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**hönle**group

Annual Report 2019/2020





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# Business Segments

## A d h e s i v e s



### Consumer Electronics

The requirements in the electronics sector are increasing, with ever higher demands being placed on the quality and performance of computers, mobile phones and laptops. At the same time, devices and components are becoming smaller and lighter. This requires innovative adhesives that can keep up with the rapid pace of development and replace solder joints, shield components or protect them with coatings.



### Automotive

Today, adhesives are used more and more frequently to replace welding, riveting or screwing work. In addition, the number of adhesive applications in automotive electronics is constantly increasing: sensors, driver assistance systems and displays must be bonded, coated or laminated. Especially in the field of e-mobility, the bonding of battery packs opens up entirely new forms of application.



### Optics and Opto-Electronics

Special adhesives are used for the manufacture of optoelectronic products such as optically transparent and non-yellowing adhesives used for the bonding of lens systems. Panacol products are filled with special nanoparticles which provide the advantage of not impairing the optical properties while at the same time improving enormously the mechanical properties of the adhesive.



### Medical Technology

Special regulations apply to medical devices. Among other things, the products must be biocompatible, have high adhesive strength and also withstand various sterilisation methods. With solvent-free adhesives, medical products such as syringes, dialysis filters, blood bags or tube connections can be manufactured in a reliable process in short cycle times.

## E q u i p m e n t   &   S y s t e m s



### Equipment for the printing and coating industry

About two thirds of print products worldwide are produced using offset processes. Hönle supplies UV drying systems for this market as well as for the digital inkjet printing segment. UV technology ensures outstanding print quality with a clearly better environmental and energy balance compared to conventional drying processes. Moreover, Hönle offers innovative UV dryers for coating two- and three-dimensional objects.



### Disinfection

UV-C technology offers the possibility to disinfect room air permanently, reliably and quietly. This significantly minimises the risk of infection by SARS-CoV-2 viruses and other pathogens.

In addition, UV irradiation is an efficient and environmentally friendly method of disinfection in the food and beverage industry.



### Curing of adhesives

UV-reactive adhesives dry quickly and reliably. They are therefore indispensable in many manufacturing processes. With the Panacol high-tech adhesives and casting compounds, the Hönle Group has become a unique systems supplier for bonding technology worldwide. The product range includes innovative LED curing units and high-performance UV lamps.



### Solar simulation and lighting technology

Artificial sunlight makes products age in fast motion under laboratory conditions. In addition to the automotive industry, the main area of application is the semiconductor industry, which thoroughly tests the photovoltaic modules using our lamps.

In the area of lighting technology, lighting systems are used, for example, for crash tests, for trade fair events or research.





### Medium-pressure lamps

UV medium-pressure lamps are used, for example, for drying inks, paints and coatings. UV inks and paints are generally more scratch-resistant, more glossy and more durable than conventional coatings. The high quality of the UV-cured surface is a major reason for the ever-increasing use of UV technology.



### Special lamps for life science

UV discharge lamps are used for the environmentally and cost-effective disinfection of water, air and surfaces. Water disinfection is used for drinking water, for wastewater treatment and the disinfection of ballast water in the shipping industry.

Hönle also develops and produces infrared lamps that are used in large-format printing machines.



### Quartz glass tubing

Quartz glass tubes are not only needed in the production of our own UV lamps. High-quality quartz glass is also an indispensable component in a wide variety of processes in the semiconductor industry, the automotive industry, and in water treatment.



### Quartz glass rods

Quartz glass rods are needed in the manufacture of fibre optic cables. Fibre optic cables are mainly used in communications engineering as a transmission medium. They achieve higher ranges and transmission rates compared to electrical transmission on copper cables.



## Adhesives for battery packs

High-performance cell contacting systems that combine individual lithium-ion battery cells into battery packs for hybrid and electric vehicles are usually connected and welded by strands or wires. To protect the respective adhesive dots from corrosion, Panacol has developed special UV adhesives with low ionic content that are applied as a protective coating. These provide additional mechanical support during vibrations and can compensate for thermal expansions of the various materials.

# Business Development

<b>HÖNLE GROUP</b> in T€	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	+/- %
<b>Income Statement</b>											
Revenue	67,878	72,092	77,273	82,090	92,173	93,415	101,926	126,492	107,747	93,876	-12.9
EBITDA	12,751	10,664	10,235	12,034	16,162	15,109	18,144	33,837	20,318	14,707	-24.6
Operating result/EBIT	11,280	8,309	7,705	9,483	13,524	12,400	15,207	30,687	17,003	8,099	-52.4
EBIT margin as a %	16.6	11.5	9.8	11.3	14.6	13.0	14.8	23.9	15.5	8.7	-43.9
EBT	10,771	8,431	8,637	8,967	14,023	12,050	14,877	30,397	16,872	7,846	-53.5
Consolidated profit for the year	7,499	6,209	6,712	6,495	10,320	8,290	10,414	21,726	12,396	5,605	-54.8
<b>Cash flow</b>											
Operative cash flow <sup>1)</sup>	12,601	7,235	9,020	9,201	12,863	13,126	12,146	27,877	23,062	16,608	-28.0
<b>Statement of Financial Position <sup>2)</sup></b>											
Non-current assets	183,632	36,462	40,257	42,013	41,524	44,404	46,305	54,275	71,877	107,226	49.2
Current assets	37,119	40,476	39,445	43,582	49,112	49,871	56,002	71,248	71,320	88,020	23.4
Equity	39,204	43,830	46,872	49,718	57,514	61,669	69,778	87,250	90,122	116,685	29.5
Non-current liabilities	4,307	15,633	13,558	16,676	15,084	15,130	13,152	12,925	30,394	58,442	92.3
Current liabilities	13,240	17,475	19,272	19,201	18,414	17,475	19,377	25,351	23,630	21,070	-10.8
Total assets	55,751	76,938	79,702	85,595	91,012	94,275	102,306	125,523	144,147	196,196	36.1
Equity ratio as a %	68.5	57.0	58.8	58.1	63.2	65.4	68.2	69.5	625	59.5	-4.8
<b>Staff</b>											
At the end of the financial year	363	473	526	506	545	542	581	646	590	582	-1.4
<b>Share</b>											
Earnings per share in €	1.30	1.08	1.20	1.13	1.84	1.50	1.89	3.94	2.26	1.02	-54.5
Dividend in €	0.50	0.50	0.50	0.50	0.55	0.55	0.60	0.80	0.80	0.50 <sup>3)</sup>	-37.5
Number of shares in thousand	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	6,062.9	10.0
<b>DR. HÖNLE AG (acc. to HGB)</b> in T€											
<b>Income Statement</b>											
Revenue	31,917	27,643	27,207	29,579	34,358	36,405	39,855	46,038	38,627	35,609	-7.8
Operating result/EBIT	5,979	3,929	2,321	3,833	3,747	2,709	2,892	3,550	-225	-2,699	-1,099.6
Net income for the year	5,507	4,334	7,028	5,191	11,300	6,737	4,476	4,333	2,141	615	-71.3
Earnings per share in €	1.04	0.80	1.28	0.94	2.05	1.22	0.81	0.79	0.39	0.11	-71.8

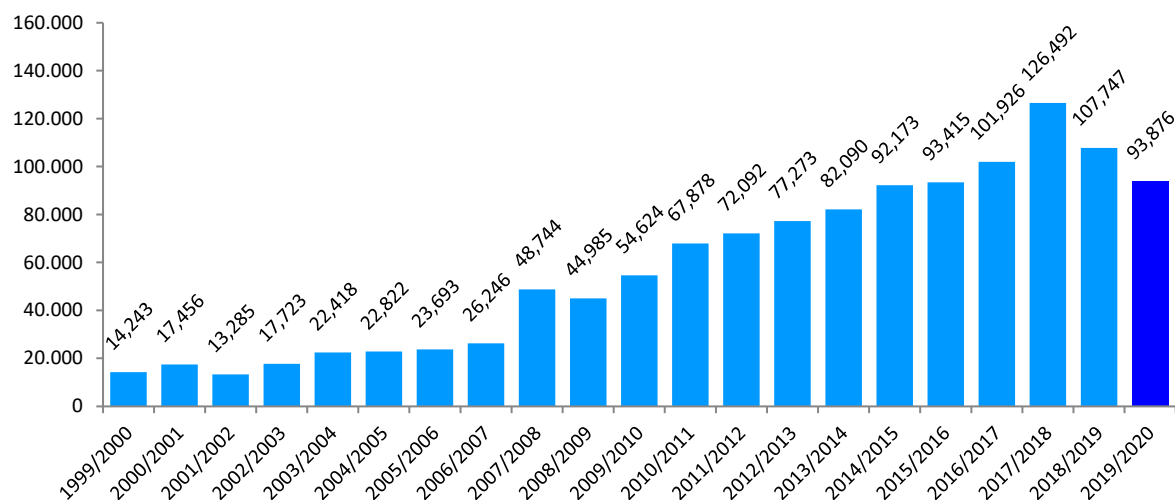
1) cash generated from operations

2) as at the end of the respective financial year

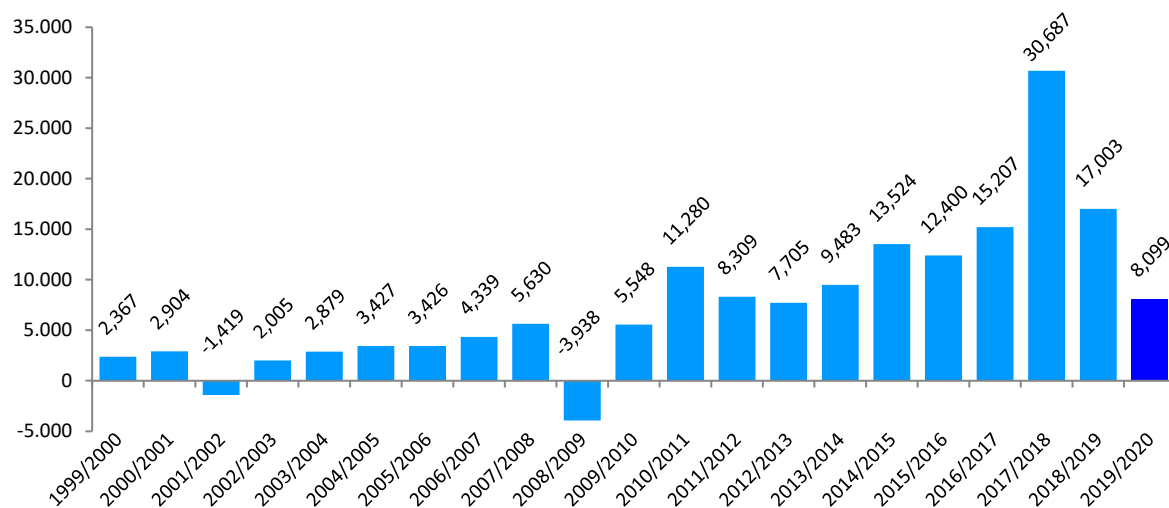
3) Management Board and Supervisory Board proposal



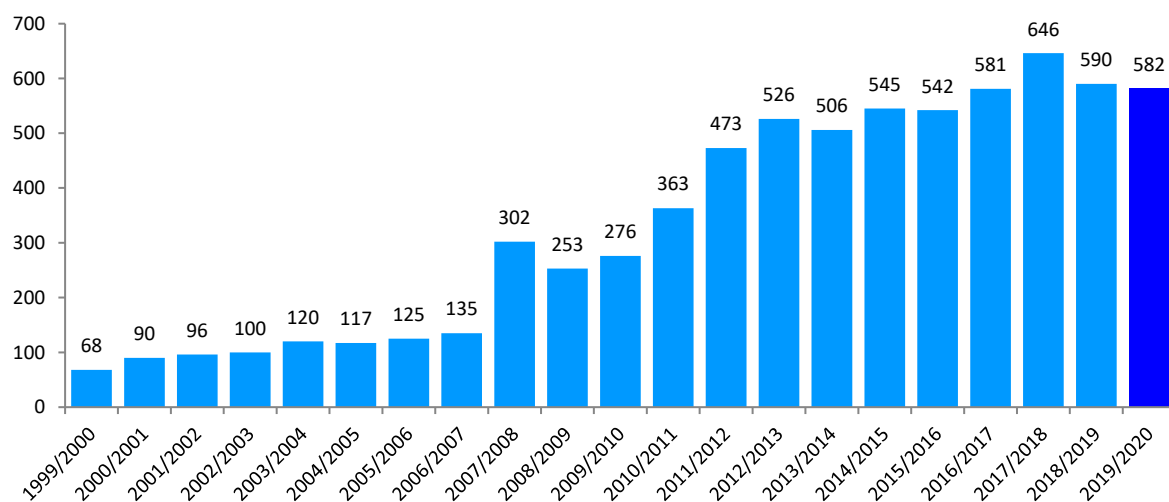
## Revenue in T€



## Operating result in T€



## Staff



## Letter to the Shareholders



Norbert Haimerl and Heiko Runge  
Dr. Hönle AG Management Board

Dear shareholders,  
Dear business friends,

In the spring of 2020, drastic measures taken to contain the COVID-19 pandemic led to a decline in economic activity in almost all countries in the world. Public life came to a complete standstill in some cases. The strong restraint in demand and investment restraint triggered by the coronavirus pandemic also affected our business development. Moreover, a change in production concerning one of our major customers in the Adhesives segment contributed to the decline in revenue in the reporting year.

Sales revenues in the Adhesives segment fell by 15.7 % to T€ 28,573 and operating income dropped by 37.4 % to T€ 7,313. We have further expanded our business relationships with technology and global market leaders in the electronics market which enabled us to at least partially compensated for the negative effects of the coronavirus pandemic. In line with the planned revenue growth, the number of sales and development staff in the Adhesives segment was increased.

Despite the pronounced investment restraint in major sales markets of Dr. Höhle AG, such as the printing press market, at T€ 47,910, revenues earned in the Equipment & Systems segment were only 8.1 % below the previous year's level. This is attributable to the expansion of our strategic business relationship with a leading printing press manufacturer where we succeeded in achieving a significant rise in revenue in the financial year 2019/2020. Nevertheless, the segment's operating result of T€ 1,181 was clearly below the previous year's figure of T€ 3,471.

In the Glass & Lamps segment, Aladin GmbH moved to the business premises of UV-Technik Speziallampen GmbH. The newly created lamps competence centre in Ilmenau bundles the areas of low- and medium pressure lamps and provides for more efficient work processes. The relocation of Aladin GmbH led to a temporary impairment of production activities. Segment revenues fell by a total of 19.9 % to T€ 17,393, also due to the strong impact on the quartz glass market caused by corona. The operating result decreased from T€ 1.859 in the previous year to T€ -394 in the reporting year.

What are our goals for the new financial year?

We have used the past financial year to strengthen our position in the life science market. In doing so, we have developed high-performance equipment for the disinfection of air, water and surfaces.

In addition, we continued to expand our market position through acquisitions: Five new companies have recently joined the Höhle Group. Sterilsystems GmbH, based in Austria, is a specialist for UVC disinfection of air and surfaces in the food industry. UV Technik Meyer GmbH markets medium-pressure lamps, power supply units and sensor technology. It was merged with UV-Technik Speziallampen GmbH with effect as at 1 October 2020. Umex GmbH is a company with a wide product range in the field of water disinfection. Luminez GmbH develops, produces and sells microwaved sulphur lamps for plant cultivation. In this regard, the cannabis markets in the USA and Canada are particularly interesting sales markets.

Technigraf GmbH is a specialist for conveyor belts with UV irradiation modules for production use and test systems in laboratories. In addition, the company has a high vertical range of manufacture and is thus in a position to manufacture special systems for the Höhle Group.

The coronavirus pandemic led to considerable restrictions in business and also in private life. It is in this context that a strong demand for air disinfection solutions has developed. The SARS-CoV-2 viruses and other pathogens contained in aerosols can be inactivated simply, safely and effectively using UVC radiation. We have therefore developed a product programme of air disinfection systems which is constantly extended to include new and highly effective products.

Both the Equipment & Systems segment and the Glass & Lamps segment will benefit from the strong business development expected in the field of air and surface disinfection.

In the Adhesives segment, following a temporary drop in revenue with a major customer due to corona, the Management Board expects stable business development over the short term and a return to strong business development in the medium to long term, supported by ongoing customer projects and an enlarged customer base. Meanwhile, all major smartphone manufacturers are using the Hönle Group's adhesives. The development and sales capacities in the Adhesives segment have been stocked up with a view to accommodating the planned growth.

In addition, spatial capacities are also being expanded. A new company building with 6,000 sqm of floor space was built in Steinbach near Frankfurt, which was completed and occupied at the end of 2020.

A new building complex that will accommodate the Hönle Group headquarters is presently under construction in Gilching near Munich. The logistics area was already occupied in October 2020 while the office and production buildings are scheduled for completion in autumn 2021.

Although the effects of the corona crisis will be clearly felt in individual sectors such as the printing press market and the quartz glass market, we expect very good business development with systems for the disinfection of air and surfaces and UV lamps in financial year 2020/2021. However, the level of intensity of the negative and positive effects of corona on the business development of individual Hönle Group business segments is difficult to estimate at this time. Although we are currently unable to provide a reliable forecast, we nevertheless expect a significant increase in sales and earnings for financial year 2020/2021.

We would like to thank all Hönle Group employees for their great commitment in the past financial year. We would also like to thank our customers in over 90 countries around the world for their trust in our company and our products. Finally, we would like to thank our shareholders for placing their trust in us.

As a partner to our customers, we are committed each and every day to achieving convincing performance with innovative products and thus creating sustainable value for our stakeholders. We are looking forward to continuing to shape our future successfully together with you.

Gräfelfing, January 2021



Norbert Haimerl  
Management Board



Heiko Runge  
Management Board

# Safe and environmentally friendly air disinfection

Room air can be reliably disinfected with the aid of UV-C technology - highly efficiently, simply and quietly. This significantly reduces the risk of infection by SARS-CoV-2 viruses and other pathogens such as cold viruses, bacteria and fungi.





## Report of the Supervisory Board



Prof. Dr. Karl Hönle  
Chairman of the Supervisory Board

*Dear shareholders,*

The Hönle Group's financial year 2019/2020 was, just as nearly all other commercial enterprises, influenced by macroeconomic effects.

The strong demand and investment restraint triggered by the coronavirus pandemic affected adversely our business development, in all our so far covered business areas. In addition, a change in production of one of our major customers in the adhesives segment, led to a decline in sales.

This corona-shaped financial year also had a positive effect for us. We used the limitations caused by the pandemic situation, to focus on our knowledge of the application of UV-rays and their effect on organisms.

We strengthened our position in the life science market by developing high-performance devices for the disinfection of water and surfaces. In addition, we expanded our market position in the segment of the indoor air disinfection by acquisitions. Due to this, we are well positioned for a positive business development especially in this field.

To meet the planned development and expected increase in sales in the new target markets, we have decided on structural changes in the management and control bodies, which are now being executed successively. Based on this, I would like to ask you to continue to place your trust in us in the future.

In the following I would like to give you an overview of the Supervisory Board activities during the 2019/2020 financial year.

#### **Intensive exchange of information with the Management Board**

We duly performed the duties assigned to us by law and the company's statutes, continuously monitored the work of the Management Board and assisted it in the management and strategic development of the company in an advisory capacity and discussed significant business transactions. The Management Board and the Supervisory Board cooperated in an occasionally critical but always objective atmosphere, characterized by mutual trust. We were involved in and supported all decisions of basic importance. This included, among others, the company's strategic orientation, the expansion of our activities in the life science market, corporate acquisitions and the setting up of new corporate premises for the expansion of our business activities.

In preparation for the meetings, the Management Board provided the Supervisory Board with detailed up-to-date information on the development of business. In addition, ad-hoc information was provided to us in due time, either verbally or in writing.

The Management Board and the Supervisory Board held six ordinary and two extraordinary meetings in the reporting year.

On the basis of detailed reports prepared by the Management Board, we dealt in detail with the development of business, the net assets and financial position, corporate planning and risk management.

To the extent required by law, the company's statutes and rules of procedure, we approved the Management Board's proposals after extensive discussion.

Thus, we were always convinced of the legality and correctness of the Management Board's work.

The extraordinary meetings served to select the applicant for the newly appointed Chief Technology Officer.

#### **Focal points of the consultations**

The first Supervisory Board meeting in financial year 2019/2020 was held on 18 November 2019. In this meeting, the Management Board elaborated the preliminary figures of the individual Hönle Group companies, and the Hönle Group, as at 30 September 2019. In doing so, the Management Board referred, in particular, to the Adhesives segment which was mainly responsible for the Hönle Group's decline in revenues and earnings, and explained that a technological change in the area of sensor technology led to a decline in sales with a major customer. Finally, we were provided with an initial outlook for the first quarter of the 2019/2020 financial year. The Management Board reported that the relocation of Aladin GmbH to UV-Technik Speziallampen GmbH might have a temporary adverse impact on

the results of both companies. Furthermore, we discussed the current status of corporate acquisitions. Another issue dealt with at the meeting was the expansion of the Management Board. The Supervisory Board and the Management Board decided to expand the Management Board by one member. The new member will be responsible for the field of technology. Thus, the management structure will meet the increased requirements resulting from growth.

The subject of the Supervisory Board meeting held on 24 January 2020 was the discussion and adoption of Dr. Höhle AG's audited annual financial statements and the discussion and approval of the audited consolidated financial statements as at 30 September 2019. This meeting was also attended by the auditors of Dr. Höhle AG. The Management Board reported on the profitability of the company, the subsidiaries and equity holdings and, in this context, about the return on equity pursuant to Section 90 (1) No. 2 AktG (German Stock Corporation Act). After having discussed in detail the annual financial statements with the auditor and the Management Board, the Supervisory Board endorsed the financial statements. The agenda for the Annual General Meeting and the proposed resolutions were also established within the scope of this meeting. The Management Board and the Supervisory Board decided to propose to the Annual General Meeting that a dividend of € 0.80 per no-par value share entitled to dividend be distributed to the shareholders from Dr. Höhle AG's net income for financial year 2018/2019 in the amount of € 30,248,021.73. The Management Board then presented an outlook on the first quarter of Dr. Höhle AG and its subsidiaries.

On 12 March 2020, the Management Board and the Supervisory Board met to discuss the projected business development in the first half of the year, according to which the result was significantly below the previous year's level. The decline in earnings was mainly due to the decrease in revenues in the Glass & Lamps and Adhesives segments. At this point in time you could still assume that the shareholder meeting can take place as face-to-face event on the anticipated date. One week later it was evident that we either need to postpone the event to a later date in September or to realise the general meeting online. In our case we chose latter.

The current business situation was also a matter of discussion at the Supervisory Board meeting held on 18 May 2020. The coronavirus pandemic impacted on the incoming orders of almost all Höhle Group companies. To prevent cost reduction to counteract the effect on earnings, short-time work was introduced at several companies. The Aladin GmbH production plants were transferred to the new production hall of UV-Technik Speziallampen GmbH and put into operation as planned. Furthermore, Aladin GmbH was merged with UV-Technik Speziallampen GmbH. Our discussions also included the Höhle Group's construction projects which proceeded according to plan.

The virtual shareholder meeting held on the 26 of May 2020 provided a vote of confidence in the Supervisory Board through re-election of all members. Only item on the agenda of the followed meeting was the election of the Chairman and Deputy Chairman of the Supervisory Board.

The Supervisory Board's last meeting in the 2019/2020 financial year was held on 16 July 2020. At this meeting, the Management Board talked about possible acquisition targets and presented key data on the companies' orientation within the group. In connection with the group's strategic orientation, we discussed the implementation of a capital increase for the financing of acquisitions and, in this context, the gaining of a strategic anchor investor. After discussing the construction projects, the Management Board presented to us the development of the individual companies at the end of the third quarter.

#### **Individualized presentation of meeting attendance**

The German Corporate Governance Code recommends a disclosure of the number of meetings of the Supervisory Board and the committees that were attended by the individual members in each case. Due to the size of its Supervisory Board, Dr. Höhle AG does not have any committees. All members of the supervisory board, Prof. Dr. Karl Höhle, Günther Henrich and Dr. Bernhard Gimple personally attended at all the meetings in full.

### Corporate Governance

The Government Commission on the German Corporate Governance Code published the current version of the Code on Responsible Corporate Governance in the Federal Gazette on 20 March 2020. The Supervisory Board coordinated the implementation of the recommendations of the Code with the Management Board and issued a joint declaration pursuant to Section 161AktG. The declaration was included in the Annual Report and made permanently available to the shareholders on the Internet. In the reporting year the Dr. Hönle AG Management Board consisted of two members and the Supervisory Board of Dr. Hönle AG had three members. There were no changes in the composition of Dr. Hönle AG 's Management Board and Supervisory Board.

### Annual Financial Statements and Consolidated Financial Statements

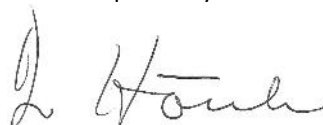
The Annual General Meeting held on 26 March 2020 elected S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, as annual auditor for the 2019/2020 financial year. S&P GmbH Wirtschaftsprüfungsgesellschaft audited Dr. Hönle AG's annual financial statements, the consolidated financial statements and the group management report, which is combined with Dr. Hoenle AG's management report for the financial year from 1 October 2019 to 30 September 2020 and issued an unqualified audit opinion in each case.

The audit report was discussed in detail by the annual auditor in the Supervisory Board meeting held on 26 January 2021. The auditor reported on the key findings of the audit of the annual financial statements and the consolidated financial statements, as well as on the combined management report/group management report of Dr. Hönle AG and provided supplementary information on the past financial year. In doing so, the auditor discussed, in particular, the net assets, financial position and results of operations of the stock corporation and the group. The Management Board and the Supervisory Board resolved to propose to the Annual General Meeting to be held on 23 March 2021 that a dividend of € 0.50 per dividend-bearing share be paid out from Dr. Hönle AG's net income for the year and that the remaining amount be carried forward to the new accounting period. The Supervisory Board approved the results of the annual audit. Furthermore, the annual auditor examined the annual financial statements, the consolidated financial statements and the combined group management report. No objections were raised, and the Supervisory Board endorsed the financial statements. The annual financial statements were thus adopted.

We thank the members of the Management Board and all employees of the Hönle Group for their dedicated efforts, their joint achievements and bearing of the corona-pandemic related inconveniences in the past financial year. A challenging year lies behind us. However, we will emerge stronger from the crisis and are now more broadly and better positioned than ever before, especially in growth markets.

Gräfelfing, January 2021

For the Supervisory Board



Prof. Dr. Karl Hönle  
Chairman of the Supervisory Board

# The Share

## Share Price Development

Starting from € 49.20 at the beginning of the reporting year in October 2019, the Hönle share price dropped to a low of € 25.50 in March 2020. The coronavirus pandemic led to strong uncertainty on the financial markets and caused share prices to plummet worldwide. In the course of the general market recovery, the Hönle share also climbed again, reaching its peak price of € 55.90 in September 2020.

The Hönle share price rose by 11.8 % in the past financial year while the SDAX, which also comprises Dr. Hönle AG, climbed 13.8 % during this period.

Trading revenues came to € 163.5 million in the past financial year, translating into a daily trading volume of some T€ 650. The Hönle Group's market value at the end of the financial year amounted to € 333.5 million.

## New Anchor Investor

With Peter Möhrle Holding, Dr. Hönle AG gained a new strategic investor to finance the Hönle Group's growth. Peter Möhrle Holding is the family office of the Peter Möhrle family of entrepreneurs, based in Hamburg, Germany. As part of its corporate investments, the holding company regularly assists medium-sized companies in developing internationalisation strategies, opening up new sales markets and realising organic and inorganic growth.

A capital increase was carried out to implement the investment. By utilising the authorised capital, the nominal capital was increased by € 550,000 from € 5,512,930 to € 6,062,930. The new shares were taken over in full by the new investor.

In all, the capital increase provided Dr. Hönle AG with gross issue proceeds in the amount of € 26,510,000.

## Analyses

The analysts of M.M. Warburg and Hauck & Aufhäuser continuously review the business development of Dr. Hönle AG and publish investment recommendations. In addition, financial magazines and online portals report on Dr. Hönle AG at irregular intervals.

## Investor Relations

In the past year also, Dr. Hönle AG engaged in intensive dialogue with the financial market. To this end, the Management Board and Investor Relations Management held extensive individual discussions with institutional and private investors, as well as with representatives of the financial press. They also participated in several conferences, which were increasingly organised as hybrid events or as online-only events given the general risk situation in the wake of the coronavirus pandemic. In the past financial year, in addition to the effects of the coronavirus pandemic, the growth potential in the life science markets for Dr. Hönle AG was, in particular, the subject of discussions with investors.

All information on the share as well as all company reports and ad-hoc announcements can be found on the company's homepage:

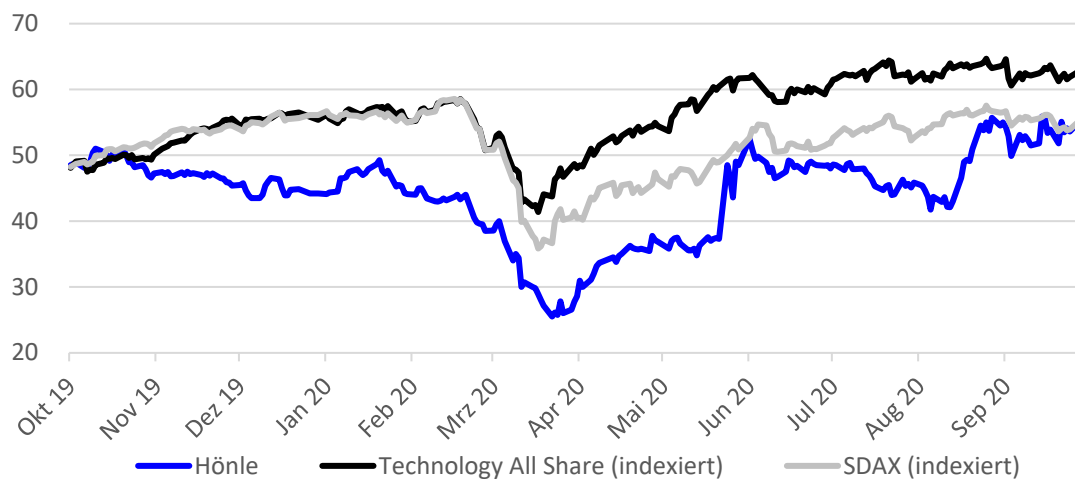
<https://www.hoenle.de/investoren/uebersicht>

## Dividend policy

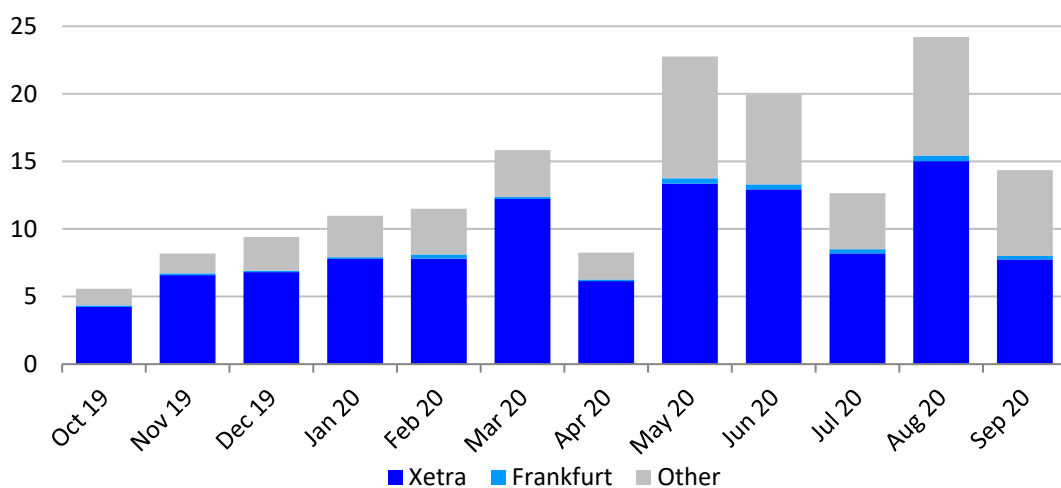
For many years now, Dr. Hönle AG has involved its shareholders in its successful business development. In the future, too, Hönle would like its shareholders to participate appropriately in the company's success. The dividend amount depends significantly on the corporate result and must be in keeping with planned investment projects and the securing of a solid financial basis. The Dr. Hönle AG Management Board and Supervisory Board will propose to the Annual General Meeting on 23 March 2021 that a dividend of € 0.50 per share be distributed for the past financial year.



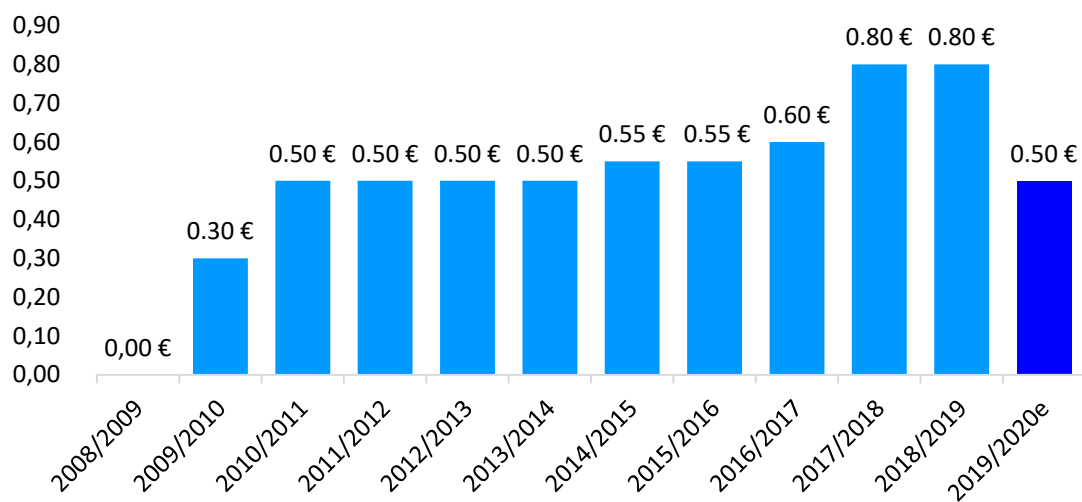
### Price development of the Hönle share (in euros)



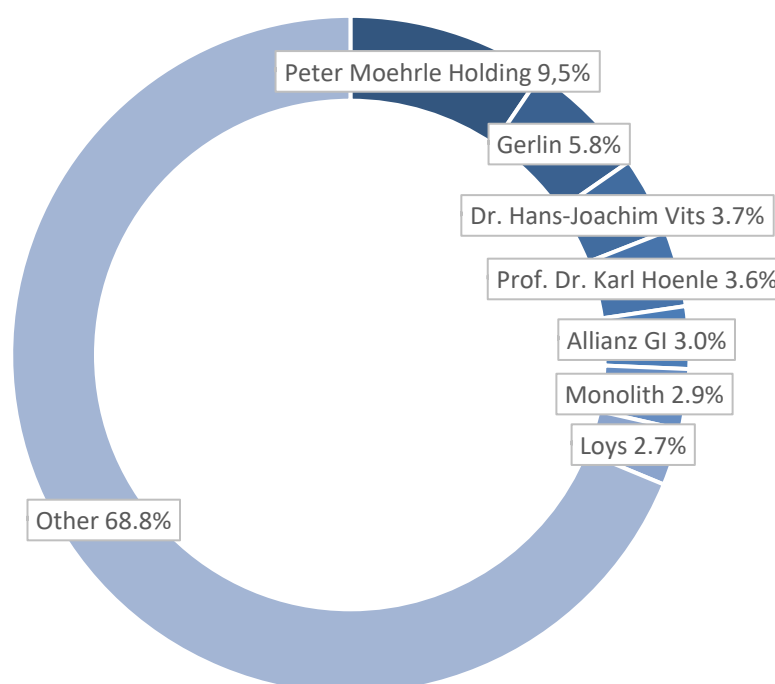
### Trading volume of the Hönle share (in million euros)



### Dividend development (in euros)



## Shareholder structure (as at: 30/09/2020)



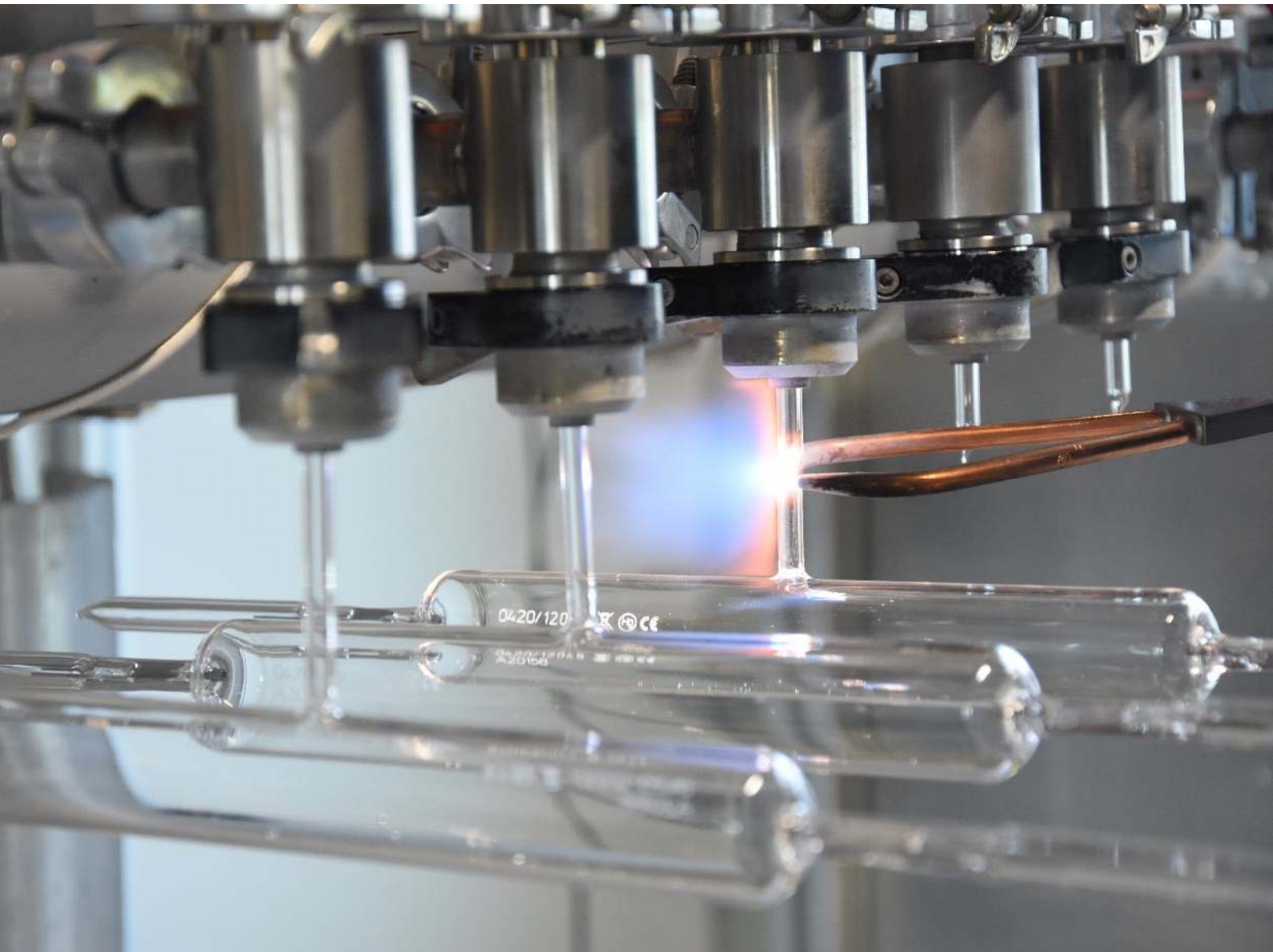
## Hönle share data

Price at the Beginning of the Financial Year in € (Xetra)	49.20
Price at the End of the Financial Year in € (Xetra)	55.00
Peak Price (Xetra)	€ 55.90 on 15/09/2020
Lowest Price (Xetra)	€ 25.50 on 23/03/2020
Trading Volume in Shares	3,759,467 (PY: 3,507,494)
Trading Volume in €	163,540,074 (PY: 188,727,819)
Number of Shares as at 30/09/2019	6,062,930
Market Capitalisation as at 30/09/2019 in € million	333.5
Earnings per Share in €	0.93
Dividend per Share in € <sup>1</sup>	0.50
Securities Identification Number	515710
ISIN	DE0005157101
Stock Exchange Symbol	HNL
Transparency Level	Prime Standard German Stock Exchange
Index Affiliation:	
SDAX (till 31/12/2020)	DE0009653386
Technology All Share	DE0008468943
Prime All Share	DE0007203325
DAXsubsector Advanced Industrial Equipment	DE0007203895
CDAX	DE0008469602

<sup>1</sup> Management Board and Supervisory Board proposal for the 2019/2020 financial year

## Customised UV lamps

The production process of a UV lamp comprises several consecutive manufacturing steps. At the high vacuum pumping station, the glass body is first heated and cleaned, by using a burner system. The required vacuum conditions are checked and monitored using a transmitter. In the next step, a special doping and noble gas are inserted into the lamp. Following that, a burner is used to cut the pump tube which seals the lamp.



