



2005

9 MONTHS REPORT

2006



Hönle at a glance

Figures Hönle Group	2005/2006 9 months	2004/2005 9 months adjusted (1)	Changes
Income statement	T €	T €	in %
Revenues	17,081	16,819	1.6
EBITDA	2,661	2,810	- 5.3
EBIT	2,248	2,437	- 7.8
EBT	2,870	2,894	- 0.8
Net income	1,815	1,753	3.5
Earnings per share (2)	0.33	0.32	3.1
Balance sheet (3)			
Current assets	17,265	17,776	- 2.9
Long-term assets	13,947	14,304	- 2.5
Current liabilities	2,661	3,180	- 16.3
Long-term liabilities	2,059	1,860	10.7
Shareholders capital	26,492	27,040	- 2.0
Total assets	31,212	32,080	- 2.7
Capital ratio in %	84.9	84.3	0.7
Cashflow			
Cash from ongoing business activities	1,982	1,908	3.9
Cashflows from operating activities	1,154	782	47.6
Cashflows from investments	588	- 953	-
Cashflows from financing activities	- 2,252	69	-
Changes in cash	- 503	- 111	-
Staff			
at the end of the period	120	122	- 1.6

(1) Previous year figures are adjusted, see explanatory notes.

(2) Shares outstanding as of 30/06/2006 (5,432,500 shares)

(3) Balance sheet as of 30/06/2006 and 30/09/2005

All figures are unaudited.



Dear Shareholders,

During the first nine months of the current financial year, the Hönle Group increased its sales revenues by 1.6 % to € 17.1 million. Consolidated net income grew by 3.5 % to € 1.8 million during this period and Dr. Hönle AG's net income for the period rose by 23.5 %.

The minor increase in the Hönle Group's sales revenues and earnings is mainly due to adhesives sales being significantly retrograde in comparison with the same period in the previous year. This development is due to a customer's insolvency and to cancellation of a major order.

As a consequence, Wellomer GmbH, one of our subsidiaries, was restructured under new management during the last quarter. We expect substantially reduced sales revenues at Wellomer for financial year 2005/2006 in comparison with the previous year. At the end of the third quarter, the Company reports a significant deficit in comparison with a profit for the period in the previous year. We expect the net loss at the end of the fourth quarter to be at the same level.

Our Honle Spain S.A. subsidiary has also undergone changes. We have restructured the company under new management. This measure led to a drop in earnings at Honle Spain in the past quarter, and consequently also in the Hönle Group. However, we are of the opinion that, through this measure, we have formed a good basis for successful and confident cooperation within the Hönle Group.

In June, Dr. Hönle AG acquired the customer basis, the brand and patent rights, and parts of fixed assets from the insolvency estate of Arccure Technologies GmbH, Lippstadt. Among other things, Arccure developed, produced and marketed UV equipment for the CD/DVD market. The company's sales revenues amounted to approximately € 3 million in the past year. We expect that we will be able to continue these sales revenues with the acquired customer base at least partially. In addition, we were able to supplement our product portfolio with high quality and efficient UV equipment.

As planned, the Dr. Hönle AG sales activities have been extended by 5 sales engineers to the current 16 engineers since the beginning of the year. This creates an essential basis for further sales revenue and earnings growth in the coming financial years.

*Dear Shareholders,
We look forward to having you with us as we continue on this course.*

The Board

Norbert Haimerl

Heiko Runge

Hönle Group Report

for the nine months from 1 October 2005 to 30 June 2006

Sales Revenues

The Hönle Group generated sales revenues of T€ 17,081 during the first nine months of the current financial year, which represents a rise of 1.6 % in comparison with the previous year's period.

A comparison of sales revenues according to business areas indicates that the paints/lacquers segment has gained further significance. Sales revenues in this segment rose by 15.3 % to T€ 11,714.

In the adhesives/synthetics segment, sales declined by 18.8 % to T€ 4,281, in particular due to the events mentioned above. In the other segment also, which covers, inter alia, UV sterilizing systems and sun simulation equipment, sales revenues fell by 21.4 % to T€ 1,086.

Earnings

During the first nine months, earnings before interest and taxes (EBIT) were T€ 2,248 or 7.8 % down from the previous year's period. The main reasons for this decline in earnings were the afore-mentioned insolvency of a customer and cancellation of a major order at Wellomer GmbH.

