EBIT	6,287	13,256	-52.6
Earnings before tax/EBT	6,069	13,084	-53.6
Consolidated profit	4,739	9,236	-48.7
The Share			
Earnings per share in €	0.87	1.69	-48.5
Number of shares	5,512,930	5,512,930	0.0
Cash flow			
Operating cash flow ¹⁾	9,071	15,272	-40.6
Employees			
Average number of staff	580	630	-7.9
	30/06/2020	30/09/2019	Change
Statement of Financial Position			
Non-current assets	98,038	71,877	36.4
Current assets	65,876	71,320	-7.6
Equity	90,084	90,122	0.0
Non-current liabilities	52,695	30,395	73.4
Current liabilities	22,084	23,630	-6.5
Total assets	164,864	144,147	14.4
Equity ratio as a percentage (%)	54.6	62.5	-12.6

1) Cash generated from operations

Dr. Hönle AG - Financial Calendar

2 December 2020
Preliminary Figures FY 2019/2020

28 January 2021
Annual Report 2019/2020

Note

The quarterly statement is unaudited. It was prepared on the basis of the accounting principles 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 estimates that 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 current expectations. The Company assumes no obligation to update the information contained in this Quarterly Statement with the exception of 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 experienced a historic downturn as a result of the Covid 19 pandemic. According to the Kiel Institute for the World Economy (IfW), global economic activity in the first quarter of 2020 is likely to have contracted by 3.5 percent compared with the previous quarter. The far-reaching measures taken to contain the coronavirus first in China and later in other countries were crucial for this development. Accordingly, at around 10% compared with the previous quarter, the plunge in production in China in the first quarter of 2020 was particularly severe. However, gross domestic product in Europe and the United States also fell sharply in the first quarter although the strong negative impact on production as a result of behavioural adjustments and epidemic policy measures made itself felt later in the course of March. IfW calculations indicate that global economic activity has probably dropped by almost 10% in the first half of the year.

Course of Business

At T€ 71,734, the Hönle Group's sales revenues in the first nine months of the financial year 2019/2020 were down 11.7% from the previous year's level. The operating result (EBIT) saw a decline from T€ 13,256 to T€ 6,287. The effects of the corona pandemic were particularly noticeable in the third quarter: Quarterly sales fell from T€ 25,251 in the previous year to T€ 20,882 in the current financial year. The operating result for the third quarter dropped from T€ 3,069 to T€ 500. The Covid 19 pandemic, which affected business development in all segments, was the main reason for this decline in earnings. In addition, special influences (merger of Aladin GmbH with UV-Technik Speziallampen GmbH) weighted on the Glass & Lamps segment.

Adhesives Segment

Revenues earned in the Adhesives segment dropped by 12.3% to T€ 21,574 in the first nine months of the current financial year and the operating result fell from T€ 8,065 to T€ 5,556. In addition to the weak economy, lower sales generated with a major customer in the sensor technology sector had a particularly negative impact on the business development of the Adhesives segment. However, revenues earned with new customers primarily in the field of consumer electronics compensated for at least some of these negative effects. In this context, it is gratifying to note that our customer base today includes all major smartphone manufacturers. Within the scope of the planned revenue growth, manpower in the field of sales and development was stepped up.

Equipment & Systems Segment

As a consequence of the corona crisis, adjusted sales revenues achieved in the Equipment & Systems segment also declined from previously T€ 40,056 to T€ 36,484. While sales generated with drying systems for the printing industry rose slightly, a decline in sales was reported for adhesives drying equipment and sun simulation systems. The operating result came to T€ 1,980, a decline of T€ 3,356 in comparison with the comparable prior year's period.

Glass & Lamps Segment

At T€ 13,676, sales revenues generated in the Glass & Lamps segment were clearly below the previous year's figure of T€ 16,577. The operating result dropped from T€ 1,834 to T€ -1,249. The sales and earnings decline is due, in particular, to the business development reported for Raesch Quarz (Germany) GmbH. Weakening semi-conductor and glass fibre markets led to a temporary decline at this company. Resulting from the COVID 19 pandemic, demand declined significantly, especially from the Asian economic region.

