

3 MONTHS REPORT
2004 / 2005



Hönle at a glance

| Figures Hönle Group | 2004/2005 3 months | 2003/2004 3 months | Changes |
|--|-----------------------|-----------------------|---------|
| Income statement | T € | T € | in % |
| Revenues | 6,490 | 4,854 | 33.7 |
| EBITDA | 1,510 | 531 | 184.4 |
| EBIT | 1,390 | 423 | 228.6 |
| EBT | 1,545 | 540 | 186.1 |
| Net income | 904 | 315 | 187.0 |
| Earnings per share (1) | 0.17 | 0.06 | 183.3 |
| Balance sheet (2) | | | |
| Current assets | 17,036 | 16,372 | 4.1 |
| Long-term assets | 13,086 | 13,130 | - 0.3 |
| Current liabilities | 3,060 | 3,521 | - 13.1 |
| Long-term debts | 980 | 968 | 1.2 |
| Shareholders' equity | 25,629 | 24,647 | 4.0 |
| Total assets | 30,122 | 29,502 | 2.1 |
| Capital ratio in % | 85.1 | 83.5 | 1.9 |
| Cashflow | | | |
| Cash from ongoing business activities | 825 | - 319 | n.a. |
| Cashflows from operating activities | 606 | - 282 | n.a. |
| Cashflows from investments | 152 | - 5,996 | n.a. |
| Cashflows from financing activities | 27 | 111 | - 75.7 |
| Net increase/decrease in cash | 799 | - 6,163 | n.a. |
| Staff | | | |
| At the end of the financial year | 125 | 103 | 21.4 |

(1) Shares outstanding as of 31/12/2004 (5,240,000 shares)

(2) Balance sheet as of 31/12/2004 and 30/09/2004

All figures are unaudited.



Dear Shareholders

Hönle saw a successful start into the new financial year.

In the first quarter of 2004/2005, € 6.5 million in sales revenues yielded earnings before interest and taxes of € 1.4 million (EBIT). Compared to the same quarter in the previous year sales revenues were up 34 % and EBIT expanded by 229 %.

This development was a seamless continuation of the success achieved in the previous financial year. Hönle benefited from the revival of demand in the printing applications segment. UV-based drying systems were increasingly deployed in offset and inkjet printing applications. In addition, the other business units also developed well. Both the adhesives and disinfection and sun simulation units reported significant growth in revenue.

The positive development of business led to further improvement in the liquidity situation as well. Cash and cash equivalents from ongoing business activities were up by T€ 825, bringing the total cash balance (own shares, financial assets, liquid funds) to approx € 18 million or € 3.44 per share.

We are happy that the price of the Hönle share reflects the sustained positive development of business and has continued to rise above the lows, thus largely decoupling from the cautious mood on the stock markets.

Dear shareholders, we would like to express our sincere gratitude for your confidence and trust in our company.

The Board

Norbert Haimerl

Heiko Runge

Hönle Group Corporate Report

For the three months from 1 October 2004 to 31 December 2004

Sales revenues

In the first three months of the 2004/2005 financial year, the Hönle Group reported revenue of T€ 6,490. Thus, sales revenue was up 33.7 percent on the same period in the previous year.

An analysis of sales revenues by region indicates that the most significant growth was in domestic revenue, which moved from T€ 2,261 to T€ 3,531 year-on-year, thus posting 54.4% of total revenues. While revenues increased by 56.2% in Germany and by 25.0 % in the rest of Europe, revenues in the rest of the world saw a marginal 0.8 % decline, mainly as a result of the strong Euro. The share of revenues in the rest of Europe amounted to 28.9 % (previous year: 30.9 %) and in the rest of the world amounted to 16.7 % (previous year: 22.5 %).

Results

Earnings before interest and taxes (EBIT) rose from T€ 423 in the first quarter of the previous year to T€ 1,390 in the first quarter of the current financial year. In the same period, earnings before tax (EBT) climbed from T€ 540 to T€ 1,545 and net income for the period expanded from T€ 315 to T€ 904. Relative to the 5.24 million of Hönle shares, earnings per share rose from € 0.06 in the previous year to € 0.17 in the current year. The EBIT margin in the first quarter of

2004/2005 was 21.4 percent, while net return on sales was at 13.9 percent.