# Combined Management Report/ Group Management Report of Dr. Hönle AG

for the 2019/2020 Financial Year

## Business Operations and General Conditions

### The Group's Business Purpose and Structure

Dr. Hönle AG is a listed technology company with head office in Gräfelfing, near Munich. The Hönle Group is split into the following three business segments: Adhesives, Equipment & Systems and Glass & Lamps. The Adhesives segment includes industrial adhesives designed for a broad spectrum of applications, inter alia, in

the electronics, medical technology, optics and automotive segments. The Equipment and Systems segment is engaged in the drying of inks and coatings, the curing of adhesives and plastics, surface disinfection and solar simulation. The Glass & Lamps segment comprises quartz glass tubes and rods for the semiconductor-, fibre optics- and lamp industries as well as lamps for water sterilisation and the drying of coatings and adhesives. Dr. Hönle AG held direct or indirect participating interests in the following companies as at 30 September 2020:

Name (each in alphabetical sequence)	Corporate Seat
<b>Segment: Adhesives</b>	
Agita Holding AG	Regensdorf/Zurich, Switzerland
Eleco Panacol – EFD, SAS	Gennevilliers/Paris, France
Hoenle UV Technology (Shanghai) Trading Ltd.	Shanghai, China
Metamorphic Materials Inc. <sup>1, 2</sup>	Winsted/Connecticut, USA
Panacol AG	Regensdorf/Zurich, Switzerland
Panacol-Elosol GmbH	Steinbach/Taunus, Germany
Panacol-USA, Inc.	Torrington/Connecticut, USA
Panacol-Korea Co., Ltd.	Seongnam, South Korea
<b>Segment: Equipment &amp; Systems</b>	
Eltosch Grafix America Inc.	Batavia/Chicago, USA
Eltosch Grafix GmbH	Pinneberg, Germany
GEPA Coating Solutions GmbH	Frickingen, Germany
Hönle Electronics GmbH	Dornbirn, Austria
Honle US Real Estate LLC	Torrington/Connecticut, USA
Honle UV France S.à.r.l.	Lyon, France
Luminez GmbH	Kirchheim, Germany
PrintConcept UV-Systeme GmbH	Kohlberg, Germany
Solitec GmbH <sup>2</sup>	Gräfelfing/Munich, Germany
STERIXENE SAS <sup>1, 2</sup>	Les Angels, France
TECINVENT GmbH <sup>1, 2</sup>	Schömburg, Germany
<b>Segment: Glass &amp; Lamps</b>	
Raesch Quarz (Germany) GmbH	Ilmenau, Germany
Raesch Quarz (Malta) Ltd.	Mosta, Malta
UV-Technik Speziallampen GmbH	Ilmenau, Germany

<sup>1</sup> minority shareholding; <sup>2</sup> not consolidated

### Worldwide Locations

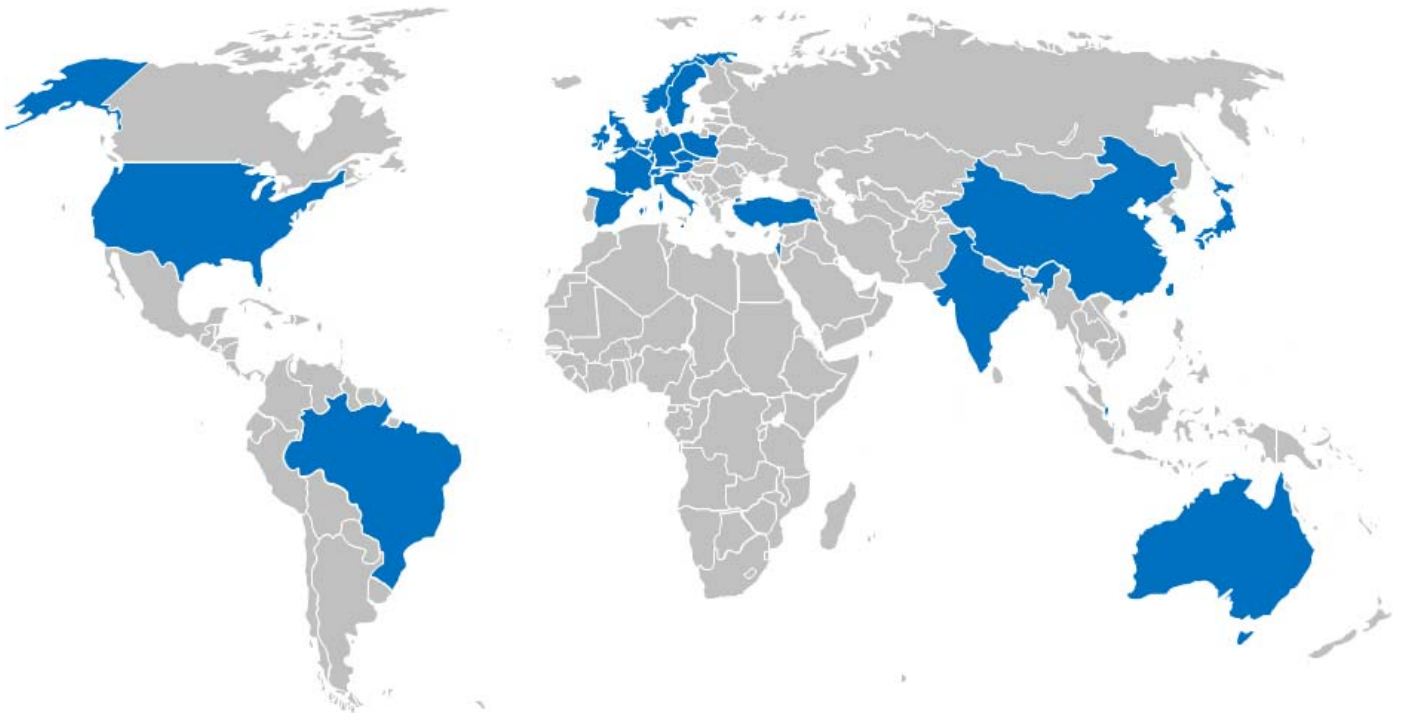
Hönle is an internationally operating corporate group with 19 subsidiaries. Outside Germany, Hönle has its own sites in those countries that are of key importance to the operating business. In addition, the Company has an international network of sales- and service partners. Hönle has its own production sites in Germany, Malta and the USA.

### Non-Financial Statement

With respect to the non-financial statement pursuant to the provisions of Section 289b in conjunction with Section 315b HGB, reference is made to the separate non-financial report published under <https://www.hoenle.de/investoren/corporate-governance>.

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### Hönle Group Locations





## Management System

The goal of entrepreneurial activity is to achieve sustained growth of corporate value. With this objective in mind, the Höhle Group also wants to fulfil its responsibility vis à vis the environment, its employees, customers, suppliers and investors. Höhle aims at stabilising and expanding its market position in its core business segments and, in so doing, focuses, in particular, on customer-specific systems solutions. We see ourselves as a partner to our customers.

The group's internal management system essentially consists of regular Management Board meetings, a monthly analysis of business developments, strategic corporate planning, quality management, the planning of investments, personnel and acquisition planning as well as risks and opportunities management and environmental management. The Management Board reports regularly to the Supervisory Board and exchanges views with it whenever necessary, at scheduled and including unscheduled meetings.

The operational objective of Höhle's management is to increase the company's revenues, earnings and cash flows on a sustained basis while taking into account ecological and social aspects. The operative margins, in particular the EBIT margin, serve as important financial indicators in this context. Therefore, Höhle is continually monitoring the development of revenues and expense ratios and compares these with internal planning. Great emphasis is also placed on increasing the Höhle Group's operational cash flow.

This management report provides more detailed information on individual control parameters, in particular in the sections: Course of Business, Results of Operations, Financial Position and Outlook, and explains measures for the planned development of these indicators. The non-financial statement serves to report on social and economic concerns. The major financial performance indicators for the past financial year and respective changes versus the previous year are presented below:

## Earnings Development

in T€	2019/2020	2018/2019	+/- %
Revenue	93,876	107,747	-12.9
EBIT <sup>1</sup>	8,099	17,003	-52.4
EBIT-Marge <sup>2</sup>	8,7 %	15,5 %	-43.9
Consolidated profit/loss for the year	5,605	12,396	-54.8

1) Earnings before interest and taxes;

2) Earnings before interest and taxes relative to aggregate operating performance; the aggregate operating performance includes the total of sales revenues, changes in inventories of finished goods and work in progress and work performed by entity and capitalised

## Annual General Meeting

The Annual General Meeting of Dr. Höhle AG was held on 26 March 2020. On the basis of Section 1 of the Act on Measures in Corporate-, Co-operative-, Association-, Foundation- and Residential Property Law to Combat the Effects of the COVID-19 pandemic, this meeting was held as a virtual general meeting without the physical presence of shareholders. About 300

participants, and thus significantly more than usual, followed the presentations of the Management Board. All proposed resolutions on the agenda were adopted with a large majority. This also included the distribution of a dividend in the amount of € 0.80 (PY: € 0.80) dividend-bearing share, which corresponds to a dividend distribution of T€ 4,409.

## **Economic Report**

### **Market Development**

Unprecedented in history, almost all countries in the world experienced a decline in economic activity in 2020. As the only major economy, China is expected to record slight growth for the year as a whole despite the economic slump at the beginning of the year.

In the spring of 2020, extensive measures to contain the COVID-19 pandemic led to dramatic losses in production. Public life also came to an almost complete standstill. This impacted heavily on wide areas of the economy in many countries. With the easing of restrictions during the year, production partially resumed and public life returned at least partially.

However, recovery is not complete and is unevenly advanced due to differences in the incidence of infections from country to country.

### **Course of Business**

The Höhle Group's business development was increasingly characterised by the effects of the global coronavirus pandemic from spring 2020 onwards. At T€ 93,876, sales revenues in financial year 2019/2020 were below the previous year's figures of T€ 107,747. The operating result dropped from T€ 17,003 to T€ 8,099. All three segments of the Höhle Group were affected by the Covid-19 pandemic: Both revenues and earnings were clearly down from the previous year's values.

### **Adhesives Segment**

Sales revenues achieved in the Adhesives segment dropped from T€ 33,894 to T€ 28,573, corresponding to a decrease of 15.7 %. The segment's operating result contracted from T€ 11,674 in the previous year to T€ 7,313 in the reporting year.

In addition to the weak economy, lower sales generated with a major customer in the sensor technology sector impacted severely on the Adhesives segment's business performance. Höhle succeeded in establishing new business relationships with technology- and global market leaders, especially in the field of consumer electronics, thus reducing dependence on key major customers. Sales generated with these customers partially compensated for the negative effects. In this context we are pleased to report that, today, all major smartphone manufacturers are included in Höhle's customer base. Manpower in the sales and development areas was

increased in order to accommodate the planned sales growth..

A new company building was built at Steinbach near Frankfurt. It was completed at the end of 2020 is being occupied currently. The new building complex, which will be significantly larger than the previous property, will be used to develop and produce adhesives and casting compounds.

### **Equipment & Systems Segment**

Sales revenues achieved in this segment saw a year-on-year decline from T€ 52,133 to T€ 47,910. The segment's operating result amounted to T€ 1,181 in the reporting year after T€ 3,471 in the preceding year.

Despite a perceptible reluctance to invest in the printing industry, which is our most important sales market, sales revenues earned with ink drying systems were almost on a par with the previous year due to the expansion of business with a leading printing machine manufacturer.

By contrast, sales of equipment for the curing of adhesives, solar simulation systems and surface disinfection systems declined compared with the previous year.

New additions to the product range include air disinfection systems used to contain the coronavirus pandemic. The demand for air disinfection equipment skyrocketed towards the end of the financial year. The delivery of this equipment began in the first quarter of the new financial year.

The Höhle Group's new headquarters, consisting of two building complexes, are currently being built in Gilching near Munich. The logistics building was occupied in October 2020. Completion of the office and production building is scheduled for August 2021.

### **Glass & Lamps Segment**

The negative effects of the pandemic were felt particularly strongly in the Glass & Lamps segment. Segment revenues dropped from T€ 21,720 to T€ 17,393 and the operating result from T€ 1,859 to T€ -394. In this context, it should be mentioned that Dr. Höhle AG granted Raesch Quarz (Germany) GmbH an allowance of € 1.7 million.

The decline in sales and earnings is due, in particular, to the business development of Raesch Quarz (Germany) GmbH. The weakening semiconductor and fibre optics markets as well as travel restrictions led to a temporary decline in sales at this company. As a consequence of the COVID-19 pandemic, demand decreased significantly, particularly from the Asian economic region.

The production site of former Aladin GmbH was relocated from Rott am Inn to Ilmenau and a competence centre for lamps was established at the new site, located on the business premises of UV-Technik Speziallampen GmbH. Since the beginning of 2020, both low-pressure and medium-pressure lamps have been manufactured there, which are developed and produced in accordance with customer-specific requirements. In the course of the relocation, a new company building was built which will provide additional production capacity for the growth planned in the field of air and ballast water disinfection, among other things. The relocation of the

production facilities associated with the move led to a temporary impairment of production activity and to one-off effects, leading to an increase in personnel expenses and other operating expenses. Aladin GmbH was merged with UV-Technik Speziallampen GmbH with retrospective effect as at 1 October 2019.

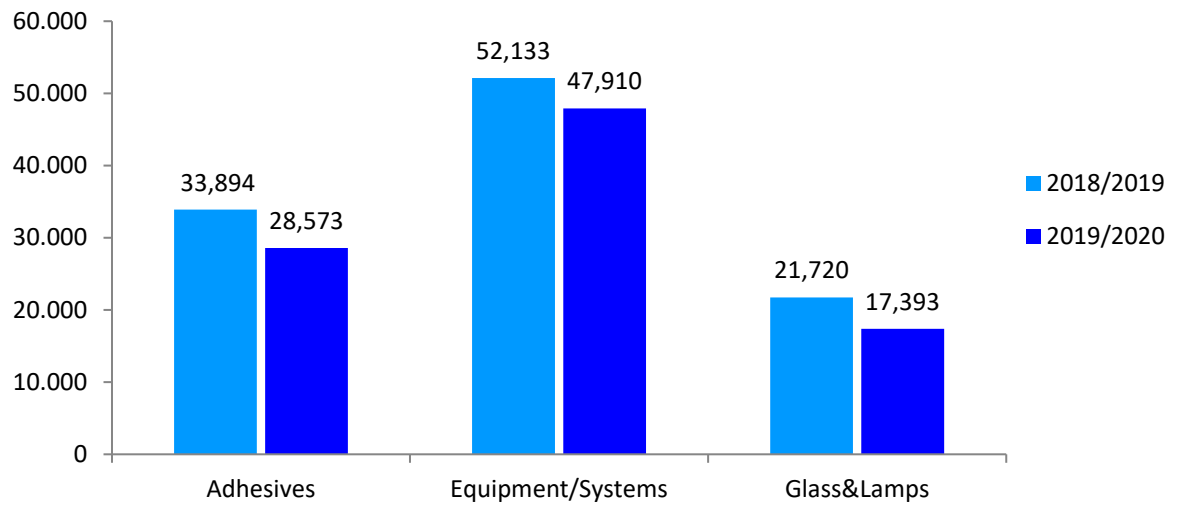
#### **Business Development by Region**

At T€ 34,496, domestic sales were down 4.8% from the previous year's level.

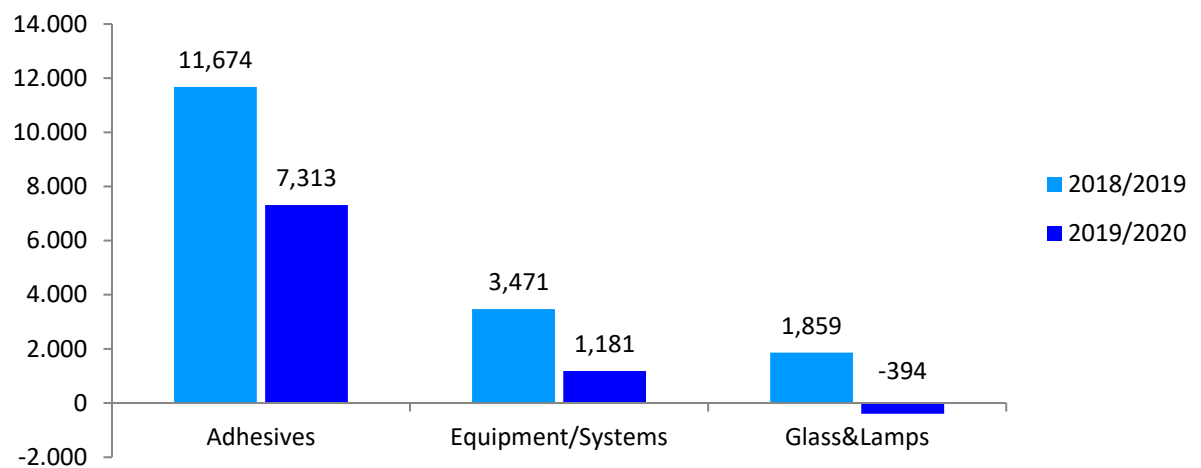
The impact of the coronavirus pandemic and weaker business development with a major customer in the consumer electronics sector were the main reasons for the 25.3% decline in sales to T€ 24,135 in Asia.

Sales revenues generated in Europe outside Germany fell by 9.2 % to T€ 24,199 and dropped by 11.5 % to T€ 7,759 in North America. Sales revenues generated in the rest of the world contracted by 14.0 % to T€ 3,286.

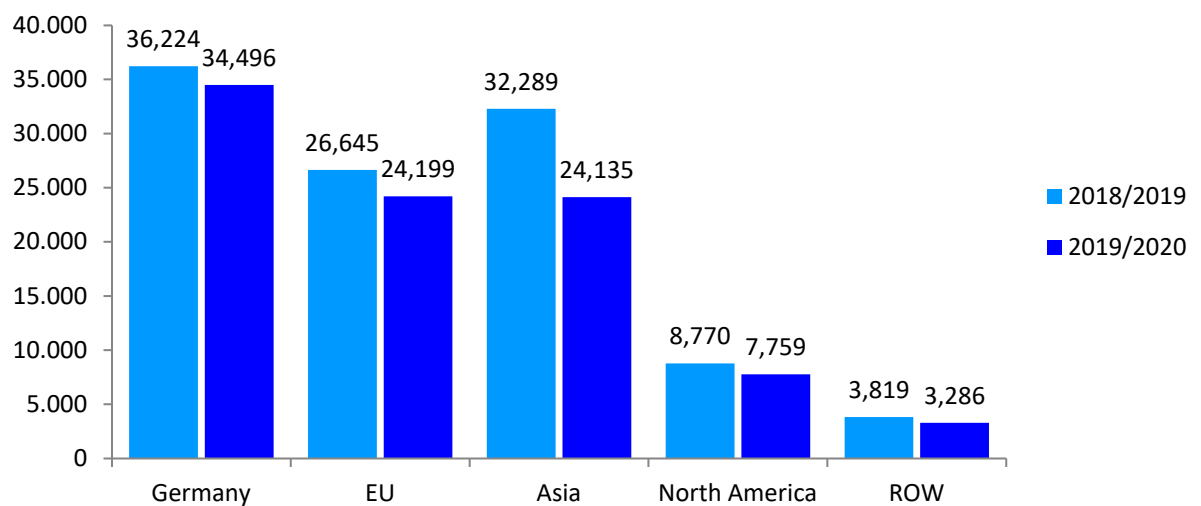
### Sales by segment<sup>1)</sup> (in T€)



### Operating result by segment (in T€)



### Sales by region<sup>2)</sup> (in T€)



1) adjusted revenues in the Equipment & Systems and Adhesives segments; 2) ROW rest of the world

## The Hönle Group's Results of Operations

The Hönle Group's results of operations are marked by the coronavirus pandemic. Sales revenues in the financial year 2019/2020 came to T€ 93,876, down 12.9 % from the previous year's figure. The proportion of adhesives sales relative to total sales declined and this contributed to an increase in the cost of materials ratio from 33.6 % in the previous year to 35.1 % in the reporting year. The personnel expense ratio rose from 32.7 % to 35.6 % while the ratio of other operating expenses dropped from 16.6 % to 14.6 %. The

decline in other operating expenses is largely due to lower sales commission payments in addition to the initial application of IFRS 16.

The operating result (EBIT) declined by 52.4 % to T€ 8,099 which translates into an EBIT margin of 8.7 % (PY: 15.5 %). At T€ 7,846, earnings before taxes (EBT) were 53.5 % below the previous year's value and consolidated profit of T€ 5,605 was down 54.8 % from the previous year. The net return on sales thus stood at 6.0% (PY: 11.5%). Earnings per share fell from € 2.24 to € 1.02. The prior-year figure was adjusted to the weighted average number of ordinary shares outstanding in financial year 2019/2020.

## The Hönle Group's Earnings Development

in T€	2019/2020	2018/2019	+/- %
Revenue	93,876	107,747	-12.9
Gross profit	61,750	74,324	-16.9
<b>Operating result (EBIT)</b>	<b>8,099</b>	<b>17,003</b>	<b>-52.4</b>
EBIT margin as a %	8.7	15.5	-43.9
Earnings before taxes (EBT)	7,846	16,872	-53.5
<b>Consolidated profit for the year</b>	<b>5,605</b>	<b>12,396</b>	<b>-54.8</b>
Earnings per share in €	1.02	2.24	-54.5

## The Hönle Group's Financial Position

The Hönle Group's operative cash flow amounted to T€ 16,608 (PY: T€ 23,062). In this context, the decrease in trade accounts receivable led to cash inflows in the amount of T€ 2,637 and the decrease in trade accounts payable and other liabilities to cash outflows of T€ 1,177 and T€ 1,364, respectively. After payment of interest in the amount of T€ 415 and income taxes of T€ 8,959, the cash flow from operating activities came to T€ 7,234 (PY: T€ 16,924).

At T€ 30,740, investments once again rose sharply in comparison with the previous year's figure of T€ 19,136. The investments included T€ 26,811 used for building projects at Dr. Hönle AG, Panacol-Elosol GmbH and UV-Technik

Speziallampen GmbH. In addition, the investments were attributable to production plants at Raesch Quarz (Germany) GmbH and UV-Technik Speziallampen GmbH.

The cash flow from financing activities in the amount of T€ 43,253 (PY: T€ 4,682) is largely due to cash received from real estate loans for the aforementioned construction projects and cash outflows for lease liabilities in accordance with IFRS 16 as well as the distribution of dividends. In addition, the cash flow from financing activities includes cash received in the amount of T€ 25,741 from the capital increase.

In all, liquid assets increased by T€ 19.598 in the year under review while the increase in the previous year came to T€ 2,539.



## Liquidity Development

in T€	2019/2020	2018/2019	+/- %
<b>Cash generated from operations</b>	<b>16,608</b>	<b>23,062</b>	<b>-28.0</b>
Cash flow from operating activities	7,234	16,924	-57.3
Cash flow from investing activities	-30,740	-19,136	60.6
Cash flow from financing activities	43,253	4,682	823.8
Change in cash and cash equivalents	19,598	2,539	671.8

## The Hönle Group's Net Assets

Both the Hönle Group's construction projects and the initial application of IFRS 16 according to which leased assets must be reported in the statement of financial position, impacted significantly on the Hönle Group's net assets:

Non-current assets increased from T€ 71,877 in the previous year to T€ 107,226 as at 30 September 2020 and property, plant and equipment which also includes the new business premises, climbed from T€ 42,241 to T€ 76,809.

Current assets amounted to T€ 88,020 versus the previous year's level of T€ 71,320. The liquid assets rose from T€ 14,577 to T€ 34,175 primarily in the course of the capital increase. At T€ 35,246 inventories were roughly at the previous year's level of T€ 35,895.

With an equity ratio of 59.5 % and sufficient liquid assets, the Hönle Group's financing continues to be on solid ground.

The construction projects for the expansion of business activities contributed to a large extent to the increase in non-current loans from T€ 14,344 to T€ 37,594 on the liabilities side of the statement of financial position. The non-current liabilities from finance leases grew due to initial IFRS 16 application from T€ 144 in the previous year to T€ 2,015 in the reporting year. Pension provisions advanced from T€ 8,264 in the previous year to T€ 8,820 in the reporting period largely as a consequence of the lower interest rate level. In all, non-current liabilities rose from T€ 30,395 to T€ 58,442.

Current liabilities from finance leasing increased due to IFRS 16 application from T€ 65 as at 30 September 2019 to T€ 3,216 as at 30 September 2020. Current bank liabilities increased from T€ 1,672 to T€ 3,474. In all, current liabilities amounted to T€ 21,069 (PY: T€ 23,630).

Total assets rose thus increased from T€ 144,147 as at 30 September 2019 to T€ 196,196 as at 30 September 2020.

## Statement of Financial Position

in T€	30/09/2020	30/09/2019	+/- %
Non-current assets	107,226	71,877	49.2
Current assets	88,020	71,320	23.4
Equity	116,685	90,122	29.5
Non-current liabilities	58,442	30,395	92.3
Current liabilities	21,069	23,630	-10.8
Total assets	196,196	144,147	36.1

## Details on Dr. Hönle AG (HGB Annual Financial Statements)

The annual financial statements of Dr. Hönle AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The management report of Dr. Hönle AG and the group management report are combined in accordance with the provisions of Section 315 (3) HGB in conjunction with Section 298 (3) HGB.

Dr. Hönle AG is a listed technology company with head office in Gräfelfing, near Munich. Hönle AG develops, produces and sells UV- and infrared systems. The equipment and systems are used for drying inks and coatings, for curing adhesives lighting equipment for industrial applications. New in the product range are UV air disinfection systems used to contain the coronavirus pandemic. The sales activities are carried out by the company's own staff, subsidiaries and independent partner companies. In addition, Dr. Hönle AG provides production, IT and administration services to subsidiaries. The average number of staff dropped from 230 in the previous year to 207 in the reporting year.

Dr. Hönle AG's business development was marked by the effects of the coronavirus pandemic in the second half of the financial year, in particular. Sales revenues dropped by 7.8 % to T€ 35,609. Nevertheless, despite a noticeable reluctance to invest in the printing industry, sales of ink drying systems were almost on a par with the previous year. The business relationship with a leading printing machine manufacturer was expanded and this almost compensated for the decline in sales with other customers. However, sales of equipment for curing adhesives, solar simulation systems and surface disinfection systems declined compared with the previous year.

Dr. Hönle AG's personnel expenses dropped by 10.9 % to T€ 13,159 which translates into a personnel expense ratio of 37.4 % (PY: 38.5 %). At 46.3 %, the cost of materials ratio was 0.9 percentage points up on the previous year's level of 45.4 %). Other operating expenses rose from T€ 5,787 to T€ 8,431, primarily due to the allowance of T€ 1,700 for Raesch Quarz (Germany) GmbH and expenses incurred in the context of the capital increase. The ratio of other operating expenses therefore increased from 15.1% to 23.9%. At T€ -2,699, the operating result was

below the previous year's value of T€ -225. Dr. Hönle AG posted a financial result of T€ 2,692 (PY: T€ 2,534) largely due to income from equity investments. After taxes, the net income for the year amounted to T€ 615 (PY: T€ 2,141).

To expand its business activities, Dr. Hönle AG is setting up a new logistics building as well as a new production and administration building in Gilching near Munich. Property, plant and equipment rose in this context from T€ 14,946 to T€ 32,760.

As at 30 September 2020 the value of inventories was T€ 14,738 T€, slightly below the previous year's level of T€ 15,055. Receivables and other assets increased from T€ 32,369 to T€ 33,560, largely including receivables from affiliated companies. In order to finance the planned growth, Dr. Hönle AG carried out a capital increase which generated gross issue proceeds of T€ 26,510. Liquid assets increased from T€ 7,584 to T€ 27,111 at the end of the financial year due to the capital increase, in particular.

In August 2020 Dr. Hönle AG increased its nominal capital by T€ 550,000 to T€ 6,062,930. Mainly as a consequence of this capital increase, Dr. Hönle AG's equity rose from T€ 56,783 to T€ 79,499. In connection with the construction of the new corporate building in Gilching, in particular, Hönle raised its liabilities to banks from T€ 12,917 to T€ 27,686. The liabilities to affiliated companies, primarily concerning Panacol-Elosol GmbH, rose marginally from T€ 24,784 to T€ 25,019.

The average number of staff in the R&D Department decreased from 31 to 28. Consequently, 13.5% of the total number of staff worked in the Research & Development Department. The expenses for Dr. Hönle AG's research and development activities declined from T€ 2,459 in the previous year to T€ 2,218 in the year under review.

The economic downturn caused by the coronavirus pandemic appears to have bottomed out, and the outlook has improved. However, given the increasing number of new corona infections worldwide, the prognosis risk is rising again.

Dr. Höhle AG has developed UV air disinfection equipment to reduce the risk of corona infection. The Management Board expects that demand for these systems will lead to a strong increase in sales and clearly positive earnings in financial year 2020/2021

## Condensed Income Statement of Dr. Höhle AG (HGB annual financial statements)

in T€	2019/2020	2018/2019	+/- %
<b>Revenue</b>	<b>35,609</b>	<b>38,627</b>	<b>-7.8</b>
Other operating income	816	184	343.5
Cost of materials	16,301	17,399	-6.3
Gross profit	19,734	21,113	-6.5
Personnel expenses	13,159	14,762	-10.9
Amortisation/depreciation	842	789	6.7
Other operating expenses	8,431	5,787	45.7
<b>Operating result (EBIT)</b>	<b>-2,699</b>	<b>-225</b>	<b>-1,099.6</b>
Financial result	2,692	2,534	6.2
Taxes	623	-167	473.1
<b>Net income for the year</b>	<b>615</b>	<b>2,141</b>	<b>-71.3</b>
Earnings per share €*	0.11	0.38	-71.1

\* The prior-year figure was adjusted to the weighted average number of ordinary shares outstanding in financial year 2019/2020.

## Condensed Statement of Financial Position of Dr. Höhle AG (HGB annual financial statements)

in T€	30/09/2020	30/09/2019	+/- %
Intangible assets	557	549	1.5
Property, plant and equipment	32,760	14,946	119.2
Financial assets	34,854	33,492	4.1
<b>Non-current assets</b>	<b>68,171</b>	<b>48,988</b>	<b>39.2</b>
Inventories	14,738	15,055	-2.1
Receivables and other assets	33,560	32,369	3.7
Cash on hand, bank balances n	27,111	7,584	257.5
<b>Current assets</b>	<b>75,409</b>	<b>55,009</b>	<b>37.1</b>
Prepaid expenses	298	255	16.9
Deferred tax assets	970	702	38.2
Issued capital	6,062	5,512	10.0
Capital reserves	44,410	18,450	140.7
Retained earnings	2,573	2,573	0.0
Unappropriated retained earnings	26,454	30,248	-12.5
<b>Equity</b>	<b>79,499</b>	<b>56,783</b>	<b>40.0</b>
<b>Provisions</b>	<b>7,027</b>	<b>6,896</b>	<b>1.9</b>
Liabilities to banks	27,686	12,917	114.3
Prepayments received on account of orders	824	684	20.5
Trade accounts payable	4,364	2,485	75.6
Liabilities to affiliated companies	25,019	24,784	1.0
Liabilities to companies in which an equity investment is held	34	3	1,033.3
Other liabilities	384	402	-4.5
<b>Liabilities</b>	<b>58,311</b>	<b>41,274</b>	<b>41.3</b>
<b>Total assets</b>	<b>144,848</b>	<b>104,954</b>	<b>38.0</b>

## Overall Statement on the Economic Situation of the Höhle Group

Almost all countries in the world experienced a decline in economic activity in 2020. Public life also came to a temporary standstill. With the easing of restrictions, production gradually picked up again, public life returned

In the management report for financial year 2018/2019, the Management Board had reported that it expected sales of between € 105 and € 115 million and an operating result of € 17 to € 20 million for the reporting year.

This sales and earnings target was not achieved given the coronavirus pandemic. Sales declined markedly in all business segments in financial year 2019/2020. Sales revenues dropped by 12.9 % to € 93.9 million and the operating result by 52.4 % to € 8.1 million.

Dr. Höhle AG carried out a capital increase in August 2020. Overall, the Company received gross issue proceeds of € 26.1 million from this capital increase, which contributed to a significant increase in liquid assets.

The Höhle Group is solidly financed with liquid assets of € 34.2 million (PY: € 14.6 million), and unused credit lines (mainly earmarked for the planned building projects) in the amount of € 16.4 million. Liabilities to banks increased from € 16.0 million to € 41.0 million mainly as a result of the buildings projects.

In order to prepare for the planned growth, the Höhle Group invests in new commercial real estate concerning the construction of new business premises for Dr. Höhle AG (Equipment & Systems segment), Panacol-Elosol GmbH (Adhesives segment) and UV-Technik Speziallampen GmbH (Glass & Lamps segment). In total, the investments extend over a period from 2018 to 2021 and amount to approximately € 55 million. They are largely financed on the basis of long-term real estate loans. The average total term of the loans is 17.5 years. The variable-interest bearing loans are hedged against interest rate fluctuations by means of corresponding interest rate swaps.

The Management Board expects strong business development in the coming years. The prerequisites are good for significantly expanding the Höhle Group's sales and earnings level in the future.

The life science market will play a significant role in the Höhle Group's future business development. Höhle is developing UV air disinfection equipment for the inactivation of SARS-CoV-2 viruses. Other pathogens, such as other cold viruses, bacteria and fungal spores, can also be safely and efficiently killed off or inactivated using this equipment.

Moreover, the product range of environmentally friendly disinfection solutions for the food industry is being continuously expanded. In addition, new technologies will complement the existing product range and provide for additional growth opportunities in water and surface disinfection. Both the Equipment & Systems segment and the Glass & Lamps segment will benefit from the planned increase in sales in the life science market.

The Adhesives segment also offers good growth prospects. We succeeded in gaining new customers in the consumer electronics market, and promising projects are underway in the field of electro mobility, among others.

While the Höhle Group's development was not satisfactory in financial year 2019/2020 due to the coronavirus pandemic, the Management Board is satisfied with the Group's situation, primarily due to the growth prospects described above.

## Research & Development

The Hönle Group's research and development expenses in the reporting year amounted to T€ 5,969 after T€ 6,087 in the preceding year. The average number of staff in the R&D departments fell from 87 to 86. In all, 14.7 % (PY: 14.1 %) of Hönle's employees are engaged in research and development activities. A selection of R&D activities in the past financial year is presented below:

### Adhesives Segment

Panacol-Elosol GmbH has developed, among other things, the heat-conductive adhesive Elecolit® 6607 for heat-sensitive components. The adhesive features excellent metal adhesion and is electrically insulating. Since it cures even at low temperatures, even heat-sensitive components can be bonded together. After drying, the light-grey adhesive dissipates heat excellently. Due to its properties, Elecolit® 6607 is suitable, for example, for bonding metal components and heat sinks to electrical circuit boards.

### Equipment & Systems Segment

In addition to various devices for air and surface disinfection, the SteriWhite Air 115 was developed for the effective disinfection of room air. The device is suitable for use in medical practices, in kindergartens and schools, nursing homes as well as in the hotel and gastronomy sectors, and many more.

The special design ensures reliable shielding of UV-C light. The high-quality powder-coated device is equipped with high efficiency UV-C lamps and powerful, very quiet fans.

The UV-C light of SteriWhite Air is absorbed by the cells, leading to the inactivation of viruses, bacteria and fungal spores, and thus goes beyond the effect on SARS-CoV-2 viruses.

### Glass & Lamps Segment

UV-Technik Speziallampen GmbH presented pioneering UV components for sustainable environmental protection at Aquatech. The company supplies specialists all over the world whose plants are successfully used for the treatment of drinking water, ballast water and swimming pool water. At Aquatech, the UV specialist showed UVC LEDs and an innovative smart touch panel control. The latter combines all UV components into one unit. The controller responds to changing environmental conditions, such as a change

in water transmission or loss of UV output, and perfectly regulates the UV system.

### Selection of Memberships

Permanent exchange of experience with customers and interested parties is crucial to the success of the Hönle Group. Furthermore, Hönle is working closely with universities, research institutions and leading companies in the development of new processes and products.

In addition, the Hönle Group is member of several interest groups and organisations (excerpt in alphabetical sequence).



DECHEMA Gesellschaft für Chemische Technik und Biotechnologie e. V.



Der FlexoDruck.  
DFTA Flexodruck Fachverband e. V.



DVS Deutscher Verband für Schweißen und verwandte Verfahren e. V.



EWPA European Waterless Printing Association e. V.



FGD Forschungsgesellschaft Druckmaschinen e. V.; im  
VDMA Verband Deutscher Maschinen- und Anlagenbau e. V.



FOGRA Forschungsgesellschaft Druck e. V.



Industrieverband Klebstoffe e. V.



Sächsisches Institut für die Druckindustrie  
POLYGRAPH Leipzig e. V.



VERBAND DER CHEMISCHEN INDUSTRIE e. V.  
VCI Verband der Chemischen Industrie e. V.

## Environmental Aspects

With the introduction of an environmental management system, Hönle is strengthening its efforts to achieve effective and sustainable environmental protection. Dr. Hönle AG has had a certified environmental management system in accordance with ISO 14001 since 2018.

UV technology is among the Hönle Group's core competencies. Hönle UV drying systems are used in a wide variety of printing and coating applications. Compared to conventional thermal drying processes, UV processes are usually characterized by significantly better environmental compatibility. The use of modern UV drying systems is recommended due to the systems' superior energy performance when compared to conventional infrared and hot air drying systems. In addition, the high quality and scratch resistance of end products help to reduce the repair work necessary due to mechanical stress and strain.

Moreover, the use of UV technology enables a significant reduction in the amount of hazardous solvents. The German Solvent Ordinance (Blm-SchV) limits the emission of volatile organic compounds (VOC). The use of UV inks and paints is one way to comply with the requirements of this directive. The process aimed at a further reduction of emissions as promulgated in the VOC and National Emission Ceilings Directive, for example, is continuing at cross-national level. For this reason, there will also be promising opportunities for the further spread of UV technology in the printing, painting and coating sectors in the future.

In addition to UV discharge lamps, Hönle's offering includes a constantly growing range of UV LED systems. By using LED technology, the already favourable energy performance of UV technology can be improved even further. In comparison with conventional discharge lamps, electricity consumption is reduced with LED systems and the lamps' lifespan is significantly increased at the same time. With their compact dimensions and flexible layout, LED systems are ideally adaptable to any application.

For these reasons, the Hönle Group invests in manufacturing plants as well as in development and production staff for innovative UV LED systems.

Another business segment of the Hönle Group comprises the disinfection of drinking water and wastewater as well as the treatment of ballast water on ships. The ultraviolet rays ensure very high germ elimination rates. The use of chemicals can be minimised or even completely avoided. Micro-organisms, for example, are killed off at drainage systems of sewage treatment plants without using chemicals and without any harm to the environment. Waters are protected by using UV technology and their self-cleaning properties are preserved or restored.

The international Ballast Water Convention came into force in 2017 and is implemented into national laws such as the Ballast Water Act in Germany, which governs the ballast water management of ships and vessels. UV-Technik Speziallampen GmbH offers suitable UV systems for water disinfection on ships and vessels. The UV systems provide an environmentally friendly alternative to the chemical treatment of ballast water. In accordance with the most recent resolution of the Maritime Environment Protection Committee (MEPC) and the International Maritime Organization (IMO), all ships and vessels concerned must be equipped with systems for the treatment of ballast water by 2023 at the latest. This is to stop the global spread of alien species through the intake and discharge of ballast by shipping.

Around the globe, UV disinfection has been successfully employed for decades in surface disinfection, in the food industry for instance. UV disinfection offers numerous advantages over chemical disinfection methods. There is no need for transporting and storing, and above all disposing of chemicals. No harmful disinfection by-products have to be dealt with and aesthetic features, such as taste, odour or colour of the foodstuff are not impaired.

The Hönle Group also contributes to environmental protection in the segment of industrial adhesives. In addition to common adhesives, the product range also includes UV and light curing adhesives that enable drying process without the emission of solvents. The adhesives react to radiation, the molecules interconnect and cure in seconds - and no solvents are used, thus proving



the environmental compatibility of UV and light curing adhesives.

Raesch Quarz (Germany) GmbH manufactures high-quality quartz glass products for industrial applications. Products for the processing industry are made from various quartz sand mixtures using melting furnaces. The customers come from various branches of industry, such as the lighting, semiconductor, automotive supplier, fibre cable, and water treatment industries. High temperatures are required for melting the sand. The energy required for this melting process is correspondingly high.

Raesch Quarz (Germany) implemented a certified energy management system (EnMS) in compliance with its principle of sustainability and best environmental practice. The energy management system uses a systematic approach based on the DIN EN ISO 50001 standard. The system aims at improving energy efficiency and, consequently, the company's competitiveness. This provides not only economic benefits but also makes an important contribution to climate protection. With a view to reducing energy consumption, high-quality insulation granules have been used in the energy-intensive melting furnaces of Raesch Quarz (Germany) GmbH since 2014.

