



2005

3 MONTHS REPORT

2006



Hönle at a glance

Figures Hönle Group	2005/2006 3 months	2004/2005 3 months adjusted (1)	Changes
Income statement	T €	T €	in %
Revenues	5,569	6,490	- 14.2
EBITDA	953	1,486	- 35.9
EBIT	821	1,366	- 39.9
EBT	968	1,521	- 36.4
Net Income	573	880	- 34.9
Earnings per share (2)	0.11	0.16	- 31.3
Balance sheet (3)			
Current assets	17,304	17,776	- 2.7
Long-term assets	14,795	14,304	3.4
Current liabilities	2,453	3,180	- 22.9
Long-term debts	1,939	1,860	4.2
Shareholders' equity	27,707	27,040	2.5
Total assets	32,099	32,080	0.1
Capital ratio in %	86.3	84.3	2.4
Cashflow			
Cash from ongoing business activities	140	801	- 82.5
Cashflows from operating activities	50	582	- 91.4
Cashflows from investments	- 393	152	-
Cashflows from financing activities	33	51	- 35.3
Net increase/decrease in cash	- 308	799	-
Staff			
at the end of the financial year	119	125	- 4.8

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

(2) Shares outstanding as of 31/12/2005 (5,349,740 shares)

(3) Balance sheet as of 31/12/2005 and 30/09/2005

All figures are unaudited.



Dear Shareholders,

The Hönle Group achieved sales of € 5.6 million in the first quarter of financial year 2005/2006. In the previous year's quarter, we had realised sales of € 6.5 million due to delivery of a large adhesives order, among other things. Hence, a large part of the adhesives sales in financial year 2004/2005 had already been achieved in the first quarter and contributed significantly to the strong performance in the first quarter of 2004/2005.

Consequently, consolidated net income was 34.9 % down from the previous year's quarter, despite a markedly improved cost of materials ratio of 34.0 % (previous year: 37.8 %).

We gained the impression that the investment climate has improved in recent months, especially in our target markets. This is confirmed by positive feedback from printing machine manufacturers.

The level of incoming orders during the first quarter of financial year 2005/2006 was promising, and is reflected in a significant increase in orders on hand as at 31 December 2005 compared with the previous year. Sales in the North America region saw favourable development and the orders incoming from China also indicate positive business development in that sales region.

As planned, a new coating facility went into operations during the first quarter. We are now in a position to perform high quality coating at the Rott am Inn site. Moreover, we have invested in a new production plant for our lamp production which will enable us to open up new customer segments.

At this point we wish to thank you, our shareholders, for the confidence you have shown in our Company.

The Board

Norbert Haimerl

Heiko Runge

Hönle Group Report

for the three months from 1 October 2005 to 31 December 2005

Sales Revenues

Hönle Group sales revenues amounted to T€ 5,569 in the first three months of financial year 2005/2006 and were 14.2 percent down from the previous year's strong first quarter.

Regional sales development was quite varied. While domestic sales dropped from T€ 3,531 to T€ 2,629 and sales in other parts of Europe fell from T€ 1,877 to T€ 1,706, revenues from the rest of the world rose from T€ 1,082 in the previous year's period to T€ 1,234 in the current financial year. The high level of domestic sales in the previous year's quarter was due, in particular, to a large order in the adhesives segment.

Sales in the adhesives and plastics segment have also dropped from T€ 1,872 to T€ 1,259. Inks and coatings segment sales amounted to T€ 3,998 in the first quarter after being T€ 4,027 in the same period of the previous year.

Earnings

Earnings before interest and tax (EBIT) fell from T€ 1,366 in the first quarter of the previous year to T€ 821 in the first quarter of the current financial year. Earnings before tax (EBT) amounted to T€ 968 after T€ 1,521, and net income for the period was T€ 573 after being T€ 880 in the previous year. Thus, earnings per share came to € 0.11 relative to 5.35

million shares of stock after being € 0.16 in the comparable previous year's period.

The EBIT margin was 14.8 % in the first quarter of 2005/2006 and net profit on sales was 10.4 %.

Expenses

The cost of materials ratio fell from 37.8 % in the quarter of the previous year to 34.0 % in the first quarter of the current financial year. This drop in the cost of materials ratio is caused by expansion of the real net output ratio in the Hönle Group.