Expenses

The cost of materials ratio fell from 41.3 percent in the first quarter of the previous year to 37.8 percent in the first quarter of the current financial year.

In the same period, the personnel expenses ratio dropped from 31.2 percent to 26.1 percent because of higher revenue levels. Personnel expenses were up by T€ 162 to T€ 1,718.

Other operating expenses increased from T€ 951 to T€ 1,082.

Research and Development

Research and development activities ensure the future success of the company. In the last three months, the staff of 21 R&D employees of the Hönle Group has developed new product innovations, which are to be introduced on the market in the current financial year.

Research and development expenses dropped slightly from T€ 315 in the first quarter of the previous year to T€ 305 in the first quarter of 2004/2005.

Personnel

The staff of the Hönle Group rose from 103 employees as of 31 December 2003 to 125 employees as of 31 December 2004. The personnel increase concerned mainly the production, sales and R&D areas.

Liquidity

Hönle has a very solid financing base with a capital ratio of 85.1 percent. Liquid funds rose by T€ 799 to T€ 8,333 in the first quarter. The liquidity improvement is primarily due to the increase of cash and cash equivalents from current operations.

The total balance of liquid funds, financial assets and own shares is now at T€ 18,000. This represents a cash portion of € 3.44 per share.

Outlook

Compared to the same period in the previous year, first quarter the Hönle Group revenues expanded by 33.7 percent to T€ 6,490. EBIT jumped from T€ 423 in the previous year to T€ 1,390 in the current financial year.

UV technology continues to be a growth market, in which Dr. Hönle AG is well positioned as a systems provider.

Due to our large share of project business, Hönle's business development has traditionally been characterized by quarterly fluctuations in revenue and earnings. We expect that second quarter revenues will be below the previous year's level. However, the rising new orders at the beginning of the second quarter give us a positive outlook for the future.

The company's goal will continue to be further growth of revenue and earnings with a focus on organic as well as external growth.

Consolidated Balance Sheet

as of December 31, 2004 according to the regulations of the IASB

| ASSETS | 31/12/2004 | 30/09/2004 |
|--|-------------------|-------------------|
| | in T€ | in T€ |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 8,333 | 7,534 |
| Trade accounts receivable | 3,054 | 3,549 |
| Accounts receivable due from related parties | 1 | 0 |
| Inventories | 4,328 | 4,204 |
| Prepaid expenses and other | | |
| Current assets | 1,020 | 779 |
| Tax refund claims | 300 | 306 |
| Total current assets | 17,036 | 16,372 |
| LONG-TERM ASSETS | | |
| Property, plant and equipment | 1,902 | 1,926 |
| Intangible assets | 627 | 641 |
| Goodwill | 153 | 153 |
| Investments | 8,724 | 8,660 |
| Deferred taxes | 308 | 309 |
| Other long term assets | 1,372 | 1,441 |
| Total long-term assets | 13,086 | 13,130 |
| TOTAL ASSETS | 30,122 | 29,502 |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 31/12/2004 | 30/09/2004 |
|---|-------------------|-------------------|
| | in T€ | in T€ |
| CURRENT LIABILITIES | | |
| Short-term debt due and current portion | | |
| of long-term debt | 30 | 0 |
| Trade accounts payable | 650 | 876 |
| Liabilities to associated | | |
| companies | 1 | 1 |
| Advance payments received | 149 | 411 |
| Other accrued expenses | 1,186 | 1,429 |
| Deferred revenues | 0 | 0 |
| Income tax payable | 713 | 377 |
| Other current liabilities | 331 | 427 |
| Total current liabilities | 3,060 | 3,521 |
| LONG-TERM DEBTS | | |
| Long-term debts, less current portion | 0 | 0 |
| Deferred taxes | 12 | 12 |
| Pension accruals | 814 | 801 |
| Other long-term debts | 154 | 155 |
| Total long term debts | 980 | 968 |
| MINORITY INTEREST | 453 | 366 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 5,240 | 5,240 |
| Own shares | - 943 | - 943 |
| Additional paid in capital | 16,465 | 16,465 |
| Legal reserve | 49 | 49 |
| Special item revaluation | - 311 | - 375 |
| Retained earnings | 5,082 | 4,178 |
| Currency disparities | 47 | 33 |
| Total Shareholders' Equity | 25,629 | 24,647 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 30,122 | 29,502 |

