



2006

9 MONTHS REPORT

2007



Hönle at a glance

Hönle Group Figures ¹⁾	2006/2007 9 months	2005/2006 9 months	Changes
Income Statement	T €	T €	in %
Revenues	19,055	17,081	11.6
EBITDA	3,504	2,661	31.7
EBIT	3,005	2,248	33.7
EBT	3,622	2,870	26.2
Net income	2,207	1,815	21.6
Share			
Earnings per share	0.40	0.33	21.2
Number of shares	5,512,930	5,432,500	1.5
Cashflow			
Operating Cashflow ²⁾	2,316	2,069	11.9
Balance Sheet ³⁾			
Long-term assets	6,188	12,385	- 50.0
Current assets	26,928	19,948	35.0
Shareholders' equity	28,017	27,143	3.2
Long-term debts	2,080	2,156	- 3.5
Current liabilities	3,019	3,034	- 0.5
Total assets	33,116	32,333	2.4
Capital ratio in %	84.6	83.9	0.8
Staff			
At the end of the financial year ⁴⁾	132	119	10.9

1) unaudited

2) Cashflow from operating activities reported in the cashflow statement

3) as of 30/06/2007 and 30/09/2006

4) without board of management

Management Report of the Hönle Group

for the nine-month period from 1 October 2006 until 30 June 2007

Overview

Sales revenues earned by the Hönle Group rose by 11.6 % to € 19.1 million in the first nine months of the financial year. The earnings before interest and tax (EBIT) also increased: It grew by 33.7 % in comparison with the previous year.

The perceptible expansion of sales capacities and the associated stronger market presence were among the reasons for the sales revenue improvement.

Significantly more UV systems were sold to the printing industry in the first nine months of the year. Especially the demand for UV dryers in the offset printing segment saw once more a strong rise. Hönle UV dryers were also increasingly used in coating applications.

As planned, following market entry, the Hönle Group is making good progress in the UV dryer segment for rotary offset printing. This is confirmed by a rising number of incoming orders in this market segment.

In the past financial year, Hönle acquired parts of Arccure Technologies GmbH from the insolvency assets. The acquired technology enables the drying of high quality prints on temperature-sensitive materials by means of UV radiation with a significantly lower heat impact. The Hönle Group achieved the sales level planned with Arccure products in the first nine months of the year and expects further sales increases in this respect.

The sunlight simulation segment has been further expanded in recent months. Initial successes from this measure are reflected, among other things, in one of the largest orders in the Dr. Hönle AG corporate history; it will be delivered in the fourth quarter. A feature of sunlight simulation is that, by means of UV radiation, aging processes of cars, for example, or in entertainment electronics can undergo time-lapse simulation.

Sales revenue and income development was particularly satisfactory at Aladin GmbH. The Group Company produces UV lamps for the most varied industrial applications. Sales revenues were up 14.6 % on the previous year and the operating result grew by 46.1 %. Aladin thus contributed significantly to the earnings of the Hönle Group. The planned organisational adjustments and investments are expected to lead to sustained positive business development at Aladin.

Sales revenues and earnings of the sales company in France, Honle UV France S.à.r.l., picked up perceptibly in comparison with the previous year, due mainly to an increase in the demand for UV systems in the printing industry.

Results of Operations

The Hönle Group sales revenues in the first nine months of the year rose by 11.6 %, to T€ 19,055 with sales revenues in the third quarter amounting to T€ 6,284 (PY: T€ 5,218).

All corporate segments contributed to the sales increases. Sales revenues earned by the top performer, 'inks and coatings' climbed from T€ 11,714 to T€ 13,142 in the first three quarters of the financial year. Sales in the 'adhesives and plastics' segment increased from T€ 4,281 to T€ 4,518 in the same period. The segment 'Other', which encompasses disinfection plants and sunlight simulation plants, earned revenues of T€ 1,395 in the current financial year as against T€ 1,086 in the year before.

Sales revenues earned by the Hönle Group also rose regionally in all segments. Domestic sales in the first nine months climbed from T€ 8,136 to T€ 8,534. Foreign sales growth was even more pronounced: In Europe, sales increased from T€ 5,460 to T€ 6,376 and from T€ 3,485 to T€ 4,145 in the rest of the world.