The production site of former Aladin GmbH was relocated from Rott am Inn to Ilmenau. A lamp competence centre was established at the new location, which is located on the premises of UV-Technik Speziallampen GmbH. Low- and medium-pressure lamps have been manufactured there in accordance with customer-specific requirements since the beginning of 2020. As part of the relocation, new operating premises were erected, which offer additional production capacity for the planned growth in the area of ballast water disinfection, among others. The relocation of production facilities associated with the move led to a temporary impairment of production activities and to one-off effects that resulted in an increase in both personnel expenses and other operating expenses. Aladin GmbH was merged with UV-Technik Speziallampen GmbH retrospectively as of 1 October 2019.

Results of Operations

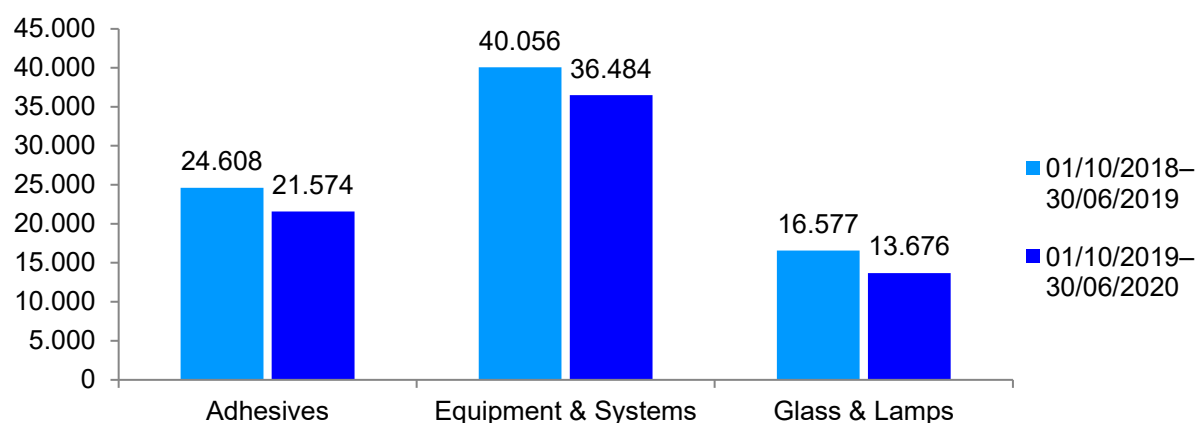
The Hönle Group's sales revenues amounted to T€ 71,734 in the nine-month period, which is 11.7% below the comparable previous year's figure. The cost of materials ratio rose from 33.4% to 35.2% due to a changed product mix. Despite a significant reduction in personnel and the introduction of short-time working at some Hönle Group companies, the personnel expense ratio climbed from 32.6% to 36.7%, mainly due to the decline in revenues. The ratio of other operating expenses dropped from 16.4% to 13.9%, mainly as a consequence of a year-on-year decline in sales commission payments in the context of a large-scale contract in the Equipment & Systems segment and initial application of IFRS 16.

The operating result (EBIT) fell from T€ 13,256 to T€ 6,287, corresponding to an EBIT margin of 8.8% (PY: 15.9%). Earnings before tax (EBT) dropped from T€ 13,084 to T€ 6,069. After income taxes, consolidated net profit amounted to T€ 4,739 compared with T€ 9,236 in the previous year, which corresponds to earnings per share of € 0.87 (prior € 1.69). The net return on sales thus declined from 11.4% to 6.6%.