During the same period, earnings before tax (EBT) fell by 0.8 % to T€ 2,870. The consolidated net income rose by 3.5 % to T€ 1,815. Relative to 5.433 million shares, earnings per

share were € 0.33 after being € 0.32 in the previous year's period.

The EBIT margin in the first nine months was 13.2 % (previous year: 14.5 %), and net profit on sales was 10.6 % (previous year: 10.4 %).

Expenses

In the third quarter, the cost of materials ratio was above that of the previous year's period due to an increase of T€ 249 in finished and unfinished goods inventory. Nevertheless, the cost of materials ratio fell during the first nine months to 34.7 % after being 36.2 % in the previous year's period.

At 31.8 % (previous year: 31.4 %) the personnel expenses ratio remained at a low level. Personnel expenses amounted to T€ 5,453 (previous year: T€ 5,286).

Other operating expenses amounted to T€ 3,353 (previous year: T€ 3,010); this corresponds to a rate of 19.5 % (previous year: 17.9 %). The increase in other operating expenses concerns, in particular, expense items relating to consultancy and to hired labour.

Research and Development

As at 30 June 2006, 17 employees (previous year: 20) worked in the Hönle Group research and development department. At T€ 891 (previous year: T€ 948), R&D expenses were slightly below the previous year's level.

We developed new UV equipment for high-quality continuous printing. The UV dryer

that is used specifically in the foodstuff industry enables high production speeds for package printing.

Personnel

The Hönle Group employed 120 people as at 30 June 2006: i.e., the number of staff declined by two in comparison with the previous year.

Liquidity

Cash provided by operating activities amounted to T€ 1,982 during the first nine months after being T€ 1.908 in the previous year's period.

Own shares of T€ 481 was acquired during the last quarter within the scope of a stock buyback program.

Liquid funds, financial assets and treasury stock now amount to T€ 18,095 (previous year: T€ 17,143). This represents a cash proportion of € 3.33 per share.

Outlook

As initially mentioned, we restructured the Wellomer and Honle Spain subsidiaries. We believe that, in doing so, we have created a good basis for the successful business development of both companies. Regrettably, the events during the past quarters, in particular, at Wellomer GmbH, have burdened the Group result. However, we expect no other significant negative effects on Group results in the fourth quarter.

As announced, we have substantially increased our sales & marketing unit through the recruitment of new sales engineers. This expansion concerned all business segments.

As a consequence of the sustained positive investment climate and the orders on hand as at 30 June 2006, we expect sales during the fourth quarter to be at about the previous year's level.

We expect continued positive sales development mainly in the printing applications segments. Hönle's new rotary offset application segment, in particular, developed very favourably during the past months. Our aim is to gain further market shares in this field.

Sales with UV systems for inkjet applications rose significantly in this financial year. Since this concerns a strongly growing market segment, we also envisage good possibilities to further expand our sales here.

Consolidated Balance Sheet

as of June 30, 2006 according IFRS

ASSETS	30/06/2006 in T€	30/09/2005 in T€ adjusted (1)
CURRENT ASSETS		
Cash and cash equivalents	7,873	8,376
Trade accounts receivable	3,393	3,556
Inventories	4,961	4,605
Current portion of prepaid expenses and other current assets	893	928
Tax refund claims	145	311
Total current assets	17,265	17,776
LONG-TERM ASSETS		
Property, plant and equipment	3,747	3,328
Intangible assets	541	609
Goodwill	153	153
Investments	8,424	8,868
Deferred taxes	156	204
Long term portion of prepaid expenses and other long term assets	926	1,142
Total long-term assets	13,947	14,304
TOTAL ASSETS	31,212	32,080

(1) see explanatory notes

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2006	30/09/2005
	in T€	in T€
		adjusted (1)
CURRENT LIABILITIES		
Current portion of capital lease obligation	5	5
Short-term debt due and current portion of long-term debt	4	2
Trade accounts payable	617	828
Liabilities to associated companies	1	0
Advance payments received	168	207
Other accrued expenses	1,264	1,324
Income tax payable	422	302
Other current liabilities	180	512
Total current liabilities	2,661	3,180
LONG-TERM DEBTS		
Long-term debts, less current portion	800	800
Long-term portion of capital lease obligation	10	14
Deferred taxes	46	46
Pension accruals	1,050	847
Other long-term debts	153	153
Total long term debts	2,059	1,860
SHAREHOLDERS' EQUITY		
Share capital	5,433	5,350
Own shares	- 1,798	- 943
Additional paid in capital	16,710	16,626
Legal reserve	49	49
Special item revaluation	- 253	- 167
Retained earnings	5,871	5,618
Currency disparities	38	31
Minority interest	442	476
Total Shareholders' Equity	26,492	27,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31,212	32,080