Expense ratios continued to decline in the reporting period. The cost of materials ratio improved to 33.7 % by one basis point in a year-on-year comparison. The personnel expense ratio dropped from 31.8 % to 29.8 % in the first nine months and other operating expenses decreased from 19.5 % to 19.2 %.

The operating result (EBIT) rose to T€ 3,005 in the period under review despite significantly increased consultancy expenses. In the first nine months of the previous year, the operating result amounted to T€ 2,248. Earnings before tax (EBT) also improved significantly

from T€ 2,870 to T€ 3,622. Net income for the period climbed from T€ 1,815 to T€ 2,207, which corresponds to earnings of € 0.40 per share.

The margins also saw another improvement: The EBIT margin increased from 13.2 % to 15.8 %, and net profit on sales from 10.6 % to 11.6 %.

Financial and Assets Position

The Hönle Group's financial position is characterised by a low liabilities level and a high level of assets. Short term and long term liabilities declined slightly from a total of T€ 5,190 as of 30 September 2006 to T€ 5,099 as of 30 June 2007. Liquid assets rose in the same period from T€ 10,453 to T€ 16,827, due mainly to the repayment of participation certificates in the amount of T€ 6,022 in the third quarter. Financial assets were reduced in this context from T€ 6,454 to T€ 335 as of 30 June 2007.

Liquid assets, financial assets and treasury stock totalled T€ 19,381 (30.09.2006: T€ 19.085). This corresponds to a cash proportion of € 3.52 per share.

The operative cash flow improved further from T€ 2,069 in the previous year to T€ 2,316 in the first nine months of financial year 2006/2007.

Research and Development

The Höhle Group's R&D departments had 19 employees in the period under review (PY: 17). Non-order related R&D expenses grew from T€ 372 in the previous year's period to T€ 421 in the current financial year.

Personnel

Overall, the Höhle Group employed 132 people as of 30 June 2007 in comparison to a staff of 119 in the previous year. This increase is due mainly to expansion of the workforce in the sales and production departments of Dr. Höhle AG.

Risk Report

Dr. Höhle AG has established a comprehensive and efficient risk management system. At present, the Höhle Group is not exposed to any risks that may adversely affect its continuation as a going concern, and no risks are currently apparent which would indicate that the going concern assumption is jeopardised. The basic statements in the Risk Report 2005/2006 continue to be valid.

Supplementary Report

Business activities of the British sales company, Honle UV UK Ltd. have not developed satisfactorily in recent years. In July, the company was therefore restructured under new management with the aim of expanding its market share in the U.K. The new managing director has long-standing professional experience in UV technology and has excellent contacts in the printing industry.

Opportunities and Forecast Report

The economic upswing appears to be continuing. The printing industry also expects moderate sales growth for 2007.

As before, the Hönle Group aims at 10% sales growth for the financial year as a whole, and a 25 % increase in the operating result.

Dr. Hönle AG will continue to increase its sales staff in order to enable more focused tackling of interesting markets.

The tapping of new business fields will also concentrate on UV systems for rotary offset printing. Customer response and the number of incoming orders already received indicate that Hönle is pursuing the right course here.

The inkjet market also provides for great potential for Hönle, and the Company is excellently positioned on this growth market. New developments are to be used to tap applications where Hönle has not been represented to date.

Activities will also be focused on expanding business relationships with Fujifilm Graphic Systems. We expect a significant increase in new orders and sales in the next quarters.

Owing to the favourable market conditions and the expansion of our activities in several business fields, we expect continuous further growth in sales and earnings in the current financial year and beyond.