The personnel expense ratio rose from 26.4 % to 31.4 % during the same period due to the lower sales level. Personnel expenses remained practically unchanged at T€ 1,736.

Other operating expenses increased from T€ 1,082 to T€ 1,090.

Research and Development

Activities in the research and development segment ensure the future success of the Company. In the past three months, the 18 R&D employees of the Hönle Group brought product innovations to a stage which will enable their being launched on the market in this financial year.

Research and development expenses dropped marginally from T€ 305 in the previous year's quarter to T€ 288 in the first quarter of 2005/2006.

Personnel

The number of staff employed in the Höhle Group fell from 125 as at 31 December 2004, to 119 as at 31 December 2005.

Liquidity

Cash provided by operating activities amounted to T€ 140 in the first quarter.

The Höhle Group acquired a coating plant in the first quarter, and this led to a cash reduction. Overall, liquid funds declined by T€ 308, and amounted to T€ 8,068 at the end of the reporting period.

Liquid funds, financial assets and treasury stock now amount to T€ 17,947. This corresponds to a cash portion of € 3.35 per share.

Outlook

As stated above, the investment climate has improved in recent months, particularly in Germany. Our incoming orders during the first quarter confirm that the mood is brightening. Our orders position at the end of the first quarter was perceptibly above that of the previous year. We therefore assume that both sales and earnings in the second quarter

will be significantly up from those of the previous year's quarter.

We will further extend our sales capacities in the coming months in order to improve our sales revenues in existing and also in new UV application areas.

In so doing, particular attention will be paid to supporting our new sales partner for the Japanese market, Fujifilm Graphic Systems Co. Ltd..

Höhle has also invested in a new coating plant and a new production plant for medium pressure lamps. These plants will open up new customer segments for us and make us more independent from suppliers.

Moreover, in this financial year we intend to reduce the cost of materials ratio compared with last year. Measures already implemented in order to extend the vertical range of manufacture and, in addition, improved purchasing conditions should contribute to this development.

Consolidated Balance Sheet

as of December 31, 2005 according IFRS

ASSETS	31/12/2005	30/09/2005
	in T€	in T€
		adjusted (1)
CURRENT ASSETS		
Cash and cash equivalents	8,068	8,376
Trade accounts receivable	3,297	3,556
Inventories	4,655	4,605
Current portion of prepaid expenses and other current assets	1,181	928
Tax refund claims	103	311
Total current assets	17,304	17,776
LONG-TERM ASSETS		
Property, plant and equipment	3,885	3,328
Intangible assets	585	609
Goodwill	153	153
Investments	8,936	8,868
Deferred taxes	193	204
Long term portion of prepaid expenses and other long term assets	1,043	1,142
Total long-term assets	14,795	14,304
TOTAL ASSETS	32,099	32,080

(1) see explanatory notes

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2005	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	0	2
Trade accounts payable	495	828
Liabilities to associated companies	1	0
Advance payments received	253	207
Other accrued expenses	987	1,324
Income tax payable	414	302
Other current liabilities	298	512
Total current liabilities	2,453	3,180
LONG-TERM DEBTS		
Long-term debts, less current portion	800	800
Long-term portion of capital lease obligation	12	14
Deferred taxes	46	46
Pension accruals	915	847
Other long-term debts	166	153
Total long term debts	1,939	1,860
SHAREHOLDERS' EQUITY		
Share capital	5,350	5,350
Own shares	- 943	- 943
Additional paid in capital	16,650	16,626
Legal reserve	49	49
Special item revaluation	- 99	- 167
Retained earnings	6,191	5,618
Currency disparities	33	31
Minority interest	476	476
Total Shareholders' Equity	27,707	27,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	32,099	32,080

(1) see explanatory notes

Consolidated Income Statement

for the period October 1, 2005 until December 31, 2005 according IFRS

	01/10/2005 – 31/12/2005 in T€	01/10/2005 – 31/12/2005 in T€ adjusted (1)
Revenues	5,569	6,490
Other operating income	125	210
Changes in inventories of finished goods and work in progress	- 33	105
Cost of purchased materials and services	- 1,882	- 2,495
Personnel expenses	- 1,736	- 1,742
Depreciation and amortization	- 132	- 120
Other operating expenses	- 1,090	- 1,082
Operating income	821	1,366
Interest income and expenditure	147	155
Result before income taxes (and minority interest)	968	1,521
Income tax	- 395	- 553
Extraordinary expenses	0	0
Result before minority interest	573	968
Minority interest	0	- 88
Net income	573	880
Accumulated income	5,618	4,135
Accumulated net income	6,191	5,015
Net income per share (basic) in €	0.11	0.17
Net income per share (diluted) in €	0.10	0.16
Weighted average shares outstanding (basic)	5,206,701	5,096,961
Weighted average shares outstanding (diluted)	5,555,361	5,552,261

