

9 MONTHS REPORT
2004 / 2005



Hönle at a glance

Figures Hönle Group	2004/2005 9 months	2003/2004 9 months	Changes
Income statement	T €	T €	in %
Revenues	16,819	15,931	5.6
EBITDA	2,882	2,404	19.9
EBIT	2,509	2,000	25.5
EBT	2,966	2,434	21.9
Net income	1,825	1,548	17.9
Earnings per share (1)	0.35	0.30	16.7
Balance sheet (2)			
Current assets	16,703	16,372	2.0
Long-term assets	14,310	13,130	9.0
Current liabilities	3,787	3,521	7.6
Long-term debts	1,024	968	5.8
Shareholders' equity	25,561	24,647	3.7
Total assets	31,013	29,502	5.1
Capital ratio in %	82.4	83.5	- 1.3
Cashflow			
<i>Cash from ongoing business activities</i>			
	1,979	1,430	38.4
Cashflows from operating activities	853	1,493	- 42.9
Cashflows from investments	- 953	- 8,651	-
Cashflows from financing activities	- 2	- 505	-
Net decrease in cash	- 111	- 7,681	-
Staff			
At the end of the period	122	115	6.1

(1) Shares inscribed in the Commercial Register as of 30/06/2005 (5,240,000)

(2) Balance sheet as of 30/06/2005 and 30/09/2004

All figures are unaudited.



Dear Shareholders

As announced in the last quarterly report, revenue in the third quarter of financial year 2004/2005 was up by € 5.7 million in comparison with the second quarter. We were able to increase revenue and to significantly improve our operating result and consolidated surplus during the past nine months.

It is particularly satisfactory that all Hönle Group subsidiaries contributed positively to the Group results during the nine-month period.

Aladin, the UV lamp specialist, as well as the adhesives company Wellomer, further expanded revenues and earnings. The measures to increase revenue implemented at our UK subsidiary, Honle UV UK, in the past financial year have also led to positive business development. For the first time since the Hönle Group became a systems provider three years ago, all Group companies earned a period surplus for the first nine months.

However, despite the Hönle Group's positive revenue and earnings development, revenue levels lag behind our expectations. This is due, on the one hand, to the dollar exchange rate development and associated retrograde revenue development in America, and to continuing investor restraint on our target markets on the other.

It was possible to reduce the cost of materials ratio perceptibly through extension of our vertical range of manufacture, among other things. The personnel cost ratio was also only slightly above the past year's value, despite an increase in the number of personnel. Other operating expenses could be maintained at last year's level.

Dear shareholders, thanking you for the confidence you place in us, we remain,

Kindly regards

Yours

Norbert Haimerl
Managing Board

Heiko Runge
Managing Board

The Hönle Group Report

for the nine months from 1 October 2004 to 30 June 2005

Sales Revenue

In the first nine months of 2004/2005 financial year, the Hönle Group revenues increased by 5.6 % to T€ 16,819.

The Company's most important segment, inks and coatings, saw positive development with revenues rising by 3.5 % to T€ 10,166. Even higher revenues were achieved in the adhesives and plastics segment where sales revenues climbed by 15.0 % to T€ 5,271.

Group revenues continued to grow in the European economic region while they were retrograde outside Europe. In America, in particular, the strong euro contributed to the somewhat weaker revenue development. Domestic revenues increased by 7.7 %, whereas revenues in the rest of Europe improved by 11.8 %. Thus, in the current year, the Hönle Group generated 82.2 % of its revenues in Europe.

Earnings

Earnings before income and taxes (EBIT) continued to pick up during the first nine months of the year, rising by 25.5 % to T€ 2,509. In the same period, earnings before tax (EBT) climbed by 21.9 % to T€ 2,966 and net income for the period grew by 17.9 % to T€ 1,825. Relative to the 5.24 million Hönle shares, earnings per share rose from € 0.30 in the previous year to € 0.35 in the current year.

The EBIT margin in the first nine months of 2004/2005 was at 14.9 %, compared to 12.6 % in the previous year. Net return on sales rose from 9.7 % to 10.8 %.

Expenses

In particular, the extension of our vertical manufacture range contributed to reducing the cost of materials ratio from 38.0 % in the previous year's period to 36.2 % in the first nine months of the current financial year. During the same period, the personnel expense ratio increased only marginally from 30.3 % to 30.9 % whereas, in absolute, terms, personnel expenses rose by T€ 399 to T€ 5,214.

Other operating expenses remained relatively constant at T€ 3,010. Hence, the ratio of other operating expenses dropped from 18.8 % to 17.9 %.

Research and Development

Hönle is leading in the development of new UV-systems and constantly invests in the continued development of existing products. In the current year, the number of staff employed in the research and development departments rose by 2 to 20 in comparison to the previous year.

Research and development expenses went up by 15.9 % from T€ 818 in the previous year's period to T€ 948 in the current financial year.

Personnel

The number of staff employed at the Hönle Group rose from 115 as of 30 June 2004 to 122 as of 30 June 2005. The personnel increase was mainly in the production, logistics and R&D areas.

Assets and Financial Position

Hönle has a very solid financing base with an equity ratio of more than 80 percent.

Cash provided by operating activities increased from T€ 523 as of 31 March to T€ 1,979 as of 30 June.

Liquid assets, financial assets and treasury stock amount to T€ 17,143 as of 30 June 2005. This represents a cash value of € 3.27 per share.