Consolidated Balance Sheet (unaudited)

as of 30 June 2007 according IFRS

ASSETS	30/06/2007 in T€	30/09/2006 in T€
LONG-TERM ASSETS		
Intangible assets	813	890
Tangible assets	3,800	3,736
Goodwill	153	153
Financial assets	335	6,454
Long term portion of prepaid expenses .. and other long term assets	808	886
Deferred taxes	279	266
Total long-term assets	6,188	12,385
CURRENT ASSETS		
Inventories	4,925	4,559
Trade accounts receivable	4,420	3,945
Current portion of prepaid expenses .. and other current assets	744	905
Tax refund claims	12	86
Cash and cash equivalents	16,827	10,453
Total current assets	26,928	19,948
TOTAL ASSETS	33,116	32,333

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2007 in T€	30/09/2006 in T€
SHAREHOLDERS' EQUITY		
Share capital	5,513	5,433
Own shares	- 2,219	- 2,178
Additional paid in capital	16,766	16,721
Legal reserve	49	49
Special item revaluation	- 171	- 193
Retained earnings	7,514	6,850
Currency disparities	25	28
Minority interest	540	433
Total Shareholders' Equity	28,017	27,143
LONG-TERM DEBTS		
Long-term debts, less current portion	800	800
Long-term portion of finance lease obligation	4	9
Other long-term debts	25	178
Pension accruals	1,195	1,113
Deferred taxes	56	56
Total long term debts	2,080	2,156
CURRENT LIABILITIES		
Trade accounts payable	540	892
Liabilities to associated companies	4	0
Advance payments received	163	181
Current portion of finance lease obligation	5	5
Short term loans and short term portion		
of long term loans	46	0
Other current liabilities	210	233
Other accrued expenses	1,559	1,494
Income tax payable	492	229
Total current liabilities	3,019	3,034
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	33,116	32,333

Consolidated Income Statement (unaudited)

for the period 1 October 2006 until 30 June 2007 according IFRS

	01/04/2007 - 30/06/2007 in T€	01/04/2006 - 30/06/2006 in T€	01/10/2006 - 30/06/2007 in T€	01/10/2005 - 30/06/2006 in T€
Revenues	6,284	5,218	19,055	17,081
Other operating income	109	67	234	268
Changes in inventories of finished goods and work in progress	- 104	249	- 136	81
Cost of purchased materials and services	- 2,071	- 2,067	- 6,379	- 5,963
Personnel expenses	- 1,939	- 1,922	- 5,643	- 5,453
Depreciation and amortization inclusive goodwill	- 166	- 140	- 499	- 413
Other operating expenses	- 1,184	- 1,116	- 3,627	- 3,353
Operating income/EBIT	929	289	3,005	2,248
Interest income	308	178	685	695
Interest expense	- 23	- 23	- 68	- 73
Financial result	285	155	617	622
Result before income taxes (and minority interest)/EBT	1,214	444	3,622	2,870
Income tax	- 460	- 169	- 1,308	- 1,089
Result before minority interest	754	275	2,314	1,781
Minority interest	- 20	9	- 107	34
Net income	734	284	2,207	1,815
Accumulated income brought forward			5,307	4,056
Accumulated net income			7,514	5,871
Net income per share (basic) in €			0.43	0.35
Net income per share (diluted) in €			0.41	0.33
Weighted average shares outstanding (basic)			5,167,057	5,211,626
Weighted average shares outstanding (diluted)			5,401,306	5,531,826

Consolidated Statement of Changes in Equity (unaudited)

for the period 1 October 2006 until 30 June 2007

	Share capital in T€	Own shares in T€	Additional paid-in capital in T€	Legal reserve in T€	Special item revalu- ation in T€	Consolidated retained earnings/ loss in T€	Currency dispari- ties in T€	Minority interest in T€	Total in T€
As at 01/10/2005	5,350	- 943	16,626	49	- 167	5,618	31	476	27,040
Dividend disbursement						-1,562			-1,562
Conditional capital increase	83		17						100
Purchase of own shares		- 855							- 855
Currency disparities							7		7
Change of minority interest									
effecting net income								- 34	- 34
Valuation of investments due to									
IAS 39 not effecting net income					- 86				- 86
Change of additional paid in									
capital due to IFRS 2			67						67
Net income						1,815			1,815
As at 30/06/2006	5,433	- 1,798	16,710	49	- 253	5,871	38	442	26,492
As at 01/10/2006	5,433	- 2,178	16,721	49	- 193	6,850	28	433	27,143
Dividend disbursement						-1,543			-1,543
Conditional capital increase	80		2						82
Purchase of own shares		- 41							- 41
Currency disparities							- 3		- 3
Change of minority interest									
effecting net income								107	107
Valuation of investments due to									
IAS 39 not effecting net income					22				22
Change of additional paid in									
capital due to IFRS 2			43						43
Net income						2,207			2,207
As at 30/06/2007	5,513	- 2,219	16,766	49	- 171	7,514	25	540	28,017