(1) see explanatory notes

Statement of Changes in Equity

for the period 1 October 2004 - 31 December 2004 and 1 October 2005 - 31 December 2005 (1)

	Share capital in T€	Own shares in T€	Additional paid-in capital in T€	Legal reserve in T€	Special item revaluation in T€	Consolidated earnings/loss in T€	Currency disparities in T€	Minority interest in T€	Total in T€
Balance at 01/10/2004	5,240	- 943	16,465	49	- 375	4,178	33	366	25,013
<i>Retrospective adjustment due to first time application of IFRS 2</i>			43			- 43			0
Balance at 01/10/2004 adjusted	5,240	- 943	16,508	49	- 375	4,135	33	366	25,013
Dividend disbursement									0
Currency disparities							14		14
Change in minority interest effecting net income								88	88
Valuation of investments due to IAS 39 not effecting net income					64				64
Change in additional paid in capital due to IFRS 2			24						24
Net income of the year 2004/2005						880			880
Stand 31/12/2004	5,240	- 943	16,532	49	- 311	5,015	47	454	26,083

	Share capital in T€	Own shares in T€	Additional paid-in capital in T€	Legal reserve in T€	Special item revaluation in T€	Consolidated earnings/loss in T€	Currency disparities in T€	Minority interest in T€	Total in T€
Balance at 01/10/2005	5,350	- 943	16,487	49	- 167	5,757	31	476	27,040
<i>Retrospective adjustment due to first time application of IFRS 2</i>			139			- 139			0
Balance at 01/10/2005 adjusted	5,350	- 943	16,626	49	- 167	5,618	31	476	27,040
Dividend disbursement									0
Currency disparities							2		2
Change in minority interest effecting net income								0	0
Valuation of investments due to IAS 39 not effecting net income					68				68
Change in additional paid in capital due to IFRS 2			24						24
Net income of the year 2005/2006						573			573
Balance at 31/12/2005	5,350	- 943	16,650	49	- 99	6,191	33	476	27,707

(1) see explanatory notes

Consolidated Statement of Cashflows

for the period 1 October 2005 until 31 December 2005 according IFRS

	01/10/2005- 31/12/2005 in T€	01/10/2004- 31/12/2004 in T€ adjusted (1)
Cashflows from operating activities:		
Net income/loss for the year before minority interest, taxes and extraordinary items	968	1,521
Adjustments for:		
Depreciation of fixed assets	132	120
Interest income	- 173	- 165
Interest expenses	26	10
Operating result before changes to net current assets	953	1,486
Increase/decrease of accrued expenses	- 269	- 230
Increase/decrease of trade accounts receivable	259	495
Increase/decrease of other assets and the prepaid expenses	- 253	- 242
Increase/decrease in inventories	- 50	- 124
Increase/decrease in trade accounts payable	- 333	- 226
Increase/decrease in liabilities to associated companies	1	0
Increase/decrease in advance payments received	46	- 262
Increase/decrease in other liabilities	- 214	- 96
Cash from ongoing business activities	140	801
Interest paid	- 26	- 10
Tax paid from income	- 64	- 209
Net cash from operating activities	50	582
Cashflows from investment:		
Purchase of tangible assets and intangible assets	- 666	- 82
Change in special item revaluation in equity	68	64
Change in investments	- 68	- 64
Change in other long-term assets	19	- 12
Interest and dividend received	254	246
Net cash used for investment	- 393	152
Cashflows from financing activities:		
Change in additional paid in capital due to IFRS 2	24	24
Change in debts and liabilities towards banks	9	29
Change in minority interest (without allocation of results)	0	- 2
Dividends paid	0	0
Net cash from financing activities	33	51
Currency disparities	2	14
Net increase/decrease in cash	- 308	799
Cash at the beginning of the period under review	8,376	7,534
Cash at the end of the period under review	8,068	8,333

(1) see explanatory notes

Explanatory Notes

to the 3-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 quarter of 2005/2006, personnel expense was recorded to the amount of T€ 24, applying IFRS 2 for the first time. Owing to the 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 with respect to the items of retained earnings and additional paid in capital. The personnel expense in the comparable previous year's period was reported higher by the amount of T€ 24. As a result, net income for the year also declined by T€ 24 from T€ 904 to T€ 880. The personnel expense which was not required to be reported in the balance sheet in the past is reflected in the adjustments of the retained earnings and additional paid in capital values carried forward. As of 1 October 2005, the retained earnings and the additional paid in capital were adjusted by T€ 139 in each case. The corresponding values as of 1 October 2004 amounted to T€ 43 respectively.