### **Statement on Corporate Governance**

The statement on corporate governance to be submitted pursuant to Section 289f and Section 315d HGB is included in the Corporate Governance Report: It is also available on the Internet at [www.hoenle.de](http://www.hoenle.de).

### **Disclosures Required by the Takeover Directive and Explanatory Report of the Management Board**

Disclosures pursuant to Sections 289a and 315a HGB

Re No. 1: Dr. Höhle AG carried out a capital increase in August 2020. As a result, the nominal capital increased by € 550,000 to € 6,062,930, split up into 6,062,930 no-par bearer shares. Each share carries one voting right; there are no shares carrying special rights. Further details on the nominal capital are provided in the notes to the financial statements in the Equity section.

Re: No. 3: Pursuant to Section 33 (1) WpHG, shareholders must report significant participating interests in listed companies. Dr. Höhle AG is not aware of any shareholders with participating interests in Dr. Höhle AG of more than 10%.

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

Re No. 7: The Management Board and the Supervisory Board shall continue to be able to use authorised capital, in particular for corporate acquisitions, equity holdings in companies and other economic assets, and for strengthening the Company's equity base. For this reason, the Annual General Meeting held on 26 May 2020 authorised the Management Board, with the approval of the Supervisory Board, to increase the nominal capital through the single or repeated issuance of new, no-par bearer shares by up to € 550,000 until 25 May 2025. Moreover, the Annual General Meeting held on 26 March 2019 authorised the Company to purchase up to 551,293 of its own shares up to 31 December 2023.

Re No. 8: In the event of a change of ownership at Dr. Höhle AG, the Management Board has the right to give notice to terminate and resign from office.

Re: No. 9: In the event of a change of ownership at Dr. Höhle AG, the Management Board is entitled to receive a severance payment.

Further details respecting Section 315 (4) Nos. 8 and 9 HGB are provided in the remuneration report presented below.

## Employees

As at 30 September 2020, the number of Hönle Group employees was 582 which is slightly below the previous year's figure of 590. 60 employees worked part-time, which corresponds to a ratio of 10.3 % of the total workforce.

The fluctuation rate dropped from 12.7 % in the previous year to 8.3 % in the year under review.

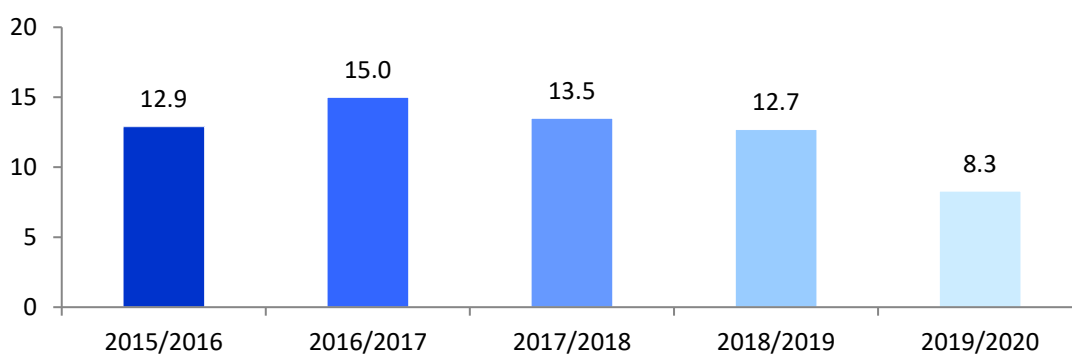
Personnel expenses amounted to T€ 33,219 after T€ 35,812 in the previous year.

## Personnel Development

With a view to ensuring a high qualification level among its employees, Hönle regularly invests in employee qualification and training measures. In this context, the Company uses the services of both internal experts from the respective departments as well as external facilities. In financial year 2019/2020, expenses for staff training and qualification amounted to T€ 581 (PY: T€ 610).

Hönle invests in vocational training with a view to covering the future demand for qualified personnel: 35 young people were undergoing training in the Group as at 30 September 2020. (PY: 39). At present, the Hönle Group trains, among others, industrial clerks, IT specialists, chemical laboratory assistants, electricians, industrial mechanics and warehouse logistics specialists, and others.

## Fluctuation (Employee departures as a % of the number of employees)

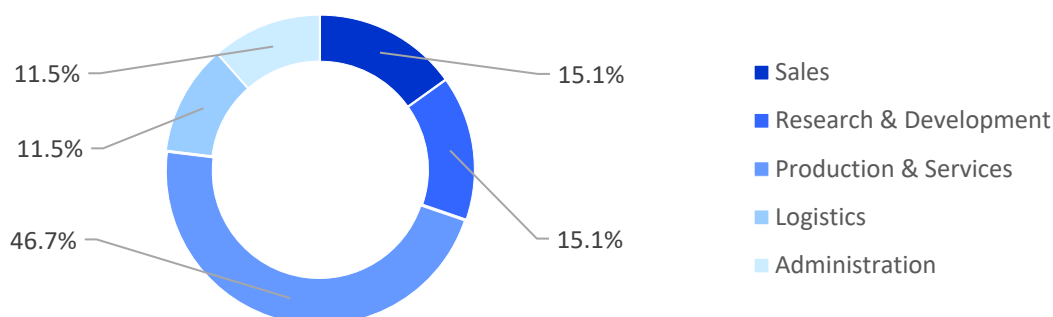


Employees by Segment	30/09/2020	30/09/2019	+/- %
Equipment & Systems	257	274	-6.2
Glass & Lamps	195	198	-1.5
Adhesives	130	118	10.2
Total	582	590	-1.4

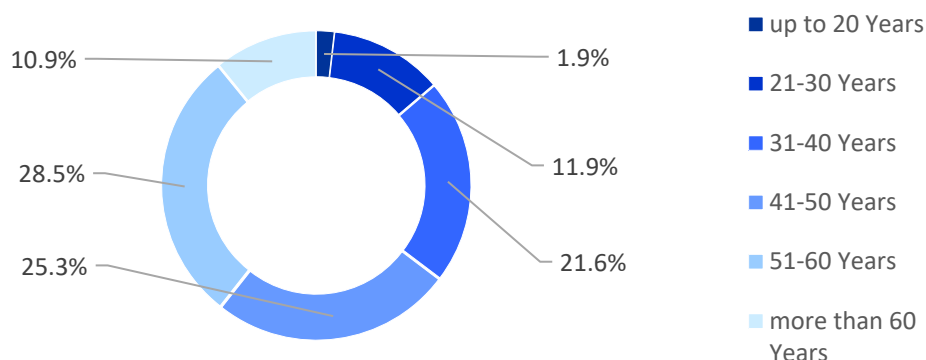
## Personnel Expenses

in T€	2019/2020	2018/2019	+/- %
Wages and salaries	26,694	29,331	-9.0
Social security and pension costs	6,525	6,481	0.7
Total	33,219	35,812	-7.2

## Employees by Functional Areas



## Employees by Age Group



## Opportunities and Risk Report

### Risk Management Objective

As a leading technology company, the Höhle Group is exposed to numerous regulatory, technological and market-related changes. Höhle's entrepreneurial success is based on recognising and exploiting the opportunities resulting from these changes.

Dr. Höhle AG's risk policy is aligned to the entrepreneurial objectives of sustained growth and an increase in the company's results in order to contribute to an increase in corporate value. Entrepreneurial opportunities are usually matched by risks, which need to be identified and evaluated as early as possible. The introduction of suitable measures is intended to limit any possible negative effects and thus to prevent a threat to the company's continued existence as a going concern.

### Risk Management Structure

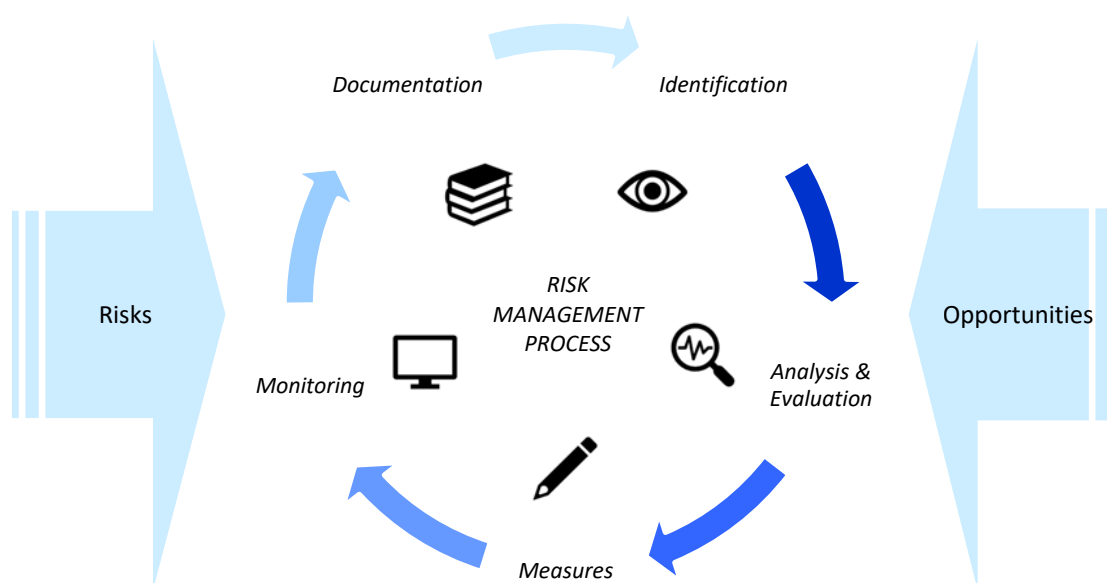
For purposes of risk monitoring, Dr. Höhle AG has implemented a formalised risk management system. The principles, which are documented in a risk manual, define the procedures for dealing with risks. By weighing up the potential amount of loss, the probability of a loss occurring, but also the opportunities arising from it for the company, it is determined whether the respective risk should be avoided, reduced, transferred or accepted. The probability of occurrence is allocated to the categories "low", "medium" and "high". The assessment of opportunities and risks is based on a medium-term observation period of two to three years applies.

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 the evaluation of potential losses and the probability of occurrence (risk evaluation).

Any necessary measures were defined and initiated (Risk Management). In addition, risk discussions were held with the responsible risk managers at three month-intervals, the risk situation was analysed and measures were monitored (Monitoring).

The Dr. Höhle AG Management Board is informed of the group's current risk situation at regular intervals and is promptly notified as soon as defined risk thresholds of specific 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)

## Risk Management



### Specific Risks

Risks that could have medium or high adverse impact on the Höhle Group's net assets, financial position or results of operations are described below. It should be noted in this context that the Höhle Group considers the probability of occurrence of all below-stated risks to be low. The risk of a further economic slowdown due to the coronavirus pandemic is difficult to assess at this time. However it represents the greatest risk for the Höhle Group. The sequence of the risks presented within the categories below reflects the current assessment of the relative risk level (in descending order), thus providing an indication of the significance of these risks for the Höhle Group as far as this is possible in each individual case. Additional risks which are not known to us at present or risks which we currently classify as insignificant may also impact adversely on our business activities. Unless otherwise specified, the following risks concern all segments. From the current perspective, the Höhle Group is

exposed to the following internal and external opportunities and risks:

### Market and General Conditions

In 2020, many countries of the world suffered from an unprecedented economic slow-down. For the first time in history, a pandemic affected economic activity so quickly and so severely. While the economic trough was passed with the easing of economic restrictions in May 2020, a resurgence of the coronavirus pandemic is currently among the greatest risks to economic recovery.

Another significant economic slowdown would also impact adversely on the Hönlle Group's sales and earnings development. Hönlle counters this risk by continuously monitoring the market in order to be able to react promptly to current economic developments. However, the coronavirus pandemic also offers opportunities for the Hönlle Group. Hönlle is developing and selling UV air disinfection equipment that safely and efficiently kills off SARS-CoV-2 viruses and other germs in room air. The increasing interest in the issue of air hygiene offers considerable growth potential for the Hönlle Group.

Market risks also arise from changes in general market data such as those pertaining to raw materials prices. Depending on the market situation, there may be significant increases in the purchase prices for required raw materials and energy. After careful consideration of all relevant factors, based on a cost-benefit analysis, the Hönlle Group has decided against special hedging measures relating to commodity price risks. A decline in the prices for energy and many raw materials, on the other hand, would have a positive impact on the Hönlle Group's earnings development.

In addition, risks arise from changing international regulations and laws in Germany and the EU, in particular, such as those relating to the use of raw materials or ingredients. The setting up trade barriers and increasing geopolitical strains may also play a negative role. Trade conflicts between the US with China and the EU may lead to rising customs duties and price increases relating to the goods purchased and, in addition, may impact adversely on global growth dynamics.

At the same time, opportunities arise from changes in general economic conditions - for example, as a result of the conclusion of trade agreements or due to the Ballast Water Convention, which may impact positively on the demand for Hönlle Group products and thus on Hönlle's economic development.

Hönlle Group companies receive grants for investments or development projects from public or private sources. These grants are partly tied to requirements to be met in the future thus involving risks that some of the grants may have to be repaid, for example, in the event of plan deviations. The Management Board and executive staff regularly monitor compliance with the

relevant criteria in order to minimize such risks and being able to respond to them appropriately.

### Operational Development

The loss of key customers could lead to a decline in revenues. Hönlle addresses this risk through intensive monitoring of its key customers and ongoing examination of their financial performance. Key account satisfaction is constantly monitored. Furthermore, the expansion of the customer base in economically decoupled target industries improves the risk structure. Successful cooperation with key customers provides a sound basis for the further expansion of business activities and continuing growth with strong partners.

It cannot be ruled out that in individual cases customers may meet their future payment obligations too late or not at all. In connection with the coronavirus pandemic, in particular, the liquidity situation of important business partners could deteriorate and this could lead to an increased risk of default. However, the Hönlle Group customers have thus far demonstrated good payment behaviour. Hönlle adapts the payment conditions to customers' credit standing as required.

As a result of the introduction of new products or technologies, the company's existing products may no longer be marketable. The Hönlle Group's success depends on the ability to promptly recognise market developments and to continuously develop and offer new products. At the same time, technological changes also offer an opportunity to open up new sales markets with innovative products. In the past, the Hönlle Group succeeded in recognising market developments at an early stage and making use of them to the company's advantage.

Just as other companies, the Hönlle Group is exposed to IT-related risks. IT systems provide the basis for almost all operational procedures and processes. Structures were established with a view to protecting the business processes from IT risks. These structures are to prevent possible damage/losses and ensure high process security. The redundant design of IT systems is of crucial importance in this context. The operational solutions concerning access control, extensive protection systems, backup systems and failure management ensure a high level of availability of the IT infrastructure. Regular analyses and

checks of the IT systems as well as consistent security management ensure an appropriate level of security.

Although this has not occurred to date, power failures over a longer period can never be ruled out completely. A prolonged power failure at the Raesch Group would lead to considerable damage to technical equipment and interruption of production processes. Should the risks/costs ratio move within a reasonable scope, beside the existing insurance coverage, the Raesch Group will initiate further hedging measures.

Hönle competes for specialists and executive staff. The market for skilled workers and engineers, in particular, is subject to intense competition. The attractiveness of an employer plays a crucial role in applicants' decision-making process. Hönle thus places great emphasis on a good working environment, targeted training and internal training and qualification measures and offers promising career prospects. The company also cooperates closely with selected technical universities and offers bachelor's and master's theses as well as internships. Hönle also counteracts the lack of skilled professionals by offering internal vocational training. The range of vocational training in the industrial area was significantly expanded in recent years. In all, Hönle is well equipped to cope with the challenge of intensified competition for specialists and executives on the labour market.

The loss of key personnel in the company on whose knowledge the company's success depends constitutes a further, at least short-term risk. In order to counteract this risk, Hönle aims to retain its staff in the company over the long term and has implemented comprehensive measures to this end. Furthermore, corresponding substitution arrangements are in place in the sensitive areas, in particular, in order to minimise the impact of an unexpected loss of an employee.

## Financial Risks

Financial risks include risks associated with financial losses due to fluctuating general market data such as data pertaining to exchange and interest rates. Such risks may impact negatively on the company's net assets, financial position and results of operations. It is to be assumed that rising euro exchange rates could adversely impact on Hönle's export business. However, since sales are for the most part invoiced in euros, Hönle does not engage in currency hedging transactions. Hönle addresses exchange rate fluctuations which affect regional price structures through continuous market monitoring and through product or price adjustments, as required. A weaker euro entails the risk of higher material expenses. On the other hand, a falling euro exchange rate offers the group the opportunity of competitive advantages outside the euro zone with positive effects on the earnings situation. Savings in the cost of materials will result from a rising euro exchange rate.

Changing interest rates involve financing risks. In order to finance the acquisition of commercial real estate and to finance the acquisition of corporate shares, the Hönle Group has, among other things, taken out loans with variable interest rates. Derivative financial instruments in the form of interest rate swaps were used in this context for hedging against interest risks. Overall, the interest rate risk is of minor relevance for the Hönle Group at present. At the same time, the current low level of interest rates enables favourable financing.

Liquidity bottlenecks as a result of sustained poor business performance cannot be ruled out completely. However, the liquidity supply of Dr. Hönle AG and its subsidiaries is based on long-term financial and liquidity planning. The Management Board is informed at regular intervals about the current liquidity situation. With liquid assets of currently € 34.2 million and additional unused credit facilities, the Hönle Group is solidly financed. Moreover, a cash pooling arrangement optimises the liquidity supply of the individual companies and minimises the respective liquidity risks.



Acquisitions are an important component in the strategic further development of Hönle's corporate structure. The acquisition of companies is associated with both opportunities and risks. Acquisitions offer the possibility to open up new business segments and markets, and to make a sustained contribution to the Hönle Group's positive business development. Impairment risks arise when the acquired company cannot be integrated within the planned time schedule or does not develop as expected.

The probability of unfavourable business developments increases in times of difficult or uncertain general macroeconomic conditions. It cannot be ruled out the course of an unscheduled deterioration in the business development of individual Hönle Group companies, impairment losses may have to be recognized for goodwill (consolidated financial statements) or investment assets (annual financial statements). On the other hand, however, sales and earnings may develop significantly better than planned.

Raesch Quarz (Germany) GmbH generated a negative operating result in financial year 2019/2020. The weakening semiconductor and fibre optics markets led to a temporary revenue decline at this company. Due to the COVID-19 pandemic, demand slowed down significantly, especially from the Asian economic region. Following the optimisation measures implemented in the past financial years, the quartz melting furnaces operate in line with our expectations. On this basis, sales and earnings are expected to increase in 2020/2021 and the following financial years, especially in the growth markets of semiconductors and fibre optics.

## **Internal Control and Risk Management System with regard to the Accounting Process**

Disclosures pursuant to Section 289 (4) 4 and 315 (4) HGB

The risk management system and the internal control system are concerned, among other things, with monitoring the accounting processes. In addition to identifying and assessing the risks which may hinder the preparation of financial statements in compliance with the rules, it is mandatory to take appropriate measures to avert such risks.

Dr Hönle AG's risk management system incorporates strategic corporate planning, internal reporting and the internal control system. Strategic corporate planning is aimed at identifying and utilising future opportunities while assessing the associated risks that may arise. Internal reporting serves as an information system that provides information about current developments and existing risks. The internal control system is continuously used for the identification of risks, the taking of corresponding measures and monitoring their implementation and effectiveness. The internal control system also encompasses Dr. Hönle AG's accounting process. Controlling is responsible for analysing the accounting process. Accounting-related reporting to the Management Board takes place regularly and promptly. The reporting includes relevant financial indicators and comprises a detailed comparison of actual figures with those planned.

In addition, within the scope of risk management, meetings which involve all Dr. Hönle AG departments are held at regular intervals in order to monitor risks and discuss any measures to be taken. The Management Board is provided with the respective reports in due time. In order to ensure appropriate implementation of the internal risk management guidelines, Hönle also uses a manual specifically developed for this purpose. The contents of the manual include rules of conduct respecting the identification, analysis, assessment, treatment, monitoring and documentation of risks.

The major preconditions for proper accounting include an adequate merchandise information system, in-depth staff training, the allocation of responsibilities, functional segregation with respect to the accounting system, and controlled access at IT system level. Dr. Hönle AG implemented an ERP (Enterprise Resource Planning) and accounting system that enables appropriate accounting. In addition, the Hönle Group established a uniform, Group-wide ERP system and implemented a certified consolidation program aimed at ensuring reliable and prompt financial accounting. Newly founded or acquired companies are integrated into the existing ERP system as quickly as possible. In this context, Dr. Hönle AG also performs the accounting function centrally as a service provider for other Hönle Group companies. The accounting process is based on the principle of dual control. In addition, the information provided in the financial statements is subject to defined release processes. The figures stated in the financial statements are analysed and any changes are reviewed in the context of financial statements preparation.

In order to exclude as far as possible any threat to data security, Hönle aims to constantly review and further enhance preventive measures in the IT segment. Regular system updates and, if required, any system enhancements, are just as important to us as the observance of internal security guidelines by our employees. Protection against unauthorised access, destruction, and misuse is ensured using complex firewall systems and access controls at operating system and application level.

The IT systems structure contributes to prompt and adequate recording of all information relevant to the accounting process and ensures the greatest possible security throughout the group.

## **Risk Management with regard to Financial Instruments**

Disclosures pursuant to Sections 289 (2) No. 1 and 315 (2) No. 1 HGB

In its capacity as the controlling group company, Dr. Hönle AG monitors, coordinates and directs the financial activities of the Hönle Group. In so doing, ensuring sufficient liquidity and great emphasis is placed on achieving optimised profitability while minimising risks at the same time

### **Liquidity Risk**

The liquidity risk may be of relevance to the Hönle Group if current or future payment obligations cannot be met due to insufficient available cash/cash equivalents. Long-term financial planning, which extends over several years, and regular liquidity planning ensure the company's solvency at all times.

### **Default Risk**

A potential financial risk in all business transactions is the risk of default from the failure of contracting parties to meet their payment obligations as scheduled.

In connection with the coronavirus pandemic, the liquidity situation of important business partners could deteriorate and this could involve an increased risk of default.

Hönle reviews its business partners' credit standing, paying special attention to major customers. The continuous monitoring of business transactions ensures a low risk of default.

Achieving the plan targets of equity investments held by Hönle plays a major role in Dr. Hönle AG's existing risk exposure. This applies, in particular, to the carrying amounts of equity investments as well as to loans and receivables vis à vis equity holdings. If the equity investments fail to meet the planned targets or if necessary measures as a response to further developments cannot be taken in time, the recognised values must be reviewed to identify any write-down requirements.

### Market Risk

The market risk arises from financial losses due to fluctuating market prices, e.g. respecting raw materials, exchange rates, interest rates and securities. The commodity price risk, currency risk and interest rate risk are particularly relevant to the Höhle Group. Such risks may impact negatively on the company's net assets, financial position and results of operations. Following a careful assessment based on a cost-benefit analysis, the Höhle Group largely decided not to implement special hedging measures against currency and commodity price risks.

Depending on the changing market situation, significant price fluctuations may affect purchase prices for required raw materials or for energy supply. From a current perspective, the existing and expected market risks do not pose a threat to the Höhle Group's continued existence as a going concern. Favourable market development, however, on the other hand, could have a positive impact on the Company's net assets, financial position and results of operations.

The currency risk comprises risks arising from exchange rate fluctuations that may impact on the competitiveness of the Höhle Group's products and purchase prices. The Höhle Group settles most of its purchase and sales transactions in euros and is thus in a position to largely avoid currency risks associated with the settlement of services and deliveries from suppliers or to customers, respectively. Höhle reviews the use of hedging instruments in individual cases.

The interest rate risk arises from changes in interest rates. Derivative financial instruments in the form of interest rate swaps were used for hedging against interest risks. Due to the effectiveness of the hedging instruments, Dr. Höhle AG is not exposed to an earnings risk that must be recognised in the statement of financial position since any negative fair values of the financial instrument are matched by positive developments of the related hedged item. For further details, reference is made to the disclosures in the notes to the consolidated financial statements.

### Overall Assessment of the Opportunities and Risk Situation

With high-performance products in various industries and fields of application, the Höhle Group is excellently positioned and has a solid financial basis.

From the current perspective, significant risks may arise from general economic developments. It can be assumed that another lockdown due to the pandemic would impact adversely on both the economy and the business development of several Höhle Group segments. Failures to meet the targeted figures at Raesch Quarz (Germany) GmbH could also have a negative impact on the Company's and the group's net assets, financial position and results of operations. On the other hand, due to the coronavirus pandemic, the UV air disinfection and UV surface disinfection business areas will benefit from the increased demand for indoor air hygiene products.

In addition, economic opportunities may arise for the Höhle Group from the opening up of new markets and fields of application. New fields of application - for example in consumer electronics, semiconductors and life science - are to be further developed in the coming years. The expansion of sales capacities via own companies and local sales partners is expected to be to the benefit of the Höhle Group.

Currently, no risks are discernible that could jeopardise the company's continuation as a going concern now or in the future.

## Remuneration Report

### Remuneration of Management Board Members

The structure of the remuneration for Management Board members is aligned to sustained corporate development. The monetary remuneration includes fixed and variable components based on the Hönle Group's performance.

The criteria used in evaluating the suitability of remuneration are as follows: The tasks of the respective Management Board member, personal performance, the economic situation, earnings, and future outlook of the company, standard practice in the industry and the company's general remuneration structure. The Supervisory Board regularly reviews the structure and amount of the remuneration for Management Board members.

Pension commitments have been made to the Management Board members Mr. Haimerl and Mr. Runge. Within the context of the conversion of pension commitments for Management Board

members, annual pension modules have been acquired starting from 1 January 2012. The amount of a pension module acquired in a given financial year is derived from the pension expenses that are converted into pension installments using age-dependent conversion factors. The pension expenses correspond to a fixed percentage rate of the annual fixed remuneration (excluding profit sharing bonus). The designated benefit types are: Old age pension (from the age of 60), and disability pension and survivors' pension (for widows, widowers, partners and orphans). The amount of the disability and old age pensions corresponds to the total of vested rights components and the pension components acquired up to the time when a pension becomes due. The widow's/widower's and partner's pension corresponds to 60% of the disability or old age pension entitlement at the time of death or which was paid out at the time of death. The orphan's pension amounts to 12% of the mentioned pension entitlement for half-orphans and 20% for orphans. Reinsurance contracts were concluded with a view to covering the pension commitments.

### Fixed Remuneration (not based on performance)

in T€	S a l a r y		Other Remuneration		T o t a l	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Norbert Haimerl	282	281	13	18	294	299
Heiko Runge	281	281	19	19	300	300
Total	563	562	32	37	594	599

### Performance-based Remuneration

in T€	P r o f i t   s h a r i n g   b o n u s e s	
	2019/2020	2018/2019
Norbert Haimerl	137	306
Heiko Runge	137	306
Total	275	612

### Pension Expenses

in T€	P e n s i o n   e x p e n s e s   p u r s u a n t   t o   I A S   1 9	
	2019/2020	2018/2019
Norbert Haimerl	288	293
Heiko Runge	255	260
Total	544	553

## Defined Benefit Obligations

in T€	Present value of defined benefit obligations	
	As at 30/09/2020	As at 30/09/2019
Norbert Haimerl	3,126	2,826
Heiko Runge	2,833	2,569
Total	5,959	5,395

In addition, benefits amounting to T€ 12 (PY: T€ 12) were paid to surviving dependents of former Management Board members.

### **Benefits Paid in the Event of Termination of Management Board Activity**

The Supervisory Board appoints the Dr. Höhle AG Management Board for a maximum term of office of five years.

An agreement governing a transitional allowance was concluded with the company's Management Board. In accordance with this agreement, Management Board members who resign from office after reaching the age of 50 and before reaching the age of 60, continue to receive payment of the fixed remuneration for 12 months as defined in their employment contracts. After the 12-month period, between 40% and up to a maximum of 50% of the fixed remuneration is paid until the pension commitment for Management Board members enters into effect. However, the agreement concerning the transitional allowance only enters into effect provided that the respective Management Board member has been a member of the company's Management Board for at least ten years and if she/he is not personally responsible for the termination of employment. Other income is to be counted against the transitional allowance and can reduce or completely set off the allowance. In addition, the Supervisory Board is authorised to reduce the transitional allowance if the company's economic position deteriorates. In the event that benefits

were received erroneously or if the Supervisory Board reduced the benefits subsequently, the benefits granted must be repaid to the company.

In the event of a change of control at Dr. Höhle AG, a Management Board member is entitled to terminate the Management Board Service Agreement with a three-month notice period as at the end of a respective month-end, and to resign from office at that time. A change of control is defined as any direct or indirect assumption of control over Dr. Höhle AG by a third party within the meaning of the German Securities Purchase and Takeover Act (WpÜG). In the event of resignation, Management Board members are entitled to settlement of their remuneration and fringe benefits at the time of the premature termination up to the maturity date of their service agreements. With respect to the pension commitments, the Management Board has a choice between a one-off payment in the amount of the value or the continuation. In this context, the Management Board members are to be put in a position as though the company had fulfilled the respective pension commitments up to the termination date stipulated in the service agreement.

### **Compensation of Supervisory Board Members**

The compensation contains only fixed payments which are oriented towards the duties and responsibilities of the respective Supervisory Board member. No other compensation, for example from advisory or brokerage services, is granted.

## Supervisory Board Compensation

in T€	2019/2020	2018/2019
Prof. Dr. Karl Höhle	60	60
Günther Henrich	45	45
Dr. Bernhard Gimpe	30	30
Total	135	135

## Forecast Report

### Market Outlook

Unprecedented in history, almost all countries in the world experienced a significant decline in economic activity in 2020. The coronavirus pandemic led to a lockdown in many regions, bringing economic activity to a temporary standstill. A full return to normality will probably take much longer than initially expected, not least due to the fact that significant parts of the economy will suffer for quite a while from corona-related constraints.

The International Monetary Fund (IMF) expects a strong increase in economic output of 5.2% in 2021 following -4.4 % in 2020. The expected recovery is uncertain, however, depending, above all, on whether the number of new coronavirus infections can be kept within manageable limits.

### Outlook for the Höhle Group

The general economic conditions play an important role in the Höhle Group's further business development of. The outlook is based on detailed planning for the individual companies in the three existing business segments.

### Adhesives Segment

With respect to the Adhesives segment, the Management Board anticipates stable business development in the short term due to corona and a return to strong business development in the medium to long term.

The ongoing customer projects and the enlarged customer base will contribute to this. All major smartphone manufacturers now use adhesives from the Höhle Group, for example. In order to realise the planned growth, both the development and the sales capacities in the Adhesives segment were increased. Moreover, the spatial capacities are being expanded. In Steinbach near Frankfurt a new company building with 6000 sqm floor space was built, which currently is occupied.

### Equipment & Systems Segment

The Höhle Group used the past financial year to strengthen its position on the life science market and, in so doing, has developed powerful devices for the disinfection of air, water and surfaces. In addition, Höhle has further expanded its market position through acquisitions and a company foundation. Overall, five new companies have recently joined the Höhle Group: Sterilsystems

GmbH, based in Austria, is a company specializing in UVC air and surfaces disinfection in the food industry. UV Technik Meyer GmbH sells medium-pressure lamps, ballasts and sensor technology and was merged with UV-Technik Speziallampen GmbH with effect from 1 October 2020. Umex GmbH is a company with a broad product range in the field of water disinfection. Luminez GmbH develops, produces and sells microwave sulphur lamps for plant cultivation. Interesting sales markets are, in particular, the cannabis market in the USA and Canada.

Technigraf GmbH is a specialist for conveyor belts with UV irradiation modules for production use as well as for test systems in laboratories. The company also has a high vertical range of manufacture and is in a position to produce special systems for Höhle Group companies in the future.

### Höhle opens up a new business segment with air disinfection

The coronavirus pandemic led to a strong demand for air disinfection solutions. The SARS-CoV-2 viruses and other pathogens contained in aerosols can be inactivated simply, safely and effectively with UVC radiation. Both the Equipment & Systems segment and Glass & Lamps will benefit from the expected strong business development in the field of air and surface disinfection. In addition to the new SteriWhite Air 115, Höhle will offer two further and more powerful air disinfection systems in the short term. The supporting marketing activities include TV commercials, print and online advertising, and also include social networks. Currently, marketing is taking place in Germany. The European market and subsequently the US market will soon be developed based on suitable sales and marketing measures. Dr. Höhle AG has built up both internal and external production capacities with a view to meeting the high demand for air disinfection equipment. Depending on future development of demand, production capacity will be further increased. In addition, the product range of newly acquired Sterilsystems GmbH will be marketed via the Höhle Group's worldwide sales network.

The Management Board expects that the air disinfection business segment will make a strong contribution to the Höhle Group's earnings in the future.



### **Glass & Lamps Segment**

In the Glass & Lamps segment, Aladin GmbH was relocated to the premises of UV-Technik Speziallampen GmbH. The newly created lamp competence centre in Ilmenau bundles the areas of low and medium pressure lamps and provides for more efficient workflows. Moreover, production capacities were increased significantly with a view to realising the planned growth in the areas of UV air disinfection and ballast water disinfection. Increasing sales of lamps and disinfection system components will contribute to the favourable development of business of UV-Technik Speziallampen GmbH from the next financial year.

The quartz glass market is also expected to pick up in the next financial year. In addition, improved purchasing conditions at Raesch Quarz (Germany) GmbH will lead to a considerable reduction in the cost of materials ratio. In addition, the planned expansion of sales capacities in connection with high-quality quartz glass products for the semiconductor, fibre optics and lamp industries is also expected to contribute to an increase in sales and an improvement in earnings at Raesch Quarz (Germany) GmbH.

### **Overall Assessment of Future Business Development**

Global production dropped dramatically in 2020 as a result of the COVID-19 pandemic. In the opinion of experts, production will rise again steeply in 2021. However, the certainty of prognosis decreases considerably in the event of a prolonged pandemic.

The Hönle Group's business development for the year 2020/2021 is difficult to forecast given the coronavirus pandemic and its impact on individual business segments. While the dampening effects of the corona crisis will continue to be felt in individual areas such as the printing press market and the quartz glass market in financial year 2020/2021, the Management Board expects very good business development with systems and UV lamps for the disinfection of air and surfaces. Although the Management Board assumes that the positive effects will clearly outweigh the negative effects, in particular due to the demand for air disinfection systems, no reliable quantitative forecast can be made for financial year 2020/2021 at this time. In any case, the Management expects sales and operating profit to be

significantly above the level of financial year 2019/2020.

The life science market will play a significant role in the Hönle Group's future business development. Hönle is developing UV air disinfection equipment for the inactivation of SARS-CoV-2 viruses. Other pathogens, such as cold viruses, bacteria and fungal spores can also be safely and efficiently inactivated or killed off using this equipment. The areas of application for the disinfection of indoor air are diverse, ranging from medical practices to restaurants, nursing homes, offices, schools and kindergartens through to buses and trains. Hönle is significantly expanding its internal and external manufacturing capacities with a view to meeting the high demand for air disinfection systems.

The food industry is another application in the field of life science. Here, Hönle is continuously expanding its product range of environmentally friendly disinfection solutions. New technologies will complement the existing product range and provide possibilities for further growth. Cooperation agreements with strategic partners in the water sterilisation market will also provide important growth potential for the Hönle Group in the coming years.

### **Capital Expenditure**

The amount of new and replacement investments for production equipment is expected to amount to € 3 to € 4 million.

In addition, with a view to expanding its activities, Hönle invests in new office and production areas. An investment volume of around € 15 million is planned for financial year 2020/2021.

The Hönle Group's new headquarters consisting of two building complexes, are currently being built in Gilching near Munich. The logistics building was already occupied in October 2020, and completion of the office and production building is planned for the end of 2021.

Furthermore, a new company building was constructed in Steinbach near Frankfurt, which was completed and occupied in December 2020. In the future, adhesives and coating compounds will be developed, produced and marketed in this significantly larger building complex.

Dr. Höhle AG acquired four companies in the reporting year, which will be consolidated at the beginning of the new financial year.

In addition to organic growth, corporate acquisitions will continue to be important for the expansion of the Höhle Group's business activities in the future also. The Höhle Group intends to further expand its market position over the

medium term in the Adhesives segment, in particular.

Gräfelfing, 18 December 2020

Norbert Haimerl  
Management Board

Heiko Runge  
Management Board

# Corporate Governance Statement

according to § 289f HGB und § 315d HGB

## **1. Declaration of compliance with the German Corporate Governance Code (DCGK) in accordance with Section 161 AktG of January 26, 2021**

The board of directors and the supervisory board of a stock corporation listed in Germany are obliged under Section 161 (1) AktG to submit a declaration at least once a year about the extent to which the recommendations of the DCGK have been followed in the past and how this is intended for the future. The Dr. Höhle AG attaches great importance to the rules of proper corporate governance. The board of directors and the supervisory board of Dr. Höhle AG published the following declaration of conformity on January 26, 2021.

**The board of directors and the supervisory board of Dr. Höhle AG declare in accordance with Section 161 of the German Stock Corporation Act that the recommendations of the Government Commission on the German Corporate Governance Code in the version of February 7, 2017 - DCGK 2017 - published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette, have been issued since the last declaration of compliance on January 24, 2020 with the following exceptions:**

### **Deductible for D&O insurance for the supervisory board (deviation from section 3.8 para. 3 DCGK 2017)**

The German Corporate Governance Code recommends that an appropriate deductible should be agreed if the company takes out D&O (Directors and Officers) insurance for the Supervisory Board (Section 3.8 (3) DCGK 2017). The D&O insurance cover for the Executive Board includes a deductible in accordance with the statutory provisions. However, the insurance policy does not provide for a deductible for the members of the Supervisory Board. The management board and the supervisory board continue to be of the opinion that responsible behavior is a natural duty of all board members; there is therefore no need for a deductible for the members of the Supervisory Board.

### **Duties of the Management Board (deviation from Section 4.1.3, Section 4.1.5 DCGK 2017)**

According to section 4.1.3 DCGK 2017, the management board should disclose the main features of the existing compliance management system. The Dr. Höhle AG does not believe that the publication of the compliance management system is necessary for compliance with regulations. The Dr. Höhle AG therefore refrains from disclosing the main features of the compliance management system. According to section 4.1.5 DCGK 2017, the executive board has to set target values for the proportion of women in the two management levels below the executive board. The board of directors of Dr. Höhle AG in accordance with the provisions of the law on the equal participation of women and men in management positions in the private and public sectors of April 24, 2015. The Executive Board set a target for the proportion of women in the first management level below the Board of Management of at least 25%. This corresponds to the current proportion of women at this level. The Executive Board has also set a target to be achieved for the proportion of women in the second management level below the Executive Board of at least 0%. It is therefore not necessary to define a deadline for implementation. The board of directors is of the opinion that when filling management positions, personal qualifications and individual abilities, but not gender, are decisive.

### **Composition of the Management Board (deviation from Section 4.2.1 Sentence 1 DCGK 2017)**

The German Corporate Governance Code recommends that the management board should have a chairman or spokesperson (Section 4.2.1 sentence 1 DCGK 2017). The board of directors of Dr. Höhle AG consists of three people. The division of responsibilities and cooperation within the board are regulated in the rules of procedure for the board. There is a chairman of the board of directors or a board spokesman at Dr. Höhle AG does not. The board members work together successfully and closely in this structure. There are no plans to appoint a chairman or spokesman.

### **Structure of Management Board remuneration (deviation from Section 4.2.3 Paragraph 2 GCGC 2017)**

The German Corporate Governance Code recommends that the remuneration of the Management Board should contain fixed and variable components. The variable remuneration components should in principle have a multi-year assessment basis, which should essentially be future-oriented and not be payable ahead of time (Section 4.2.3 Paragraph 2 GCGC 2017). The Supervisory Board of Dr. Höhle AG does not believe that a future-oriented assessment basis increases the quality of the Management Board's work. The board members of Dr. Höhle AG therefore receive variable and limited remuneration components for the financial year and the two previous financial years.