Consolidated Statement of Cashflows (unaudited)

for the period 1 October 2006 until 30 June 2007 according to IFRS

	01/10/2006 - 30/06/2007 in T€	01/10/2005 - 30/06/2006 in T€
Cashflows from operating activities:		
Net income for the year before minority interest and taxes	3,622	2,870
Adjustments for:		
Depreciation of fixed assets	499	413
Interest income	- 685	- 695
Interest expenses	68	73
Income from the sale of shares	- 38	0
Other expenses/income not relating payments	12	20
Change of additional paid-in capital due to IFRS 2 not relating payments	43	67
Operating result before changes to net current assets	3,521	2,748
Increase/decrease of accrued expenses	147	143
Increase/decrease of trade accounts receivable	- 475	163
Increase/decrease of other assets and the ... prepaid expenses (without premiums on participation certificates)	- 122	- 48
Increase/decrease in inventories	- 366	- 356
Increase/decrease in trade accounts payable	- 352	- 211
Increase/decrease in liabilities to associated companies	4	1
Increase/decrease in advance payments received	- 18	- 39
Increase/decrease in other liabilities	- 23	- 332
Cash from ongoing business activities	2,316	2,069
Interest paid	- 68	- 73
Tax paid from income	- 983	- 755
Net cash from operating activities	1,265	1,241
Cashflows from investment:		
Receipt of payments for the sale of assets ...(incl. reimbursement of participation certificates)	6,022	0
Receipt of payments from financial assets due to sale of shares	157	357
Purchase of tangible assets and intangible assets	- 487	- 763
Receipt of payments from long-term demands	100	74
Payments for long-term demands	- 34	- 37
Interest and dividend received	968	937
Net cash used for investment	6,726	568
Cashflows from financing activities:		
Receipt of payments from conditional capital surplus	82	100
Change in debts and liabilities towards banks	- 112	- 2
Dividends paid	- 1,543	- 1,562
Purchase of own shares	- 41	- 855
Net cash from financing activities	- 1,614	- 2,319
Currency disparities	- 3	7
Net increase/decrease in cash	6,374	- 503
Cash at the beginning of the period under review	10,453	8,376
Cash at the end of the period under review	16,827	7,873

Explanatory Notes

to the 9-Month Report of the Financial Year 2006/2007

The significant accounting, valuation and consolidation measures have remained unchanged in comparison with the Annual Report 2005/2006.

The consolidated balance sheet as of 30 June 2007, the consolidated income statement, the statement of changes in consolidated equity and the consolidated cash flow statement for the periods ending on June 2007 and 2006 as well as the Notes have not been audited .

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 2007 and treated with neutral effect on profits. At the end of the quarter, the value of these shares amounted to T€ 309 compared to T€ 406 as at 30 September 2006. During the actual quarter shares were sold with an amount of T€ 157 and a profit of T€ 38. The difference of T€ 22 was netted in equity with the special revaluation item with neutral effect on profits. Special item revaluation amounts T€ -171 as at 30 June 2007.

Dr. Höhle AG acquired 5,000 own shares to the amount of T€ 41 in the first nine months of 2006/2007. The average price amounted to € 8.05. The total portfolio of treasury stock held by Dr. Höhle AG increased from 285,289 shares at the end of the last financial year to 290,289 shares of stock as of 30 June 2007. The total value changed from T€ 2,178 to T€ 2,219 at the end of the quarter.

In the third quarter of the 2006/2007 financial year, the participating certificates that had been acquired during the 2003/2004 financial year were repaid to a total amount of T€ 6,022. Interest amounting to T€ 652 was received, the corresponding premium amounting to T€ 283 was credited to income. As a consequence as of 30 June 2007 no more participation certificates will be held by Dr. Höhle AG.