Consolidated Income Statement

for the period October 1, 2004 until December 31, 2004 according to the regulations of the IASB

| | 01/10/2004 – 31/12/2004 in T€ | 01/10/2003 – 31/12/2003 in T€ |
|--|--|--|
| Revenues | 6,490 | 4,854 |
| Other operating income | 210 | 111 |
| Changes in inventories of finished goods and work in progress | 105 | 132 |
| Cost of purchased materials and services | - 2,495 | - 2,059 |
| Personnel expenses | - 1,718 | - 1,556 |
| Depreciation and amortization inclusive Goodwill | - 120 | - 108 |
| Other operating expenses | - 1,082 | - 951 |
| Operating income | 1,390 | 423 |
| Interest income and expenditure | 155 | 117 |
| Result before income taxes (and minority interest) | 1,545 | 540 |
| Income tax | - 553 | - 211 |
| Extraordinary expenses | 0 | 0 |
| Result before minority interest | 992 | 329 |
| Minority interest | - 88 | - 14 |
| Net income | 904 | 315 |
| Accumulated income | 4,178 | 2,356 |
| Accumulated net income | 5,082 | 2,671 |
| Net income per share (basic) in € | 0.18 | 0.06 |
| Net income per share (diluted) in € | 0.16 | 0.06 |
| Weighted average shares outstanding (basic) | 5,096,961 | 5,216,961 |
| Weighted average shares outstanding (diluted) | 5,552,261 | 5,516,161 |

Statement of Changes in Equity

for the period 1 October 2003 until 31 December 2003

| | 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€ | Total in T€ |
|--|------------------------|---------------------|---|---------------------------|--|--|---------------------------------------|----------------|
| Balance at 01/10/2003 | 5,240 | - 120 | 16,465 | 49 | - 447 | 2,356 | 41 | 23,584 |
| Dividend disbursement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency disparities | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| Valuation of investments due to IAS 39 not effecting net income | 0 | 0 | 0 | 0 | 92 | 0 | 0 | 92 |
| Net income of the year 2003/2004 | 0 | 0 | 0 | 0 | 0 | 315 | 0 | 315 |
| Stand 31/12/2003 | 5,240 | - 120 | 16,465 | 49 | - 355 | 2,671 | 45 | 23,995 |

Statement of Changes in Equity

for the period 1 October 2004 until 31 December 2004

| | 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€ | Total in T€ |
|--|------------------------|---------------------|---|---------------------------|--|--|---------------------------------------|----------------|
| Balance at 01/10/2004 | 5,240 | - 943 | 16,465 | 49 | - 375 | 4,178 | 33 | 24,647 |
| Dividend disbursement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency disparities | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 14 |
| Valuation of investments due to IAS 39 not effecting net income | 0 | 0 | 0 | 0 | 64 | 0 | 0 | 64 |
| Net income of the year 2004/2005 | 0 | 0 | 0 | 0 | 0 | 904 | 0 | 904 |
| Balance at 31/12/2004 | 5,240 | - 943 | 16,465 | 49 | - 311 | 5,082 | 47 | 25,629 |

Consolidated Statement of Cashflows

for the period 1 October 2004 until 31 December 2004 according to the regulations of the IASB