### **Payments to a member of the Management Board in the event of premature termination of the Management Board activity (deviation from Item 4.2.3 Paragraph 4, Paragraph 5 DCGK 2017)**

The German Corporate Governance Code recommends that when concluding management board contracts, care should be taken to ensure that payments to a member of the management board in the event of premature termination of management board activity, including fringe benefits, do not exceed the value of two annual salaries and do not pay more than the remaining term of the employment contract. The calculation of the severance payment cap should be based on the total remuneration for the past financial year and, if applicable, also on the expected total remuneration for the current financial year (severance payment cap, Section 4.2.3 Paragraph 4 DCGK 2017). The supervisory board appoints the management board of Dr. Höhle AG for a term of office not exceeding five years. The executive board contracts do not provide for any limitation of the severance payment to be paid in this case in the event of premature termination of executive board activities. In principle, the Supervisory Board considers the severance payment cap recommended by the German Corporate Governance Code to be legally problematic in the event of premature termination of Management Board activities. If the premature termination takes place for an important reason for which the board member is responsible, the board member is not entitled to a severance payment. In the event of premature termination of the Management Board activities without good cause, the Management Board contracts provide for the payment of the Management Board

remuneration until the end of the term of the Management Board contracts. The Supervisory Board considers this provision to be appropriate, as on the one hand it corresponds to the civil law valuation for contracts with a fixed term which - except in the case of important reasons - cannot be terminated, and thus there is also a claim to payment of the agreed remuneration. In addition, from the point of view of the Supervisory Board, it is legally uncertain how the company can enforce such a severance payment cap in a specific case. In the event that a member of the Management Board leaves due to a change of control, the Management Board contracts do not provide for a severance payment cap, so that the recommendation in Section 4.2.3 Paragraph 5 GCGC 2017 is also deviated from here. In this case, the management board contracts provide for a severance payment in the amount of the management board remuneration until the end of the term of the management board contract and, with regard to the existing pension commitment, an option for the board of management members to have the value of the pension commitment paid in return for a severance payment or to receive the entitlements from the pension commitment. The deviation from the recommendation in Section 4.2.3 Paragraph 5 DCGK 2017 is based on the result of the negotiations with the Management Board when the Management Board contracts were concluded

### **Disclosure of executive board remuneration (deviation from section 4.2.5 (3) DCGK 2017)**

The German Corporate Governance Code recommends presenting the benefits granted to each member of the Management Board, supplemented by the maximum and minimum remuneration that can be achieved in the case of variable remuneration components, as well as the inflow of fixed remuneration, short-term variable remuneration and long-term variable remuneration, and using prepared sample tables for this information (Section 4.2.5 Paragraph 3 GCGC 2017). The Dr. Höhle AG publishes the remuneration of the members of the Management Board in accordance with the applicable regulations and subdivided them into non-performance-related and performance-related remuneration and pensions. It is not of the opinion that a change in the presentation of the Management Board remuneration increases the quality and clarity.

#### **Duties of the Supervisory Board (deviation from section 5.1.2 DCGK 2017)**

According to Section 5.1.2 DCGK 2017, the Supervisory Board must set targets for the proportion of women on the Management Board. This was done by the supervisory board of Dr. Höhle AG in accordance with the provisions of the law on the equal participation of women and men in management positions in the private and public sectors of April 24, 2015. The Supervisory Board set a target to be achieved for the proportion of women on the Management Board of Dr. Höhle AG of at least 0%. There is therefore no need to define a deadline for implementation. The board members of Dr. Höhle AG manage the group successfully. For this reason, no minimum target should be set for the proportion of women on the Executive Board greater than 0%. When selecting members of the Executive Board, the Supervisory Board will be guided by the qualifications and individual skills of the candidate. In the opinion of the Supervisory Board, gender or age are not decisive when making appointments to the Executive Board, the only decisive factor is to find the most suitable person for the position of the Executive Board member to be filled. There are currently no plans to raise the existing target for the proportion of women on the Executive Board by at least 0%.

#### **Formation of committees in the supervisory board (deviation from section 5.3 DCGK 2017)**

The German Corporate Governance Code recommends that the supervisory board should form professionally qualified committees, in particular an audit committee and a nomination committee (Section 5.3 DCGK 2017). The supervisory board of Dr. Höhle AG currently consists of three members. Decision-making committees must also consist of three people. Due to the size of the supervisory board of Dr. Höhle AG are currently not forming any committees. The formation of committees is also not planned in the future.

#### **Composition of the Supervisory Board (deviation from Item 5.4.1 Paragraph 2, Paragraph 3, Item 5.4.2 DCGK 2017)**

The German Corporate Governance Code gives specific recommendations for the composition of the Supervisory Board. The Code recommends, among other things, the definition of age limits for members of the Supervisory Board and the definition of a regular limit for the length of membership on the Supervisory Board as well as diversity (Section 5.4.1 Paragraph 2 GCGC 2017). In addition, the Supervisory Board should state

specific goals for its composition and develop a competence profile for the entire body (Section 5.4.1 Paragraph 2 GCGC 2017). The status of the goal-setting process for the composition and the competence profile should be published in the corporate governance report. Furthermore, the corporate governance report should also provide information about the appropriate number of independent members of the shareholders in the opinion of the Supervisory Board and the names of these members (Section 5.4.1 Paragraph 3 GCGC 2017). In addition, the members of the Supervisory Board should take the ownership structure of the company into account (Section 5.4.2 DCGK 2017). The Supervisory Board of Dr. Höhle AG currently consists of three members. The Dr. Höhle AG is of the opinion that personal qualifications and individual abilities, but not, for example, gender, age or the ownership structure of the company, are decisive when making appointments to the Supervisory Board. The Supervisory Board of Dr. Höhle AG has not set any fixed age or other membership limits for its members. The Dr. Höhle AG sees such a definition as an unreasonable restriction of the shareholders' right to elect the members of the Supervisory Board. The Supervisory Board has therefore not formulated any specific goals or competence profiles in terms of the Code for its composition. The Dr. Höhle AG will therefore not publish the objectives of the composition of the Supervisory Board or the fulfillment of the competence profile and the status of implementation in the corporate governance report. The same applies to the number of independent members and their naming. Since the supervisory board of Dr. Höhle AG currently only consists of three members, who present themselves in detail to the general meeting before their election to the supervisory board and also ask questions of the general meeting about themselves, according to Dr. To date, Höhle AG has also refrained from adding a candidate's curriculum vitae to the respective candidate proposal when electing supervisory board members and publishing this updated annually on the company's website. The Supervisory Board of Dr. However, in accordance with the provisions of the law on equal participation of women and men in management positions in the private and public sectors of April 24, 2015, Höhle AG formulated a target for the proportion of women on the Supervisory Board. Since the Dr. Höhle AG is not subject to the Codetermination Act, its Supervisory Board does not have to be made up of at least 30% women and at least 30% men. The Supervisory Board of Dr. Höhle AG

has set a target to be achieved for the proportion of women on the Supervisory Board of at least 0%. A deadline for reaching the target does not have to be defined. The acting members of the Supervisory Board of Dr. Höhle AG were newly elected for a five-year term at the Annual General Meeting in May 2020

**Accounting (deviation from section 7.1.2 sentence 2, sentence 3 DCGK 2017)**

The German Corporate Governance Code recommends that the Management Board discuss financial information during the year with the Supervisory Board or its Audit Committee prior to publication (Section 7.1.2 sentence 2 GCGC 2017). In the course of an efficient publication process, Dr. Höhle AG has already published interim financial information (interim reports) in the past without detailed discussion with the Supervisory Board and intends to do so in the future. Furthermore, the German Corporate Governance Code recommends that the consolidated financial statements and the group management report be made publicly available within 90 days and the mandatory interim financial information (interim reports) within 45 days of the end of the financial year (section 7.1.2 sentence 3 GCGC 2017). As before, the Dr. Höhle AG will continue to provide preliminary figures for the financial year within 90 days. However, in accordance with the rules of the Frankfurt Stock Exchange for Prime Standard stocks, the annual report is published within four months of the end of the reporting period. Semi-annual reports and quarterly reports are published within two months of the end of the reporting period in accordance with the rules of the Frankfurt Stock Exchange. The shortening of the publication times would in an unreasonable proportion increase the administrative costs. The publication deadlines will therefore remain unchanged until further notice

**The board of directors and the supervisory board of Dr. In accordance with Section 161 of the German Stock Corporation Act, Höhle AG declares that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated December 16, 2019 - DCGK 2019 - published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette, with the following Exceptions currently and in the future will be met:**

**Management tasks of the board of directors: Consideration of diversity when filling management positions (deviation from recommendation A.1 DCGK 2019)**

The German Corporate Governance Code recommends that the Board of Management should pay attention to diversity when filling management positions (Recommendation A.1 DCGK 2019). In accordance with the provisions of the law on the equal participation of women and men in management positions in the private and public sectors of April 24, 2015, the board of directors has set targets for the proportion of women in the two management levels below the board of directors. The Management Board set a target of at least 25% for the proportion of women in the first management level below the Management Board by June 30, 2022. This corresponds to the current proportion of women at this level. The Executive Board has also set a target to be achieved for the proportion of women in the second management level below the Executive Board of at least 0%. It is therefore not necessary to define a deadline for implementation. The board of directors is of the opinion that further aspects of diversity should not play a role when filling management positions, but rather the personal qualifications and individual skills of the relevant manager should be in the foreground.

**Management tasks of the board of directors: establishment of a compliance management system and disclosure of its basic features as well as a protected whistleblower system (deviation from recommendation A.2 sentence 1, 2nd half sentence, sentence 2 1st half sentence GCGC 2019)**

The German Corporate Governance Code recommends that the management board should disclose the main features of the compliance management system (recommendation A.2 sentence 1, 2nd half-sentence GCGC 2019). The Dr. Höhle AG does not believe that the publication of the



compliance management system is necessary for adherence to compliance regulations. The Dr. Hönle AG therefore refrains from disclosing the main features of the compliance management system. Furthermore, the code recommends that employees should be given the opportunity in a suitable manner to provide protected information about legal violations in the company (recommendation A.2 sentence 2 1st half-sentence GCGC 2019). Management board and supervisory board of Dr. Hönle AG is of the opinion that the establishment of a protected whistleblower system for compliance with the applicable laws and regulations by the management board, the supervisory board and employees of Dr. Hönle AG is not required.

**Composition of the board of directors: respect for diversity (deviation from recommendation B.1 DCGK 2019)**

The German Corporate Governance Code recommends that the Supervisory Board should pay attention to diversity in the composition of the Executive Board (Recommendation B.1 DCGK 2019). In accordance with the requirements of the law on the equal participation of women and men in management positions in the private and public sectors of April 24, 2015, the Supervisory Board of Dr. Hönle AG a target to be achieved for the proportion of women on the board of Dr. Hönle AG of at least 0%. There is therefore no need to define a deadline for implementation. The two board members of Dr. Hönle AG, Mr. Haimerl and Mr. Runge, have been successfully managing the group for many years. Since January 1, 2021, Mr. Rainer Pump, the new board member for development and production, has also been a member of the company's board of directors. The management of Dr. Hönle AG is therefore guaranteed and for this reason no minimum target should be set for the proportion of women on the Management Board greater than 0%. When selecting members of the Executive Board, the Supervisory Board will generally orient itself on the qualifications and individual skills of the candidate. In the opinion of the Supervisory Board, gender or age or other aspects of diversity are not decisive when making appointments to the Executive Board, the only decisive factor is finding the most suitable person for the Executive Board position to be filled. There are currently no plans to raise the existing target for the proportion of women on the Executive Board by at least 0% or to consider other aspects of diversity when making appointments.

**Composition of the Board of Management: re-appointment within one year before the end of the term of office (deviation from recommendation B.4 DCGK 2019)**

The German Corporate Governance Code recommends that a member of the Management Board should be reappointed one year before the end of the term of office and that the current appointment should only be canceled if there are special circumstances (Recommendation B.4 DCGK 2019). Under stock corporation law, according to the case law, neither a special nor an important reason is required for an early reappointment before the end of one year before the end of the term of the appointment, while the current appointment is canceled. The Supervisory Board adheres to the requirements of stock corporation law for the reappointment of Executive Board members. At the same time, however, in the interests of the company, the supervisory board would like to be able to react as flexibly as possible to the requirements for the reappointment of a board member from the point of view of the supervisory board, without the need for "special circumstances" in the sense of the code recommendation.

**Composition of the Management Board: Determination of an age limit for members of the Management Board (deviation from Recommendation B.5 DCGK 2019)**

The German Corporate Governance Code recommends that an age limit be set for members of the Management Board and specified in the corporate governance declaration (Recommendation B.5 DCGK 2019). The Supervisory Board is of the opinion that the personal qualifications and individual abilities of a member of the Management Board, but not age, are decisive when making appointments to the Management Board. Therefore, the Supervisory Board of Dr. Hönle AG has not set any fixed age limits for members of the Management Board. Since there is no age limit, it is logically not stated in the corporate governance statement.

**Composition of the Supervisory Board: Specification of specific goals (deviation from Recommendation C.1 DCGK 2019)**

The German Corporate Governance Code recommends that the Supervisory Board name specific goals for its composition and develop a competence profile for the entire body (see recommendation C.1 DCGK 2019 for this and for the other recommendations mentioned below). The supervisory board should pay attention to diversity.

Proposals by the supervisory board to the general meeting should take these goals into account and at the same time aim to fill in the competence profile for the entire committee. The status of implementation is to be published in the declaration on corporate governance. This should also provide information about the appropriate number of independent shareholder representatives and the names of these members in the opinion of the shareholder representatives on the Supervisory Board. The Supervisory Board of Dr. Höhle AG currently consists of three members. The Dr. Höhle AG is of the opinion that personal qualifications and individual skills, but not, for example, gender or age or other aspects of diversity or the company's ownership structure, are decisive when making appointments to the Supervisory Board. The Dr. Höhle AG sees such a definition as an unreasonable restriction of the shareholders' right to elect the members of the Supervisory Board. The Supervisory Board has therefore not formulated any specific goals or competence profiles in terms of the Code for its composition. The Dr. Höhle AG will therefore not publish the objectives of the composition of the Supervisory Board or the fulfillment of the competence profile and the status of implementation in the declaration on corporate governance. The same applies to the number of independent members and their naming. The Supervisory Board of Dr. However, in accordance with the provisions of the law on equal participation of women and men in management positions in the private and public sectors of April 24, 2015, Höhle AG set a target for the proportion of women on the Supervisory Board. Since the Dr. Höhle AG is not subject to the Codetermination Act, its Supervisory Board does not have to be made up of at least 30% women and at least 30% men. The Supervisory Board of Dr. Höhle AG has set a target to be achieved for the proportion of women on the Supervisory Board of at least 0%. A deadline for reaching the target does not have to be defined. The acting members of the Supervisory Board of Dr. Höhle AG were re-elected for a term of five years at the Annual General Meeting on May 26, 2020. For the current term of office of the newly elected Supervisory Board, no target should therefore be set for the proportion of women on the Supervisory Board greater than 0%. At the ordinary general meeting in 2021, the supervisory board is to be expanded by a further member to four members and a corresponding proposal for a resolution at the ordinary general meeting of Dr. Höhle AG to be put to the vote. The Supervisory Board will propose a candidate

as an additional member, so that the proportion of women on the Supervisory Board - assuming the proposed candidate is elected - will be 25% in future. The Supervisory Board will then set the target for the proportion of women on the Supervisory Board and the target achievement period.

#### **Composition of the Supervisory Board: Age limit to be determined for members of the Supervisory Board (deviation from Recommendation C.2 DCGK 2019)**

The German Corporate Governance Code recommends that an age limit be set for members of the Supervisory Board and specified in the corporate governance declaration (Recommendation C.2 DCGK 2019). The Supervisory Board of Dr. Höhle AG has not set any fixed age or other membership limits for its members. The Dr. Höhle AG sees such a definition as an unreasonable restriction of the shareholders' right to elect the members of the Supervisory Board.

#### **Independence of the members of the supervisory board: length of membership on the supervisory board (deviation from recommendation C.7, paragraph 2, last indent DCGK 2019)**

The German Corporate Governance Code recommends that, when assessing the independence of their members from the company and the management board, shareholders should consider in particular whether the supervisory board member himself or a close family member of the supervisory board member has been on the supervisory board for more than 12 years (Recommendation C.7, Paragraph 2, last indent DCGK 2019). Prof. Dr. Höhle has been a member of the Dr. Höhle AG. Due to his many years of expertise in the company's business area, Prof. Dr. Höhle is excellently suited to supervising the management. Limiting the supervisory board mandate to 12 years would be disadvantageous for the company. Although Prof. Dr. Höhle has long been on the Supervisory Board of Dr. Höhle AG is a member, it is to be regarded as independent.

#### **Independence of the members of the supervisory board: composition of the committee (deviation from recommendation C.10 DCGK 2019)**

The German Corporate Governance Code recommends that the chairman of the supervisory board, the chairman of the audit committee and the chairman of the committee dealing with the remuneration of the management board should be independent of the company and the

management board (see recommendation C.10 DCGK 2019 for this and the other recommendations mentioned below ). Prof. Dr. Hönle has been a member of the Dr. Hönle AG and has been Chairman of the Supervisory Board since 2015. Due to his many years of expertise in the field of optics and laser technology as well as his experience in the management of companies, Prof. Dr. Hönle is excellently suited to supervising the management. Limiting the Supervisory Board mandate to 12 years would be disadvantageous for the company. Even if Prof. Dr. Hönle has long been on the Supervisory Board of Dr. Hönle AG is a member, it is to be regarded as independent.

**Working method of the supervisory board: Committees of the supervisory board (deviation from recommendations D.2, D.3, D.4 and D.5 DCGK 2019)**

The German Corporate Governance Code recommends that the Supervisory Board should form professionally qualified committees regardless of the specific circumstances of the company and the number of its members. This recommendation D.2 and the further recommendations D.3, D.4 and D.5 DCGK 2019 deal with the requirements, among other things, for the composition and chairmanship of the corresponding committees. The Supervisory Board of Dr. Hönle AG currently consists of three members. Decision-making committees must also consist of three people. Due to the size of the supervisory board of Dr. Hönle AG are currently not forming any committees. The formation of committees is also not planned in the future.

**Transparency and external reporting: Deadlines for financial information (deviation from Recommendation F.2 DCGK 2019)**

The German Corporate Governance Code recommends that the consolidated financial statements and the group management report should be made publicly available within 90 days of the end of the financial year and the mandatory financial information during the year within 45 days of the end of the reporting period (Recommendation F.2 DCGK 2019). As before, the Dr. Hönle AG will continue to provide preliminary figures for the financial year within 90 days. However, in accordance with the rules of the Frankfurt Stock Exchange for Prime Standard stocks, the annual report is published within four months of the end of the reporting period. Semi-annual reports and quarterly reports are published within two months of the end of the reporting period in accordance with the rules of

the Frankfurt Stock Exchange. The shortening of the publication times would in an unreasonable proportion increase the administrative costs. The publication deadlines will therefore remain unchanged until further notice.

**Remuneration of the Management Board: ratio of the long-term oriented goals to the short-term oriented goals in the variable remuneration (deviation from recommendation G.6 DCGK 2019)**

The German Corporate Governance Code recommends that the variable remuneration resulting from the achievement of long-term goals should exceed the share of short-term goals. The Supervisory Board of Dr. Hönle AG is of the opinion that the Management Board of Dr. Hönle AG ensures the long-term and sustainable development of the company, even if the variable remuneration resulting from the achievement of long-term goals does not exceed the share of short-term goals.

**Remuneration of the Management Board: performance criteria for variable remuneration components (deviation from recommendation G.7 DCGK 2019)**

The German Corporate Governance Code recommends that the Supervisory Board should define the performance criteria for each individual Management Board member for all variable remuneration components for the upcoming financial year, which - in addition to operational - should be based primarily on strategic objectives. The Supervisory Board should also determine the extent to which the individual goals of the individual Management Board members or goals for all Management Board members together are decisive. The Supervisory Board of Dr. Hönle AG is of the opinion that the Management Board of Dr. Hönle AG, operational performance criteria should be used for the majority of the variable remuneration components, behind which there is also a strategic objective. The Supervisory Board is of the opinion that the definition of the individual goals of the Executive Board members should not be decisive. A remuneration system based on the setting of individual goals would be too complicated and possibly offer too much leeway for interpretation.

**Remuneration of the Management Board: variable remuneration in shares of the company (deviation from recommendation G.10 DCGK 2019)**

The German Corporate Governance Code recommends that the variable compensation amounts granted to the Management Board be invested mainly in shares in the company, taking into account the respective tax burden, or granted accordingly on a share-based basis (Recommendation G.10 sentence 1 DCGK 2019). The Executive Board member should only be able to dispose of the long-term variable grant amounts after four years (recommendation G.10 p. 2 DCGK 2019). The remuneration system of Dr. Höhle AG does not provide for variable remuneration in the form of shares in the company or corresponding share-based remuneration. The variable remuneration system has evolved over a long period of time at Dr. Höhle AG has proven itself very well. A change is therefore not planned.

**Remuneration of the Management Board: extraordinary developments (deviation from recommendation G.11 DCGK 2019)**

The German Corporate Governance Code recommends that the Supervisory Board should be able to take extraordinary developments into account within an appropriate framework. In justified cases, variable remuneration should be retained or reclaimed. According to Section 87 (2) AktG, the supervisory board should reduce the remuneration to the appropriate amount if the company's situation deteriorates to such an extent that it would be unreasonable for the company to continue to grant the remuneration under paragraph 1. According to this, the Supervisory Board already has a statutory right to reduce its remuneration. In the opinion of the Supervisory Board of Dr. Höhle AG not required.

**Remuneration of the Board of Management: severance payment cap and offset against compensation (deviation from recommendation G.13 p. 1 and G.13 p. 2 GCGC 2019)**

The German Corporate Governance Code recommends that payments to a member of the Board of Management in the case of premature termination of the Board of Management should not exceed the value of two years' compensation (severance payment cap) and not pay more than the remaining term of the employment contract. In the event of a post-contractual non-competition clause, the severance payment should be offset against the compensation. From the point of view of the Supervisory Board of Dr. Höhle AG, the settlement of the contractual remaining term

of the Management Board service contract and the compensation due to a post-contractual non-competition clause are two fundamentally different payments. The severance payment for the remaining contractual term is based on the remaining term in the service contract. If this is more than two years at the time of early termination, the company feels bound by the contract and accordingly grants remuneration for the entire remaining term. The post-contractual non-competition clause, on the other hand, aims to ensure that the member of the Board of Management does not start working directly for a competitor after termination of his or her position on the Board of Management. The board member is entitled to compensation for this. However, in the opinion of the Supervisory Board, the compensation is not materially related to the severance payment for the remaining contractual term. Therefore, in the opinion of the Supervisory Board, offsetting the compensation against the severance payment is not convincing

**Remuneration of the management board: Decision of the supervisory board on the offsetting of the remuneration of non-group supervisory board mandates against the remuneration of the members of the management board (deviation from recommendation G.16 DCGK 2019)**

The German Corporate Governance Code recommends that the supervisory board should decide whether and to what extent the remuneration is to be taken into account when members of the management board take on supervisory board mandates outside the group. The Supervisory Board is of the opinion that the members of the Management Board should be able to decide on their own responsibility within the framework of their management competence within the framework of dutiful discretion whether they can take on further group-external supervisory board mandates in view of the time required for their Management Board mandate. If the management board members answer in the affirmative, the supervisory board is of the opinion that the remuneration for supervisory board mandates outside the group should not be offset against the management board remuneration of the relevant management board members, since the supervisory board remuneration for supervisory board mandates outside the group means the additional workload of the person concerned associated with the mandate to be compensated.

**2. Reference to the company's website, on which the remuneration report for the last financial year and the auditor's note pursuant to Section 162 of the Stock Corporation Act, the applicable remuneration system pursuant to Section 87a Paragraph 1 and 2 Clause 1 of the Stock Corporation Act and the last remuneration resolution pursuant to Section 113 Paragraph 3 of Stock Corporation Act are made publicly available.**

Section 289f of the German Commercial Code (HGB) in the version applicable from January 1, 2020 is to be applied for the first time to annual and consolidated financial statements as well as management and group management reports for the financial year beginning after December 31, 2020. The information on the remuneration report for the last financial year and the auditor's note in accordance with Section 162 of the Stock Corporation Act and the last remuneration resolution in accordance with Section 113 (3) of the Stock Corporation Act are currently not yet separately available on the Dr. Hönle AG to make it public. The remuneration system resolved by the Supervisory Board in accordance with Section 87a Paragraphs 1 and 2 Clause 1 of the Stock Corporation Act, which will be submitted for approval to the Annual General Meeting on March 23, 2021, is available on the website of Dr. Hönle AG can be found at <https://www.hoenle.de/investoren/corporate-governance>.

### **3. Information on corporate governance practices**

The Dr. In addition to the legal regulations and the DCGK, Hönle AG attaches great importance to acting responsibly in all areas of the Group. However, this behavior is currently not regulated in a specific code of conduct, but is lived in daily practice.

### **4. Description of the working methods of the Board of Management and the Supervisory Board and the composition and working methods of their committees**

The board of directors and the supervisory board of Dr. Hönle AG form the dual management and control structure in accordance with the provisions of German stock corporation law. The Management Board and the Supervisory Board work closely together for the benefit of the company.

#### **4.1 Duties and working methods of the board**

The board of directors of Dr. Hönle AG currently consists of three people. Effective January 1, 2021, Mr. Rainer Pump became a member of the board of Dr. Hönle AG appointed. The management board is responsible for managing the company in the company's interests, developing the company's strategic direction, coordinating it with the supervisory board and ensuring that it is implemented. The board of directors conducts the company's business on its own responsibility in accordance with the law, the articles of association and the rules of procedure of the board of directors and taking into account the resolutions of the general meeting. The division of responsibilities and cooperation within the board are regulated in the rules of procedure for the board. There is a chairman of the board of directors or a board spokesman at Dr. Hönle AG does not. The management board represents the company vis-à-vis third parties. The management takes place through regular strategic discussions at board level as well as with the divisional heads. The management board is informed monthly about the development of key parameters of the Dr. Hönle AG and its subsidiaries informed. The Management Board takes suitable measures to identify developments that could jeopardize the continued existence of the company at an early stage. This system is continuously developed and adapted to changing framework conditions. The risk report contains further information on risk management. The German Corporate Governance Code recommends that an age limit be set for members of the Management Board (Recommendation B.5 DCGK 2019). The Supervisory Board is of the opinion that the personal qualifications and individual abilities of a member of the Management Board, but not age, are decisive when making appointments to the Management Board. Therefore, the Supervisory Board of Dr. Hönle AG has not set any fixed age limits for members of the Management Board.

#### **4.2 Tasks and working methods of the supervisory board**

The Supervisory Board of Dr. Hönle AG appoints the members of the management board, monitors and advises the management board on the management of the business. He is always involved in all decisions of fundamental importance in a timely and appropriate manner. The Board of Management informs him regularly, promptly and comprehensively about the course of business, the earnings and financial situation, the employment situation as well as the

company's plans and projects. In preparation for the meeting dates, the Supervisory Board receives regular written reports from the Management Board. After careful examination and consultation, the Supervisory Board adopts resolutions, if necessary. The Supervisory Board currently has three members. It is planned to appoint the Supervisory Board of Dr. Hönle AG to expand by one member, so that the Supervisory Board then consists of four members. Rules of procedure regulate the tasks of the supervisory board and the internal organization of the supervisory board. The Supervisory Board holds two meetings every six months. The meetings of the Supervisory Board are usually held in person. The meetings of the supervisory board are called by the chairman of the supervisory board or, if he is prevented from doing so, by his deputy. The resolutions of the Supervisory Board are passed in meetings chaired by the Chairman of the Supervisory Board. The chairman of the supervisory board determines the type of vote. Resolutions are also permitted in writing, by telex, telephone, fax or telegraph if no member of the Supervisory Board objects to this procedure immediately. Resolutions of the Supervisory Board are passed with a simple majority of the votes cast, unless otherwise stipulated by law or the articles of association. Further details on the activities of the Supervisory Board are set out in the report of the Supervisory Board. The German Corporate Governance Code recommends that the Supervisory Board, together with the Management Board, ensure long-term succession planning. The Supervisory Board of Dr. Hönle AG is in constant communication with the Executive Board as to whether the current composition of the Executive Board corresponds to the company's strategic goals or whether additional Executive Board members should be appointed in order to meet the company's strategic goals. Employees and managers of the company are individually promoted through training and prepared for possible management positions. As a matter of principle, the supervisory board initially tries to recruit executives for a management position from the group. If no suitable candidates are available within the Group, the Supervisory Board uses recruitment agencies to identify and recruit suitable candidates for a position on the Executive Board that may be filled. The DCGK gives specific recommendations for the composition of the supervisory board. The DCGK recommends, among other things, that the supervisory board should state specific goals for its composition and develop a competence profile for the entire body.

The supervisory board should pay attention to diversity. Proposals by the Supervisory Board to the Annual General Meeting should take these goals into account and at the same time aim to complete the competence profile for the entire body (Recommendation C.1 DCGK 2019). The Dr. Hönle AG is of the opinion that personal qualifications and individual abilities, but not, for example, gender or age or other aspects of diversity or the company's ownership structure, are decisive when making appointments to the Supervisory Board. The Dr. Hönle AG sees such a definition as an unreasonable restriction of the right of shareholders to elect the members of the Supervisory Board. The Supervisory Board has therefore not formulated any specific goals or competence profiles within the meaning of the DCGK for its composition. The Dr. Hönle AG will therefore not publish the objectives of the composition of the Supervisory Board or the fulfillment of the competence profile and the status of implementation in the declaration on corporate governance. The same applies to the number of independent members and their naming. Furthermore, in accordance with recommendation C.2 DCGK 2019, an age limit is to be set for members of the supervisory board and specified in the corporate governance declaration. The Supervisory Board of Dr. Hönle AG has not set any fixed age or other membership limits for its members. The Dr. Hönle AG sees such a definition as an unreasonable restriction of the shareholders' right to elect the members of the Supervisory Board. In addition, if one or more of the indicators mentioned in Recommendation C.7 DCGK 2019 are met and the relevant Supervisory Board member is nevertheless viewed as independent, this should be justified in the declaration on corporate governance. Prof. Dr. Hönle has been a member of the Dr. Hönle AG. Due to his many years of expertise in the company's business area, Prof. Dr. Hönle is excellently suited to supervising the management. Limiting the Supervisory Board mandate to 12 years would be disadvantageous for the company. From the company's point of view, it is therefore to be regarded as independent. According to Recommendation D.13 DCGK 2019, the Supervisory Board should regularly assess how effectively the Supervisory Board as a whole and its committees fulfill their tasks. The Supervisory Board regularly evaluates the efficiency of its activities in its meetings. This happens every two years. The self-assessment is standardized and essentially comprises the areas of preparation, course, duration, frequency and documentation of the meeting as well as the



content of the meetings and cooperation with the board of directors and auditors. The last self-assessment took place in the reporting year, which confirmed the efficiency of the work of the Supervisory Board.

#### **4.3 Committees of the Supervisory Board**

The Supervisory Board of Dr. Hönle AG currently consists of three members. It is planned to appoint the Supervisory Board of Dr. Hönle AG to expand by one member, so that the Supervisory Board then consists of four members. Due to the size of the Supervisory Board to date, no committees will be formed. The formation of committees is also not planned in the future.

#### **5. Target values for the proportion of women in the two management levels below the Executive Board; Target values for the proportion of women on the supervisory board and management board**

The Board of Management sets targets for the proportion of women in the two management levels below the Board of Management. The board of directors of Dr. Hönle AG in accordance with the provisions of the law on equal participation of women and men in management positions in the private and public sectors of April 24, 2015. The Executive Board set a target for the proportion of women in the first management level to be achieved by June 30, 2022 below the board of directors of at least 25%. This corresponds to the current proportion of women at this level. The Executive Board has also set a target to be achieved for the proportion of women in the second management level below the Executive Board of at least 0%. It is therefore not necessary to define a deadline for implementation. The Management Board is of the opinion that when filling management positions, personal qualifications and individual skills, but not gender, are decisive. The Supervisory Board sets targets for the proportion of women on the Management Board. This was done by the supervisory board of Dr. Hönle AG in accordance with the requirements of the law on the equal participation of women and men in management positions in the private and public sectors of April 24, 2015. The Supervisory Board set a target to be achieved for the proportion of women on the Management Board of Dr. Hönle AG of at least 0%. There is therefore no need to define a deadline for implementation. The two board members of Dr. Hönle AG, Mr. Haimerl and Mr. Runge, have been successfully managing the group for many years. On January 1, 2021, there

was another member of the Board of Management with responsibility for development and production. Therefore, no minimum target should be set for the proportion of women on the Executive Board greater than 0%. In the future, the Supervisory Board will generally continue to base the selection of Executive Board members on the qualifications and individual skills of the candidate. In the opinion of the Supervisory Board, gender or age are not decisive when making appointments to the Board of Management, the only decisive factor is to find the most suitable person for the position to be filled. There are currently no plans to increase the existing target for the proportion of women on the Management Board by at least 0%. The Supervisory Board sets a target for the proportion of women on the Supervisory Board. In accordance with the requirements of the law on the equal participation of women and men in management positions in the private and public sectors of April 24, 2015, it set a target. The Supervisory Board of Dr. Hönle AG has set a target to be achieved for the proportion of women on the Supervisory Board of at least 0%. A deadline for reaching the target does not have to be defined. At the ordinary general meeting on May 26, 2020, the Supervisory Board of Dr. Hönle AG newly elected. The incumbent Supervisory Board members were re-elected. The supervisory board is to be expanded by a further member to four members and a corresponding proposal for a resolution at the ordinary general meeting of Dr. Hönle AG will be put to the vote on March 23, 2021. The supervisory board should propose a candidate as an additional member so that the proportion of women on the supervisory board - assuming the proposed candidate is elected - will in future be 25%. The Supervisory Board will then redefine the target for the proportion of women on the Supervisory Board and the target achievement period after the Annual General Meeting.

#### **6. Information on compliance with the minimum proportion of women and men on the Supervisory Board**

A fixed gender quota of at least 30 percent women and men for supervisory boards is required at Dr. Hönle AG is not required as the company is neither subject to the Codetermination Act nor is it a result of a cross-border merger.

## 7. Description of the diversity concept or explanations on the lack of a diversity concept

The Dr. Höhle AG does not pursue a detailed diversity concept for the Supervisory Board or the Management Board. Rigid criteria, quotas or competence profiles that limit flexibility in personnel decisions and the number of possible candidates are what Dr. Höhle AG does not make sense, but focuses on the personal qualifications and individual skills of a candidate. When electing the members of the Management Board and the Supervisory Board, Dr. Höhle AG includes age, gender, cultural origin, educational and professional background and strives for a diverse mix.

## Disclosures on Corporate Governance Practices

### Corporate Body

The Corporate Body includes the Board of Management, the Supervisory Board, and the Annual General Meeting.

The respective competencies are governed by the German Stock Corporation Act (AktG), the company's Articles of Incorporation, and the Rules of Internal Procedure for the Management Board and Supervisory Board.

### Responsibilities of the Management Board

The Management Board manages the company on its own authority in accordance with applicable laws, the company's Articles of Incorporation, and the Board's Rules of Internal Procedure, and by taking the resolutions of the General Annual Meeting into account. The Management Board represents the company vis-a-vis third parties. The company is managed via regular strategic discussions at Management Board level and by including the managers of the business segments. The Management Board is informed about the development of significant key indicators of Dr. Höhle AG and its subsidiaries on a monthly basis. Further information on corporate governance can be found in this management report under the heading "Management System." The Management Board is required to take suitable measures to identify developments that could threaten the company's continued existence as a going concern at an early stage. This includes establishing a monitoring system, in particular. This system is continuously being enhanced and adjusted to changes in general circumstances. The risk report includes further information on risk management.

### Responsibilities of the Supervisory Board

The Supervisory Board monitors and advises the Management Board with respect to the management of the company's business activities. To this end, the Supervisory Board is promptly and properly involved in all decisions of fundamental importance to the company. The Management Board regularly and promptly informs the Supervisory Board in detail on the course of business, results of operations, financial position, the employment situation, and on the company's planning and intended projects. The Management Board regularly provides written reports to the Supervisory Board with a view to preparing for Board meetings. Following careful examinations and consultations, the Supervisory Board passes resolutions, as required. Further details on the activities of the Supervisory Board are presented in the report of the Supervisory Board. A recommendation is made in the German Corporate Governance Code that qualified committees be formed, which are to comprise at least three members. Since Dr. Höhle AG's Supervisory Board also consists of three members, no committees are being formed at present.

### Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and decide on fundamental issues that concern Dr. Höhle AG by exercising their voting rights. Each share of stock carries one voting right. All important documents that are required for decision-making are also made accessible to the shareholders on Dr. Höhle AG's website in good time before the Annual General Meeting.

(► <https://www.hoenle.de/de/investoren/hauptversammlung>)

The shareholders may have their voting rights exercised by proxy of their choice or by a voting representative appointed by Dr. Höhle AG, who acts upon instruction of the shareholder.

Following the Annual General Meeting, the attendance and voting results are published on the company's website.

### Management Board

#### Norbert Haimerl

MBA (58)

*Responsible for Finances and Human Resources*  
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 a medium-sized company.

During the years from 1992 to 1996, he worked for a subsidiary of a German printing machine manufacturer 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 Management Board with effect from 1 January 2000.

#### **Heiko Runge**

*Graduate Engineer (56)*

*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. Ingenieur (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**

**Prof. Dr. Karl Hönle**

*Physicist*

*Supervisory Board Chairman*

Prof. Dr. Karl Hönle is an emeritus professor at the Munich University of Applied Science. There, he held the Chair in technical optics and laser technology and was an authorised representative for the transfer of technology and for the trade fair participation of Bavarian applied sciences universities. He was also engaged in local government politics in Dachau for twenty years.

As member of the Panel, he headed the Lab for Lighting Technology [Labor für Lichttechnik (GbR)] and is a member of the Technical Standards Committee for Lighting Technology at the German Institute for Standardization (DIN). In addition, Prof. Hönle is managing director of Dr. Hönle Medizintechnik GmbH.

#### **Günther Henrich**

*Lawyer*

*Vice Chairman of the Supervisory Board*

Following his activities for the Bavarian Ministry of Economics and LfA Förderbank Bayern, Mr Günther Henrich acted as managing director at BayBG Bayerische Beteiligungsgesellschaft mbH and its predecessor companies from 1987

through 2012. Mr Henrich has played a leading role in building up BayBG to become the present market leader for SME investment capital in Bavaria. As a result, Mr Henrich has an extensive network in the Bavarian industry. He was member of the supervisory and advisory boards of numerous small- and medium-sized companies. In addition, Mr Henrich headed an expert group and was member of the Board of Directors of the German Private Equity and Venture Capital Association [BVK Bundesverband deutscher Kapitalbeteiligungsgesellschaften].

#### **Dr. Bernhard Gimple**

*Lawyer*

*Supervisory Board*

Dr. Bernhard Gimple has been working as a lawyer in Munich since 2001. After completing his law studies and receiving his PhD at Ludwig-Maximilian-University in Munich, he initially worked for several large-scale supra-regional business law firms before founding the law firm, SOLEOS, together with another colleague in 2011. Since November 2005 the trained banker has also been acting as Pfandbrief trustee at Stadtsparkasse Munich.

## **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, 26 January 2021

Dr. Hönle AG

Management Board

# Independent Auditor's Report

To Dr. Hönle Aktiengesellschaft, Gräfelfing

## **Report on the consolidated financial statements and the group management report**

### ***Audit opinion***

We have audited the consolidated financial statements of Dr. Hönle AG, Gräfelfing, and its subsidiaries (the group), comprising the consolidated statement of financial position as at 30 September 2020 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 October 2019 to 30 September 2020 and the notes to the consolidated financial statements including a summary of significant accounting policies. We have also audited the group management report of Dr. Hönle AG, which is combined with the company's management report, for the financial year from 1 October 2019 to 30 September 2020.

In accordance with the findings gained during the audit, we establish that

- the attached consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements to be observed in Germany pursuant to Section 315e (1) HGB. The consolidated financial statements give a true and fair view of the group's net assets and the financial position as at 30 September 2020 and its results of operations for the financial year from 1 October 2019 to 30 September 2020 in accordance with these requirements, and
- the attached group management report as a whole appropriately reflects the group's position. The group management report is consistent with the consolidated financial statements in all material respects. It is in compliance with the German legal regulations and presents fairly the opportunities and risks of future development.

Pursuant to Section 322 (3) sent. 1 HGB, we confirm that our audit has not led to any objections to the appropriateness of the consolidated financial statements and the group management report.

### ***Basis for the audit opinion***

We have performed our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the EU Regulation on specific requirements regarding statutory audits of public interest entities (No. 537/2014; hereinafter "EU - APrVO"), thereby taking into account the generally accepted accounting principles as defined by the Institute of Public Auditors in Germany (IDW). Our responsibility under these provisions and principles is described in greater detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" in our auditor's report. With respect to the company we are an independent entity as required under European and German commercial and professional provisions and we performed our activities in compliance with the other professional requirements applicable in Germany. In addition we confirm that, pursuant to Article 10 (2) Letter f) EU-APrVO, we have not provided any prohibited non-audit services as specified under Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion on the consolidated financial statements and the group management report.

### ***Critical audit matters in the audit of the consolidated financial statements***

Critical audit matters are matters which, based on our professional judgement, were the most significant matters arising from our audit of the consolidated financial statements for the financial year from 1 October 2019 to 30 September 2020. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and when forming our audit opinion. We do not provide a separate audit opinion on these matters:

- Value of goodwill
- Value of deferred tax assets

We have structured our presentation of these critical audit matters as follows:

- 1) Reasons for the definition as critical audit matter
- 2) Audit procedure and findings
- 3) Reference to further-going information

#### *Value of goodwill*

- 1) The consolidated financial statements of Dr. Hönle AG disclose goodwill in the amount of T€ 18,849 (9.6 % of total assets) under non-current assets. Goodwill values are subjected to an impairment test at least once per year. These tests are regularly based on the present value of future cash flows of the cash-generating unit to which the goodwill concerned is allocated. The impairment tests are based on the budget accounting of the individual cash generating units which, in turn, results from the financial plans adopted by the management. Discounting is based on weighted average capital costs of the respective cash generating unit. The tests did not indicate any need for impairment write-downs.

The test result depends, in particular, on the legal representatives' assessment of future inflows of cash and the discounting rate applied. The tests are therefore subject to uncertainties.