Note

This quarterly report contains statements and information concerning the Höhle Group that are related to future periods. These future-oriented statements can be recognized by formulations such as "plan", "expect", "intend", "endeavour", "will", "estimate", "assume", "aim is" or similar expressions. Such statements have been made due to the present situation and current expectations, and may deviate considerably both positively or negatively from actual developments. Uncertainties arise due to the following factors, among others: Changes in the overall national and international economic environment, changes to the underlying political conditions, the introduction of new products or technologies by other companies, a change in the investment pattern of customer segments that are significant for the Höhle Group, changes to exchange and interest rates, the integration of acquired businesses, and also to other factors. Höhle is not obligated to adjust or update future-oriented statements.

The Group figures to be segmented are allocated to the primary segments as follows (unaudited):

	Germany		Europe		Rest of the world		Eliminations		Consolidated	
	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€
INCOME:										
External sales	8,534	8,136	6,376	5,460	4,145	3,485			19,055	17,081
Intra-group sales	579	480	1,326	972			- 1,905	- 1,452		
Total sales	9,113	8,616	7,702	6,432	4,145	3,485	- 1,905	- 1,452	19,055	17,081
RESULTS:										
Segment result (operating result)	1,410	1,003	973	756	611	492	11	- 3	3,005	2,248
Interest received									311	165
Interest paid									- 68	- 73
Income from securities									374	530
Results from operating activities									3,622	2,870
Extraordinary result									0	0
Taxes on income									- 1,308	- 1,089
Net income before minority interest									2,314	1,781
OTHER INFORMATION										
Segment assets:										
- by sales areas	7,478	7,223	5,476	4,751	3,347	2,883	- 1,446	- 1,169	14,855	13,688
- by location of assets	14,902	13,503	1,399	1,354			- 1,446	- 1,169	14,855	13,688
Non-allocated assets:										
- Financial assets									335	8,424
- Long term receivables									808	926
- Tax refund claims									12	145
- Deferred tax assets									279	156
- cash and cash equivalents									16,827	7,873
Consolidated assets									33,116	31,212
Segment liabilities (by sales areas)										
	2,875	2,936	3,271	3,022	1,179	1,045	- 2,282	- 2,329	5,043	4,674
Deferred tax liabilities (on investments)									56	46
Consolidated liabilities (current and long term portion)									5,099	4,720
Investments:										
- by sales areas	284	392	116	196	88	175			488	763
- by location of assets	484	763	4						488	763
Segment depreciation (by sales areas)	270	236	134	105	95	72			499	413
Non-cash segment expenses (by sales areas)										
	666	654	463	383	312	273			1,441	1,310

The parameters to be segmented by sales areas are allocated using an allocation formula derived in a uniform manner from 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. The transfer prices of intra-group deliveries and services are subject to the same conditions as those applicable for third parties.

The Group figures to be segmented are allocated to individual secondary segments as follows (unaudited):

	Adhesives/ Plastics ¹⁾		Inks/ coatings ²⁾		Other ³⁾		Elimina- tions		Consolidated	
	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€	as at 06/07 T€	as at 06/06 T€
INCOME:										
External sales	4,518	4,281	13,142	11,714	1,395	1,086			19,055	17,081
Intra-group sales	329	334	1,460	1,009	116	109	-1,905	-1,452		
Total sales	4,847	4,615	14,602	12,723	1,511	1,195	-1,905	-1,452	19,055	17,081
Segment result:										
by business segments	3,948	3,768	11,187	10,147	1,166	942	-1,446	-1,169	14,855	13,688
Investments:										
by business segments	134	188	321	525	33	50			488	763

Allocation of the figures to be segmented according to sales areas is based on 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.

The transfer 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 2007:

	Number of shares	Shares as percentage of nominal capital	Number of options
Board of Management			
Norbert Haimerl	25,000	0.45	10,000
Heiko Runge	16,100	0.29	10,000
Supervisory Board			
Dr. Hans-Joachim Vits	353,444	6.41	-
Prof. Dr. Karl Hönle	219,000	3.97	-
Eckhard Pergande	4,200	0.08	-
Dr. Hönle AG	290,289	5.27	
Total	908,033	16.47	20,000
Total Shares	5,512,930	100.0	

Financial Calendar 2007

14 August 2007

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12 November 2007

**Analyst Meeting at
Deutsches Eigenkapitalforum
in Frankfurt**

13 December 2007

Preliminary Figures of the Financial Year

Imprint

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