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 31 December 2005 and treated with neutral effect on profits. The value of these shares of stock amounted to T€ 888 at the end of the quarter in comparison with T€ 820 as of 30 September 2005. The difference of T€ 68 was netted with the special item revaluation in equity with neutral effect on profits.

In the first quarter of the 2005/2006 financial year, interest amounting to T€ 196 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 amounting to T€ 81 was credited to income.

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

	Germany		Europe		Rest of the world		Eliminations		Consolidated	
	as at 12/05	as at 12/04	as at 12/05	as at 12/04	as at 12/05	as at 12/04	as at 12/05	as at 12/04	as at 12/05	as at 12/04
	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€
INCOME:										
External sales	2,629	3,531	1,706	1,877	1,234	1,082			5,569	6,490
Intra-group sales	118	756	344	430	0	0	-462	-1,186		
Total sales	2,747	4,287	2,050	2,307	1,234	1,082	-462	-1,186	5,569	6,490
RESULTS:										
Segment result (operating income)	352	860	277	319	188	190	2	-1	821	1,366
Interest received									56	49
Interest paid									-26	-10
Income from securities									117	116
Results before income taxes (and minority interest)									968	1,521
Extraordinary result									0	0
Taxes on income									-395	-553
Net income for the period									573	968
OTHER INFORMATION										
Segment assets:										
• by sales areas	7,196	6,899	4,439	3,592	3,163	1,989	-939	-1,095	13,859	11,385
• by location of asset	13,503	11,037	1,295	1,443	0	0	-939	-1,095	13,859	11,385
Non-allocated assets:										
• Financial assets									8,936	8,724
• Long term receivables									1,043	1,372
• Deferred tax assets									193	308
• Cash and cash equivalents									8,068	8,333
Consolidated assets									32,099	30,122
Segment liabilities (by sales areas)	2,849	3,187	2,701	2,553	1,104	970	-2,307	-2,682	4,347	4,028
Deferred tax liabilities (on investments)									46	12
Investments:										
• by sales areas	338	56	160	15	168	11			666	82
• by location of asset	666	79	0	3	0	0			666	82
Segment depreciation (by sales areas)	76	79	31	22	25	19			132	120
Non-cash segment expenses (by sales areas)	293	331	181	151	129	88			603	570

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		Inks / coatings		Others		Elimina- tions		Consolidated	
	as at 12/05 T€	as at 12/04 T€	as at 12/05 T€	as at 12/04 T€	as at 12/05 T€	as at 12/04 T€	as at 12/05 T€	as at 12/04 T€	as at 12/05 T€	as at 12/04 T€
INCOME:										
External sales	1,259	1,872	3,998	4,027	312	591			5,569	6,490
Intra-group sales	106	771	338	341	18	74	- 462	- 1,186		
Total sales	1,365	2,643	4,336	4,368	330	665	- 462	- 1,186	5,569	6,490
Segment assets:										
• by business segments	3,547	3,896	10,425	7,445	826	1,139	- 939	- 1,095	13,859	11,385
Investments:										
• by business segments	146	40	479	36	41	6			666	82

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 2005:

	Number of shares	Shares as percentage of nominal capital	Number of options
Board of Management			
Norbert Haimerl	25,000	0.47	26,500
Heiko Runge	16,100	0.30	26,500
Supervisory Board			
Dr. Hans-Joachim Vits	353,444	6.61	-
Prof. Dr. Karl Hönle	217,000	4.06	-
Eckhard Pergande	4,950	0.09	-
Dr. Hönle AG	143,039	2.67	-
Total	759,533	14.20	53,000

Calendar

27 March 2006

Shareholders' Meeting in Munich

15 May 2006

6 Month Report

Trade Fairs

04-11 April 2006

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