| | 01/10/2004- 31/12/2004 in T€ | 01/10/2003- 31/12/2003 in T€ |
|--|------------------------------------|------------------------------------|
| Cashflows from operating activities: | | |
| Net income/loss for the year before minority interest, taxes and extraordinary items | 1,545 | 540 |
| Adjustments for: | | |
| Depreciation of fixed assets | 120 | 108 |
| Interest income | - 165 | - 133 |
| Interest expenses | 10 | 16 |
| Operating result before changes to net current assets | 1,510 | 531 |
| Increase/decrease of accrued expenses | - 230 | - 300 |
| Profits/losses from the disposal of items of fixed assets | 0 | 0 |
| Increase/decrease of trade accounts receivable | 495 | 443 |
| Increase/decrease of other assets and the prepaid expenses | - 242 | - 845 |
| Increase/decrease in inventories | - 124 | - 251 |
| Increase/decrease in trade accounts payable | - 226 | - 20 |
| Increase/decrease in liabilities to associated companies | 0 | - 3 |
| Increase/decrease in advance payments received | - 262 | 294 |
| Increase/decrease in other liabilities | - 96 | - 168 |
| Cash from ongoing business activities | 825 | - 319 |
| Interest paid | - 10 | - 16 |
| Tax paid from income | - 209 | 53 |
| Net cash from operating activities | 606 | - 282 |
| Cashflows from investment: | | |
| Income from the sale of fixed assets | 0 | 0 |
| Purchase of tangible assets and intangible assets | - 82 | - 54 |
| Purchase of investments | 0 | - 6,124 |
| Change in special item revaluation in equity | 64 | 92 |
| Change in investments | - 64 | - 92 |
| Change in other long-term assets | - 12 | 21 |
| Interest and dividend received | 246 | 161 |
| Net cash used for investment | 152 | - 5,996 |
| Cashflows from financing activities: | | |
| Change in debts and liabilities towards banks | 29 | 111 |
| Change in minority interest (without allocation of results) | - 2 | 0 |
| Dividends paid | 0 | 0 |
| Net cash from financing activities | 27 | 111 |
| Currency disparities | 14 | 4 |
| Net increase/decrease in cash | 799 | - 6,163 |
| Cash at the beginning of the period under review | 7,534 | 15,536 |
| Cash at the end of the period under review | 8,333 | 9,373 |

Explanatory Notes

to the 3 Month Report 2004/2005

Significant accounting, valuation and consolidation methods have remained unchanged in comparison with the 2003/2004 annual report.

The shares held as financial assets, which were initially stated in accordance with IAS 39 in financial year 2001/2002, were adjusted to fair value as at 31 December 2004 without an effect on profits. The value of these shares amounted to T€ 676 at the end of the quarter compared to T€ 612 as at 30 September 2004. The difference of T€ 64 was offset against the special equity item Revaluation without an effect on earnings.

Participating certificates purchased in the 2003/2004 financial year for a total T€ 6,788 yielded interest of T€ 196 in the first quarter of the 2004/2005 financial year. The corresponding premium of T€ 81 was recognized as income.

Other operating income included T€ 82 of income from early termination of a sub-lease rental agreement.

For the first time, Standard IFRS 3: "Business Combinations", which is valid for years beginning on or after 31 March 2004, was applied to the goodwill included in fixed assets. Therefore, goodwill was no longer amortized. The annual impairment test is likely to be carried out at the end of the 2004/2005 financial year.

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

| | Germany | | Europe | | Rest of the world | | Eliminations | | Consolidated | |
|--|--------------|--------------|--------------|--------------|-------------------|--------------|---------------|---------------|---------------|---------------|
| | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 |
| | T€ | T€ | T€ | T€ | T€ | T€ | T€ | T€ | T€ | T€ |
| INCOME: | | | | | | | | | | |
| External sales | 3,531 | 2,261 | 1,877 | 1,502 | 1,082 | 1,091 | 0 | 0 | 6,490 | 4,854 |
| Intra-group sales | 756 | 353 | 430 | 317 | 0 | 0 | -1,186 | -670 | 0 | 0 |
| Total sales | 4,287 | 2,614 | 2,307 | 1,819 | 1,082 | 1,091 | -1,186 | -670 | 6,490 | 4,854 |
| RESULTS: | | | | | | | | | | |
| Segment result (operating income) | 875 | 213 | 324 | 129 | 192 | 89 | -1 | -8 | 1,390 | 423 |
| Interest received | | | | | | | | | 49 | 80 |
| Interest paid | | | | | | | | | -10 | -16 |
| Income from securities | | | | | | | | | 116 | 53 |
| Depreciation of securities | | | | | | | | | 0 | 0 |
| Results before income taxes (and minority interest) | | | | | | | | | 1,545 | 540 |
| Extraordinary result | | | | | | | | | 0 | 0 |
| Taxes on income | | | | | | | | | -553 | -211 |
| Net income for the period | | | | | | | | | 992 | 329 |
| OTHER INFORMATION | | | | | | | | | | |
| Segment assets: | | | | | | | | | | |
| • by sales areas | 6,899 | 6,171 | 3,592 | 3,624 | 1,989 | 2,693 | -1,095 | -1,189 | 11,385 | 11,299 |
| • by location of asset | 11,037 | 10,710 | 1,443 | 1,778 | 0 | 0 | -1,095 | -1,189 | 11,385 | 11,299 |
| Non-allocated assets: | | | | | | | | | | |
| • Financial assets | | | | | | | | | 8,724 | 6,779 |
| • Long term receivables | | | | | | | | | 1,372 | 1,070 |
| • Deferred tax assets | | | | | | | | | 308 | 354 |
| • Cash and cash equivalents | | | | | | | | | 8,333 | 9,373 |
| Consolidated assets | | | | | | | | | 30,122 | 28,875 |
| Segment liabilities (by sales areas) | 3,187 | 3,152 | 2,553 | 2,810 | 970 | 1,387 | -2,682 | -2,822 | 4,028 | 4,527 |
| Investments: | | | | | | | | | | |
| • by sales areas | 56 | 37 | 15 | 6 | 11 | 11 | 0 | 0 | 82 | 54 |
| • by location of asset | 79 | 54 | 3 | 0 | 0 | 0 | 0 | 0 | 82 | 54 |
| Segment depreciation (by sales areas) | 79 | 62 | 22 | 22 | 19 | 24 | 0 | 0 | 120 | 108 |
| Non-cash segment expenses (by sales areas) | 331 | 174 | 151 | 90 | 88 | 76 | 0 | 0 | 570 | 340 |