- 2) We determined that, overall, the future inflows of cash and cash equivalents and the applied discount rates underlying the evaluations provide an appropriate basis for the impairment tests of the individual cash generating units. We based our assessment, among other things, on a comparison of general and industry-specific market expectations and on management's elaborations respecting significant value drivers of planning. Keeping in mind that even relatively small changes in the discounting rate can impact significantly on the values, we also assessed the parameters used in the determination of the applied discounting rate, and have verified the calculation scheme. Moreover, we performed additional sensitivity analyses for the cash generating units with minor surplus cover (carrying amount relative to present value) in order to enable us to assess any potential impairment risk in the event of a possible change in significant valuation assumptions. In our view, the valuation parameters and assumptions used by the management have been appropriately derived and can be used for the purpose of verifying the value of goodwill.
- 3) The information which the Company provided on the impairment tests is included in sections "5 – Accounting and Valuation Methods" and "20 – Non-Current Assets" in the notes to the consolidated financial statements.

#### *Value of deferred tax assets*

- 1) The deferred tax assets disclosed in the consolidated statement of financial position include tax losses carried forward in the amount of T€ 2,172. In our view, this fact represents a critical audit matter since the multi-year planning as a basis for the value of deferred taxes is highly dependent on the assessment and assumptions of the legal representatives, and is therefore subject to uncertainties.
- 2) We assessed the value of the above-stated deferred tax assets on the basis of the planning prepared by the legal representatives, and the appropriateness of the planning premises used. We have also assessed the correctness of the reconciliation of the planning result with the tax result, the compatibility of methods used for determining deferred taxes with IAS 12 and the arithmetical correctness. In the process, we were able to verify the assumptions made by the legal representatives and the methods applied.
- 3) The company's information on deferred tax assets is included in the sections "5 – Accounting and Valuation Method", "15 – Taxes on Income" and "23 – Deferred Tax Assets and Liabilities" in the notes to the consolidated financial statements.

### ***Other information***

The legal representatives are responsible for the other information. This other information comprises

- the remaining sections of the Annual Report with the exception of the audited consolidated financial statements, the group management report and our auditor's report,
- the statement on corporate governance pursuant to Section 289f and Section 315d HGB to which reference is made in the combined management report,
- the non-financial statement pursuant to Section 289b and Section 315b HGB to which reference is made in the combined management report,
- the corporate governance report pursuant to item 3. 10 of the German Corporate Governance Code to which reference is made in the combined management report, and
- the statement of the legal representatives pursuant to Section 297 (2) sentence 4 HGB concerning the consolidated financial statements and the statement pursuant to Section 315 (1) sentence 5 HGB concerning the group management report.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information. Consequently, we do not provide an audit opinion or any other form of audit conclusion in this respect.

In connection with our audit, we were obliged to read the other information and to assess whether the other information

- is in material respects inconsistent with the consolidated financial statements, the group management report or the findings which we gained in the course of the audit, or
- otherwise appears to be incorrectly presented.

Should we conclude on the basis of the activities we performed that this other information includes material misrepresentations we are obliged to report on this fact. There is nothing to report in this context.

### ***Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report***

The legal representatives are responsible for preparing consolidated financial statements which comply in all material respects with IFRS as applied in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. The legal representatives are also responsible for ensuring that the consolidated financial statements provide a true and fair view of the net assets-, financial position and results of operations of the group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls which they consider to be essential in the context of preparing consolidated financial statements that are free of material misrepresentations, whether intended or not.

Within the scope of preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's ability to continue as a going concern. Moreover, they are responsible for providing information on all matters of relevance in connection with the going concern assumption. They are additionally responsible for using the principle of going concern as accounting basis unless it is intended to liquidate the group or to discontinue business operations or if there is no other realistic alternative.

Furthermore, the legal representatives are responsible for preparing the group management report which as a whole provides a fair view of the group's position and is in all material respects consistent with the consolidated financial statements and the German legal regulations and appropriately presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) which they consider to be essential for enabling the preparation of a group management report in compliance with the applicable German legal regulations and for providing sufficient and appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for monitoring the group's accounting process in the context of the preparation of the consolidated financial statements and the group management report.



***Responsibility of the auditor for the audit of the consolidated financial statements and the group management report***

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free of intended or unintended misstatements, whether the group management report as a whole presents fairly the group's position and is consistent in all material respects with the consolidated financial statements and the findings which we gained during our audit, whether it is in compliance with the German legal regulations and appropriately presents the opportunities and risks of future development. In addition, our objective is to issue an auditor's report which includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance provides a high level of security but does not guarantee that an audit, which is performed in compliance with Section 317 HGB and the EU-APrVO, taking into account the German generally accepted accounting standards as defined by the Institute of Certified Public Accountants (IDW), always detects material misrepresentations. Misrepresentations can result from violations or inaccuracies. They are considered to be material when it can be reasonably expected that they impact separately or in aggregate on the economic decisions made by addressees on the basis of these consolidated financial statements and group management report.

During the entire audit process we performed our activities using our professional judgement and maintaining a critical approach. Moreover

- we identify and assess the risks arising from material misrepresentations, whether intended or not, in the consolidated financial statements and the group management report, we plan and perform audit activities as a response to these risks and we obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinion. The risk that material misrepresentations are not detected is higher for violations than the risk associated with misstatements since violations may involve fraudulent interaction, falsifications, wilful incompleteness, misleading presentation or the overriding of internal controls.
- we obtain an understanding of the internal control system of relevance for the audit of the consolidated financial statements and the arrangements and measures relevant for the audit of the group management report in order to enable us to plan audit activities that are appropriate under the circumstances at the time without being aimed at issuing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods applied by the legal representatives and the viability of the assessed values and associated disclosures presented by the legal representatives.
- we draw conclusions on the appropriateness of the accounting principle of going concern applied by the legal representatives and, using the audit evidence obtained, on whether there is a material uncertainty in connection with events or circumstances that may cast significant doubt on the group's ability to continue as a going concern. Should we arrive at the conclusion that a material uncertainty exists, we are obliged to draw attention to the pertinent disclosures in the consolidated financial statements and the group management report in the auditor's report or, if these disclosures should be unreasonable, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the group being unable to continue its corporate activities.
- we assess the overall presentation, the structure and contents of the consolidated financial statements including pertinent information and we also assess whether the consolidated financial statements appropriately present the underlying business transactions and events thus ensuring that the consolidated financial statements provide a true and fair view of the group's net assets, financial position and results of operations, taking into account IFRS as applied in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- we obtain sufficient and appropriate audit evidence concerning the companies' accounting information or business activities within the group in order to issue an audit opinion on the consolidated financial statements and the group management report. We are responsible for the guidance, monitoring and performance of the audit of the consolidated financial statements. We bear the sole responsibility for our audit opinion.

- we assess whether the group management report is consistent with the consolidated financial statements and the relevant legal regulations and whether it fairly presents the position of the group.
- we carry out audit activities relating to the future-oriented statements provided by the legal representatives in the group management report. Based on sufficient and appropriate audit evidence we verify the significant assumptions underlying the future-oriented statements of the legal representatives and we assess the appropriate derivation of the future-oriented statements from these assumptions. We do not issue a separate audit opinion on the future-oriented statements and the underlying assumptions. There is a considerable unavoidable risk that future events differ significantly from the future-oriented statements.

We discuss with those responsible for monitoring, inter alia, the scope and time schedule planned for the audit, and also discuss with them any significant audit findings including any shortcomings in the internal control systems that we may identify during our audit.

We provide those responsible for monitoring with our written confirmation that we have complied with the relevant independence requirements and we discuss with them all relations and other matters where it can reasonably be assumed that they impact on our independence, including the respective protective measures taken.

We select from the matters, which we discussed with those responsible for monitoring, those matters which were the most significant for the audit of the consolidated financial statements for the current reporting period and which therefore qualify as critical audit matters. We describe these matters in the auditor's report unless laws or other legal regulations exclude the public information about this specific matter.

#### **Other statutory and other legal requirements**

Other disclosures pursuant to Article 10 APrVO

The Annual General Meeting held on 26 May 2020 appointed us as group auditors. The Supervisory Board commissioned us on 9 October 2020. We have acted as group auditor of Dr. Höhle AG without interruption since the financial year 2012/2013.

We confirm that in every case the audit opinion included in this auditor's report complies with the additional report to the Supervisory Board in accordance with Article 11 EU-APrVO (Audit Report).

#### **Responsible auditors**

Joachim Mairock is the auditor responsible for the audit.

Augsburg, 18 December 2020

S & P GmbH  
Wirtschaftsprüfungsgesellschaft

Mairock  
Public Auditor

Dr. Burkhardt-Böck  
Public Auditor

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If the consolidated financial statements and the management report of Dr. Höhle AG and the Group are published, reproduced or forwarded to third parties in a form deviating from the certified version and if our audit opinion is quoted or reference is made to our audit, a renewed statement by us is required beforehand. This also applies to translations of the consolidated financial statements into other languages. In this regard, we refer to Section 328 of the German Commercial Code (HGB).

# Consolidated Income Statement

for the period from 1 October 2019 to 30 September 2020 according to IFR

	Notes	01/10/2019 – 30/09/2020 in T€	01/10/2018 – 30/09/2019 in T€
Revenue	(6)	93,876	107,747
Changes in inventories of finished goods and work in progress		-618	1,893
Other work performed by entity and capitalised		26	56
Other operating income	(7)	1,213	1,500
Cost of purchased materials and services	(8)	32,747	36,872
Personnel expenses	(9)	33,219	35,812
Depreciation and amortisation of property, plant and equipment and intangible assets	(10)	3,486	3,315
Amortisation of rights of use IFRS 16	(10, 43)	3,122	0
Other operating expenses	(11)	13,660	18,167
Impairment pursuant to IFRS 9		164	26
<b>Operating result/EBIT</b>		<b>8,099</b>	<b>17,003</b>
Profit/loss from investments accounted for using the equity method	(12)	11	17
Financial income	(13)	193	13
Financial expenses	(14)	457	162
Financial result		-253	-132
<b>Earnings before tax and non-controlling interest/EBT</b>		<b>7,846</b>	<b>16,872</b>
Income taxes	(15)	2,241	4,476
<b>Consolidated profit or loss</b>		<b>5,605</b>	<b>12,396</b>
Share of earnings attributable to non-controlling interests	(16)	-73	-81
Share of earnings attributable to Dr. Hönle AG shareholders		5,678	12,477
Earnings per share (basic) in € <sup>1</sup>	(19)	1.02	2.24
Earnings per share (diluted) in € <sup>1</sup>	(19)	1.02	2.24

<sup>1</sup> adjusted figures of the previous year

# Consolidated Statement of Comprehensive Income

for the period from 1 October 2019 to 30 September 2020 according to IFRS

	Notes	01/10/2019 – 30/09/2020 in T€	01/10/2018 – 30/09/2019 in T€
<b>Consolidated profit or loss</b>		<b>5,605</b>	<b>12,396</b>
Other comprehensive income:			
Positions that may be subsequently reclassified to profit or loss			
- Currency translation differences	(31)	-241	222
- Other comprehensive income from hedge accounting	(47)	-504	-5,638
- Income tax effects	(23)	142	1,479
Positions not reclassified to profit or loss			
Change in actuarial gains/losses from pensions	(35)	-311	-2,133
Deferred tax from change to actuarial gains/losses from pensions	(23)	78	529
Total other comprehensive income		-836	-5,541
<b>Total comprehensive income</b>		<b>4,769</b>	<b>6,855</b>
Thereof:			
- Comprehensive income attributable to non-controlling interests		-73	-81
- Comprehensive income of Dr. Hönle AG shareholders AG		4,842	6,936

# Consolidated Statement of Financial Position

as at 30 September 2020 according to IFRS

	Notes	30/09/2020 in T€	30/09/2019 in T€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	(20)	18,849	18,849
Intangible assets	(20)	2,175	2,355
Property, plant and equipment	(20)	76,812	42,241
Investment property	(20)	1,132	1,171
Investments accounted for using the equity method	(22)	263	52
Financial assets	(20)	26	27
Other non-current assets	(21)	2,103	1,495
Deferred tax assets	(23)	5,867	5,687
<b>Total non-current assets</b>		<b>107,226</b>	<b>71,877</b>
<b>Current assets</b>			
Inventories	(24)	35,246	35,895
Trade accounts receivable	(25)	14,253	16,980
Receivables from companies in which an equity investment is held	(26)	117	150
Other current assets	(27)	3,040	2,841
Current tax assets	(28)	1,190	877
Cash and cash equivalents	(29)	34,175	14,577
<b>Total current assets</b>		<b>88,020</b>	<b>71,320</b>
Non-current assets held for sale	(30)	950	950
<b>Total assets</b>		<b>196,196</b>	<b>144,147</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	(31)		
Subscribed capital		6,063	5,513
Own shares		-8	-8
Capital reserves		41,979	16,596
Retained earnings		68,307	67,875
<b>Equity attributable to Dr. Höhle AG shareholders</b>		<b>116,340</b>	<b>89,976</b>
Non-controlling interests		345	146
<b>Total equity</b>		<b>116,685</b>	<b>90,122</b>
<b>Non-current liabilities</b>			
Non-current loans (less current portion)	(32)	37,594	14,344
Non-current portion of finance lease obligations	(33)	2,015	144
Other non-current liabilities	(34)	9,392	6,085
Pension provisions	(35)	8,820	8,264
Accrued public investment grants	(36)	200	266
Deferred tax liabilities	(23)	421	1,292
<b>Total non-current liabilities</b>		<b>58,442</b>	<b>30,395</b>
<b>Current liabilities</b>			
Trade accounts payable	(37)	6,487	7,866
Liabilities to companies in which an equity investment is held	(26)	34	3
Contract liabilities	(38)	1,621	1,410
Current portion of finance lease obligations	(33, 43)	3,216	65
Current liabilities to banks and current portion of non-current loans	(39)	3,474	1,672
Other current liabilities	(40)	4,363	5,671
Other provisions	(41)	637	502
Current tax liabilities	(42)	1,236	6,441
<b>Current liabilities, total</b>		<b>21,069</b>	<b>23,630</b>
<b>Total equity and liabilities</b>		<b>196,196</b>	<b>144,147</b>

# Consolidated Statement of Changes in Equity

for the period from 1 October 2019 to 30 September 2020 according to IFRS

	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 in T€	Own shares in T€	Capital- reserves in T€	Legal and other reser- ves in T€	Reserve from measures. acc. to IFRS 9 in T€	Reserve for hedging- trans- actions in T€	Reserve for actuarial gains/ losses IAS 19 in T€	Reserve for currency- differences in T€	Equity attributable to Dr. Hönle AG shareholders in T€	Non con- trolling interests in T€	Total in T€
<b>As at 01/10/2018</b>	<b>5,513</b>	<b>-8</b>	<b>16,596</b>	<b>65,305</b>	<b>0</b>	<b>-117</b>	<b>-2,024</b>	<b>1,822</b>	<b>87,087</b>	<b>164</b>	<b>87,250</b>
Adjustment according to IFRS 9					341				341		341
<b>As at 01/10/2018 (adjusted)</b>	<b>5,513</b>	<b>-8</b>	<b>16,596</b>	<b>65,305</b>	<b>341</b>	<b>-117</b>	<b>-2,024</b>	<b>1,822</b>	<b>87,428</b>	<b>164</b>	<b>87,591</b>
Consolidated net income for the year				12,477					12,477	-81	12,396
Other comprehensive income						-4,159	-1,604	222	-5,541		-5,541
<b>Total comprehensive income</b>				<b>12,477</b>		<b>-4,159</b>	<b>-1,604</b>	<b>222</b>	<b>6,936</b>	<b>-81</b>	<b>6,855</b>
Changes due to the purchase of non-controlling interests				23					23	-83	-60
Equity contribution by non-controlling shareholders										147	147
Dividend distribution				-4,409					-4,409		-4,409
<b>As at 30/09/2019</b>	<b>5,513</b>	<b>-8</b>	<b>16,596</b>	<b>73,395</b>	<b>341</b>	<b>-4,276</b>	<b>-3,630</b>	<b>2,044</b>	<b>89,976</b>	<b>146</b>	<b>90,122</b>
<b>As at 01/10/2019</b>	<b>5,513</b>	<b>-8</b>	<b>16,596</b>	<b>73,395</b>	<b>341</b>	<b>-4,276</b>	<b>-3,630</b>	<b>2,044</b>	<b>89,976</b>	<b>146</b>	<b>90,122</b>
Consolidated net income for the year				5,678					5,678	-73	5,605
Other comprehensive income					1	-362	-233	-241	-836		-836
<b>Total comprehensive incomes</b>				<b>5,678</b>	<b>1</b>	<b>-362</b>	<b>-233</b>	<b>-241</b>	<b>4,842</b>	<b>-73</b>	<b>4,769</b>
Equity contribution by non-controlling shareholders										272	272
Capital increase – Issue of new shares	550		25,383	2							25,933
Dividend distribution				-4,409					-4,409		-4,409
<b>As at 30/09/2020</b>	<b>6,063</b>	<b>-8</b>	<b>41,979</b>	<b>74,664</b>	<b>342</b>	<b>-4,638</b>	<b>-3,863</b>	<b>1,803</b>	<b>116,341</b>	<b>345</b>	<b>116,686</b>

# Statement of Consolidated Cash Flows

for the period from 1 October 2019 to 30 September 2020 according to IFRS

	01/10/2019 – 30/09/2020 in T€	01/10/2018 – 30/09/2019 in T€
<b>Cash flows from operating activities:</b>		
Consolidated profit /loss for the year before non-controlling interests and taxes	7,846	16,872
Adjustments for:		
Depreciation of intangible assets, property, plant and equipment and investment property	6,608	3,315
Gains/losses from disposal of intangible assets, property, plant and equipment and investment property	288	159
Financial income	-204	-30
Financial expenses	457	162
Other non-cash expenses/income	268	-488
<b>Operating result before changes to net current assets</b>	<b>15,263</b>	<b>19,991</b>
Increase/decrease in provisions	329	31
Increase/decrease in trade accounts receivable	2,637	6,506
Increase/decrease in receivables from companies in which an equity investment is held	33	17
Increase/decrease in other assets	511	-795
Change in reinsurance	-215	-278
Increase/decrease in inventories	374	-2,407
Increase/decrease in trade accounts payable	-1,177	1,126
Increase/decrease in liabilities to companies in which an equity investment is held	31	3
Increase/decrease in advance payments received	211	110
Increase/decrease in other current liabilities	-1,364	-1,309
Increase/decrease in accrued public investment grants	-25	68
<b>Cash generated from operations</b>	<b>16,608</b>	<b>23,062</b>
Interest paid	-415	-135
Income taxes paid	-8,959	-6,003
<b>Cash flows from operating activities</b>	<b>7,234</b>	<b>16,924</b>
<b>Cash flows from investing activities:</b>		
Payments received from the disposal of intangible assets, property, plant and equipment and investment property	5	76
Payments for the acquisition of investments accounted for using the equity method	-200	0
Payments for the acquisition of property, plant and equipment and intangible assets	-30,197	-19,278
Change in financial assets	1	0
Payments received from non-current receivables	7	52
Payments for non-current receivables	-400	0
Interest received	43	13
<b>Cash flow from investing activities</b>	<b>-30,740</b>	<b>-19,136</b>
<b>Cash flow from financing activities:</b>		
Payments received from loans and liabilities to banks	26,799	11,407
Payments for loans and liabilities to banks	-1,750	-2,304
Payments for the repayment portion of leasing liabilities	-3,184	0
Payments received from liabilities to non-controlling shareholders	45	0
Payments for the acquisition of non-controlling interests	0	-60
Equity contributions by minority shareholders	12	49
Dividends paid	-4,409	-4,409
Cash from the issuance of own shares - capital increase (after cost of capital increase)	25,741	0
<b>Cash flow from financing activities</b>	<b>43,253</b>	<b>4,682</b>
Currency differences	-56	0
Currency-related change in cash and cash equivalents	-92	69
<b>Net change in cash and cash equivalents</b>	<b>19,598</b>	<b>2,539</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>14,577</b>	<b>12,037</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>34,175</b>	<b>14,577</b>

The cash flow statement is explained in the paragraph 48 of the Notes.



# Notes to the IFRS Consolidated Financial Statements

for the Financial Year 2019/2020 of Dr. Hönle AG, Gräfelfing

## GENERAL INFORMATION

### 1. Accounting Basis

Dr. Hönle AG is a listed corporation. It is registered in the Commercial Register of the Munich (Germany) local court under HR B No. 127507. The company's head office is located at Lochhamer Schlag 1 in 82166 Gräfelfing near Munich, Germany.

The Hönle Group is split into the following three business segments: Adhesives, Equipment & Systems and Glass & Lamps. The Adhesives segment includes industrial adhesives designed for a broad spectrum of applications such as electronics, medical technology, optics and glass processing. Equipment and systems are used for drying inks and coatings, for curing adhesives and plastics, for disinfecting surfaces and for solar simulation. The Glass & Lamps segment comprises quartz glass tubing and rods for the lamp, automotive, semiconductor and fibre cable industries as well as lamps for water disinfection and the drying of coatings and adhesives.

The present consolidated financial statements of Dr. Hönle AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the European Union and the supplementary applicable provisions stipulated in Section 315e (1) of the German Commercial Code (HGB).

The consolidated financial statements include the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in consolidated equity, the cash flow statement and the notes to the financial statements (Notes). The consolidated financial statements are supplemented by the combined management report of Dr. Hönle AG and the group.

The financial year of Dr. Hönle AG and its included subsidiaries, with the exception of Hoenle UV Technology (Shanghai) Trading Ltd., China, and Panacol-Korea Co., Ltd., South Korea, corresponds to the period from 1 October to 30 September. The financial year of the above-mentioned subsidiaries corresponds to the calendar year. The two companies are included on the basis of interim financial statements.

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). Due to rounding-off the totals, individual figures may not add up to the total stated. The consolidated financial statements are generally based on historical purchase and production costs under section 5 (Accounting and Valuation Methods), unless otherwise stated.

The consolidated financial statements are prepared on the basis of the going concern assumption. The Dr. Hönle AG Management Board prepared the consolidated financial statements on 18 December 2020.

## 2. Estimates and Assumptions

The preparation of the consolidated financial statements requires estimates and assumptions to be made that have impacted on the reported amounts and related disclosures. In preparing the consolidated financial statements, management exercises its discretionary powers to the best of its knowledge. However, actual results may deviate from these estimates and assumptions.

The major future-related assumptions as well as other key sources of estimation uncertainty as at the reporting date that involve a significant risk of causing major adjustments to be made to the carrying amounts of assets and liabilities within the next financial year are disclosed in the notes to the individual items. Estimates and assessments within the Hönle Group relate, to a large extent, to assessing the value of goodwill (cf. paragraph 20), the valuation of pension provisions (cf. paragraph 35), and other provisions (cf. paragraph 41) and the determination of deferred taxes (cf. paragraph 23).

## 3. Consolidation

### Consolidated Group

The consolidated financial statements as at 30 September 2020 include the parent company, Dr. Hönle AG, and the following subsidiaries:

		Percentage of shares held	Percentage of shares held	Held via
Name	Home state	Reporting year	Prior year	
Direct participations:				
(1) Aladin GmbH, Gräfelfing, Munich*	Germany	0.00%	100.00%	
(2) Honle UV France S.à.r.l., Lyon	France	100.00%	100.00%	
(3) PrintConcept UV-Systeme GmbH, Kohlberg	Germany	100.00%	100.00%	
(4) Eltosch Grafix GmbH, Pinneberg	Germany	100.00%	100.00%	
(5) AGITA Holding AG, Regensburg, Zurich	Switzerland	100.00%	100.00%	
(6) UV-Technik Speziallampen GmbH, Ilmenau	Germany	100.00%	100.00%	
(7) Hoenle UV Technology (Shanghai) Trading Ltd., Shanghai	China	100.00%	100.00%	
(8) Raesch Quarz (Germany) GmbH, Ilmenau	Germany	100.00%	100.00%	
(9) Raesch Quarz (Malta) Ltd., Mosta	Malta	100.00%	100.00%	
(10) Honle US Real Estate LLC, Torrington	USA	100.00%	100.00%	
(11) Hönle Electronics GmbH, Dornbirn	Austria	51.00%	51.00%	
(12) GEPA Coating Solutions GmbH, Frickingen	Germany	51.00%	51.00%	
(13) Luminez GmbH, Arnstadt	Germany	51.00%	0.00%	
Indirect participations:				
(14) Panacol AG, Regensburg, Zurich	Switzerland	100.00%	100.00%	(5)
(15) Panacol-Elosol GmbH, Steinbach/Frankfurt a. M.	Germany	100.00%	100.00%	(14)
(16) Eleco Panacol – EFD, SAS, Gennevilliers, Paris	Frankreich	99.96%	99.96%	(14)
(17) Eltosch Grafix America Inc., Batavia/Chicago	USA	100.00%	100.00%	(4)
(18) Panacol-Korea Co., Ltd., Seongnam	South Korea	100.00%	51.00%	(15)
(19) Panacol-USA, Inc., Torrington	USA	71.36%	71.36%	(14)
Associated companies:				
(20) Metamorphic Materials Inc., Winsted	USA	30.00%	30.00%	(14)
(21) TECINVENT GmbH, Schömburg	Germany	35.00%	35.00%	
(22) STERIXENE SAS, Les Angles	France	24.24%	0.00%	

Aladin GmbH was merged with uv-technik Speziallampen GmbH with effect from 01/10/2019.

The investment quotas for all direct and indirect participations (equity investments) also represent the proportion of voting rights.

The above-mentioned companies listed under direct and indirect participations are fully consolidated due to the possibility of exerting control through the majority of voting rights.

Control is achieved when the parent company

- can exercise control over the equity investments,
- is exposed to fluctuating returns from its equity investments and can exert an influence on the amount of returns due to its control over the equity investments.

Changes in the group's investment quotas in subsidiaries that do not lead to a loss of control over the subsidiary concerned are accounted for as equity capital transactions.

Associated companies ("associates") pursuant to IAS 28 are accounted for at equity unless the shares are classified as assets held for sale, in which case accounting is based on IFRS 5. An associate is a company over which the group can exert significant influence due to the group's involvement in the associate's financial and business policy without, however, exerting control over the associate. Significant influence is assumed when the parent company holds 20% or more but less than 50% of the voting rights (associated company). In accordance with the equity method, shares in associated companies are to be included in the consolidated statement of financial position at cost which are adjusted for changes in the group's share in profit or loss and in the other comprehensive income of the associated company after the acquisition date. Hönle's share in the profit/loss of an associated company are reported in the consolidated income statement. The share in changes in equity capital with neutral effects on profit or loss is reported directly in the consolidated equity capital.

Although Solitec Gesellschaft für technischen Produktvertrieb mbH (Solitec GmbH) with registered head office in Gräfelfing, is a 100% participation (equity investment), it was not included in consolidation as the company is immaterial for providing a true and fair view of the group's net assets, financial position and results of operations (revenue and total assets < T€ 55 in each case). The business result of Solitec GmbH in financial year 2019/2020 amounts to T€ 1 (PY: T€ 2), the amount of equity as at 30 September 2020 amounts to T€ 45 (PY: T€ 44).

The companies included in the consolidated group saw the following changes in comparison with the previous year:

In December 2019, Dr. Hönle AG acquired a 24.24 % stake and the voting rights in STERIXENE SAS, Les Angles, France. STERIXENE SAS has been accounted for as an associate using the equity method pursuant to IAS 28 since 1 January 2020. The company's purpose is the development and manufacture of non-chemical disinfection equipment (using pulsed xenon light).

The German subsidiary, Aladin GmbH, Gräfelfing, was merged with the German subsidiary, UV-Technik Speziallampen GmbH, Ilmenau, in the second quarter of financial year 2019/2020. The merger took place retrospectively as at 1 October 2019.

Luminez GmbH with registered head office in Kirchheim near Arnstadt, was founded in July 2020. The company's nominal capital amounts to € 25,000; 51 % of the shares are held by Dr. Hönle AG. The company is included in the Hönle Group's consolidated financial statements for the first time as at 30 September 2020. Luminez GmbH is engaged in the development, manufacture and sale of lighting technology.

#### Events after the balance sheet date:

The business combination with Sterilsystems GmbH, Mauterndorf, Austria, described below is based on a purchase agreement concluded on 1 October 2020. With effect from 1 October 2020, Dr. Höhle AG acquired 100 % of the shares and voting rights in the company. The acquisition date (1 October 2020) is the date when control over the acquired company is transferred to the acquirer, i.e. the acquirer acquires the power to determine the acquired company's finance- and business policy. Sterilsystems GmbH was included in the consolidated group on 1 October 2020.

Sterilsystems GmbH develops and sells highly effective UV-C equipment and systems for air, surface disinfection, water disinfection and odour neutralization. Around 24 employees produce equipment with the highest levels of purity on site.

The acquisition of Sterilsystems GmbH generates synergies in several areas. Synergies result in particular, from the worldwide sales network of the Höhle Group, through which the product range of Sterilsystems GmbH can be distributed.

Sterilsystems GmbH's was initially included in the consolidated financial statements of Dr. Höhle AG as at 1 October 2020. The acquisition costs (fair value) for the shares totalled T€ 8,477 as at the acquisition date. The purchase price is paid by means of cash payments in the period from October 2020 to October 2023. To date, T€ 6,175 of this amount has been paid in cash. The present value of the purchase price liabilities as at the acquisition date amounts to T€ 2,302.

The fair values of the acquired assets and the liabilities transferred stated as at the acquisition date as well as the respective book values immediately before the business combination are as follows:

	Carrying amounts in T€	Fair value in T€
<b>Non-current assets</b>		
intangible assets	1,632	1,632
property, plant and equipment	704	704
<b>Current assets</b>		
Inventories	976	976
Trade accounts receivables	919	919
Other assets	99	99
Cash and cash equivalents	834	834
Prepaid expenses	1	1
<b>Liabilities</b>		
Provisions	894	894
Trade accounts payable	304	304
Financial liabilities	64	64
Leasing liabilities	372	372
Other liabilities	45	45
Deferred tax liabilities	420	420
<b>Acquired net assets</b>	<b>3,066</b>	<b>3,066</b>

The identified customer relationships and the order backlog concerning intangible are valued using the residual value method.

The gross amount of acquired trade accounts receivable is T€ 922 including value adjustments of T€ 3. Acquired cash and cash equivalents amounted to T€ 834, resulting in a total cash outflow of T€ 5,341. A comparison of the purchase price and the assets acquired and liabilities assumed resulted in goodwill of T€ 5,412. The main factors leading to the recognition of goodwill are expected synergies in the areas of development, production and sales.

The following business combinations with UMEX GmbH, Kirchheim, uv-technik Meyer GmbH, Ortenberg-Bleichebach, and Technigraf GmbH, Grävenwiesbach were effected based on purchase agreements concluded on 13 August 2020 (UMEX GmbH), 15 September 2020 (uv-technik meyer GmbH), and 30 September 2020 (Technigraf GmbH).

With effect from 1 October 2020 Dr. Höhle AG acquired

- 60.2 % of the shares and voting rights in UMEX GmbH,
- 100.0 % of the shares and voting rights in uv-technik meyer GmbH,
- 55.0 % of the shares and voting rights in Technigraf GmbH.

At the same time, uv-technik meyer GmbH was merged with uv-technik Speziallampen GmbH with effect as at 1 October 2020.

The acquisition date (1 October 2020) is the date when control over the acquired entity is transferred to the acquirer, i.e. the acquirer is given the authority to govern the financial and operating policies of the entity acquired. UMEX GmbH, uv-technik meyer GmbH and Technigraf GmbH are included in the consolidated group companies as from 1 October 2020.

UMEX GmbH is a company with a wide range of products in the field of water disinfection. uv-technik meyer GmbH markets and sells medium pressure lamps, electronic power supply units and sensor technology. Technigraf GmbH is a specialist for conveyor belts with UV irradiation modules for production use as well as for test systems in laboratories.

Furthermore, positive effects are expected from the use of the Höhle Group's distribution network in conjunction with the newly acquired companies' sales networks.

UMEX GmbH, uv-technik meyer GmbH and Technigraf GmbH are included in the consolidated financial statements of Dr. Höhle AG as from 1 October 2020. The acquisition costs (fair value) of the shares acquired totals T€ 1,580 (thereof uv-technik meyer GmbH T€ 1,300). The purchase prices were provided by cash payments.

The fair values of the assets acquired and liabilities assumed as well as the respective carrying amounts prior to the business combination are as follows for uv-technik meyer GmbH

	Carrying amounts in T€	Fair Value in T€
<b>Non-current assets</b>		
Property, plant and equipment	360	360
<b>Current assets</b>		
Inventories	665	665
Trade accounts receivable	409	409
Other assets	81	81
Cash and cash equivalents	822	822
Prepaid expenses	24	24
Deferred tax assets	123	123
<b>Liabilities</b>		
Pension provisions	440	440
Provisions	225	225
Trade accounts payable	194	194
Financial liabilities	24	24
Lease liabilities	305	305
Other liabilities	37	37
<b>Acquired net assets</b>	<b>1,260</b>	<b>1,260</b>

The identified customer relationships and the order backlog relating to intangible assets are valued using the residual value method.

The trade accounts receivable acquired amount to T€ 409. They do not include value adjustments. Acquired cash and cash equivalents amounted to T€ 822 leading to a total outflow of cash in the amount of T€ 478.

A comparison of the purchase price versus liabilities assumed resulted in goodwill of T€ 40.

UMEX GmbH and Technigraf GmbH are considered immaterial and are therefore not presented.

The inclusion of the acquired businesses in the consolidated financial statements was based on a preliminary accounting process which may lead to adjustments of the assets and liabilities included in the consolidated financial statements, and consequently also to the goodwill calculated, within the measurement period of one year provided for in IFRS 3.45. The recognition of non-current assets and inventories is also to be regarded as provisional.

The following merger was decided based on the merger agreement concluded on 18 November 2020 (Registry of Documents: DOC No.: 5786/2020):

uv-technik meyer GmbH, Ortenberg – transferor company – transfers its assets as a whole including all rights and obligations, under exclusion of liquidation, to the transferee company – uv-technik Speziallampen GmbH, Ilmenau, by way of merger at carrying amounts through absorption. The merger takes place pursuant to Section 54 (1) clause 3 UmwG without capital increase at the transferee company. The effective date of the merger was 1 October 2020. The merger was entered in the Commercial Register on 24 November 2020.

Within the scope of the merger with uv-technik meyer GmbH, total assets in the amount of T€ 2,129 and equity in the amount of T€ 1,404 were transferred.

uv-technik meyer GmbH generated revenue of T€ 3,079 and a net loss for the year in the amount of T€ 398 in the financial year from 1 January 2020 to 30 September 2020.

### Consolidation Methods

Business combinations are accounted for using the acquisition method. The cost of an acquisition are measured at the fair value of the assets transferred and the liabilities transferred or entered into at the acquisition date. The identified assets acquired within the scope of a business combination as well as the liabilities transferred including contingent liabilities are initially measured at the respective fair values as of the acquisition date, irrespective of the scope of any non-controlling interests.

Asset-side differences between acquisition costs and the company's prorated revalued equity capital are reported as goodwill in the statement of financial position. Debit-side differences are released and included in the operating result following re-examination. Differences resulting from the acquisition of non-controlling interests are set off directly in equity capital.

Non-controlling interests are valued at the prorated fair value of the acquired assets and transferred debts. Following initial recognition, profits and losses are allocated without any limitations in accordance with the proportionate investment share, and this may result in a negative balance with respect to non-controlling interests.

Transactions with non-controlling interests, which do not lead to a loss of control, are reported as equity capital transactions with neutral effect on profit or loss.

All intra-group business transactions, balances, and intra-group results are fully eliminated within the scope of consolidation.



## Currency Translation

The functional currency and the reporting currency of Dr. Höhle AG and most of its European subsidiaries is the euro (€).

The functional currency for the independent subsidiaries in Switzerland, the United States and South Korea is the Swiss Franc (CHF), the US Dollar (USD) and the South Korean Won (KRW). The functional currency for the independent Chinese subsidiary is the Chinese Renminbi (RMB). Assets and debts are translated at the rates applicable as of the balance sheet date while equity capital is translated at historical rates.

The resulting currency translation differences were recorded in equity capital and in the statement of comprehensive income with neutral effect on profit/loss. The development of this special item is presented in the statement of changes in equity. Income statement items are translated using the average rate for the financial year.

		Reporting date rate		Average rate	
		30/09/2020 in €	30/09/2019 in €	2019/2020 in €	2018/2019 in €
1 Swiss Franc	CHF	0,9162	0,9136	0,9304	0,8907
1 US Dollar	USD	0,8541	0,9184	0,8929	0,8865
1 Chinese Renminbi	RMB	0,1254	0,1286	0,1275	0,1289
1 South Korean Won	KRW	0,0007	0,0008	0,0007	0,0008

In accordance with IAS 21, foreign currency receivables and liabilities are generally translated at the mean spot exchange rate on the date of initial accounting entry and at the end of the reporting period at the mean rate of exchange as of the balance sheet date. The resulting translation differences are recognized in profit/loss as income/expenses from exchange rate differences. No hedging transactions were concluded to hedge against currency risks.

## 4. New Standards and Interpretations and Newly Issued Accounting Provisions

### New standards and interpretations to be applied in the financial year

In financial year 2019/2020, the following new or amended standards of the IASB (International Accounting Standards Board) or IFRIC (International Financial Reporting Interpretations Committee) were to be applied for the first time. With the exception of the first-time application of IFRS 16, the first-time application of the other standards and interpretations had no material impact on the consolidated financial statements of Dr. Höhle AG.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments: The interpretation concerning IAS 12 is intended to provide clarity and consistent accounting with regard to the recognition and measurement of assets and liabilities in situations where the tax position is uncertain (effective date: 1 January 2019).

IFRS 16 - Leases - introduces a uniform accounting model according to which leases are to be recognized in the lessee's statement of financial position. As a general rule, the Dr. Höhle Group recognises a right-of-use asset, which represents the right to use the underlying asset, and recognizes a corresponding lease liability. The lease liability is measured at the present value of the lease payments not yet made. Within the scope of initial measurement of the lease liability, renewal, termination and purchase options were taken into account, provided that their exercise was deemed to be reasonably certain. Application relief is made use of with respect to leased assets of low value and for short-term leases. In addition, initial costs were not taken into account in the measurement of the rights of use. At the date of initial IFRS 16 application, there were no onerous leases. Consequently, no impairment of

the rights of use was recorded.

The Dr. Höhle AG Group applied IFRS 16 as of 1 October 2019 using a modified retrospective method.. There were no effects on profits/losses carried forward. The comparative figures for the previous year were not adjusted. Furthermore, the disclosure requirements stipulated in IFRS 16 were not applied to comparative information in the financial year under review.

The leases mainly relate to leased buildings and leases of motor vehicles. The group exercised the option to recognise assets for the rights-of-use of the leased assets at the same amount under the respective relevant item "Property, plant and equipment" in the statement of financial position. Leases with a remaining term of up to one year were treated as short-term leases. Subsequent findings relating to extension and termination options were taken into account in determining the maturities. In addition, at the date of initial application, contractual relationships that had not been classified as leases under the previous lease accounting regulations (IAS 17 and IFRIC 4) were not checked in accordance with the definition of a lease in IFRS 16.

At the provision date or upon modification of a contract containing a lease component, the group allocates the contractually agreed pay on the basis of the relative individual prices. However, for vehicle leases, the group has decided not to separate the non-lease components and instead to recognise leases and pertaining non-lease components as a single lease component.

As part of the transition to IFRS 16, as from 1 October 2019, the group proceeded as follows with respect to all leases (with the exception of those mentioned above):

- rights of use and lease liabilities which are initially measured at present value of the future lease payments, are recognised in the consolidated statement of financial position;
- write-downs on right-of-use assets and interest on lease liabilities are reported in the group's income statement;
- all lease payments are presented in the statement of consolidated cash flows under: Cash flow from financing activities.

Discounting was performed using the lessee's marginal borrowing rate as of 1 October 2019. The lessee's marginal borrowing rate was determined on the basis of a risk-free interest rate over various terms. The lessee's incremental borrowing rate applied to the lease liabilities as of 1 October 2019 is as follows:

- Operating and business equipment and vehicles 3.00 %
- Medium- and long-term real estate contracts 0.5%
- short-term real estate contracts 0,8%

As at 1 October 2019, Dr. Höhle AG determined rights of use and lease liabilities from operating leases as follows:

	01/10/2019
	in T€
Rights of use - property, plant and equipment	5,857
Lease liabilities	5,857

The transition of minimum lease payments from operating leases as at 30 September 2019 to the recognised lease liabilities as at 1 October 2019 is as follows:

	<b>01/10/2019</b> in T€
<b>Obligations from operating leases as at 30/09/2019</b>	<b>6,490</b>
Discounting at lessee's marginal borrowing rate at the date of initial application of IFRS 16	144
Finance lease liabilities as at 30/09/2019	209
Application relief for leases on assets of low value	262
Application relief for short-term leases	127
Other	101
<b>Lease liabilities as at 01/10/2019</b>	<b>6,066</b>
Long-term lease liabilities	3,100 T€
Short-term lease liabilities	2,966 T€

Amendments to IFRS 9 – Prepayment Features with Negative Compensation: The amendments address the significance of prepayment penalties for the cash flow criterion included in IFRS 9. Under the new rules, it is irrelevant who pays the early repayment penalty. As long as the repayment penalty is appropriate, it is consistent with the cash flow criterion. The other conditions respecting the compatibility of the early repayment penalty with the cash flow criterion remain unchanged (effective date: 1 January 2019).