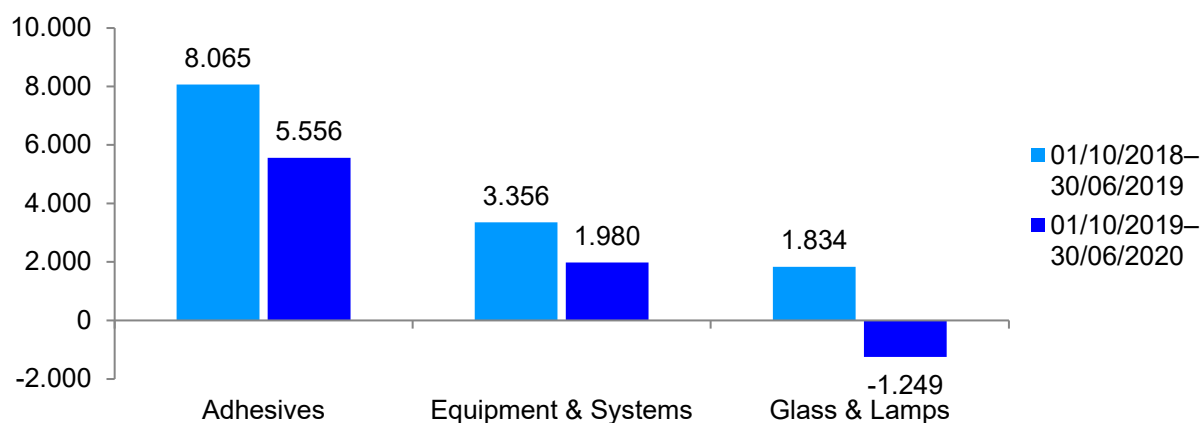
Earnings Development

in T€	01/10/19 – 30/06/20	01/10/18 – 30/06/19	+/- %
Revenue	71,734	81,240	-11.7
Operating result/EBIT	6,287	13,256	-52.6
Earnings before tax/EBT	6,069	13,084	-53.6
Consolidated profit	4,739	9,236	-48.7
Earnings per share in €	0.87	1.69	-48.5

Sales (adjusted) by Segment in T€



Operating result by segments in T€



Financial Position

The cash flow from operating activities came to T€ 9,071 (PY: T€ 15,272) in the first nine months of the current financial year.

At T€ 23,400, investments increased significantly compared with the previous year's figure of T€ 7,770. The investments concerned, in particular, construction projects at Dr. Hönle AG, Panacol-Elosol GmbH and UV-Technik Speziallampen GmbH.

The cash flow from financing activities in the amount of T€ 14,609 (PY: T€ 1,062) results primarily from taking out real estate loans for the above-mentioned construction projects, the repayment of leasing liabilities in accordance with IFRS 16 and the payment of dividends.

Overall, cash and cash equivalents declined by T€ 4,557 in the current financial year while an increase of T€ 3,378 was reported in the previous year.

Cash Flow and Liquidity Development

in T€	01/10/19 – 30/06/20	01/10/18 – 30/06/19	+/- %
Cash generated from operations	9,071	15,272	-40.6
Cash flow from investing activities	-23,400	-7,770	-201.2
Cash flow from financing activities	14,609	1,062	1,375.6
Change in cash and cash equivalents	-4,557	3,378	-234.9

Net Assets

Non-current assets improved in the nine-month period from the previous year's figure of T€ 71,877 to T€ 98,038 as of 30 June 2020, primarily as a result of the increase in property, plant and equipment.

This increase is mainly attributable to the Hönle Group's construction projects and initial application of IFRS 16 according to which leased assets are to be disclosed in the statement of financial position.

The Hönle Group's current assets fell from T€ 71,320 to T€ 65,876 largely as a result of the decline in cash and cash equivalents.

With an equity ratio of 54.6% and cash and cash equivalents amounting to T€ 10,020, the Hönle Group continues to be solidly financed. The construction projects initiated with a view to expanding business activities contributed, in particular, to the increase in long-term loans from T€ 14,344 to T€ 34,420. The T€ 144 increase in non-current liabilities from finance leases to T€ 2,037 is due to the initial application of IFRS 16. In all, long-term debt increased from T€ 30,395 to T€ 52,695. The current liabilities from finance leases also increased from T€ 65 to T€ 2,229 in the context of initial IFRS 16 application. Current debt amounted to T€ 22,084 (PY: T€ 23,630) overall.

Statement of Financial Position

in T€	30/06/2020	30/09/2019	+/- %
Non-current assets	98,038	71,877	36.4
Current assets	65,876	71,320	-7.6
Equity	90,084	90,122	0.0
Non-current liabilities	52,695	30,395	73.4
Current liabilities	22,084	23,630	-6.5
Total assets	164,864	144,147	14.4

Outlook

Overall Market

The outbreak and spread of the coronavirus have led to a sharp downturn in economic activity since mid-March. Although the real economic data available to date provide only a vague picture of how sharply the economy will plunge this year, the International Monetary Fund expects an almost 5% decline in the global value added compared with last year. This would be the strongest decline since the Great Depression in 1929/30. For the first time in history, all regions are affected by a recession at the same time. However, most of the leading indicators show that the bottom of the trough was passed with the beginning of the economic easing in mid-May. Nevertheless, even if initially indicators have improved, the further recovery is likely to be rather bumpy. The greatest risk is a renewed economic lockdown that could become necessary in the event of a second wave of the virus.