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.

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

| | Adhesives / plastics | | Inks / coatings | | Others | | Elimina- tions | | Consolidated | |
|------------------------|-------------------------|----------------|--------------------|----------------|----------------|----------------|-------------------|----------------|----------------|----------------|
| | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 | as at 12/04 | as at 12/03 |
| | T€ | T€ | T€ | T€ | T€ | T€ | T€ | T€ | T€ | T€ |
| INCOME: | | | | | | | | | | |
| External sales | 1,872 | 1,505 | 4,027 | 2,896 | 591 | 453 | 0 | 0 | 6,490 | 4,854 |
| Intra-group sales | 771 | 376 | 341 | 259 | 74 | 35 | -1,186 | -670 | 0 | 0 |
| Total sales | 2,643 | 1,881 | 4,368 | 3,155 | 665 | 488 | -1,186 | -670 | 6,490 | 4,854 |
| Segment assets: | | | | | | | | | | |
| • by business segments | 3,896 | 4,116 | 7,445 | 7,170 | 1,139 | 1,202 | -1,095 | -1,189 | 11,385 | 11,299 |
| Investments: | | | | | | | | | | |
| • by business segments | 40 | 27 | 36 | 23 | 6 | 4 | 0 | 0 | 82 | 54 |

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.

Shareholdings and Option Rights of the corporate bodies

Securities portfolio as at 31 December 2004:

| | Number of shares | Shares as percentage of nominal capital | Number of options |
|----------------------------|-------------------------|--|--------------------------|
| Board of Management | | | |
| Norbert Haimerl | 57,294 | 1.09 | 37,500 |
| Heiko Runge | 26,100 | 0.50 | 37,500 |
| Supervisory Board | | | |
| Dr. Hans-Joachim Vits | 353,444 | 6.75 | - |
| Prof. Dr. Karl Hönle | 299,225 | 5.71 | - |
| Eckhard Pergande | 4,950 | 0.09 | - |
| Dr. Hönle AG | 143,039 | 2.73 | - |
| Total | 915,052 | 17.46 | 75,000 |

Calendar

16 March 2005

Shareholders' Meeting in Munich

13 May 2005

6 Month Report

12. August 2005

9 Month Report

Trade Fairs

26-28 April 2005

European Coatings Show

Nürnberg, Germany

21-24 September 2005

LABELXPO EUROPE

Brussels, Belgium

31 May – 04 June 2005

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Editor: Dr. Höhle AG

Photos: Stefan Braun

Contact:

Investor Relations
and Public Relations
Peter Weinert

Tel. +49 (0) 89 85 60 8-173

E-Mail: ir@hoenle.de



Dr. Höhle AG • UV Technology
Lochhamer Schlag 1 • D- 82166 Gräfelfing/München
Telephone: +49 (0)89/8 56 08-0 • Fax: +49 (0)89/8 56 08-148
E-Mail: ir@hoenle.de • Internet: www.hoenle.de