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement: The amendments relate to the accounting treatment concerning the adjustment, curtailment or settlement of a defined benefit plan. The new regulations are intended to standardise the accounting practices that are, in part, inconsistent, and to provide information relevant for decision-making (effective date: 1 January 2019).

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures: The amendments serve to clarify that an entity applies IFRS 9 "Financial Instruments" to non-current investments in an associated companies or joint ventures that are part of the net investment in that associated company or joint venture but are not accounted for using the equity method (effective date: 1 January 2019).

Annual Improvements to IFRS Standards 2015–2017 Cycle: As part of the IASB's annual improvement process, amendments are made within individual IFRSs to eliminate inconsistencies with other standards or to clarify their content. The standards concerned are IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective date: 1 January 2019).

### **New Standards and Interpretations not yet Mandatory**

Furthermore, the IASB and IFRIC issued the following standards, interpretations and amendments to existing standards that have already been adopted by the EU but whose application was not mandatory for Dr. Hönle AG in the financial year under review. As a general rule, Dr. Hönle AG does not apply new IFRS/IFRICs prior to the date of mandatory application (effective date). Possible effects on future consolidated financial statements are currently being reviewed. A reliable assessment is not possible at this time, however.

Amendments to references to the conceptual framework in IFRS standards: The revised framework contains extensive additions, clarifications and updates. In addition, quotations and cross-references have been updated in various standards (effective date: 1 January 2020).

Amendment to IAS 1 and IAS 8 – Definition of Material: The questions of materiality that are frequently addressed in practice are to be answered with these adjustments (effective date: 1 January 2020).

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform: These amendments modify some specific hedge accounting requirements with a view to eliminating the potential effects of uncertainties caused by the IBOR reform. In addition, the amendments require entities to provide investors with additional information about their hedging relationships that are directly affected by these uncertainties (effective date: 1 January 2020) .

Amendments to IFRS 3 – Business Combinations: The amendment is intended to resolve ambiguities regarding the identification of business establishments (effective date: 1 January 2020).

Amendment to IFRS 16 – Leases Covid 19 – Related Rent Concessions: The amendment is intended to provide lessees with relief from the assessment of whether a lease concession related to the coronavirus pandemic qualifies as a lease modification (effective date: 1 June 2020).

In addition, the following regulations were issued by IASB and IFRIC which have not yet been endorsed by the European Commission. Early application of these regulations is not yet possible; possible effects on future consolidated financial statements are currently being examined. However, the current status of the review does not yet allow a reliable assessment of the effects as of the balance sheet date.

IFRS 17 – Insurance Contracts: The subject of the standard is the presentation of assets and liabilities resulting from insurance contracts in IFRS financial statements. The scope of IFRS 17 covers all active insurance and reinsurance contracts (effective date: 1 January 2023).

Amendment to IFRS 3 – Business Combinations: The amendments serve to update a reference to the conceptual framework (effective date: 1 January 2022).

'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)'

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: The amendments address matters that may impact financial reporting after the reform of a reference interest rate, including its replacement by alternative reference interest rates (effective date: 1 January 2021).

Amendment to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current: The amendment concerns the classification of debt (effective date: 1 January 2023).

Amendment to IAS 16 – Property, Plant and Equipment: Purpose of the amendments is to prohibit the deduction of revenue arising from the sale of an item of property, plant and equipment, that is not brought to the location and condition necessary for it to be capable of operating in a manner intended by management (effective date: 1 January 2022).

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: These amendments are intended to include costs incurred when determining whether or not a contract has a detrimental effect (effective date: 1 January 2022).

Annual Improvements to IFRS Standards 2018-2020 Cycle: As part of IASB's annual improvement process, amendments are made to individual IFRSs in order to eliminate inconsistencies with other standards or to clarify their content. Affected is the taxation of fair value measurements (effective date: 1 January 2022).

## 5. Accounting and Valuation Methods

The statement of financial position, the income statement and the statement of comprehensive income of companies included in the consolidated financial statements were prepared in a uniform manner using the parent company's accounting policies presented below.

### Goodwill

Goodwill is not subject to scheduled amortisation but is reviewed with regard to impairment at least once a year. A review is also carried out in the case of triggering events that indicate a possible impairment in value. Goodwill is stated at acquisition costs net of accumulated amortisation from impairments.

The goodwill impairment test is carried out at the level of cash generating units (CGUs) which represent the lowest level at which the goodwill is monitored for purposes of internal corporate management.

For purposes of the impairment test, the goodwill acquired within the context of a business combination is allocated to the cash generating unit which is expected to profit from the synergies of the business combination. If the carrying amount of the entity to which the goodwill is allocated is higher than its recoverable amount, the goodwill allocated to the cash-generating unit is amortised accordingly due to impairment. The achievable amount is the higher of the two amounts from fair value less sales costs and the usage value of the unit.

The usage value is determined using the discounted cash flow method. In the process, future expected cash flows from the most recent management planning are used as a basis with long-term growth rates and assumptions concerning the margin development, and discounted with the capital costs of the unit to be measured.

No reinstatements of the original values of amortised goodwill are recorded in future periods if the achievable amount exceeds the carrying amount of the cash generating unit or the group of cash generating units to which the goodwill is allocated.

For details on the assumptions used in impairment tests, please see paragraph 20.

### Intangible Assets

Acquired intangible assets and internally developed intangible assets are capitalised at acquisition and manufacturing cost in accordance with IAS 38 and are amortised over their expected useful lives using the straight line method.

The following useful lives were applied:

Customer base and other rights	5 to 10 years
Software	1 to 15 years
Licenses	3 to 10 years
Copyrights, patents and other commercial property rights	7 to 10 years
Formulas, secret procedures, models, drafts and prototypes	10 to 15 years

### Property, Plant and Equipment

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

The scheduled depreciation of the group's melting furnaces disclosed in technical equipment and machines is split up into individual components (in particular furnace body and melting pots including pertaining sub-components). These are written down separately in accordance with IAS 16.43 et seqq. due to their different useful lives. This approach leads to a more appropriate and more cause-based period recognition of the expense from the use of the asset and its components.

The following useful lives were applied:

Buildings	3 to 50 years
Technical equipment and machines	1 to 20 years
Operating and business equipment	1 to 39 years

The "Buildings" position also includes leasehold improvements. Scheduled depreciation of leasehold improvements is defined in accordance with the expected useful life.

Maintenance expenses are treated as expense for the period.

## Leases

**Until 30 September 2019**, the leases were accounted for in accordance with the following principles:

The definition as to whether an agreement contains a lease relationship is made on the basis of the economic content of the agreement at the date when the agreement is concluded. It also requires an assessment as to whether the fulfilment of the contractual agreement depends on the use of a certain asset or assets and whether the agreement grants a right of use concerning the asset, even if this right is not explicitly stipulated in an agreement.

Finance leases where substantially all risks and awards associated with the ownership of the leased asset are transferred to the group lead to capitalisation of the leased asset at the beginning of the lease term. The leased asset is stated at the lower of fair value or present value of the minimum lease payments. Lease payments are allocated to financing expenses and the repayment portion of the residual debt such that a constant interest rate results for the remaining lease liability over the lease term. Financing expenses are reported in the financial result in the income statement.

Leased items are written down over the respective asset's useful life. If the transfer of ownership to the group is not sufficiently certain at the end of the lease term, the leased asset is fully written off over the period of its expected useful life or, if shorter, over the term of the lease.

Lease payments concerning operating leases are recognised in the income statement as expenses for operating leases over the term of the lease using the straight-line method.

With the introduction of IFRS 16 (Leases), as from 1 October 2019, accounting is based on the following rules:

### Initial recognition and measurement

In accordance with IFRS 16, as a general rule, lessees are required to recognise in their balance sheets all leases in the form of a right to use and a corresponding lease liability. Rights of use are measured at acquisition costs and include the amount of initial measurement of the lease liability and direct costs. The lease liability is measured at the present value of the lease payments not yet made. The leases are generally concluded for fixed periods of one to four years. The leases for buildings may stipulate longer terms. The agreements may contain arrangements on tacit renewals or renewal and termination options.

In specifying the term of leases for buildings, management takes into account all facts and circumstances that provide an economic incentive to exercise renewal options or the non-exercising of termination options. Term changes resulting from exercising renewal / termination options are included in the lease term only if renewal or non-exercise of a termination option is reasonably certain to occur. This assessment is reviewed when a significant event or change in circumstances occurs that may impact on the previous assessment, but only if this is within the control of the Hönle Group.

Reference in this respect is made to the comments on IFRS 16 in section 4.

### **Subsequent measurement**

Rights of use are subsequently measured at amortised acquisition costs. The rights of use are amortised on a straight-line basis over the shorter of the useful life and the lease term. If the exercise of a call option is sufficiently certain from the Group's perspective, amortisation is recognized over the useful life of the underlying asset.

If the contracts that include an extension or termination option, the lease liability is revalued and the right-of-use asset is adjusted in the event that a significant event occurs that is within the control of the Dr. Hönle Group and was estimated differently within the scope of initial measurement.

The lease liabilities are amortised using the effective interest method.

Application relief is made use of with respect to low-value leased assets and short-term leases.

### **Investment Property**

Property, which is not used for business purposes and exclusively serves to generate rental income and profit from value increases, is recognized at depreciated acquisition costs. The scheduled depreciation of this property runs for a period of 20 to 33 years.

### **Investments Accounted for Using the Equity Method**

Associated companies are accounted for at equity and disclosed in the statement of financial position under "Investments accounted for using the equity method". A company on which the group exerts a significant influence without, however, being able to control the company alone or jointly, qualifies as an associated company. IAS 28.6 assumes that a participation of more than 20% of the voting rights indicates significant control.

### **Deferred Taxes**

The liability method stipulated in IAS 12 is used to determine deferred taxes. 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 taxable profits will be available in the future. Deductible temporary differences, unused tax losses as well as unused tax credit notes can be set off against these profits.

The tax rates used by the German companies differ due to differing trade tax factors at the individual location.

Deferred taxes are measured using the tax rate expected for the period in which an asset is realised or an obligation is settled.



## Inventories

In general, raw materials and supplies are stated at acquisition cost in accordance with IAS 2. Acquisition costs are determined using the weighted average cost method. Finished goods and work in progress are measured at manufacturing costs. The manufacturing costs contain, in addition to directly allocable costs, fixed and variable manufacturing and material overheads as well as the cost of value depletion to the extent caused by manufacture. The manufacturing costs also include production-related administration costs and expenses incurred for voluntary social benefits.

Borrowing costs are charged to expenditure at the full amount since these costs cannot be directly allocated to qualified assets.

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.

## Financial Assets

The categorisation of financial assets under IFRS 9 is based on the following three measurement categories:

- financial assets measured at amortised cost (AC)
- financial assets measured at fair value (FVthOCI) without neutral effect on profit or loss
- financial assets measured at fair value through profit or loss (FVthPL).

Financial assets are classified according to the underlying business model and the contractual cash flows of the financial assets. Essentially, the Dr. Hönle AG business model is to hold financial assets in order to recognise contractual cash flows.

Financial assets are measured at amortised cost (AC) if they comply with the "hold" business model and their contractual cash flows consist exclusively of interest and principal payments. Amortized cost is reduced by impairment losses. Interest income, exchange rate gains/losses and impairment losses are recognized in profit or loss. A gain or loss from derecognition is also recognized in the income statement.

With respect to equity instruments, IFRS 9 optionally permits measurement at fair value with neutral effect on profit or loss (FVthOCI). Dividends are recognized as income in profit or loss unless the dividend is clearly intended to cover part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss.

A debt instrument is designated as "FVthOCI measured" to the extent that both of the following conditions are met and the asset is not designated as FVthPL:

- It is held as part of a business model whose objective is both to hold financial assets to recognise the contractual cash flows and to sell financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVthOCI are subsequently measured at fair value. Interest income, foreign exchange gains and losses and impairments are recognized in profit or loss. Other net gains or losses are recognized in other comprehensive income. On derecognition, the accumulated other comprehensive income is reclassified to profit or loss. The group currently has no such debt instruments.

Financial assets whose cash flows do not consist exclusively of interest and principal payments are measured at fair value through profit or loss (FVthPL). Net gains and losses in this category, including any interest or dividend income, are recognized in the income statement. Dr. Hönle AG does not currently have any financial assets measured at FVthPL. At present, derivatives are only reported within the scope of hedging relationships.

The impairment model under IFRS 9 takes into account expectations about the future and is based on expected credit losses. The model under IFRS 9 basically provides for three levels and is applicable to all financial assets (debt instruments) that are measured either at amortised cost or at fair value with neutral effect on income.

In the group, the following classes of financial instruments are generally subject to the impairment model under IFRS 9:

- Other non-current financial assets
- Trade accounts receivable
- Other current financial assets
- Liquid assets (cash and cash equivalents)

Level 1:

Includes financial assets at the time of acquisition and, thereafter, those financial assets without a significant increase in credit risk since acquisition. Impairment is measured based on the expected credit loss within the next twelve months.

Level 2:

Includes financial assets that have experienced an increase in credit risk but whose credit quality has not yet been impaired. Impairment is measured based on the expected credit loss over the entire remaining term. The group considers an increase in credit risk to be a deterioration in the credit rating of the counterparty.

Level 3:

Includes financial assets which show objective evidence of impairment or have a failure status. The expected credit losses over the entire term of the financial asset and other qualitative information indicating significant financial difficulties of the debtor are recorded as impairment losses.

The Hönle Group makes use of the relief option under IFRS 9 for trade receivables with a financing component, contractual assets with a financing component and leasing receivables. Consequently, upon acquisition, these financial assets can be directly allocated to Level 2 rather than to Level 1, with the option of exclusively recording the expected credit loss over the entire term (lifetime expected credit loss).

Trade receivables and contract assets - each without a financing component - must be allocated to Level 2 of the valuation adjustment model when they are added, with the necessity of recording the lifetime expected credit loss.

A classification or reclassification to Level 3 takes place if there is objective evidence of impairment.

The group applies an impairment matrix to determine the need for value adjustments on trade receivables. Reference is made in this regard to the explanations under "Credit Risks" in section 47.

Within the scope of the application relief concerning trade accounts receivable, impairment is determined on the basis of default probabilities by customer group. In the process, past data is adjusted for future-oriented parameters. These parameters may include macroeconomic factors (e.g. growth in gross domestic product, unemployment rate) and forecasts of future economic conditions.

### **Derecognition**

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) is derecognised if one of the following prerequisites is met:

- The contractual rights to the receipt of cash flows from a financial asset have expired.
- The group has transferred its contractual rights to receive cash flows from a financial asset to a third party or to assume a contractual obligation stipulating immediate payment of cash flow to a third party within the scope of an agreement (so-called pass-through agreement), and, in doing so, either (a) transferred substantially all the risks and awards of ownership of the financial asset or (b) neither transferred nor retained substantially all risks and awards of the ownership of the financial asset, but transferred control of the asset.

When the group transfers the contractual rights to cash flows from an asset or enters into a pass-through agreement, it measures whether and if so to what extent the risks and rewards remain with the group. If the group neither transfers nor retains substantially all risks and rewards of the financial asset, and if it does not transfer control over the asset, the group states the asset at the amount of the respective ongoing commitment. In this case, the group also recognises a pertaining liability. The transferred asset and the associated liability are measured in such a way that the rights and obligations retained by the group are accounted for.

When the continuing exposure formally provides a guarantee respecting the asset transferred, the scope of the continuing exposure corresponds to the lower of the original carrying amount of the asset and the maximum amount of the payment received that the group might have to repay.

## Assets Held for Sale

Non-current assets are classified as assets held for sale when the associated carrying amount is realised primarily through a sale transaction rather than through continued use. This condition is only considered to be met when the non-current asset is immediately available for sale in its present condition and the sale is highly probable. The Management must have agreed to a sale of the respective asset and it must be assumed that the sale process will be completed within one year following the classification as asset held for sale.

Non-current assets that are classified as held for sale are measured at the lower of the assets' original carrying amount and the fair value, net of selling costs.

## Cash and Cash Equivalents

Cash on hand and bank balances are stated at nominal value. Credit balances denominated in foreign currencies are translated at the mean spot exchange rate applicable as of the balance sheet date.

## Own Shares (Treasury Stock)

Acquired own shares are deducted from equity capital as a special item at the amount of the acquisition costs pursuant to IAS 32.33. Transaction costs were incurred only to an insignificant extent.

## Liabilities

Financial liabilities are either classified as financial liabilities that are measured at fair value through profit or loss, or as other liabilities measured at amortised acquisition costs. The group defines the classification of financial liabilities upon initial recognition.

The group's financial liabilities include trade accounts payable and other liabilities, overdraft facilities, loans, financial guarantees, and derivative financial instruments.

When recognised for the first time, all financial liabilities are measured at fair value. In the case of loans, directly allocable transaction costs are additionally included in the measurement.

Within the scope of **subsequent measurement**, with the exception of derivative financial instruments, the financial liabilities are stated at amortised acquisition cost in accordance with the effective interest rate method. Derivative financial instruments are reported at fair value.

Amortised acquisition costs of **current liabilities** generally correspond to the nominal amount or the repayment amount. **Non-current liabilities** are reported at the respective present value or, if interest-bearing, at the respective repayable amounts.

In accordance with IAS 32.23, purchase price liabilities from written put options on non-controlling interests are stated as a liability at the amount of the present value of the expected payment obligation. Since the options are based on execution prices that are influenced by the corporate development, a change in the cash flow that determines the value of the financial liability leads to a balance sheet adjustment which, in the opinion of the IASB, is to be reported in profit or loss in accordance with IAS 39.

Short-term liabilities denominated in foreign currencies are translated at reporting date rates in accordance with IAS 21.

The classification and measurement of financial liabilities as a result of initial IFRS 9 application have remained unchanged in comparison with the approach applied under IAS 39.

**Derecognition**

A financial liability is derecognised if the obligation underlying the liability has been settled, annulled or has expired.

If an existing financial liability is replaced with another financial liability of the same lender with substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are subject to significant changes, the replacement or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is reported in profit/loss.

**Derivative Financial Instruments and the Accounting Treatment of Hedging Relationship****Initial recognition and subsequent measurement**

In accordance with its risk management strategy, the group uses derivative financial instruments, such as interest rate swaps, to hedge against interest rate risks. These derivative financial instruments are stated at present value at the date of contract conclusion and are remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their present values are positive and as financial liabilities if their present values are negative.

Gains and losses from changes in the fair value of derivatives are immediately reported in profit/loss, with the exception of the effective portion of a cash flow hedge which is stated as other comprehensive income in the statement of comprehensive income.

Hedging instruments are classified as follows for hedge accounting purposes:

- As a fair value hedge when the hedge relates to the risk of a change in the fair value of a recognised asset or a recognised liability or an unrecognised firm commitment,
- As a cash flow hedge if the hedge relates to the risk of cash flow fluctuations that can be allocated to the risk associated with a recognised asset, a recognised liability or the risk of a highly probable future transaction or the currency risk of an unrecognised firm commitment,
- As a hedge of a net investment in a foreign operation.

The Hönle Group exclusively uses hedging instruments to hedge cash flows. At the beginning of a hedge, both the hedging relationship as well as the group's risk management objectives and strategies with respect to the hedge are formally established and documented. The documentation contains the designation of the hedging instrument, the underlying transaction or the hedged transaction, the nature of the hedged risk, and a description of how the enterprise determines the effectiveness of changes in the fair value of the hedging instrument in compensating for the risk from changes in the cash flows of the hedged underlying transaction, which can be ascribed to the hedged risk. Such hedge relationships are deemed to be highly effective in compensating for risks arising from changes in cash flows. They are continuously evaluated to determine if they were actually highly effective during the entire reporting period for which the hedge relationship has been defined.

Hedging transactions that satisfy the strict criteria for hedge accounting are reported as follows:

## Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and in the cash flow hedge reserve, while the ineffective portion is recognised immediately in profit/loss under "Other operating expenses". The Hönle Group uses interest rate swaps as a hedging instrument to hedge the interest rate risk of financial liabilities. For further explanations, please refer to paragraph 47.

The amounts recognised in other comprehensive income are transferred to the income statement in the period in which the hedged transaction impacts on profit or loss, e.g., when hedged financial income or expenses are recognised or when an expected sale is carried out. If a hedge results in the recognition of a non-financial asset or a non-financial liability, the amounts reported under Other comprehensive income become part of acquisition costs at the acquisition date of the non-financial asset or non-financial liability.

If an expected transaction or a firm commitment is no longer expected to materialise, the accumulated gains and losses previously recognised in equity are reclassified and reported in the income statement. If the hedging instrument expires or is sold, terminated, or exercised and the hedging instrument is not replaced or rolled over to another hedging instrument, or if the criteria for hedge accounting are no longer met, the accumulated gains and losses continue to be recognised under Other comprehensive income until the expected transaction or firm commitment impacts on profit or loss.

### Classification as current and non-current

Derivative financial instruments that are not designated as hedging instruments and are effective as such, are classified as current or non-current, or are split up into a current and a non-current portion on the basis of an assessment of the facts and circumstances (i.e. the underlying contractual cash flows).

If the group holds a derivative for a period of more than twelve months after the balance sheet date in its portfolio for hedging purposes (and does not state the derivative as a hedge relationship), the derivative is classified as non-current (or is divided into a current and a non-current portion) in accordance with the classification of the underlying item.

Derivative financial instruments that have been designated as hedging instruments and are effective as such are classified in accordance with the classification of the underlying hedged item

The derivative financial instrument is only split into a current and a non-current portion if a reliable allocation can be made.

## Provisions

**Provisions for pensions** are set up using the projected unit credit method pursuant to IAS 19 (Employee Benefits). Based on a prudent estimate of the relevant parameters, this method takes into account the pensions and vested pension benefits known as at the balance sheet date as well as expected future salary and pension increases. The calculation is carried out using actuarial reports on the basis of biometrical calculation assumptions.

**Other provisions** 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, and if the amount of the obligation can be assessed reliably. Other provisions take all recognisable risks into account. They are stated on the basis of their most probable amount.

## Government Grants

**Government grants** pursuant to IAS 20 are recognised when there is reasonable assurance that the pertaining requirements are met and the grants will actually be received. Grants earmarked for the purchase or manufacture of non-current assets (asset value-based grants) are stated using the gross method ("deferred income") at the initial recognition and are released and recognised in the income statement on a scheduled basis over the assets' useful lives. In accordance with IAS 20.20, grants for expenses or losses already incurred or that serve as immediate financial support without pertaining expenses in the future are recognised as income in the period in which the corresponding claim arises.

## Income Tax Liabilities

**Liabilities from income taxes** include obligations arising from current income taxes.

## Borrowing Costs

Borrowing costs are recognized in profit or loss as incurred unless they relate to a qualifying asset as defined in IAS 23.

## Measurement of Fair Value

The group measures certain financial instruments (e.g. derivatives) at fair value at each reporting date and/or discloses the fair value of financial instruments as part of its disclosure requirements. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, it is assumed that the transaction in which the asset is sold or the liability is transferred would take place either

- in the principal market for the asset or the liability, or
- in the most advantageous market for the asset or liability, if a principal market is not available.

The group must be able to access the principal market or the most advantageous market.

The fair value measurement of an asset or a liability is based on the criteria which market participants would use when determining the prices for an asset or a liability, assuming that market participants act in their economic best interest.

The fair value of a non-financial asset is measured based on the assumption that the market participant is capable of generating economic benefits through the highest and best use of the asset concerned or the sale of this asset to another market participant who would find the best and highest use of the asset.

The group uses measurement techniques which are appropriate under the circumstances and for which sufficient data for measuring the fair value is available. In doing so, both observable and non-observable input factors are applied.



All assets and liabilities that are measured at fair value or are recognised at fair value in the financial statements, are classified on the basis of the fair value hierarchy described below, based on the input parameters of the lowest level which is of overall significance for fair value measurement:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – measurement methods where the input parameter of the lowest level, which, overall, is significant for measuring fair value, is observable, either directly or indirectly

Level 3 – measurement methods where the input parameter of the lowest level, which, overall, is significant for measuring fair value, is not unobservable on the market.

With respect to assets and liabilities that are reported in the financial statements on a recurring basis, the group determines whether they were reclassified within the hierarchy levels by reviewing the classification (based on the lowest level input parameters which, overall, are of significance for fair value measurement) at the end of each reporting period.

The employees responsible for group accounting determine, together with the Management, the guidelines and procedures governing recurring and non-recurring fair value measurement.

In order to meet the information requirements respecting fair value, the group defined groups of assets and groups of liabilities on the basis of type, specific features and risks as well as the levels of the above-stated fair value hierarchy.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement was prepared using the type of expenditure format.

### 6. Revenue

Sales revenues of T€ 93,876 (PY: T€ 107,747) include revenue from the sale of goods in the amount of T€ 90,669 (PY: T€ 104,406) and revenue from services in the amount of T€ 3,207 (PY: T€ 3,341).

The amount of T€ 1 (PY: T€ 1) concerns sales generated within the scope of deliveries to Dr. Hönle Medizintechnik GmbH at regular market conditions.

All sales revenues result from contracts concluded with customers.

For a further breakdown of revenue from contracts with customers, please refer to: Segment Reporting.

The following table provides information on receivables and contractual liabilities from contracts with customers. There are no contractual assets.

in T€	As of 01/10/2019	Change	As of 30/09/2020
Trade accounts receivable	16,980	-2,727	14,253
Contract liabilities	1,410	211	1,621

The contractual liabilities relate to advance payments received from customers for the manufacture of partly customer-specific machines. The amount of T€ 1,410 reported under contractual liabilities at the beginning of the period was mainly recognised as revenue in the financial year. The expected term of contractual liabilities reported as of the balance sheet date is less than one year.

### 7. Other Operating Income

	2019/2020 in T€	2018/2019 in T€
Income from exchange rate differences	308	560
Income from the release of provisions	282	206
Off-period income	116	34
Other income from damage compensation	97	59
Other income from continuation of wage payments	68	65
Subsidies/investment grants	66	114
Other income	276	462
	<b>1,213</b>	<b>1,500</b>

	2019/2020 in T€	2018/2019 in T€
Other income	236	489
Increase in the asset values of reinsurance	40	-27
<b>Other income</b>	<b>276</b>	<b>462</b>

Income from subsidies/investment grants results from the grant notifications concerning research projects and measures taken by the European Union which are associated with the corresponding expenses. In addition, the item includes income from the release of deferred grants within the scope of acquisitions of non-current assets.

## 8. Cost of Purchased Materials and Services

	2019/2020 in T€	2018/2019 in T€
Cost of raw materials and supplies and of purchased merchandise	32,020	36,088
Cost of purchased services	727	784
	<b>32,747</b>	<b>36,872</b>

## 9. Personnel Expenses

	2019/2020 in T€	2018/2019 in T€
Wages and salaries	26,694	29,331
Social security and pension costs	6,525	6,481
	<b>33,219</b>	<b>35,812</b>

## 10. Depreciation/Amortisation of Property, Plant and Equipment and of Intangible Assets

The structure of depreciation/ amortisation of property, plant and equipment and of intangible assets is presented in the Schedule of Non-Current Assets (paragraph 20).

The annual impairment tests did not lead to a need for non-scheduled goodwill amortisation in the financial years 2019/2020 and 2018/2019. Further details concerning impairment tests are provided in the comments on non-current assets (paragraph 20).

## 11. Other Operating Expenses

Other operating expenses are broken down as follows:

	2019/2020 in T€	2018/2019 in T€
Shipment, goods delivery, packaging	2,842	4,391
Cost of office space	1,456	4,000
Consulting, bookkeeping, year-end closing costs	1,402	987
Travel expenses	909	1,502
Insurance, membership fees and charges	737	778
Advertising and representation	721	861
Expenses from exchange rate differences	704	513
Extraordinary expenses	190	0
Other off-period expenses	186	422
Other expenses	4,513	4,714
	<b>13,660</b>	<b>18,167</b>

Other expenses are broken down as follows:

	2019/2020 in T€	2018/2019 in T€
Maintenance and repair	627	722
Vehicle costs	579	1.170
<i>thereof leasing</i>	37	584
Postage and telephone	365	403
Office supply and technical literature	130	129
Other expenses	2,812	2,290
<b>Other expenses</b>	<b>4,513</b>	<b>4,714</b>

The prior year's figures concerning "Cost of office space," "Vehicle costs," and "Other expenses" include expenses from leases. Please refer to paragraph 43 with respect to the disclosures required under IFRS 16 for the 2019/2020 financial year.

Expenses from operating leases not covered by IFRS 16 totalled T€ 260 (PY: T€ 858). Of this amount, T€ 37 (PY: T€ 58) relates to vehicles and T€ 223 (PY: T€ 274) to machinery and operating and office equipment not included in other expenses.

Other expenses also include cost incurred for personnel recruitment and personnel training in the amount of T€ 492 (PY: T€ 201). In addition, the item includes expenses relating to equity holdings in the amount of T€ 316 (PY: T€ 30) as well as IT expenses in the amount of T€ 528 (PY: T€ 383). Expenses incurred for Supervisory Board compensation in the amount of T€ 135 (PY: T€ 135) are also disclosed under Other expenses.

## 12. Income/Loss from Investments Accounted for using the Equity Method

This item includes the prorated results concerning Metamorphic Materials Inc., Winsted, USA in the amount of T€ 30 (PY: T€ 17) and STERIXENE SAS, Les Angles, France, in the amount of T€ -19 (PY: T€ 0). For more information see paragraph 22 "Investments Accounted for using the At Equity Method".

## 13. Financial Income

	2019/2020 in T€	2018/2019 in T€
Other interest and similar income	193	13
<b>Financial income</b>	<b>193</b>	<b>13</b>

Other interest and similar income includes interest income on loan receivables from Dr. Hönle Medizintechnik GmbH in the amount of T€ 7 (PY: T€ 4).

## 14. Financial Expenses

	2019/2020 in T€	2018/2019 in T€
Interest and similar expenses	413	154
Interest expenses from the discounting of lease liabilities	44	8
<b>Financial expenses</b>	<b>457</b>	<b>162</b>

Interest and similar expenses include the amount of T€ -39 (PY: T€ -82) from the adjustment of liabilities concerning written put options to non-controlling shareholders.

The interest portion for finance lease agreements included in interest expenses amounts to T€ 44 (PY: T€ 8).

## 15. Income Taxes

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

	2019/2020 in T€	2018/2019 in T€
<b>Actual income tax expense and income</b>	2,889	5,011
<b>Deferred tax expense- and income</b>		
from a change in non-current assets	-24	-11
from a change in current assets	-182	-154
from a change in provisions	-106	-67
from a change in liabilities	-107	91
from a change in the capital increase	191	0
from a change in losses carried forward	-940	-52
from value adjustments on losses carried forward	744	-441
from consolidation effects	-205	102
from currency differences	-7	-6
from other valuation differences	-11	2
	-648	-535
<b>Total tax expense</b>	<b>2,241</b>	<b>4,476</b>

The following overview reconciles the tax expense that would notionally result when applying the current German tax rate of 24.85% of the group parent (corporation tax, solidarity surcharge, trade tax), with the actual tax expense in the consolidated financial statements:

	2019/2020 in T€	2018/2019 in T€
Earnings before tax	7,846	16,872
Theoretical tax rate in %	24.85%	24.85%
Computed tax expense	1,950	4,192
<i>Changes in computed tax expense relative to the actual tax expense due to:</i>		
- change in the value adjustment of deferred tax assets	743	-435
- deviating tax base	-190	75
- distribution-related tax refunds	-47	-84
- off-period effects	-439	130
- deviating local tax rates	335	573
- change in tax rates	-110	25
<b>Total tax expense</b>	<b>2,241</b>	<b>4,476</b>
<b>Effective group tax rate</b>	<b>28.56%</b>	<b>26.53%</b>

The listing below reflects the tax rates applicable in the respective countries and used for the calculation of deferred taxes. When calculating deferred taxes, the following tax rates were applied:

- Group companies in Germany: 24.85 % to 30.53 % (PY: 24.85 % to 29.83 %)
- Group companies in France: 28.00 % to 28.53 % (PY: 28.00 % to 33 1/3 %)
- Group companies in Switzerland: 1.0 % (PY: 1.0 %)
- Group companies in the USA: 26.93 % to 28.50 % (PY: 26.93 % to 28.50 %)
- Group companies in China: 25.0 % (PY: 25.0 %)
- Group companies in Malta: 15.0 % (PY: 15.0 %)
- Group companies in South Korea: 10.0 % (PY: 10.0 %)
- Group companies Austria: 25.0 % (PY: 25.0 %)

The income tax effects of T€ 220 (PY: T€ 2,008) disclosed in the statement of comprehensive income include the amount of T€ 142 (PY: T€ 1,479) which is attributable to a change in the present value of hedging transactions, and the amount of T€ 78 (PY: T€ 529) which is attributable to the change in actuarial gains and losses from pension obligations.

## 16. Share in Earnings Attributable to Non-Controlling Interests

Non-controlling interests in the result for the financial year consist of the following:

	2019/2020 in T€	2018/2019 in T€
<b>Profit shares</b>		
Hönle Electronics GmbH	4	0
<b>Loss shares</b>		
Panacol-Korea Co., Ltd.	0	-10
Hönle Electronics GmbH	0	-15
GEPA Coating Solutions GmbH	-66	-57
Luminez GmbH	-11	0
	-73	-81

## 17. Off-Period Expenses and Income

The position "Other operating income" includes off-period income in the amount of T€ 116 (PY: T€ 34) and T€ 282 (PY: T€ 206) from the release of provisions.

The position "Other operating expenses" includes off-period expenses in the amount of T€ 186 (PY: T€ 42).

## 18. Research and Development Costs

Research costs are taken into account as expense as they accrue. Development costs are only capitalised when the Hönle Group meets the capitalisation requirements defined in IAS 38 "Intangible Assets". While the other development costs are aimed at further developing the Hönle Group's products and processes, it is almost impossible to assess the respective technical feasibility or useful lives. There are no reliable assessments respecting expenses for the further development of products and processes.

Expenses for research and development recorded as an expense during the reporting period amounted to T€ 5,969 (PY: T€ 6,087).

## 19. Earnings per Share

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

The weighted average portfolio of own shares (treasury stock) as at the balance sheet date (1,076 shares of stock), is not taken into account in the calculation of undiluted earnings per share and in the diluted earnings per share.

The weighted average portfolio of shares developed as follows in the year under review:

Weighted average of ordinary shares as of 01/10/2019	5,511,854
Shares to be taken into account on a pro rata basis due to the capital increase	61,612
Weighted average of ordinary shares as of 30/09/2020	<b>5,573,466</b>

Due to the new shares issued as part of a capital increase in the financial year under review, the presentation of the previous year's earnings per share was adjusted.

	2019/2020	2018/2019 adjusted	2018/2019
Profit share in T€ attributable to Dr. Höhle AG shareholders	5,678	12,477	12,477
Weighted average of ordinary shares in circulation during the period (shares of stock) (undiluted)	5,573,466	5,573,466	5,511,854
Weighted average of ordinary shares in circulation during the period (shares of stock) (diluted)	5,573,466	5,573,466	5,511,854
<b>Undiluted earnings per share in €</b>	<b>1.02</b>	<b>2.24</b>	<b>2.26</b>
<b>Diluted earnings per share in €</b>	<b>1.02</b>	<b>2.24</b>	<b>2.26</b>



## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 20. Non-Current Assets

Non-current assets include the following balance sheet items in the statement of financial position:

- Goodwill
- Intangible assets
- Property, plant and equipment
- Investment property
- Investments accounted for using the equity method
- Financial assets

#### Goodwill

Goodwill values from business combinations are allocated to those cash-generating units that draw benefit from the combinations, irrespective of whether other assets or debts of the acquiring company have already been allocated to these units.

Each unit or group of units to which goodwill has been allocated (a) is to represent the lowest level within the group where the goodwill is monitored for internal management purposes, and (b) may not be larger than a business segment in terms of IFRS 8.

The Hönle Group accounted for goodwill in the amount of T€ 18,849 (PY: T€ 18,849). The values have been allocated to the following cash-generating units:

	2019/2020	2018/2019
	in T€	in T€
Dr. Hönle AG	5,850	5,850
Eltosch Grafix GmbH	2,495	2,495
PrintConcept GmbH	460	460
UV-Technik Speziallampen GmbH	367	367
Raesch Quarz (Germany) GmbH	3,387	3,387
Raesch Quarz (Malta) Ltd.	6,290	6,290
	18,849	18,849

The above stated companies qualify as components of business segments in accordance with IFRS 8.5.

Hönle reviews the goodwill for impairment at least once a year in accordance with the procedure presented under paragraph 5. The recoverable amount for these cash-generating units is determined in order to perform an impairment test pursuant to IAS 36. The recoverable amount for cash-generating units was determined on the basis of the value in use.

The value in use is the present value of future cash flows that are expected from the continued use of the cash-generating units and the respective 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 the sales development, the sales prices and the purchase prices for materials and primary products. The assumptions take cost-reducing measures already taken as well as replacement investments into account. An average annual sales increase of between 3.9% and 23.5% is assumed for the respective companies in the planning period. In all, the average revenue growth rate earned in the planning period of the companies concerned is 12.9%.

These growth rates are based in each case on detailed sales planning, which includes the development of sales with the individual existing customers and a sales forecast relating to new customers, generally on the basis of current sales projects. The forecast also takes into account estimates and information provided by customers, as well as information and assumptions on emerging trends in the relevant markets (product-specific and regional).

A significant share in Hönle Group's goodwill is attributable to the companies, Raesch Quarz (Germany) GmbH and Raesch Quarz (Malta) Ltd., both of which were acquired on 1 January 2012.

Sales revenues generated by Raesch Quarz (Germany) GmbH are expected to increase 62.0 % in financial year 2020/2021. The increase in sales is due, in particular, to a rise in demand, particularly in the second half of the year, following mitigation of the coronavirus pandemic. Sales are expected to increase by an average of 21.2% by financial 2024/2025.

Raesch Quarz (Malta) Ltd. is expected to record a 23,8 % increase in sales in financial year 2020/2021. This is explained by expected incoming orders for ongoing projects following the weakening of the coronavirus pandemic in the second half of the year. An average 8.8 % sales increase is expected by financial year 2024/2025.

Dr. Hönle AG anticipates an increase in revenue of 26.8% in financial year 2020/2021. This assumption is mainly based on an initially still moderate revenue planning in the new air disinfection business field. However, Dr. Hönle AG's management believes that the planned increase in sales generated with this equipment may also be significantly higher. Sales are expected to increase by an average of 12.7% by financial year 2024/2025.

Eltosch Grafix GmbH is expected to generate a 2.3 % increase in revenue in financial year 2020/2021 as a recovery of the printing industry is expected following mitigation of the coronavirus pandemic. An average annual sales increase of 3.9% is predicted by financial year 2024/2025.

After the end of the five-year planning horizon, a sales growth rate of 1% p.a. is assumed for the following years.

On the basis of cash flow forecasts, the values in use of the cash-generating units were calculated using segment-specific cost of capital rates before income taxes for Dr. Hönle AG (9.81 %), for PrintConcept GmbH (10.16 %), for Eltosch Grafix GmbH (10.43 %), for UV- Technik Speziallampen GmbH (10.33 %), for Raesch Quarz (Germany) GmbH (8.41 %) and for Raesch Quarz (Malta) Ltd. (10.98 %). In the previous year, discounting rates of between 7.57 % and 9.80 % were applied.

The impairment test carried out did not indicate a need for downward adjustment, as the recoverable amounts exceed the carrying amounts of cash-generating units.

The calculation of values in use is based on assumptions that are subject to uncertainties. This relates, in particular, to sales expectations, the development of profit margins, the discount rates and the growth rate, which is set to extrapolate cash flow projections beyond the detailed planning period.

The discount rates represent current market assessments respecting the risks attributable to the cash-generating units. The determination of the discount rates is based on the weighted average cost of capital (WACC). The weighted average cost of capital accounts for both the equity capital and debt capital. Equity capital costs are derived from the expected return on investments of typical market participants. Borrowing costs are based on the borrowing rate of typical market participants. The segment-specific risk is taken into account by using individual beta factors. The beta factors are calculated annually on the basis of market data.

The estimation of growth rates is based on the expected general increase in prices.

The Management calculated scenarios with a 10 % increase in the weighted average cost of capital (WACC) and a reduction in growth rates of 0.5 % after the detail planning period. The calculations would not lead to impairment losses concerning the reported goodwill of the individual cash-generating units (CGUs), neither individually nor as a combination of the disadvantageous development.