Outlook for the Höhle Group

As a consequence of the COVID 19 pandemic, Dr. Höhle AG withdrew its outlook for the 2019/2020 financial year in April 2020. The pandemic will probably impact on the Höhle Group's course of business until the end of financial year 2019/2020.

Höhle has taken the crisis as an opportunity to create the basis for further growth in all segments once the pandemic has subsided and economic conditions have improved. The Höhle Group also plans to further expand its market position over the short and medium term.

Adhesives Segment

The customer base in the Adhesives segment was significantly expanded. Today, all major smartphone manufacturers are customers of Höhle, thus reducing dependence on key accounts. Since both the number and volume of customer projects increased significantly and some projects are at an advanced stage, the Management Board assumes good conditions for strong business development in the Adhesives segment over the medium to long term. Staffing levels in the areas of sales and development for industrial adhesives were stepped up accordingly.

Equipment & Systems Segment

In the context of the COVID 19 pandemic, Höhle extended its product range to include high-performance UVC air and surface disinfection systems. As a result of the pandemic, sensitivity to and global demand for disinfection solutions has increased dramatically. The Management Board sees excellent growth perspectives for the Höhle Group as one of the largest UV suppliers in this interesting life science market.

Höhle has also supplemented its product range to include new technologies in the field of surface disinfection, for example for the food industry. Moreover, the Höhle Group continued to expand its business relationships with existing customers from the printing industry and extended its product range in the printing segment with a view to tapping additional sales potential outside of UV drying. Consequently, the Equipment and Systems segment is expected to see a good business development in the medium to long term.

Glass & Lamps Segment

In the Glass & Lamps segment, Aladin GmbH was relocated to the premises of UV-Technik Speziallampen GmbH. The newly established Lamp Competence Centre in Ilmenau bundles the low- and medium-pressure lamp units in order to facilitate more efficient work processes. In addition, production capacities were significantly increased to accommodate the planned growth in ballast water disinfection and UVC disinfection systems for COVID-19. Rising sales of lamps and components for disinfection systems will contribute to a good business development at UV-Technik Speziallampen GmbH from the next financial year onwards.

The quartz glass market is also expected to pick up in the next financial year. Moreover, improved purchasing conditions at Raesch Quarz (Germany) GmbH will lead to a significant reduction in the cost of materials ratio. The planned expansion of sales capacities in connection with high-quality quartz glass products for the semiconductor, glass fibre and lamp industry will probably contribute to a favourable business development at Raesch Quarz (Germany) GmbH.

Consolidated Income Statement

for the period from 1 October 2019 to 30 June 2020 (in T€)

	01/04/2020 – 30/06/2020	01/10/2019 – 30/06/2020	01/04/2019 – 30/06/2019	01/10/2018 – 30/06/2019
Revenues	20,882	71,734	25,251	81,240
Changes in inventories of finished goods and work in progress	-602	446	344	2,182
Other work performed by entity and capitalised	0	5	0	56
Other operating income	462	1,056	112	1,053
Cost of purchased materials and services	6,962	25,429	8,801	27,893
Personnel expenses	8,523	26,470	8,742	27,230
Depreciation and amortisation expense	873	2,543	830	2,479
Amortisation of IFRS 16 usage rights	776	2,329	0	0
Other operating expenses	3,059	10,058	4,235	13,650
Impairment in accordance with IFRS 9	48	124	30	23
Operating result/EBIT	500	6,287	3,069	13,256
Profit/loss from investment accounted for using the equity method	-18	-1	1	-1
Financial income	36	45	3	10
Financial expenses	128	263	62	181
Financial result	-109	-218	-58	-171
Earnings before tax and non-controlling interests/EBT	391	6,069	3,010	13,084
Income taxes	45	1,330	926	3,848
Consolidated profit	346	4,739	2,085	9,236
Share in earnings attributable to non-controlling interests	-14	-60	-28	-57
Share in earnings attributable to Dr. Hönle AG shareholders	360	4,799	2,113	9,293
Earnings per share (basic) in €		0.87		1.69
Earnings per share (diluted) in €		0.87		1.69
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 2020 (in T€)