(1) see explanatory notes

Consolidated Income Statement

for the period October 1, 2005 until June 30, 2006 according IFRS

	01/04/2006 -30/06/2006 in T€	01/04/2005 -30/06/2005 in T€ adjusted (1)	01/10/2005 -30/06/2006 in T€	01/10/2004 -30/06/2005 in T€ adjusted (1)
Revenues	5,218	5,695	17,081	16,819
Other operating income	67	73	268	358
Changes in inventories of finished goods and work in progress	249	- 72	81	39
Cost of purchased materials and services	- 2,067	- 1,898	- 5,963	- 6,110
Personnel expenses	- 1,922	- 1,827	- 5,453	- 5,286
Depreciation and amortization	- 140	- 127	- 413	- 373
Other operating expenses	- 1,116	- 949	- 3,353	- 3,010
Operating income	289	895	2,248	2,437
Interest income and expenditure	155	153	622	457
Result before income taxes (and minority interest)	444	1,048	2,870	2,894
Income tax	- 169	- 360	- 1,089	- 998
Extraordinary expenses	0	0	0	0
Result before minority interest	275	688	1,781	1,896
Minority interest	9	- 49	34	- 143
Net income	284	639	1,815	1,753
Accumulated income			4,056	3,115
Accumulated net income			5,871	4,868
Net income per share (basic) in €			0.35	0.34
Net income per share (diluted) in €			0.33	0.32
Weighted average shares outstanding (basic)			5,211,626	5,096,961
Weighted average shares outstanding (diluted)			5,531,826	5,552,261

(1) see explanatory notes

Consolidated Statement of Cashflows

for the period 1 October 2005 until 30 June 2006 according IFRS

	01/10/2005- 30/06/2006 in T€	01/10/2004- 30/06/2005 in T€ adjusted (1)
Cashflows from operating activities:		
Net income/loss for the year before minority interest, taxes and extraordinary items	2,870	2,895
Adjustments for:		
Depreciation of fixed assets	413	373
Interest income	- 695	- 512
Interest expenses	73	55
Operating result before changes to net current assets	2,661	2,811
Increase/decrease of accrued expenses	143	- 110
Profits/losses from the disposal of items of fixed assets	0	1
Increase/decrease of trade accounts receivable	163	224
Increase/decrease of other assets and the prepaid expenses	- 48	- 209
Increase/decrease in inventories	- 356	- 461
Increase/decrease in trade accounts payable	- 211	- 259
Increase/decrease in liabilities to associated companies	1	0
Increase/decrease in advance payments received	- 39	- 76
Increase/decrease in other liabilities	- 332	- 14
Increase/decrease of deferred revenues	0	1
Cash from ongoing business activities	1,982	1,908
Interest paid	- 73	- 55
Tax paid from income	- 755	- 1,071
Net cash from operating activities	1,154	782
Cashflows from investment:		
Income from the sale of fixed assets (incl. payback of participation certificates)	0	8
Purchase of tangible assets and intangible assets	- 763	- 1,730
Change of financial assets due to sale of shares	357	0
Change in special item revaluation in equity	- 86	117
Change in investments	86	- 117
Change in other long-term assets	57	15
Interest and dividend received	937	754
Net cash used for investment	588	- 953
Cashflows from financing activities:		
Capital surplus of conditional capital	100	132
Change in additional paid in capital due to IFRS 2	67	71
Change in debts and liabilities towards banks	- 2	885
Change in minority interest (without allocation of results)	0	0
Dividends paid	- 1,562	- 1,019
Purchase of own shares	- 855	0
Net cash from financing activities	- 2,252	69
Currency disparities	7	- 9
Changes in cash	- 503	- 111
Cash at the beginning of the period under review	8,376	7,534
Cash at the end of the period under review	7,873	7,423

(1) see explanatory notes

Explanatory Notes

to the 9-Month Report of Financial Year 2005/2006

The significant accounting, valuation and consolidation measures have remained unchanged in comparison with the Annual Report 2004/2005.

The IASB revised various standards within the scope of the “Improvement Project”, and resolved on their validity in December 2003.