### Intangible Assets

The development of other intangible assets in financial years 2019/2020 and 2018/2019 is as follows:

	Customer base and other rights	Software	Patents, li- censes and other indus- trial prop- erty rights	Procedures, models, de- signs and prototypes	Intangible assets in the development phase	Total
	in T€	in T€	in T€	in T€	in T€	in T€
<b>Acquisition and production costs as at 01/10/2019</b>	<b>4,124</b>	<b>2,789</b>	<b>1,436</b>	<b>1,551</b>	<b>32</b>	<b>9,932</b>
Additions	-	199	-	-	93	<b>292</b>
Disposals	-	9	-	-	-	<b>9</b>
Reclassifications	-	47	67	-	-114	<b>0</b>
Currency parities	-	-1	-	-	-	<b>-1</b>
Consolidated group	-	-	101	-	-	<b>101</b>
<b>As at 30/09/2020</b>	<b>4,124</b>	<b>3,025</b>	<b>1,604</b>	<b>1,551</b>	<b>11</b>	<b>10,315</b>
<b>Amortisation as at 01/10/2019</b>	<b>3,295</b>	<b>2,626</b>	<b>980</b>	<b>676</b>	<b>-</b>	<b>7,578</b>
Additions	284	155	76	52	-	566
Disposals	-	6	-	-	-	6
Reclassifications	-	-	-	-	-	-
Currency parities	-	-1	-	-	-	-1
<b>As at 30/09/2020</b>	<b>3,579</b>	<b>2,774</b>	<b>1,055</b>	<b>728</b>	<b>-</b>	<b>8,137</b>
<b>Net carrying amount as at 30/09/2020</b>	<b>545</b>	<b>251</b>	<b>549</b>	<b>823</b>	<b>11</b>	<b>2,178</b>

	Customer base and other rights	Software	Patents, li- censes and other indus- trial property rights	Procedures, models, de- signs and prototypes	Intangible as- sets in the development phase	Total
	in T€	in T€	in T€	in T€	in T€	in T€
<b>Acquisition and production costs as at 01/10/2018</b>	<b>4,094</b>	<b>2,593</b>	<b>1,409</b>	<b>1,557</b>	<b>15</b>	<b>9,668</b>
Additions	-	192	13	-6	25	<b>223</b>
Disposals	-	4	-	-	-	<b>4</b>
Reclassifications	-	8	-	-	-8	-
Currency parities	-	1	-	-	-	<b>1</b>
Consolidated group	30	-	15	-	-	<b>45</b>
<b>As at 0/09/2019</b>	<b>4,124</b>	<b>2,789</b>	<b>1,436</b>	<b>1,551</b>	<b>32</b>	<b>9,932</b>
<b>Amortisation as at 01/10/2018</b>	<b>3,012</b>	<b>2,506</b>	<b>907</b>	<b>624</b>	-	<b>7,050</b>
Additions	283	124	73	52	-	532
Disposals	-	4	-	-	-	4
Reclassifications	-	-	-	-	-	-
Currency parities	-	1	-	-	-	1 a
<b>as at 30/09/2019</b>	<b>3,295</b>	<b>2,626</b>	<b>980</b>	<b>676</b>	-	<b>7,578</b>
<b>Net carrying amount as at 30/09/2019</b>	<b>829</b>	<b>163</b>	<b>456</b>	<b>875</b>	<b>32</b>	<b>2,355</b>

Within the course of the corporate acquisitions in the financial years: 2007/2008, 2010/2011, 2011/2012, 2012/2013 and 2014/2015, brands, customer bases as well as production technologies were acquired and capitalised as intangible assets under non-current assets.

The position also includes purchased development services and subsequent acquisition costs concerning ERP software.

Intangible assets include, in particular, internally created assets in the amount of T€ 676 (PY: T€ 728) concerning a customer-specific development projects which meet the requirements stipulated in IAS 38.

Intangible assets with limited useful lives are carried at cost and amortised on a straight-line basis over a period of 1 to 15 years depending on their estimated useful lives. Intangible assets with indefinite useful lives are tested for impairment at annual intervals.

## Property, Plant and Equipment

Property, plant and equipment developed as follows in the financial years 2019/2020 and 2018/2019:

	Land and buildings	Technical equipment and machin- ery	Other equip- ment, operat- ing and busi- ness equip- ment	Lease rights of use IFRS 16	Payments on account and assets under con- struction	Total
	in T€	in T€	in T€	in T€	in T€	in T€
<b>Acquisition and production costs as at 01/10/2019</b>	<b>17,865</b>	<b>28,598</b>	<b>13,429</b>	<b>0</b>	<b>14,061</b>	<b>73,953</b>
Additions	8,053	1,168	868	2,346	22,669	35,104
Additions from ini- tial application	-	-	-	5,857	-	5,857
Disposals	8	586	662	359	-	1,615
Reclassifications	4,659	1,814	254	-	-6,727	-
Currency parities	-91	-68	-21	-10	-	-190
Consolidated group	-	10	-	-	-	10
<b>as at 30/09/2020</b>	<b>30,478</b>	<b>30,936</b>	<b>13,868</b>	<b>7,833</b>	<b>30,003</b>	<b>113,118</b>
<b>Depreciation as at 01/10/2019</b>	<b>2,840</b>	<b>18,654</b>	<b>10,217</b>	<b>-</b>	<b>-</b>	<b>31,712</b>
Additions	330	1,563	987	3,122	-	6,002
Disposals	-	359	607	359	-	1,325
Reclassifications	-	-	-	-	-	-
Currency parities	-12	-53	-12	-3	-	-80
<b>as at 30/09/2020</b>	<b>3,158</b>	<b>19,805</b>	<b>10,585</b>	<b>2,760</b>	<b>-</b>	<b>36,309</b>
<b>Net carrying amount as at 30/09/2020</b>	<b>27,320</b>	<b>11,131</b>	<b>3,283</b>	<b>5,073</b>	<b>30,003</b>	<b>76,809</b>

	Land and buildings	Technical equipment and machin- ery	Other equipment, operating and busi- ness equipment	Payments on account and assets under construction	Total
	in T€	in T€	in T€	in T€	in T€
<b>Acquisition and production costs as at 01/10/2018</b>	<b>14,227</b>	<b>27,178</b>	<b>12,735</b>	<b>2,377</b>	<b>56,516</b>
Additions	4,814	1,480	750	12,012	19,055
Disposals	1,451	228	134	-	1,813
Reclassifications	198	119	11	-327	-
Currency parities	77	50	14	-	141
Consolidated group	-	-	53	-	53
<b>as at 30/09/2019</b>	<b>17,865</b>	<b>28,598</b>	<b>13,429</b>	<b>14,061</b>	<b>73,953</b>
<b>Depreciation as at 01/10/2018</b>	<b>3,087</b>	<b>17,104</b>	<b>9,354</b>	<b>-</b>	<b>29,545</b>
Additions	246	1,572	926	-	2,743
Disposals	501	57	69	-	627
Reclassifications	-	-	-	-	-
Currency parities	8	35	7	-	50
<b>as at 30/09/2019</b>	<b>2,840</b>	<b>18,654</b>	<b>10,217</b>	<b>-</b>	<b>31,712</b>
<b>Net carrying amount as at 30/09/2019</b>	<b>15,025</b>	<b>9,944</b>	<b>3,212</b>	<b>14,061</b>	<b>42,241</b>

Items of property, plant and equipment subject to wear and tear are stated at cost and subsequently measured using the acquisition cost model. They are depreciated according to schedule over the respective estimated useful life.

- *Land and Buildings*

This item discloses the group's own land and buildings. The following companies are concerned:

- Dr. Hönle AG
- UV-Technik Speziallampen GmbH
- Raesch Quarz (Germany) GmbH
- Eleco Panacol - EFD, SAS
- Honle US Real Estate LLC
- Panacol-Elosol GmbH

The buildings are written down over useful lives of between three and 50 years. The land of Dr. Hönle AG, Panacol-Elosol GmbH and UV-Technik Speziallampen GmbH also serves to collateralise bank loans in the total amount of T€ 38,522.

- *Technical Equipment and Machinery*

The assets disclosed under this position are depreciated over their useful lives of between 1 to 20 years applying the straight line method.

- *Operating and Business Equipment*

The assets disclosed under this position are depreciated over their useful lives of between 1 to 39 years applying the straight line method.

- *Rights of use*

The recognised leases mainly relate to leased buildings and leases of motor vehicles. Reference is made to paragraph 43: Leases.

- *Prepayments Made and Assets under Construction*

In the financial year under review the position largely includes Dr. Hönle AG's building projects in the amount of T€ 10,690 (PY: T€ 5,611) and building projects of Panacol-Elosol GmbH amounting to T€ 9,968 (PY: T€ 3,170).

## Investment Property

In financial year 2019/2020, Eltosch Grafix GmbH holds a commercial property in Unterlüß, Germany, which qualifies as investment property in terms of IAS 40 following discontinuation of production activities at this site and use of the property for rental purposes. The carrying amount of this property reported under non-current assets stands at T€ 1,132. The investment property generated income of T€ 213 in financial year 2019/2020. Significant expenses in the context of this income generation came to T€ 40.

The position developed as follows:

	in T€
<b>Acquisition and production costs as at 01/10/2019</b>	<b>1,399</b>
Additions	-
Disposals	-
Reclassifications	-
<b>as at 30/09/2020</b>	<b>1,399</b>
<b>Depreciation as at 01/10/2019</b>	<b>228</b>
Additions	39
Disposals	-
Reclassifications	-
<b>As at 30/09/2020</b>	<b>267</b>
<b>Net carrying amount as at 30/09/2020</b>	<b>1,132</b>



	in T€
<b>Acquisition and production costs as at 01/10/2018</b>	<b>1,399</b>
Additions	-
Disposals	-
Reclassifications	-
<b>as at 30/09/2019</b>	<b>1,399</b>
<b>Depreciation as at 01/10/2018</b>	<b>189</b>
Additions	39
Disposals	-
Reclassifications	-
<b>as at 30/09/2019</b>	<b>228</b>
<b>Net carrying amount as at 30/09/2019</b>	<b>1,171</b>

The fair value of € 1.6 million is derived from an appraisal performed by a real estate expert.

### Financial Assets

This position includes shares in affiliated companies in the amount of T€ 26 (PY: T€ 27) which concern the 100% investment in Solitec GmbH. Solitec GmbH is not included in the consolidated group due to its minor importance for the group.

### 21. Other Non-Current Assets

	30/09/2020	30/09/2019
	in T€	in T€
Loans granted to related parties	396	8
Asset values conc. reinsurance	1,673	1,458
Other	33	29
	<b>2,103</b>	<b>1,495</b>

With respect to loans extended to related parties reference is made to paragraph 50.

### 22. Investments Accounted for Using the Equity Method

This position includes the balance sheet values of the investments in Metamorphic Materials Inc., TECINVENT GmbH and STERIXENE SAS which were accounted for at equity. The carrying amount of the investments accounted for under the equity method came to T€ 263 (PY: T€ 52) as at 30 September 2020. When assessed individually, the investments are not considered to be significant.

The following information is based on the most recent financial statements available before conversion to the participating interest held by Dr. Hönle AG. TECINVENT GmbH develops and sells products in the segment of electronic circuits, components, equipment and systems. Metamorphic Materials Inc. develops, produces and sells oligomers and polymers and STERIXENE SAS develops and produces equipment and systems for non-chemical disinfection chemical-free disinfection by pulsed flashlight.

	TECINVENT GmbH		Metamorphic M. Inc.		STERIXENE SAS	
in T€	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Ownership share in percent	35%	35%	30%	30%	24.24%	0%
Net assets	-22	-11	47	-53	39	0
Shares held by the group in the associated company	0	0	14	-16	12	0
Elimination of non-realised profits plus existing hidden reserves plus goodwill, if any	0	0	-6	-6	-2	0
	0	0	74	74	0	0
	0	0	0	0	171	0
Carrying amount of the at-equity value in the associated company	0	0	82	52	181	0
Profit from business units to be continued (100%)	-11	-9	100	59	-79	0
Other profit/loss (100%)	0	0	0	0	0	0
Total profit/loss (100%)	-11	-9	100	59	-79	0
Total profit/loss (relative to the group's share)	-4	-3	30	18	-19	0
Elimination of non-realised profits	0	0	0	0	0	0
net of dividend payments, if any	0	0	0	0	0	0
net of write-downs on hidden reserves, if any	0	0	0	0	0	0
net of amortisation of goodwill, if any	0	0	0	0	0	0
The group's share in total comprehensive income	-4	-3	30	18	-19	0

### 23. Deferred Tax Assets and Deferred Tax Liabilities

The tax deferrals recorded are attributable to the following balance sheet positions or tax issues, respectively:

	30/09/2020		30/09/2019	
	Asset in T€	Liability in T€	Asset in T€	Liability in T€
Non-current assets	140	256	147	287
Current assets	252	18	54	3
Provisions	1,944	11	1,757	8
Liabilities	1,732	393	1,604	514
Tax losses carried forward	2,172	0	1,976	0
- <i>deferred taxes on losses</i>	3,489	0	2,549	0
- <i>value adjustments</i>	-1,317	0	-573	0
Consolidation effect	39	155	148	479
Netting of deferred tax assets / liabilities	-412	-412		
Total	5,867	421	5,687	1,292

In accordance with IAS 12, deferred tax assets which are to be offset against unused tax losses carried forward are accounted for to the extent that future taxable income is likely to be available against which the unused tax losses can be offset.

The companies: Dr. Hönle AG, Panacol AG, Hoenle UV Technology Shanghai Ltd., Panacol-USA, Inc., Panacol-Korea Co., Ltd., Hönle Electronics GmbH, GEPA Coating Solutions GmbH, Luminez GmbH and Raesch Quarz (Germany) GmbH, record tax losses carried forward as of 30 September 2020.

Value assessments are made on the basis of annual planning calculations from which predictions on the use of future tax losses can be derived. Only those losses are stated that are expected to be used within a period of five years.

Deferred tax assets from losses carried forward in the amount of T€ 1,674 are attributable to Raesch Quarz (Germany) GmbH which has reported losses in the last two financial years. The substantial indications in this context arise from the above-stated planning calculations and the pertaining underlying assumptions. Reference is made to the explanations under paragraph 20.

No deferred tax assets were recognized for corporate income tax losses carried forward in the amount of T€4,292 and trade tax losses carried forward in the amount of T€ 4,213 relating to Raesch Quarz (Germany) GmbH due to their unforeseeable usability for tax purposes.

## 24. Inventories

Inventories are structured as follows:

	30/09/2020 in T€	30/09/2019 in T€
Raw materials and supplies incl. descriptive material (at acquisition costs)	19,746	19,887
<i>less depreciation</i>	1,035	811
	18,711	19,076
Work in progress (at acquisition or manufacturing costs)	460	536
<i>less depreciation</i>	0	0
	460	536
Finished goods and merchandise (at acquisition or manufacturing costs)	16,946	16,986
<i>less depreciation</i>	959	727
	15,987	16,259
Prepayments made	89	24
<b>Inventories</b>	<b>35,246</b>	<b>35,895</b>

The carrying amount of inventories stated at net sales prices (fair value) amounts to T€ 1,697 (PY: T€ 1,384). In the 2019/2020 reporting period, inventories in the amount of T€ 31,674 (PY: T€ 36,235) were booked under cost of materials and the amount of T€ 538 (PY: T€ 96 income) expensed as an impairment loss on inventories.

The only reservations of title to the assets reported under inventories are those customary in the context of sales contracts.

## 25. Trade Accounts Receivable

	30/09/2020 in T€	30/09/2019 in T€
Total receivables	14,451	17,084
<i>less value adjustments</i>	198	104
	<b>14,253</b>	<b>16,980</b>

Trade accounts receivable as at 30 September 2020 were measured taking into account the expected-loss-impairment-model stipulated in IFRS 9. The value adjustments were adjusted for prospective expectations, based on past experience with actual payment defaults (see under paragraph 47 "Credit Risks").

The development of impairment on trade receivables is as follows:

	2019/2020 in T€	2018/2019 in T€
As at 30 September (acc. to IAS 39)	0	591
Adjustment effect IFRS 9	0	-480
<b>As of 1 October (acc. to IFRS 9)</b>	<b>104</b>	<b>111</b>
Change in impairment on trade receivables	94	-7
<b>As at 30 September</b>	<b>198</b>	<b>104</b>

The receivables presented do not include any delinquent receivables as at the reporting date and for which the group has not recognised any impairment losses..

The fair values of trade receivables correspond to the carrying amounts. The residual term of trade receivables is less than one year.

## 26. Receivables from and Liabilities to Companies in which an Equity Investment is Held

The position mainly consists of receivables from Metamorphic Materials Inc. in the amount of T€ 66 (PY: T€ 96) and from TECINVENT GmbH in the amount of T€ 51 (PY: T€ 54). The position also includes liabilities vis à vis Sterixene SAS in the amount of T€ 34 (PY: T€ 0).

## 27. Other Current Assets

	30/09/2020 in T€	30/09/2019 in T€
Prepaid expenses	548	550
Other current assets	2,492	2,291
	<b>3,040</b>	<b>2,841</b>

	30/09/2020 in T€	30/09/2019 in T€
Receivables from related parties	149	52
Value added tax	974	1,416
Receivables from employees	93	141
Other	1,276	682
	<u>2,492</u>	<u>2,291</u>

The disclosed carrying amounts correspond to the fair values. The residual term is less than one year.

With respect to receivables from related parties reference is made to paragraph 50.

The position "Other" includes creditors with debit balances in the amount of T€ 27 (PY: T€ 31). The disclosed other assets are not subject to ownership restrictions or restraints on disposal.

## 28. Current Tax Assets

Current tax assets are structured as follows:

	30/09/2020 in T€	30/09/2019 in T€
Dr. Höhle AG	848	607
PrintConcept GmbH	27	37
Eltosch Grafix GmbH	54	68
Panacol AG	19	48
Panacol-Elosol GmbH	74	0
uv-technik Speziallampen GmbH (Aladin GmbH)	90	38
Höhle Electronics GmbH	18	15
Panacol-USA, Inc.	60	4764
	<u>1,190</u>	<u>877</u>

## 29. Cash and Cash Equivalents

Cash and cash equivalents include cheques, cash in hand and bank credit balances. At the same time, the position represents cash and cash equivalents relevant to the cash flow statement in terms of IAS 7. The reported cash and cash equivalents are not subject to disposal restrictions.

Bank credit balances are held with various banks at credit interest rates of up to 1.0% per year.

## 30. Non-Current Assets Held for Sale

The group plans to sell a building including land (carrying amount as at 30/09/2020: T€ 950) within the next twelve months. Both the building and the land are owned by Dr. Höhle AG (Equipment and Systems segment) and were used by the subsidiary, Aladin GmbH. The production of medium pressure lamps at the former location of Aladin GmbH at Rott a. Inn was discontinued and relocated to Ilmenau. The search for a buyer of the property has already begun. No impairment losses were recognised either at the time of reclassification as "held for sale" during the year or at 30 September 2020 since the fair value net of selling costs is higher than the carrying amount. The fair value net of selling costs amounts to € 2.8 million. The above schedule of non-current assets (paragraph 20) therefore does not include said land and building.

### 31. Equity capital

#### Equity Capital Management

In addition to an adequate return on the equity capital employed, the Hönle Group aims at maintaining the equity ratio and pertaining liquidity reserves at a continuously high level in order to ensure further growth and increase corporate value.

Equity capital rose by T€ 26,563 to T€ 116,685 year-on-year. The equity ratio dropped to 59.5 % (PY: 62.5 %).

With respect to changes in equity capital in financial year 2019/2020 reference is made to the statement of changes in consolidated equity.

The bank loans received are subject to the minimum requirements concerning economic equity capital (bank definition) and net indebtedness (bank definition). All external minimum capital requirements were met in financial year 2019/2020. Compliance was continuously monitored on the basis of actual figures.

#### Subscribed Capital

The subscribed capital (nominal capital) amounts to € 6,062,930 (PY: € 5,512,930). Accordingly, one share of stock grants a notional share of € 1.00 in corporate capital. The no par shares of stock are made out to the bearer.

As at the respective balance sheet date, shares issued and in circulation were as follows:

	30/09/2020 Share of stock	30/09/2019 Share of stock
Number of shares issued	6,062,930	5,512,930
less own shares	1,076	1,076
<b>Shares in circulation</b>	<b>6,061,854</b>	<b>5,511,854</b>

#### Own Shares (Treasury Stock)

The shareholders' meetings held in previous years authorised Dr. Hönle AG to acquire up to 10% of the respective nominal capital pursuant to Section 71 (1) No. 8 AktG [German Stock Corporation Act].

Effective 27 March 2019, the Annual General Meeting resolved to authorise the Dr. Hönle AG Management Board and Supervisory Board to acquire treasury stock up to a total of 10% of the nominal capital in the amount of € 5,512,930 up to 31 December 2023 pursuant to Section 71 (1) No. 8, AktG. The Company may not use the authorisation to trade in own shares. Dr. Hönle AG did not make use of the authorisation in financial year 2019/2020.

In previous years, the Company acquired shares or issued shares in the current financial year as follows, with a view to acquiring additional subsidiaries:

Financial year	As at 30/09/2019	Change	As at 30/09/2020
Number of treasury shares	1,076	0	1,076
Acquisition costs in T€	8	0	8
Average acquisition costs per share in €	7.77	0	7.77

In accordance with IAS 32, own shares are deducted from equity and disclosed as a separate item at acquisition costs of T€ 8. The average share price of all treasury stock held amounts to € 7.77. The stock exchange price amounted to € 55.00 as at the balance sheet date.

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

### **Capital Reserves**

Capital reserves include mainly the premiums from the capital increase associated with the stock flotation in financial year 2000/2001. Due to the issue of new shares in financial 2019/2020, the total value of the capital reserve increased by T€ 25,383 after taking into account the transaction costs offset directly against the capital reserve (T€-769) and deferred taxes (T€ +191).

### **Nature and Purpose of Reserves**

#### **Legal and Other Reserves**

The legal reserve was set up in accordance with Section 150 AktG. Unless distributed, the respective result for the year is transferred to retained earnings.

#### **Reserve for Measurement in accordance with IFRS 9**

Changes from the impairment model in accordance with IFRS 9 are recognised in this reserve after taking deferred taxes into account. As at 30 September 2020, the reserve amounted to T€ 342 (PY: T€ 341) after deferred taxes.

#### **Reserve for Hedging Transactions**

This reserve includes changes in the fair value of effective hedging transactions after accounting for deferred taxes. As at 30 September 2020, the reserve amounted to T€ 4,638 (PY: T€ 4,276) after deferred taxes.

#### **Reserve for Actuarial Gains and Losses in accordance with IAS 19**

The reserve for actuarial gains and losses in accordance with IAS 19 contains the actuarial losses from the measurement of pension obligations recognised with neutral effect on profit or loss in accordance with IAS 19 after taking deferred taxes into account.

#### **Reserve for Currency Differences**

The reserve for currency differences is used to recognise currency differences arising from the translation of the financial statements of foreign subsidiaries

#### **Proposed Dividend**

Due to the positive business development, the Dr. Höhle AG Management Board and Supervisory Board propose to the Annual General Meeting 2021 that a dividend of € 0.50 per share be paid out for financial year 2019/2020. This translates into the amount of T€ 3,031. In the preceding financial year, an amount of € 0.80 per share was paid out, corresponding to a total amount of T€ 4,409.

## Authorised Capital 2020

In accordance with a resolution passed by the Annual General Meeting on 26 May 2020, the Management Board was authorised, with the approval of the Supervisory Board, to increase the nominal capital by up to T€ 550 through one or several issues of new, no-par shares (ordinary shares), made out to the bearer, up to 25 March 2025, in exchange for cash contributions and/or contributions in kind (Authorised Capital 2020). Pursuant to Section 186 (5) AktG, the shares may also be taken over by one or several credit institutions with the obligation to offer them for subscription to the shareholders of the Company ("indirect subscription right"). The Management Board is authorized, with the approval of the Supervisory Board, to specify further details respecting the capital increase and its implementation, in particular to determine a starting date for profit participation of the new shares that deviates from the law, and to extend the profit participation respecting the new shares to a financial year already expired. Furthermore, the Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in whole or in part in certain cases

## Non-Controlling Interests

The following table shows the structure of non-controlling interests and significant financial information on those subsidiaries in which non-controlling interests are held:

**Financial year 2019/2020**

in T€	Eleco	Hönle Electronics	GEPA Coating Solutions GmbH	Luminez GmbH	Total
Percentage of non-controlling interests	0.04%	49%	49%	49%	
Non-current assets	1,029	171	236	117	1,553
Current assets	2,376	146	68	427	3,017
Non-current liabilities	321	0	45	0	366
Current liabilities	1,670	196	209	22	2,097
Net assets	1,414	121	50	522	2,107
<b>Carrying amount of non-controlling interests</b>	<b>0</b>	<b>60</b>	<b>25</b>	<b>261</b>	<b>346</b>
Revenue	6,749	1,227	274	0	8,250
Profit	228	9	-134	-23	80
Other comprehensive income	-13	0	0	0	-13
Total comprehensive income	215	9	-134	-23	67
Profit attributable to non-controlling interests	0	4	-66	-11	-72
Other comprehensive income attributable to non-controlling interests	0	0	0	0	0
Dividends paid to non-controlling shareholders	0	0	0	0	0
Cash flow from operating activities	119	-45	-113	-46	-85
Cash flow from investing activities	-39	0	-44	0	-83
Cash flow from financing activities	-357	0	157	0	-200
Currency-related change in cash and cash equivalents	0	0	0	0	0
Net increase (-decrease) in cash and cash equivalents	-277	-45	0	-46	-368



**Financial year 2018/2019**

in T€	Eleco	Hönle Electronics GmbH	GEPA Coating Solutions GmbH	Total
Percentage of non-controlling interests	0.04%	49%	49%	
Non-current assets	1,054	191	160	1,405
Current assets	3,119	232	35	3,386
Non-current liabilities	321	0	0	321
Current liabilities	2,276	310	10	2,596
Net assets	1,576	113	185	1,874
<b>Carrying amount of non-controlling interests</b>	<b>0</b>	<b>55</b>	<b>90</b>	<b>146</b>
Revenue	8,224	998	3	9,225
Profit	655	-31	-115	509
Other comprehensive income	6	0	0	6
Total comprehensive income	661	-31	-115	515
Profit attributable to non-controlling interests	0	-15	-56	-71
Other comprehensive income attributable to non-controlling interests	0	0	0	0
Dividends paid to non-controlling shareholders	0	0	0	0
Cash flow from operating activities	704	17	-146	575
Cash flow from investing activities	-25	0	-28	-53
Cash flow from financing activities	-600	0	202	-398
Currency-related change in cash and cash equivalents	0	0	0	0
Net increase (-decrease in cash and cash equivalents)	79	17	28	124

**32. Non-Current Loans (less current portion)**

The position includes the non-current portion of the following bank loans:

	Loan amount in T€	Effective interest rate	Term until	Repayment p.a. in T€	Carrying amount in T€
Loan Dr. Hönle AG	494	1.65%	30/01/2025	50	216
Loan Dr. Hönle AG	700	2.90%	31/08/2023	74	227
Loan Dr. Hönle AG	400	1.69%	30/06/2022	50	88
Loan Dr. Hönle AG	3,500	2.29%	31/03/2021	500	250
Loan Dr. Hönle AG	350	0.85%	31/05/2022	67	117
Loan Dr. Hönle AG	340	1.50%	30/12/2022	50	113
Loan Dr. Hönle AG	300	0.70%	31/03/2022	60	90
Loan Dr. Hönle AG	1,500	0.90%	30/06/2023	222	611
Loan Dr. Hönle AG	1,300	0.80%	31/12/2024	208	884
Loan Dr. Hönle AG	30,100	2.24%	30/06/2038	1,720	24,506
Loan Dr. Hönle AG	300	1.45%	30/06/2040	15	296
Loan Dr. Hönle AG	200	1.45%	30/06/2040	10	197
Loan Panacol-Elosol GmbH	15,000	2.17%	29/10/2038	841	9,000
Loan UV-Technik GmbH	4,200	2.14%	30/09/2037	240	4,080
Loan Raesch Quarz (G.) GmbH	1,000	1.74%	30/06/2022	192	329
Loan Raesch Quarz (G.) GmbH	500	1.40%	30/10/2020	150	13

The non-current and current portions of the above-stated loans are as follows:

	Current portion in T€	Non-cur- rent por- tion in T€	Payer in- terest swap T€	Collateral
Loan Dr. Höhle AG	50	166	no	Land charge
Loan Dr. Höhle AG	76	151	no	Land charge
Loan Dr. Höhle AG	50	38	400	none
Loan Dr. Höhle AG	250	0	3,500	none
Loan Dr. Höhle AG	67	50	no	none
Loan Dr. Höhle AG	50	63	no	none
Loan Dr. Höhle AG	60	30	no	none
Loan Dr. Höhle AG	222	389	no	none
Loan Dr. Höhle AG	208	676	no	None
Loan Dr. Höhle AG	1,290	28,810	30,100	Land charge
Loan Dr. Höhle AG	15	281	no	Land charge
Loan Dr. Höhle AG	10	187	no	Land charge
Loan Panacol-Elosol GmbH	631	14,369	15,000	Land charge
Loan UV-Technik GmbH	240	3,840	4,200	Land charge
Loan Raesch Quarz (G.) GmbH	192	137	no	Guarantee Dr. Höhle AG
Loan Raesch Quarz (G.) GmbH	13	0	no	Guarantee Dr. Höhle AG

### 33. Non-Current and Current Lease Obligations

	30/09/2020 in T€	30/09/2019 in T€
Current lease liabilities	3,216	65
Non-current lease liabilities	2,015	144
	<b>5,231</b>	<b>209</b>

In the previous year, the Dr. Höhle Group only recognised lease assets and lease liabilities with respect to leases to be classified as finance leases under IAS 17. The corresponding assets were recorded under property, plant and equipment, and the liabilities were recorded in the statement of financial position under "Finance lease liabilities". Please refer to section 4 with respect to the adjustments resulting from initial IFRS 16 application as at 1 October 2019. With regard to the disclosures on leases as at 30 September 2020, reference is made to section 43.

#### Finance leasing in accordance with IAS 17 (until 30/09/2019)

Finance lease obligations include the present values of minimum lease instalments. The portions due within one year are disclosed in the statement of financial position as current lease obligations. The present values of minimum lease instalments due after one year are reflected under non-current finance lease obligations.

Obligations under finance leases developed as follows in the previous year in accordance with IAS 17:

As at 30/09/2019	Residual term of up to 1 year in T€	Residual term of be- tween 1 and 5 years in T€	Residual term of more than 5 years in T€
Present value of minimum lease payment	70	148	0
Interest portion (included in present value)	4	4	0

### 34. Other Non-Current Liabilities

This position includes the market value of derivatives amounting to T€ 6,299 (PY: T€ 5,795) and purchase price liabilities from written put options in the amount of T€ 80 (PY: T€ 128). The position also includes a loan liability in the amount of T€ 115 (PY: T€ 163).

### 35. Pension Provisions

Provisions for pension obligations are set up in connection with pension plans and pertaining old age-, invalidity- and surviving dependents commitments.

The pension provisions concerning defined benefit plans are determined in accordance with IAS 19 applying the projected unit credit method, i.e., future obligations are measured on the basis of prorated pension benefits accrued as at the balance sheet date. Trend assumptions concerning the relevant parameters, which impact on the amount of benefits, are accounted for. This relates, in particular, to fluctuation, future salary trends and the respective applicable interest rate.

The pension provisions concern pension commitments to employees of group companies in Germany and employees of the French subsidiaries.

The pension obligations were structured as follows as at the balance sheet date:

	30/09/2020 in T€	30/09/2019 in T€
Present value of pension obligation as at beginning of the year	11,269	8,476
plus service costs	773	607
plus interest costs	112	160
plus / net of actuarial gains / losses	305	2,104
plus / net of payments fund assets	-86	7
net of pension payments	-87	-85
<b>Value of pension obligation at year-end</b>	<b>12,286</b>	<b>11,269</b>

Payments of T€ 97 are expected to be made in the 2020/2021 financial year with respect to the above pension obligations.

The Company assumes that the pension obligation in the amount of T€ 12,189 (PY: T€ 11,183) will be settled after more than twelve months. The average term of the pension obligations is 22.0 years.

Actuarial gains and losses arising in financial year 2019/2020 were transferred to or netted with equity with neutral effect on profit or loss, leading to the stated change in pension provisions with neutral effect on profit/loss.

The following actuarial assumptions were used to determine the carrying value of the pension obligation:

	30/09/2020	30/09/2019	30/09/2018
Discounting rate	1.00%	1.00%	1.90%
Income from fund assets	1.00%	1.00%	1.90%
Growth rate of pension payments	1.60% – 2.00%	1.60% – 2.00%	1.60% – 2.00%
Heubeck Mortality Tables	2018_G	2018_G	2005_G

The pensions obligation recognized is covered in the amount of T€ 3,466 (PY: T€ 3,005) by plan assets in the form of life insurance policies that are administered independently by various providers.

Sensitivity analyses carried out within the scope of the actuarial expert opinions as at 30/09/2020 led to the following results concerning the pension obligations:

Amount of the pension obligation following a change in parameters		in T€
Discounting rate	+0.5%	11,046
Discounting rate	-0.5%	13,732

Amount of the pension obligation following a change in parameters		in T€
Growth rate of pension payments	+0.25%	12,767
Growth rate of pension payments	-0.25%	11,831

Amount of the pension obligation following a change in parameters		in T€
Life expectancy	+10.00%	12,696

The sensitivity analyses above were carried out using an actuarial procedure which extrapolates the impact of realistic changes of major assumptions at the end of the reporting period to the obligation arising from the defined benefit plan.

The development of the parameters presented above is closely monitored by the Company and appropriate adjustments are made to the existing reinsurance policies as required

The plan assets developed as follows in the financial year 2019/2020:

	30/09/2020 in T€	30/09/2019 in T€
Fair value of plan assets at the beginning of the year	3,005	2,488
Expected return on plan assets	32	52
Employer contributions paid	521	487
Benefits paid	-86	-7
plus/net of actuarial gains/losses	-6	-16
Other	0	0
<b>Fair value of plan assets at year-end</b>	<b>3,466</b>	<b>3,005</b>

The expected total return on plan assets is calculated based on the market prices prevailing at that time for the period during which the obligation is met. These market prices are reflected in the basic assumptions.

The expected development of plan assets for financial year 2020/2021 is as follows:

	30/09/2021 in T€
Fair value of plan assets at the beginning of the year	3,466
Expected return on plan assets	37
Employer contributions paid	521
<b>Fair value of plan assets at year-end</b>	<b>4,024</b>

The income statement for the financial year contains the following expenses for pension obligations:

	2019/2020 in T€	2018/2019 in T€
Current service costs	773	607
Interest costs	112	160
Return on plan assets	-32	-52
	<b>853</b>	<b>715</b>

Of the interest expense, the amount of T€ 3 (PY: T€ 3) is attributable to pension benefits for surviving dependents of former managing directors.

The balance sheet position "Pension provisions" saw the following movements in the reporting year:

	30/09/2020 in T€	30/09/2019 in T€
Balance sheet value of pension provision at the beginning of the year	8,264	5,988
plus pension cost	854	715
net of contributions paid	-521	-487
net of payments/pension benefits	-87	-85
plus payment from fund assets	0	0
Changes with neutral effect on profit/loss	311	2,133
thereof from adjusted historical values	310	97
thereof from biometric assumptions	1	80
thereof from financial assumptions	0	1,956
<b>Balance sheet value of pension provision at year-end</b>	<b>8,821</b>	<b>8,264</b>

With respect to pension obligations concerning current or former board members and managing directors, reference is made to paragraph 50.

### 36. Accrued Public Investment Grants

	2019/2020 in T€	2018/2019 in T€
as at 01/10/2019	266	332
Applied for in the financial year	0	0
Recognised/released through profit/loss	-66	-66
as at 30/09/2020	200	266

The public grants relate largely to the acquisition of a building, melting furnaces and annealing furnaces of Raesch Quarz (Germany) GmbH, and the new construction of a production hall at UV-Technik Speziallampen GmbH. It is expected that all conditions linked to these grants will be fulfilled. There are no significant uncertainties.

### 37. Trade Accounts Payable

Trade accounts payable are stated at settlement amounts. The carrying amount of trade accounts payable as at the balance sheet date is T€ 6,487 (PY: T€ 7,866). Given the short payment targets respecting these liabilities, the amount corresponds to the fair value of the liabilities.

### 38. Contract Liabilities

Prepayments received on account of orders that are recognised as contract liabilities relate to payments from customers for services not yet provided by the Company. The amounts are shown excluding VAT. Reference in this respect is made to the explanations under paragraph 6: "Revenue".

### 39. Current Liabilities to Banks and Current Portion of Non-Current Loan

The liabilities to banks are stated at the respective settlement amounts.

Current liabilities to banks amounted to T€ 3,474 (PY: T€ 1,672) at the end of the reporting period. With respect to the structure of the loans included, reference is made to paragraph 32. In addition, this item includes short-term credit lines drawn down in the amount of T€ 52 (PY: T€ 50).

As of 30 September 2020, the overdraft facilities granted by banks totalled T€ 4,842 (PY: T€ 4,742) on which interest would have to be paid at market rates if utilised. Of the total, the amount of T€ 52 (PY: T€ 50) is utilised through overdraft facilities.

#### 40. Other Current Liabilities

	30/09/2020 in T€	30/09/2019 in T€
Wage tax and VAT	332	490
Social security contributions	431	449
Profit sharing bonus and other bonuses	1,216	1,736
Christmas bonus	989	1,041
Holidays not taken	625	448
Flexi-time surpluses	217	411
Other personnel-related liabilities	434	555
Other	119	541
	<b>4,363</b>	<b>5,671</b>

Liabilities concerning profit sharing bonuses and other bonuses relate to variable remuneration components and profit sharing bonuses vis à vis the management boards, managing directors and employees of individual companies included in the consolidated group.

The liabilities for Christmas bonuses were set up to account for appropriate allocation of the Christmas allowance.

Liabilities for holidays not taken were determined on a pro rata temporis basis due to the deviating financial year.

The liabilities respecting flexi-time surpluses relate to employees' overtime account credits.  
Liabilities for Supervisory Board compensation, included in the item "Other", amount to T€ 135 (PY: T€ 135).

#### 41. Other Provisions

Other provisions developed as follows:

	As at 01/10/2019 in T€	Utilisation in T€	Release in T€	Addition in T€	As at 30/09/2020 in T€
<b>Contractual obligations vis à vis third parties:</b>					
Warranties and guaranties	372	0	29	7	350
Obligations from rental agreements	130	26	24	16	96
Other	0	0	0	190	190
<b>Total</b>	<b>502</b>	<b>26</b>	<b>53</b>	<b>213</b>	<b>637</b>

Provisions 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 returned goods. The provision is usually calculated at 0.5 % of risk-prone revenue. The percentage rate is derived from historical values.

The expected outflow of cash used for the above-mentioned provisions is as follows:

	30/09/2020 in %	30/09/2019 in %
In the following year	98	78
In the following 2 to 5 years	2	20
In the following 6 to 10 years	0	2
	<b>100</b>	<b>100</b>

The outflow of cash expected for the next two to ten years relates primarily to obligations from rental agreements for rented buildings up to the end of the contract term.

## 42. Income Tax Liabilities

Liabilities from income taxes were stated at the amount of the expected actual payment obligations resulting from income taxes for both the financial year and previous years.

## 43. Leases

Information on leases in which the group acts as lessee is presented below. Due to the initial application of IFRS 16 in the reporting year, the prior-year figures are not presented (with respect to the previous year see section 4).

### Rights of use

Rights of use in connection with leased real estate, motor vehicles and IT equipment are presented as non-current assets within property, plant and equipment

2019/2020	Land and buildings	Technical equipment and machinery	Other equip- ment, operat- ing- and busi- ness equipment	Total
	in T€	in T€	in T€	in T€
As at 01/10/	5,070	679	107	5,856
Additions to rights of use	1,653	686	6	2,345
Amount of amortisation in the fi- nancial year	2,554	530	38	3,122
Disposals of rights of use	245	115	0	360
Disposals of amortisation	-245	-115	0	-360
Currency differences	-7	0	0	-7
As at 30/09	4,162	835	75	5,072



Amounts disclosed in the income statement:

	2019/2020 in T€
Amortisation of rights of use	3,122
Interest expenses for lease liabilities	44
Expenses for short-term leases	127
Expenses for leases of an asset of low value (excluding short-term leases)	262

Amounts disclosed in the statement of cash flows:

	2019/2020 in T€
Cash flow from operating activities	-389
Cash flow from financing activities	-3,184

#### Lease liabilities

Lease liabilities in the amount of T€ 2,015 are included in the balance sheet item "Non-current financial liabilities" and in the amount of T€ 3,216 in "Current financial liabilities". The maturities based on non-discounted cash flow are as follows:

	30/09/2020 in T€
up to 1 year	3,252
between 1 and 5 years	1,744
more than 5 years	295
<b>Total</b>	<b>5,291</b>

The prior-year disclosures for financial leases under IAS 17 are as follows:

	30/09/2019 in T€
Current lease liabilities	65
Non-current lease liabilities	144
	209

The finance lease liabilities comprise the present values of minimum lease payments. The portions due within one year are shown as current lease liabilities in the statement of financial position. The present values for the minimum lease instalments due after one year are shown under non-current finance lease liabilities.