A S S E T S	30/06/2020	30/09/2019
NON-CURRENT ASSETS		
Goodwill	18,849	18,849
Intangible assets	2,168	2,355
Property, plant and equipment	66,914	42,241
Investment property	1,141	1,171
Investments accounted for using the equity method	253	52
Financial assets	26	27
Other non-current assets	1,820	1,495
Deferred tax assets	6,866	5,687
Total non-current assets	98,038	71,877
CURRENT ASSETS		
Inventories	36,485	35,895
Trade accounts receivable	14,863	16,980
Receivables from companies in which an equity investment is held	129	150
Other current assets	2,521	2,841
Current tax assets	1,859	877
Cash and cash equivalents	10,020	14,577
Total current assets	65,876	71,320
Non-current assets held for sale	950	950
TOTAL ASSETS	164,864	144,147
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	5,513	5,513
Own shares	-8	-8
Capital reserves	16,596	16,596
Retained earnings	67,897	67,875
Equity attributable to Dr. Höhle AG shareholders	89,998	89,976
Non-controlling interests	86	146
Total equity	90,084	90,122
NON-CURRENT LIABILITIES		
Non-current loans (less current portion)	34,420	14,344
Non-current portion of finance lease obligations	2,037	144
Other non-current liabilities	6,460	6,085
Pension provisions	8,469	8,264
Accrued public investment grants	216	266
Deferred tax liabilities	1,093	1,292
Total non-current liabilities	52,695	30,395
CURRENT LIABILITIES		
Trade accounts payable	4,832	7,866
Liabilities to companies in which an equity investment is held	0	3
Contractual liabilities	1,164	1,410
Current portion of finance lease obligations	2,229	65
Current liabilities to banks and current portion of non-current loans	2,948	1,672
Other current liabilities	4,862	5,671
Other provisions	528	502
Current tax liabilities	5,522	6,441
Total current liabilities	22,084	23,630
TOTAL EQUITY AND LIABILITIES	164,864	144,147

Statement of Consolidated Cash Flows

for the period from 01 October 2019 to 30 June 2020 in T€

	01/10/2019 – 30/06/2020	01/10/2018 – 30/06/2019
Cash flows from operating activities		
Consolidated profit before non-controlling interests and taxes	6,069	13,084
Adjustments for:		
Depreciation of intangible assets, property, plant and equipment and investment property	4,872	2,479
Gains/losses from the disposal of intangible assets, property, plant and equipment and investment property	99	98
Financial income	-44	-9
Financial expenses	263	181
Other non-cash expenses/income	537	668
Operating result before changes in net current assets	11,796	16,501
Increase/decrease in provisions	216	58
Increase/decrease in trade accounts receivable	2,015	5,833
Increase/decrease in receivables from companies in which an equity investment is held	21	12
Increase/decrease in other assets	348	-2,575
Change in reinsurance policy	-129	-123
Increase/decrease in inventories	-1,130	-4,296
Increase/decrease in trade accounts payable	-2,974	-16
Increase/decrease in liabilities to companies in which an equity investment is held	-3	0
Increase/decrease in contractual liabilities	-246	128
Increase/decrease in other current liabilities	-819	-319
Increase/decrease accrued public investment grants	-24	68
Cash generated from operations	9,071	15,272
Interest paid	-252	-98
Income tax paid	-4,525	-5,138
Cash flows from operating activities	4,294	10,036
Cash flows from investing activities		
Payments received from the sale of intangible assets, property, plant and equipment and investment property	5	74
Payments for the acquisition of investments accounted for using the equity method	-200	0
Payments for the purchase of intangible assets and property, plant and equipment	-23,053	-7,880
Change in financial assets	1	0
Payments received from non-current receivables	4	26
Payments for non-current receivables	-200	0
Interest received	42	10
Cash flows from investing activities	-23,400	-7,770
Cash flows from financing activities		
Payments received from loans and liabilities to banks	22,649	7,107
Payments for loans and liabilities to banks	-1,819	-1,723
Payments for redemption portion of leasing liabilities	-1,857	0
Payments received from liabilities to shareholders	45	0
Payments for the acquisition of non-controlling interests	0	-60
Equity contributions by non-controlling shareholders	0	147
Dividends paid	-4,409	-4,409
Cash flows from financing activities	14,609	1,062
Exchange rate differences	-18	25
Exchange rate-based changes in cash and cash equivalents	-42	26
Net increase/decrease in cash and cash equivalents	-4,557	3,378
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	10,020	15,415