These standards are required to be applied for the financial years beginning on or after 1 January 2005. The present Dr. Höhle AG Quarterly Report is primarily affected with respect to the disclosure of minority interests. In accordance with IAS 1 (revised 2003) and IAS 27 (revised 2003), for the first time, minority interests were not disclosed as a separate item in the balance sheet but were directly reported in equity and separately from the Company’s subscribed capital. Also, for the first time, the minority interests were included in the statements of changes in shareholders’ equity for the reporting period and the comparable previous year’s period and adjusted accordingly. As a consequence, the equity values as a whole as of 1 October 2005 and 1 October 2004 changed. Please see our presentation in the statements of changes in shareholders’ equity.

IFRS Standard 2 “Share-Based Payment” which had been adopted in February 2004 was applied in the present Quarterly Report for the first time. This standard is to be applied for all financial years beginning on or after 1 January 2005.

In accordance with the new standard, stock option programs must be reported at fair value and charged to expenditure. The standard affects all stock option programs issued by Dr. Höhle AG. The granting of options by the Company is based on equity capital securities (“Shares of Stock”). The respective expense to be reported in the balance sheet was determined within the scope of a advisory opinion using time-adjusted methods. Calculation of the options’ present value at the time of their being granted was based on the “Monte Carlo” method (i.e., random walk process). The following valuation assumptions were used:

Risk-free interest rate	3.19 %
Term to maturity in years	5
Volatility	30 %
Expected rate of return	30 %

In the first three quarters of 2005/2006, personnel expense was recorded to the amount of T€ 67, due to the first-time application of IFRS 2. Within the scope of initial application of the standard, the previous year’s values in the income statement and the values carried forward in the balance sheet and in the statement of changes in shareholders’ equity had to be adjusted as of 1 October 2005 and 1 October 2004 concerning the items of retained earnings and capital reserve. A T€ 72 increase in personnel expense was reported in comparison with the previous year’s period. As a result, net income for the year also declined by T€ 72 from T€ 1,825 to T€ 1,753. Personnel expense which was not required to be reported in the balance sheet in the past is reflected in the adjustments of retained earnings and capital reserve values carried forward. As of 1 October 2005, the retained earnings and the capital reserve were adjusted by T€ 139 in each case. The corresponding values as of 1 October 2004 amounted to T€ 43 respectively.

In March 2006 it was again possible to exercise subscription rights from the 2000/2002 Stock Option Plan. A total of 82,760 subscription rights were exercised by those entitled to subscribe. As a consequence of exercising the options, shares increased by 82,760 from 5,349,740 to a total of 5,432,500 shares of stock.

The premium of € 0.20 per newly created share (in total T€ 17) was transferred to the capital reserve.

Shares held as financial assets which had been valued pursuant to IAS Standard 39 for the first time in financial year 2001/2002, were again adjusted to fair value as at 30 June 2006 and treated with neutral effect on profits. In the second quarter, shares were sold to the total amount of T€ 527 and this resulted in a gain on disposal to be reported in the balance sheet to the amount of T€ 170. The value of the stock portfolio amounted to T€ 377 at the end of the quarter, in comparison with T€ 820 as of 30 September 2005. The difference of T€ -86 concerning the shares still held in the stock portfolio at the end of the quarter versus 30 September 2005 was netted in equity with the special revaluation item with neutral effect on profits.

In the first three quarters of the 2005/2006 financial year, interest amounting to T€ 589 was received concerning participating certificates that had been acquired in the 2003/2004 financial year to a total amount of T€ 6,788. The corresponding premium of T€ 242 was credited to income. Repayment of a participating certificates tranche of T€ 2,000 with a duration until the end of 2005 happened at the beginning of July.

Dr. Hönle AG's Annual General Meeting for the 2005/2006 financial year took place on 27 March 2006. The General Meeting resolved on payment of a dividend of € 0.30 per share entitled to dividend. This results in a distribution of dividends to shareholders totalling T€ 1,562.

The Company made use of its right to acquire treasury stock. In all, 89,850 own shares totalling T€ 855 were acquired in the first three quarters. The Company now holds a total of 232,889 own shares at a total value of T€ 1,798. As before, these shares are reflected in shareholders' equity with neutral effect on profits.