With regard to the prior-year disclosures on IAS 17, reference is made to section 33.

## OTHER DISCLOSURES

### 44. Contingent Liabilities

Beyond the existing obligations which are covered by provisions, there are currently no significant obligations that would depend on future uncontrollable events.

No guaranties have been issued to parties outside the group.

### 45. Contingent Receivables

No contingent receivables as defined under IAS 37 are reported.

### 46. Other Financial Obligations

The other financial obligations of the group are as follows:

as at 30/09/2020	due within 1 year	due in 1 to 5 years	due in more than 5 years	Total obligation
	in T€	in T€	in T€	in T€
Equipment lease agreements	98	91	0	189
Order commitments	2,966	0	0	2,966
	3,064	91	0	3,155

The other financial obligations from equipment leases relate to short-term leases and low-value leases for which no right-of-use asset or lease liability has been recognized.

The previous year's figures, taking into account IAS 17, are as follows:

as at 30/09/2020	due within 1 year	due in 1 to 5 years	due in more than 5 years	Total obligation
	in T€	in T€	in T€	in T€
Equipment lease agreements	147	251	0	398
Room rental contracts	2,668	2,205	399	5,272
Vehicle lease agreements	436	384	0	820
Order commitments	3,606	0	0	3,606
	6,857	2,840	399	10,096

### 47. Management of Financial Risks

#### Principles of Risk Management

Within the scope of its operative activities, the Hönle Group is exposed to risks which are dealt with in the Risk Report section of the Management Report.

Dr. Hönle AG has introduced a formalised risk management system in order to monitor risks. The governing principles are documented in a manual. In measuring the probability of a loss event and the probability of a loss amount (and taking into account any potential opportunities for the group), a decision is made as to whether the pertaining risk is to be avoided, reduced, transferred or accepted. The risk situations are analysed and counter measures are defined and taken whenever necessary. The Dr. Hönle AG Management Board is informed at regular intervals about the group's current risk situation and is also informed immediately if new risks should occur.

Significant risks associated with financial assets and debts are classified as liquidity, credit, and market risks.

### Liquidity risks

Basically, liquidity risks relate to the risk that the Hönle Group might not be in a position to meet its obligations in the context of financial liabilities.

One of the Hönle Group's management objectives is a sustained increase in the operative cash flow. In this context, the liquidity situation is permanently and intensively monitored. The Dr. Hönle AG Management Board is informed at weekly intervals about the group's liquidity situation. In particular, utilisation of the cash pooling account by Hönle Group subsidiaries is monitored. Moreover, all account balances of Hönle Group's bank accounts are reported in detail to the management. The group monitors the risk associated with possible liquidity bottlenecks on an ongoing basis and assesses the liquidity development of all Hönle Group companies, based on the respective liquidity status in combination with the earnings forecast and intended financial and investing transactions.

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 30/09/2020	Residual term up to 1 year		Residual term 1 to 5 years		Residual term more than 5 years		Total amount	
	Interest in T€	Repayment in T€	Interest in T€	Repayment in T€	Interest in T€	Repayment in T€	Interest in T€	Repayment in T€
Liabilities to banks	939	3,474	3,788	13,006	5,338	36,183	10,065	52,663
<i>thereof from loan commitments not yet called in</i>	<i>91</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>11,594</i>	<i>91</i>	<i>11,594</i>
Trade accounts payable	0	6,487	0	0	0	0	0	6,487
Leasing liabilities	36	3,216	22	1,722	3	292	61	5,230
Liabilities to companies in which an equity investment is held	0	34	0	0	0	0	0	34
Other financial liabilities	3	5,001	19	8,045	0	1,347	23	14,393
<b>Total</b>	<b>979</b>	<b>18,211</b>	<b>3,830</b>	<b>22,773</b>	<b>5,341</b>	<b>37,822</b>	<b>10,149</b>	<b>78,806</b>

The interest disclosures in the liquidity profile "Liabilities to banks" include payments resulting from interest rate swaps. Reference is made in this respect to the explanations under "Interest rate risks".

As at 30/09/2019	Residual term up to 1 year		Residual term 1 to 5 years		Residual term more than 5 years		Total amount	
	Inter- est in T€	Repay- ment in T€	Inter- est in T€	Repay- ment in T€	Inter- est in T€	Repay- ment in T€	Inter- est in T€	Repay- ment in T€
Liabilities to banks	176	1,792	3,769	13,434	5,988	38,684	9,934	53,910
<i>thereof from loan commitments not yet called in</i>	<i>172</i>	<i>120</i>	<i>1,126</i>	<i>10,565</i>	<i>1,838</i>	<i>27,209</i>	<i>3,136</i>	<i>37,894</i>
Trade accounts payable	0	7,866	0	0	0	0	0	7,866
Financing lease	4	65	4	144	0	0	8	209
Liabilities to companies in which an equity investment is held	0	3	0	0	0	0	0	3
Other financial liabilities	4	5,732	48	6,036	1	50	53	11,817
<b>Total</b>	<b>184</b>	<b>15,458</b>	<b>3,821</b>	<b>19,613</b>	<b>5,989</b>	<b>38,734</b>	<b>9,994</b>	<b>73,805</b>

The interest disclosures in the liquidity profile. "Liabilities to banks" include payments resulting from interest rate swaps. Reference is also made to the explanations under "Interest rate risks".

### Credit Risks

The credit risk refers to the default risk concerning financial assets.

The Accounting and Sales/Marketing departments assess the customer receivables default risk at regular intervals. Outstanding receivables from customers are monitored, in particular, by analysing the age structure lists with respect to the maturity of outstanding receivables. Supplies to key account customers, in particular customers from abroad, are generally covered by letters of credit or other hedging instruments. It is assumed that the actual risk is covered by applying the impairment model for trade receivables in accordance with IFRS 9.

The Hönle Group Management is informed at monthly intervals about the age structure statistics of open receivables respecting all customers with special attention being paid to customer receivables involving amounts of more than T€ 10 where the maturity date is exceeded by more than 90 days.

The financial performance of specific customers or key account customers, respectively, is monitored permanently by external service providers or information that arises from the customers' payment pattern. In addition, market information is used in the assessment of customers' ability to comply with their payment obligations. The risk involved in large-scale contracts, in particular, is hedged on the basis of credit information and instalment plans. As a general rule, credit information is obtained with respect to new customers or in the event of a change in customers' payment pattern.

Risk concentrations may arise in the event that several business partners are engaged in similar activities in the same region or when, due to their economic features, their ability to meet their contractual obligations is impaired in the event of changes in the economic or political situation. In order to avoid disproportionately high risk concentrations, the Adhesives segment and the Glass & Lamps segment, in particular, are being expanded in addition to the Equipment & Systems segment. Identified default concentrations are continuously monitored and controlled. Selected hedging transactions are used within the group with a view to avoiding risks at the level of individual business relationships.

The carrying amounts of financial assets represent the maximum default risk in the event that the contracting parties do not meet their payment obligations.

The (net-) impairment losses on financial assets recognised in the income statement expenses result from impairment losses on trade receivables.

The group's default risk is primarily due to trade receivables. A corresponding risk provision has been made for these financial assets. The group assesses the risk concentration with regard to trade receivables as low. This assessment is supported by the fact that the group's customers are divided into three different segments (Adhesives, Equipment and Systems, and Glass & Lamps). In addition, the customers operate on a worldwide scale and are active in various industries and largely independent markets, particularly in the Adhesives and Glass & Lamps segments.

The group uses a value adjustment matrix to measure the expected credit losses on trade and other receivables. Depending on the receivables' age structure, valuation allowances on receivables applied uniformly throughout the group.

Based on default risk rating categories, the gross carrying amounts of trade receivables are as follows:

<b>Overdue in days</b>	<b>Carrying amounts in T€ as at 30/09/2020</b>	<b>Default rate in %</b>	<b>Impairment in T€ as at 30/09/2020</b>
Current (not yet due)	9,708	0,05	4
1 to 90 days overdue	3,064	2,25	69
91 to 180 days overdue	1,133	8,09	92
more than 180 days overdue	238	13,99	33
<b>Total</b>	<b>14,143</b>		<b>198</b>

<b>Overdue in days</b>	<b>Carrying amounts in T€ as at 01/10/2019</b>	<b>Default rate in %</b>	<b>Impairment in T€ as at 01/10/2019</b>
Current (not yet due)	13,445	0.04	6
1 to 90 days overdue	3,396	2.10	71
91 to 180 days overdue	358	7.56	27
more than 180 days overdue	63	13.07	8
<b>Total</b>	<b>17,262</b>		<b>112</b>

The calculated loss ratios are based on historical values adjusted for prospective expectations. Any internal indications or external indications (e.g. information on significant financial difficulties or insolvency of the contractual partner) identified within the group as of the balance sheet date are accounted for by setting up appropriate additional risk provisions.

With regard to other financial assets, experience has shown that no payment defaults are expected.

No impairment calculation is made for bank credit balances, as the group does not expect any impairment. The default risk concerning bank credit balances is eliminated by spreading the risk (different banks) and selecting banks with strong credit ratings. The risk assessment has not changed since the date of acquisition. The risk at the time of acquisition was assessed as insignificant.

The Höhle Group assumes recoverability of all non-value adjusted trade accounts receivable. The other assets do not include any overdue items.

### **Market Risks**

The market risk is split up into currency and interest rate risks.

### **Currency Risks**

The Höhle Group is exposed to currency risks in as much as some of its purchases are made in foreign currencies and are not sold in the respective foreign currencies to the same extent.

Risks resulting from fluctuations in foreign currency receivables, liabilities, and from pending contracts and accrued and deferred items are largely associated with foreign currency transactions in US Dollars, and Chinese Renminbi.

As at the balance sheet date, no rate hedging transactions were reported with respect to these foreign currency positions.

If, relative to the US Dollar, the Euro had been stronger by 10%, the consolidated result would have deteriorated by T€ 45 (PY: T€ 28) whereas a respective 10% weakening would have led to an improvement in the consolidated result by T€ 56 (PY: T€ 34).

If the Euro had been stronger by 10% relative to the Chinese Renminbi, the consolidated result would have improved by T€ 68 (PY: deteriorated by T€ 139). A corresponding weakening of the Euro in comparison with the Chinese Renminbi would have led to a deterioration in the consolidated result by T€ 84 (PY: improvement by T€ 170).

If the Euro had been stronger by 10% relative to the Japanese Yen, the consolidated result would have deteriorated by T€ 29 (PY: T€ 43) whereas a weakening by 10% would have led to an improvement in the consolidated result by T€ 35 (PY: T€ 53).

Fluctuations in other currencies such as the South Korean Won, the Swiss Franc or the British Pound are of immaterial importance for the group's results of operations.

### **Interest Rate Risks**

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

In the 2019/2020 financial year and in prior years, derivative financial instruments were used to hedge against the interest rate risks to which the Höhle Group is exposed.

The group's strategy is aimed at ensuring that interest rate risks of variable-interest bank liabilities are hedged. Payer interest rate swaps are used as hedging instruments. The group applies a hedging ratio of 1:1.

The group determines the existence of an economic relationship between the hedging instrument and the hedged underlying transaction on the basis of reference interest rates, maturities, interest rate adjustment dates, maturities and nominal or notional amounts.

The group uses the critical term match method to assess whether the derivative designated in a hedging relationship is expected to be effective in offsetting changes in the cash flows of the hedged underlying transaction.

As at the balance sheet date, the amounts relating to items designated as hedged items are as follows:

	Change in value for calculating the ineffectiveness of the hedging relationship in T€	Reserve for the hedging of cash flows in T€
30/09/2020		
variable-interest loans	504	504
	Change in value for calculating the ineffectiveness of the hedging relationship in T€	Reserve for the hedging of cash flows in T€
30/09/2019		
variable-interest loans	5,638	5,638

The amounts relating to items designated as hedging instruments, and the hedge ineffectiveness are as follows:

	Nominal amount in T€	Debt in T€	Balance sheet Items in which the hedging instrument is included
30/09/2020			
Interest rate swaps with floor	49,518	6,299	Other non-current liabilities
	Nominal amount in T€	Debt in T€	Balance sheet items in which the hedging instrument is included
30/09/2019			
Interest rate swaps with floor	50,188	5,795	Other non-current liabilities

	Financial year 2019/2020 in T€
Change in value for calculating the ineffectiveness of hedging relationships for 2019/2020	504
Change in value of the hedging instrument recognised in other comprehensive income	504
Ineffectiveness recognised in profit/loss	0
Amount reclassified from the hedging reserve to profit or loss (Position: Interest and other expenses)	2

	Financial year 2018/2019 in T€
Change in value for calculating the ineffectiveness of hedging relationships for 2018/2019	5,638
Changes in value of the hedging instrument recognised in other comprehensive income	5,638
Ineffectiveness recognised in profit/loss	0
Amount reclassified from the hedging reserve to profit or loss (Position: Interest and other expenses)	11

The interest rate swaps are treated as cash flow hedges. The interest rate swaps (variable to fixed) serve to hedge against rising interest rates on bank loans carrying variable interest rates. The fair value (= market value) corresponds to the value the respective company would receive or would have to pay at the dissolution of the transaction on the balance sheet date. The hedging instruments are stated in the balance sheet under the item "Other non-current liabilities".

The fair values are determined by discounting the future cash flows from variable payments on the basis of generally accepted financial models. Valuation is based on interbank rates.



Changes in the fair values of hedge-effective derivatives in the amount of T€ 504 (PY: T€ 5,638) were recognized directly in equity under the reserve for hedging transactions, taking deferred taxes of T€ -142 (PY: T€ -1.479) into account. Reconciliation of the reserve for hedging transactions is shown in the statement of changes in equity. Apart from the interest rate risk, there are no other risk categories.

All other loans are subject to fixed interest agreements. The loans are measured at amortised acquisition costs using the effective interest rate method. Consequently, a change in market interest rates does not impact on measurement. Current overdrafts and credit balances on current accounts bear variable interest rates. If an average 2% increase in the interest level respecting current account loans were to be assumed, the additional interest expense would amount to T€ 1 (PY: T€ 1), assuming that the average negative balance on current accounts corresponds to the value of T€ 52 (PY: T€ 50) at the end of the 2019/2020 financial year. According to current information, market price changes concerning these financial instruments would not have any further significant impact on the Hönle Group results.

### Other Disclosures regarding Financial Assets and Debts

The following table provides an overview of the transition of financial assets and debts included in the balance sheet positions pursuant to IFRS 9 categories as well as the impairment losses recognised in profit/loss in the respective financial year, the net profits/losses and the total interest expense- and income.

Carrying amount as at 30/09/2020	Measurement category acc. to IFRS 9	Carrying amount as at 30/09/2020 acc. to IFRS 9
		in T€
Equity investments	FVthOCI	26
Other non-current assets	AC	429
Trade accounts receivable	AC	14,253
Other current assets	AC	2,183
Liquid assets	AC	34,175
<b>Total</b>		<b>51,066</b>
Liabilities to banks	AC	52,663
Trade accounts payable	AC	6,520
Other non-current financial liabilities	AC	5,107
Other current financial liabilities	AC	8,216
Derivatives in connection with effective CF hedge	CF-Hedge	6,299
<b>Total</b>		<b>78,806</b>

### thereof aggregated acc. to IFRS 9 measurement categories

Amortised cost (AC)	
Financial assets	51,040
Financial liabilities	72,506
Financial assets	
Fair Value through other Comprehensive Income (FVthOCI)	26
Further disclosures regarding financial assets and liabilities	
Amount of impairment losses on financial assets recognised in profit or loss	164

Net change in derivatives in connection with effective CF hedge recognised in other comprehensive income	504
--	-----

Total interest expenses (amortised cost)	300
Total interest income (amortised cost)	16

Carrying amounts as at 30/09/2019	Measurement category acc. to IFRS 9	Carrying amounts as at 30/09/2019 acc. to IFRS 9
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		in T€
Equity investments	FVthOCI	27
Other non-current assets	AC	37
Trade accounts receivable	AC	16,980
Other current assets	AC	1,576
Liquid assets	AC	14,577
<b>Total</b>		<b>33,197</b>
Liabilities to banks	AC	16,016
Trade accounts payable	AC	7,869
Other non-current financial liabilities	AC	435
Other current financial liabilities	AC	5,797
Derivatives in connection with effective CF hedge	CF-Hedge	5,795
<b>Total</b>		<b>35,912</b>

**thereof aggregated acc. to IFRS 39 measurement categories**

Amortised cost (AC)	
Financial assets	33,170
Financial liabilities	30,117

Financial assets	
Fair value through other comprehensive income (FVthOCI)	27

Further disclosures regarding financial assets and liabilities:	
Amount of impairment losses on financial assets recognised in profit or loss	26

Net change in derivatives in connection with effective CF hedge recognised in other comprehensive income	5,638
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Total interest expenses	129
Total interest income	13

The carrying amounts of financial assets (trade accounts receivable, other current assets and liquid assets) correspond to market values.

Other non-current assets include fixed-interest bearing receivables. The market values are determined in consideration of interest rates, corresponding impairment in value, and individual criteria. The carrying amounts correspond to market values as at the 30 September 2020 balance sheet date.

The carrying amounts of financial liabilities (current financial liabilities and trade accounts payable) also correspond to market values. All positions are due within one year.

Non-current financial liabilities include fixed-interest bearing liabilities and liabilities with floating interest rates as well as recognised lease liabilities. The measurement of non-current financial liabilities at market values is based on the discounting of future cash flows over the contract term of the respective financial instruments, using the issuer's borrowing rate at the end of the reporting period. Management established that the carrying amounts of financial liabilities are almost equal to their fair values due to short terms to maturity or interest rates in line with market conditions.

Interest rate swaps (derivatives with effective hedge relationship) are regularly measured using a valuation method on the basis of input parameters that are observable in the market. The measurement methods most frequently applied include option price- and swap models using present value calculations. The models make reference to various parameters such as the credit standing of business partners, FOREX spot and futures prices/rates and yield curves. As of 30 September 2020, the derivative items are measured at market value (mark-to-market). Both the default risk of the group as well as the bank's default risk are classified as low.

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

Category of liabilities		Prices quoted on active markets	Significant observable input parameter	Significant non-observable input parameter	
	Reporting date	Total	(Level 1)	(Level 2)	(Level 3)
		in T€	in T€	in T€	in T€
Interest rate swaps in connection with effective CF hedge	30/09/2020	6,299	-	6,299	-
Interest rate swaps in connection with effective CF hedge	30/09/2019	5,795	-	5,795	-

#### 48. Statement of Consolidated Cash Flows

The cash flow statement indicates changes in the group's cash and cash equivalents and the respective changes resulting from an inflow and outflow of funds. In accordance with IAS 7 (Cash Flow Statements), cash flows are split into operating, investing, and financing activities. The cash and cash equivalents under review encompass the liquid assets disclosed in the statement of financial position.

Additions to/disposals of cash and cash equivalents are presented using the indirect determination method.

Cash from current activities amounts to T€ 16,608 (PY: T€ 23.062), resulting from the consolidated net loss/net profit for the year before non-controlling interests and taxes in the amount of T€ 7,486 (PY: T€ 16,872) and largely from adjustments relating to non-cash effects and financial results in the

amount of T€ 7,417 (PY: T€ 3,119) and changes in net working capital. The other non-cash expenses and income mainly include depreciation/amortisation of property, plant and equipment and intangible assets.

Cash used for investing activities relates mainly to investments in property, plant and equipment and intangible assets in the amount of T€ 30,197 (PY: T€ 19,278) and, in addition, to payments of T€ 200 for the acquisition of the investment in STERIXENE SAS.

Cash provided by financing activities results from a capital increase through the issuance of own shares (after cost of the capital increase) in the amount of T€ 25,741. Together with the repayment of liabilities to banks in the amount of T€ 1,750 (PY: T€ 2,304 T€) in financial year 2019/2020 and the dividend pay-out for financial year 2018/2019 in the amount of T€ 4,409 (PY: T€ 4,409) as well as the repaid portion of lease liabilities of T€ 3,184 due to initial IFRS 16 application, they represent the major outflows of cash used for financing activities. The borrowings of T€ 26,799 (PY: T€ 11,407), in particular for financing the construction projects at Dr. Höhle AG, Panacol-Elosol GmbH and uv-technik Speziallampen GmbH, represent the main cash flows from financing activities.

#### Reconciliation acc. to IAS 7

in T€	01/10/2019	Adjust- ment	Cash- effective change	Non-cash changes					30/09/2020
		opening balance sheet values due to IFRS 16		Acquisi- tions	Currency differ- ences	New contracts	Changes in market value	Other	
Non-current borrowed capital	14,344		23,250						37,594
Current bor- rowed capital	1,672		1,802						3,474
Lease liabili- ties	209	5,856	-3,184			2,349			5,230
Liabilities from other fi- nancial trans- actions *	5,985		-15	0	-11		504	-27	6,436
Total	22,210	5,856	21,853	0	-11	2,349	504	-27	52,734

\* The liabilities from other financing transactions are a component of the balance sheet positions: "Non-current liabilities" and "Other current liabilities".

In all, liquid assets increased from T€ 14,577 to T€ 34,175 in financial year 2019/2020.

## 49. Segment Reporting

Segment reporting was prepared in conformity with IFRS 8.

The Höhle Group companies are combined into segments if they operate in similar markets, if they manufacture the same products and if their structures are similar.

At the Höhle Group, the parent company's Management Board is responsible for the allocation of resources and assessment of the segments' earnings power. The relevant segments were identified using the management approach in accordance with the Management Board's management information system.

The following business segments have been defined:

- Adhesives
- Equipment & Systems
- Glass & Lamps

The Adhesives segment comprises the development, production and sale of adhesives while the Equipment & Systems segment encompasses the development, production and sale of equipment and systems. The Glass & Lamps segment includes the development, production and sale of tubing and semi-finished goods made of quartz glass as well as the manufacture of UV medium-pressure and low-pressure lamps.

Other activities and other segments were not defined. Segmentation is based on the data provided by the accounting departments of the included legal entities

The accounting principles governing segment reporting generally correspond to the accounting and valuation methods applied at the Höhle Group, as described in paragraph 5.

**Segment Reporting Financial Year 2019/2020**

	Adhesives	Equipment & Systems	Glass & Lamps	Total	Eliminations	Consolidated
	2019/2020 in T€	2019/2020 in T€	2019/2020 in T€	2019/2020 in T€	2019/2020 in T€	2019/2020 in T€
<b>Sales revenues:</b>						
External customers:	28,573	47,910	17,393	93,876	0	93,876
Sales with other business units	370	2,219	1,634	4,223	-4,223	0
<b>Total sales</b>	<b>28,943</b>	<b>50,129</b>	<b>19,027</b>	<b>98,099</b>	<b>-4,223</b>	<b>93,876*</b>
<b>RESULT</b>						
<b>Segment result (operating result)</b>	<b>7,313</b>	<b>1,181</b>	<b>-394</b>	<b>8,099</b>	<b>0</b>	<b>8,099</b>
Interest income	24	521	60	605	-412	193
Interest expenses	121	298	505	924	-467	457
Investments accounted for using the equity method				11		11
<b>Earnings before taxes and non-controlling interests</b>						<b>7,846</b>
Income taxes	2,405	555	-70	2,890	0	2,890
Deferred taxes	-183	-370	108	-445	-205	-649
<b>Earnings before non-controlling interests</b>						<b>5,605</b>
<b>OTHER INFORMATION</b>						
Segment assets	<b>60,884</b>	<b>127,361</b>	<b>38,804</b>	<b>227,049</b>	<b>-40,301</b>	<b>186,748</b>
Non-allocated assets:						
Investments accounted for using the equity method				263		263
Financial assets				26		26
Non-current receivables				2,103		2,103
Current tax assets				1,190		1,190
Deferred tax assets				5,867		5,867
<b>Consolidated assets</b>						<b>196,196</b>
<b>Segment debt</b>	<b>10,946</b>	<b>53,706</b>	<b>31,740</b>	<b>96,392</b>	<b>-58,147</b>	<b>38,245</b>
Deferred tax liabilities				421		421
Current income tax liabilities				1,236		1,236
Non-current loans				39,609		39,609
<b>Consolidated liabilities (current and non-current)</b>						<b>79,511</b>
<b>Investments</b>	<b>11,379</b>	<b>24,939</b>	<b>4,933</b>	<b>41,251</b>	<b>0</b>	<b>41,251</b>
<b>Segment write-downs</b>	<b>1,123</b>	<b>3,557</b>	<b>1,928</b>	<b>6,608</b>	<b>0</b>	<b>6,608</b>
<b>Non-cash expenses of the segment</b>	<b>-37</b>	<b>276</b>	<b>-19</b>	<b>220</b>	<b>0</b>	<b>220</b>

\*Deviating from half-year reporting, sales revenues generated by the Adhesives segment in the context of a major order in the amount of T€ 1,051 were allocated to the Equipment & Systems segment, since the sales revenues earned with the external customer were, in economic terms, provided by this segment. In half-year reporting, the sales revenues from the Adhesives segment (the segment handling the order) were reported and explained accordingly.

**Segment Reporting Financial Year 2018/2019**

	Adhesives	Equipment & Systems	Glass & Lamps	Total	Elimina- tions	Consolidated
	2018/2019 in T€	2018/2019 in T€	2018/2019 in T€	2018/2019 in T€	2018/2019 in T€	2018/2019 in T€
<b>Sales revenues:</b>						
External customers:	33,894	52,133	21,720	107,747	0	107,747
Sales with other business units	286	161	2,060	2,507	-2,507	0
<b>Total sales</b>	<b>34,180</b>	<b>52,294</b>	<b>23,780</b>	<b>110,254</b>	<b>-2,507</b>	<b>107,747</b>
<b>RESULT</b>						
<b>Segment result (operating result)</b>	<b>11,674</b>	<b>3,471</b>	<b>1,859</b>	<b>17,003</b>	<b>0</b>	<b>17,003</b>
Interest income	15	315	39	370	-357	13
Interest expenses	24	199	398	621	-459	162
Investments accounted for using the equity method				17		17
<b>Earnings before taxes and non-controlling interests</b>						<b>16,872</b>
Income taxes	3,509	1,142	360	5,011	0	5,011
Deferred taxes	-65	-196	-377	-638	102	-536
<b>Earnings before non-controlling interests</b>						<b>12,396</b>
<b><u>OTHER INFORMATION</u></b>						
Segment assets:	<b>51,186</b>	<b>87,325</b>	<b>38,326</b>	<b>176,837</b>	<b>-40,827</b>	<b>136,009</b>
Non-allocated assets:						
Investments accounted for using the equity method				52		52
Financial assets				27		27
Non-current receivables				1,495		1,495
Current tax assets				877		877
Deferred tax assets				5,687		5,687
<b>Consolidated assets</b>						<b>144,147</b>
<b>Segment debt</b>	<b>9,862</b>	<b>48,926</b>	<b>31,930</b>	<b>90,718</b>	<b>-58,913</b>	<b>31,804</b>
Deferred tax liabilities				1,292		1,292
Income tax liabilities				6,441		6,441
Non-current loans				14,488		14,488
<b>Consolidated liabilities (current and non-current)</b>						<b>54,025</b>
<b>Investments</b>	<b>8,314</b>	<b>6,427</b>	<b>4,537</b>	<b>19,278</b>	<b>0</b>	<b>19,278</b>
<b>Segment write-downs</b>	<b>681</b>	<b>1,104</b>	<b>1,530</b>	<b>3,315</b>	<b>0</b>	<b>3,315</b>
<b>Non-cash expenses of the segment</b>	<b>1</b>	<b>81</b>	<b>0</b>	<b>82</b>	<b>0</b>	<b>82</b>

## Geographical Information

Sales revenues generated with external customers are allocated on the basis of customer location.

The regional allocation of sales revenues is as follows:

	2019/2020 in T€	2018/2019 in T€
Total sales revenues	93,876	107,747
Germany	34,496	36,224
Other countries	59,381	71,523

In financial year 2019/2020, sales in China accounted for more than 10% of total sales, spread across several customers (Adhesives segment and Equipment & Systems) (prior year: no sales in excess of 10% in any country). In the current financial year, none of the individual customers accounts for more than 10.0% of total sales.

Non-current assets are allocated as follows:

Germany::	T€ 87,451 (PY: T€ 53,441)
Other countries:	T€ 11,520 (PY: T€ 11,178)

Segment assets are defined as the sum total of intangible assets, property, plant and equipment, inventories, short-term receivables and liquid assets. Segment debt includes non-current and current obligations. Non-cash segment expenses relate to changes in pension provisions and other provisions.

Intra-group deliveries and services are subject to the same terms and conditions as external third parties with regard to transfer prices and their basis of calculation. There has been no change in this respect compared with previous years

## 50. Related Party Disclosures

Related parties within the meaning of IAS 24 are named below.

In accordance with IAS 24, related parties are other persons or entities that can be influenced by the reporting entity or that can influence the reporting entity, such as

- the members of the Management Board or Supervisory Board of Dr. Höhle AG
- associated companies
- non-consolidated subsidiaries.

With respect to disclosures relating to the Board of Management and the Supervisory Board, reference is made to our comments in paragraph 51.

With respect to reportable business relationships, reference is made to our comments on individual balance sheet and income statement positions. Costs are passed on mainly between Solitec GmbH and Dr. Höhle AG within the scope of advertising. The respective amounts were of minor significance for the results of operations, however. TECINVENT GmbH also provided companies included in the group with development services which were immaterial with respect to the results of operations.

- ***Controlled companies not included in the consolidated financial statements due to insignificance:***

Solitec Gesellschaft für technischen Produktvertrieb mbH, Gräfelfing

- ***Companies under significant influence of a Supervisory Board of the group:***



Dr. Hönle Medizintechnik GmbH, Gilching

The receivables from Dr. Hönle Medizintechnik GmbH, which is under the significant influence of a Supervisory Board member, consist of a loan in the amount of T€ 405 (PY: T€ 61) , which runs over a period of 65 months until 31 December 2025, and bears annual interest a 3 %. The loan qualifies as an annuity loan with monthly instalments of T€ 7.

The current portion of T€ 72 (PY: T€ 52 ) is reported under "Other current assets" (paragraph 27). The interest income (cf. paragraph 13) in the amount of T€ 7 (PY: T€ 4) results from the agreed annual interest rate of 3 %.

The receivable from the Supervisory Board Chairman consists of a loan in the amount of T€ 75 (PY: T€ 0), which, overall, runs for period of 49 months until 30 September 2024, and bears annual interest at 1%. This loan qualifies as an annuity loan with a monthly instalment of T€ 1 and a final instalment of T€ 30. The current portion of T€ 11 (PY: T€ 0) is reported under "Other current assets" (see paragraph 27). The interest income (see paragraph 13) in the amount of T€ 1 (PY: T€ 0) results from the agreed annual interest rate of 1 %.

The loans are secured on the basis of directly enforceable guarantees at corresponding amounts provided by Prof. Dr. Hönle.

See paragraphs 13, 21, 27.

## **51. Disclosures on Corporate Bodies**

### ***Management Board***

Norbert Haimerl, Diplom-Betriebswirt (FH), CFO, Commercial Units, Investor Relations, Logistics, Quality Management

Heiko Runge, Diplom-Ingenieur (FH), CTO, Sales, Marketing, Public Relations, Technology

The company is represented by the two Management Board members with sole power of representation.

The Management Board members are authorised to represent the company without restriction in legal transactions with themselves as third party representatives.

The total Management Board remuneration (excluding pension expense) in financial year 2019/2020 amounted to:

Mr. Norbert Haimerl	T€ 431 (PY: T€ 605)
Mr. Heiko Runge	T€ 437 (PY: T€ 606)

The remuneration structure is based on the assumption of sustained corporate development. The monetary remuneration components include fixed and variable components based on the Hönle Group's performance.

The criteria used in evaluating the suitability of remuneration are as follows: The tasks of the respective Management Board member, personal performance, the economic situation, the success and future outlook of the company as well as the standard remuneration practice, taking the comparable environment and the company's general remuneration structure into account. The Supervisory Board regularly reviews the structure and amount of the Management Board remuneration.

Pension commitments were granted to the Management Board members, Mr Haimerl and Mr Runge. Annual pension modules have been and are acquired since 1 January 2012 within the course of a

conversion of pension commitments for Management Board members. The amount of the pension module acquired in a given financial year results from the pension expense which is converted to an annuity on the basis of age-dependent conversion factors. The pension expense corresponds to a fixed percentage of annual fixed remuneration (excluding bonus payments). The benefit types include retirement pension (from the age of 60), disability pension benefits and survivors' pension (widow's/life partner's and orphan's pension). The amount of the disability pension and retirement pension corresponds to the total of vested rights and the pension modules acquired up to the date when the benefits fall due. The widow's and life partner's pension corresponds to 60% of disability pension or retirement benefits acquired or paid out at the time of death. The full orphan's pension allowance is 20% of the respective pension entitlement, the reduced ("half-allowance") orphan's pension is 12% of the respective pension entitlement. Reinsurance pension agreements were concluded to cover the pension commitments.

**Fixed remuneration  
(not based on performance)**

	Salary		Other remuneration		Total	
	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
	in T€	in T€	in T€	in T€	in T€	in T€
Norbert Haimerl	282	281	13	18	294	299
Heiko Runge	281	281	19	19	300	300
<b>Total</b>	<b>563</b>	<b>562</b>	<b>32</b>	<b>37</b>	<b>594</b>	<b>599</b>

**Performance-based  
remuneration**

	Profit sharing bonus	
	2019/2020	2018/2019
	in T€	in T€
Norbert Haimerl	137	306
Heiko Runge	137	306
<b>Total</b>	<b>275</b>	<b>612</b>

**Pensions**

	Pension expense purs. to IAS 19	
	2019/2020	2018/2019
	in T€	in T€
Norbert Haimerl	288	293
Heiko Runge	255	260
<b>Total</b>	<b>544</b>	<b>553</b>

**Pensions**

	Present value of defined benefit obligations	
	2019/2020	2018/2019
	in T€	in T€
Norbert Haimerl	3,126	2,826
Heiko Runge	2,833	2,569
<b>Total</b>	<b>5,959</b>	<b>5,395</b>

### ***Benefits upon Termination of Management Board Activity***

The Supervisory Board appoints the Dr. Höhle AG Management Board for a maximum term of office of five years.

A transitional remuneration agreement was concluded with the Management Board. According to this agreement, in the event of a departure from the Board after reaching the age of 50 and before reaching the age of 60, the fixed remuneration provided for in the service agreement will continue to be paid for twelve months, followed by continued payments ranging between 40% and a maximum of 50% of the fixed remuneration until the effective date of the pension plan of the respective Management Board member. However, the transitional remuneration agreement shall enter into effect only in the event that the party concerned acted as a member of the Management Board for at least ten years and did not leave the Management Board upon his own responsibility. Any income derived from other sources is deducted from the transitional remuneration. This can lead to a reduction or a complete loss of the transitional remuneration. In addition, the Supervisory Board is entitled to reduce the transitional remuneration in the event of a deterioration of the company's situation. In the event of unjustified payments or subsequent reductions by the Supervisory Board, the benefits granted are to be reimbursed to the company.

In the event of a change of control at Dr. Höhle AG, the Management Board member is entitled to terminate the Management Board service agreement within a period of three months after obtaining knowledge of the change of control. The notice period is three months to the end of the month and the Management Board member can resign from office as of that date. A change of control is considered to be any direct or indirect acquisition of control over Dr. Höhle AG by a third party within the meaning of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz (WpÜG)). If the Management Board member leaves the company, said member is entitled to payment of the remuneration including fringe benefits from the date of the early termination up to expiry of his service agreement. With respect to the pension commitments, the Management Board has a choice between a one-off payment in the amount of the value or the continuation. In this case the Management Board members are to be put in a position as though the company had fulfilled the respective pension commitments up to the termination date stipulated in the service agreement.

Pension payments were made to surviving dependants of former managing directors in the amount of T€ 12 (PY: T€ 12). These pension claims are covered by pension provisions in the amount of T€ 304 (PY: T€ 315) (cf. paragraph 35). The interest expense includes a respective proportion of T€ 3 (PY: T€ 3).

### ***Compensation of Supervisory Board Members***

The compensation is comprised exclusively of fixed compensation which is oriented towards the duties and responsibilities of the respective Supervisory Board member. No other compensation, for example from advisory or brokerage services, is granted.

#### **Supervisory Board Compensation**

	2019/2020	2018/2019
	in T€	in T€
Prof. Dr. Karl Höhle	60	60
Günther Henrich	45	45
Dr. Bernhard Gimple	30	30
<b>Total</b>	<b>135</b>	<b>135</b>

### **Supervisory Board**

- Prof. Dr. Karl Hönle, Dachau – Chairman  
Physicist, Professor of Technical Optics and Laser Technology at the Munich University for Applied Sciences (emeritus status), Managing Director of Dr. Hönle Medizintechnik GmbH, Member of the Senate of the Economy
- Günther Henrich, Schäftlarn – Vice Chairman
- Lawyer, independent
- Dr. Bernhard Gimple, Munich  
Lawyer, independent

Total compensation for the Supervisory Board amounted to T€ 135 (PY: T€ 135) in financial year 2019/2020).

More detailed information on the compensation of the Management Board and Supervisory Board remuneration/compensation is contained in the Remuneration Report, which is part of the Management Report.

### **52. Governance Compliance Declaration pursuant to Section 161 AktG**

In January 2020, the Management Board and the Supervisory Board of Dr. Hönle AG issued a Compliance Declaration as required under Section 161 AktG, and have provided shareholders with permanent access to it on the Company's Internet page ([www.hoenle.de](http://www.hoenle.de)).

### **53. Annual Auditor's Fee**

The annual auditor, S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, charged the following fees for the services provided in financial year 2019/2020:

	2019/2020 in T€	2018/2019 In T€
Financial statements audit (individual and consolidated)	190	180
Tax consulting services	49	45
Other attestation services	3	7
<b>Total</b>	<b>242</b>	<b>232</b>

### **54. Employees**

The average number of staff in the group (excluding the Management Board), allocated according to functions, was as follows:

	2019/2020	2018/2019
Sales & Marketing	90	87
Research, Development	86	87
Production, Service	273	296
Logistics	68	80
Administration	68	68
<b>Total</b>	<b>585</b>	<b>618</b>

## 55. Approval of the Consolidated Financial Statements pursuant to IAS 10.17

The present consolidated financial statements were released by the Management Board for review by the Supervisory Board on December 18, 2020.

## 56. Events after the Balance Sheet Date

Events after the balance sheet date that would impact significantly on the net assets, financial position and results of operations of Dr. Höhle AG have not occurred.

Gräfelfing, 18 December 2020

Norbert Haimerl  
Management Board

Heiko Runge  
Management Board

## Disclaimer

This annual report contains statements and information concerning Dr. Höhle AG and the Höhle Group which relate to future periods. These forward-looking statements represent estimates that were made on the basis of all information available at the time of preparation of the report. If the assumptions underlying the forecasts are not correct or risks - such as those mentioned in the risk report - occur, actual developments and results may differ from current expectations. The company assumes no obligation to update the statements contained in this management report outside the statutory publication requirements.

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

## Financial Calendar

28 January 2021  
22 February 2021  
23 March 2021  
12 May 2021  
6 August 2021

**Present Annual Report 2019/2020**  
**First Quarterly Statement 2020/2021**  
**Virtual Shareholders Meeting**  
**Half-Year Report 2020/2021**  
**Third Quarterly Statement 2020/2021**

# Glossary

## **Aggregate Operating Performance**

The aggregate operating performance represents the sum total of sales revenue, inventory changes and other work performed by entity and capitalised.

## **AktG**

Aktiengesetz

## **Cost of Materials Ratio**

The cost of materials ratio represents the ratio of cost of materials to aggregate operating performance.

## **EBIT**

Earnings Before Interest and Taxes

## **EBIT Margin**

The EBIT margin represents the relationship between profits before interest and taxes and aggregate operating performance.

## **EBT**

Earnings Before Taxes

## **EnMS**

The Energy Management System (EnMS) pursuant to DIN EN ISO 50001 ensures the continuous and systematic improvement of an entity's energy-related performance.

## **HGB**

German Commercial Code

## **IASB**

International Accounting Standards Board – an international independent panel of accounting experts that develops and revises the International Financial Reporting Standards (IFRS).

## **IFRS**

International Financial Reporting Standards – international accounting guidelines issued by the International Accounting Standards Board (IASB).

## **NEC Directive**

The NEC Directive defines national emission ceilings.

## **Material Expense Ratio**

The cost of materials quota results from the ratio of the cost of materials to the total output.

## **Net Profit on Sales**

The net profit on sales represents the ratio of consolidated earnings for the year to sales revenues.

## **Personnel Expense Ratio**

The personnel expense ratio represents the ratio of personnel expense relative to aggregate operating performance.

## **Ratio of Other Operating Expenses**

The ratio of other operating expenses represents the relationship between other operating expenses and aggregate operating performance.

## **VOC**

Volatile Organic Compounds – organic chemicals that evaporate easily or, at low temperatures, act as reactive organic gases. German Emission Law (Bundes-Immissionsschutzverordnung) limits the emission of volatile organic compounds. The use of UV paints and lacquers provides for the possibility of complying with the regulations stipulated in the German Emission Law.

## **WpHG**

German Securities Trading Act





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