The group figures to be segmented are allocated to primary segments as follows (1):

	Germany		Europe		Rest of the world		Eliminations		Consolidated	
	as at 06/06	as at 06/05	as at 06/06	as at 06/05	as at 06/06	as at 06/05	as at 06/06	as at 06/05	as at 06/06	as at 06/05
	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€
INCOME:										
External sales	8,136	8,130	5,460	5,699	3,485	2,990			17,081	16,819
Intra-group sales	480	1,231	972	1,240			- 1,452	- 2,471		
Total sales	8,616	9,361	6,432	6,939	3,485	2,990	- 1,452	- 2,471	17,081	16,819
RESULTS:										
Segment result (operating income)	1,003	1,199	756	891	492	357	- 3	- 10	2,248	2,437
Interest received									165	141
Interest paid									- 73	- 55
Income from securities									530	371
Results before income taxes									2,870	2,894
Extraordinary result									0	0
Taxes on income									- 1,089	- 998
Net income before minority interest									1,781	1,896
OTHER INFORMATION										
Segment assets:										
• by sales areas	7,296	7,230	4,786	4,831	2,920	2,425	- 1,169	- 1,138	13,833	13,348
• by location of asset	13,648	12,760	1,354	1,726			- 1,169	- 1,138	13,833	13,348
Non-allocated assets:										
• Financial assets									8,424	8,776
• Long term receivables									926	1,185
• Deferred tax assets									156	281
• Cash and cash equivalents									7,873	7,423
Consolidated assets									31,212	31,013
Segment liabilities (by sales areas)										
	2,936	3,285	3,022	3,074	1,045	1,076	- 2,329	- 2,636	4,674	4,799
Deferred tax liabilities (on investments)									46	12
Investments:										
• by sales areas	392	943	196	453	175	334			763	1,730
• by location of asset	763	1,724		6					763	1,730
Segment depreciation (by sales areas)										
	236	225	105	88	72	60			413	373
Non-cash segment expenses (by sales areas)										
	654	588	383	336	273	195			1,309	1,119

The values are allocated to individual sales areas on the basis of an allocation key that is uniformly derived from sales revenues.

The segmental assets are defined as the sum total of intangible assets, property, plant and equipment, inventories and current receivables. Segment liabilities comprise long term and current liabilities. Non-cash segment expenses include alterations to pension accruals and other accruals.

Internal prices of intra-group deliveries and services are subject to the same conditions as those applicable for third parties.

(1) see explanatory notes

The group figures to be segmented are allocated as follows to the secondary segments:

	Adhesives / plastics ¹⁾		Inks / coatings ²⁾		Others ³⁾		Elimina- tions		Consolidated	
	as at 06/06 T€	as at 06/05 T€	as at 06/06 T€	as at 06/05 T€	as at 06/06 T€	as at 06/05 T€	as at 06/06 T€	as at 06/05 T€	as at 06/06 T€	as at 06/05 T€
INCOME:										
External sales	4,281	5,271	11,714	10,166	1,086	1,382			17,081	16,819
Intra-group sales	334	1,199	1,009	1,162	109	110	- 1,452	- 2,471		
Total sales	4,615	6,470	12,723	11,328	1,195	1,492	- 1,452	- 2,471	17,081	16,819
Segment assets:										
• by business segments	3,803	4,660	10,294	8,663	950	1,163	- 1,169	- 1,138	13,833	13,348
Investments:										
• by business segments	188	578	525	1,003	50	149			763	1,730

The values are allocated to individual sales areas on the basis of an allocation key that is uniformly derived from sales revenues.

The segmental assets are defined as the sum total of intangible assets, property, plant and equipment, inventories and current receivables.

Internal prices of intra-group deliveries and services are subject to the same conditions as those applicable for third parties.

¹⁾ The adhesives/plastics segment includes amongst others adhesives and UV-units for curing adhesives and plastics

²⁾ The segment inks/coatings includes amongst others UV-driers for printing machineries and coatings

³⁾ The segment others includes amongst others UV-disinfection units and sun simulation units

Shareholdings and Option Rights of the Corporate Bodies

Securities portfolio as at 30 June 2006:

	Number of shares	Shares as percentage of nominal capital	Number of options
Board of Management			
Norbert Haimerl	25,000	0.46	18,250
Heiko Runge	16,100	0.30	18,250
Supervisory Board			
Dr. Hans-Joachim Vits	353,444	6.51	-
Prof. Dr. Karl Hönle	217,000	3.99	-
Eckhard Pergande	4,200	0.08	-
Dr. Hönle AG	232,889	4.29	-
Total	848,633	15.62	36,500

Calendar

22 November 2006

**Preliminary figures of the financial
year 2005/2006**

27 November 2006

**Deutsches Eigenkapitalforum
Analyst Meeting**
Frankfurt, Germany

Trade Fairs

08-10 May 2007

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