Outlook

Sales revenues generated in the third quarter improved in comparison with the second quarter. Likewise, the operating result and net income for this period saw perceptible improvement.

Given the current orders on hand, we expect revenues in the fourth quarter to be similar to those achieved in the third quarter. Consequently, revenues will be below the strong previous year's quarter.

Overall we expect a further EBIT increase this year as well as an increase in net income for the year. We also assume an increase in the EBIT margin and the net profit margin.

Consolidated Balance Sheet

as of 30 June 2005 according to the regulations of IASB

ASSETS	30/06/2005	30/09/2004
	in T€	in T€
CURRENT ASSETS		
Cash and cash equivalents	7,423	7,534
Trade accounts receivable	3,325	3,549
Accounts receivable due from related parties	1	0
Inventories	4,665	4,204
Prepaid expenses and other current assets	987	779
Tax refund claims	302	306
Total current assets	16,703	16,372
LONG-TERM ASSETS		
Property, plant and equipment	3,327	1,926
Intangible assets	588	641
Goodwill	153	153
Investments	8,777	8,660
Deferred taxes	281	309
Other long-term assets	1,184	1,441
Total long term assets	14,310	13,130
TOTAL ASSETS	31,013	29,502

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2005	30/09/2004
	in T€	in T€
CURRENT LIABILITIES		
Short-term debt and current portion		
of long-term debt	87	0
Trade accounts payable	617	876
Liabilities to		
associated companies	1	1
Advance payments received	335	411
Other accrued expenses	1,261	1,429
Deferred revenues	1	0
Income tax payable	272	377
Other current liabilities	413	427
Total current liabilities	2,987	3,521
LONG-TERM DEBTS		
Long-term debts	800	0
Deferred taxes	12	12
Pension accruals	859	801
Other long-term debts	153	155
Total long-term debts	1,824	968
MINORITY INTEREST		
Special item "For the exercise of the		
resolved capital increase paid-in capital "	132	0
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	- 258	- 375
Retained earnings	4,984	4,178
Currency disparities	24	33
Total Shareholders' Equity	25,561	24,647
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31,013	29,502

Consolidated Income Statement

for the period 1 October 2004 until 30 June 2005 according to the regulations of the IASB

	01/04/2005 -30/06/2005 in T€	01/04/2004 -30/06/2004 in T€	01/10/2004 -30/06/2005 in T€	01/10/2003 -30/06/2004 in T€
Revenues	5,695	5,508	16,819	15,931
Other operating income	73	80	358	347
Changes in inventories of finished goods and work in progress	- 72	29	39	- 35
Cost of purchased materials and services	- 1,898	- 1,932	- 6,110	- 6,035
Personnel expenses	- 1,803	- 1,652	- 5,214	- 4,815
Depreciation and amortization inclusive Goodwill	- 127	- 142	- 373	- 404
Other operating expenses	- 949	- 1,055	- 3,010	- 2,989
Operating income	919	836	2,509	2,000
Interest income and expenditure	153	162	457	434
Result before income taxes	1,072	998	2,966	2,434
Income tax	- 360	- 350	- 998	- 939
Result before minority interest	712	648	1,968	1,495
Minority interest	- 49	- 11	- 143	53
Net income	663	637	1,825	1,548
Accumulated income			3,159	1,939
Accumulated net income			4,984	3,487
Net income per share (basic) in €			0.36	0.30
Net income per share (diluted) in €			0.33	0.28
Weighted average shares outstanding (basic)			5,096,961	5,213,186
Weighted average shares outstanding (diluted)			5,552,261	5,535,613

Statement of Changes in Equity

for the period 1 October 2003 until 30 June 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 1 October 2003	5,240	- 120	16,465	49	- 447	2,356	41	23,584
Dividend disbursement						- 417		- 417
Purchase of own shares		- 193						- 193
Currency disparities							- 18	- 18
Valuation of investments due to IAS 39 not effecting net income					97			97
Net income of the year 2003/2004						1,548		1,548
Balance at 30 June 2004	5,240	- 313	16,465	49	- 350	3,487	23	24,601

Statement of Changes in Equity

for the period 1 October 2004 until 30 June 2005

	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 1 October 2004	5,240	- 943	16,465	49	- 375	4,178	33	24,647
Dividend disbursement						- 1,019		- 1,019
Currency disparities							- 9	- 9
Valuation of investments due to IAS 39 not effecting net income					117			117
Net income of the year 2004/2005						1,825		1,825
Balance at 30 June 2005	5,240	- 943	16,465	49	- 258	4,984	24	25,561

Consolidated Statement of Cashflows

for the period 1 October 2004 until 30 June 2005 according to the regulations of the IASB

	01/10/2004- 30/06/2005 in T€	01/10/2003- 30/06/2004 in T€
Cashflows from operating activities:		
Net income for the year before minority interest, taxes and extraordinary items	2,966	2,434
Adjustments for:		
Depreciation of fixed assets	373	344
Interest income	- 512	- 475
Interest expenses	55	41
Operating result before changes to net current assets	2,882	2,344
Increase/decrease of accrued expenses	- 110	- 25
Profits/losses from the disposal of items of fixed assets	1	0
Increase/decrease of trade accounts receivable	224	- 194
Increase/decrease of other assets and the prepaid expenses	- 209	50
Increase/decrease in inventories	- 461	- 477
Increase/decrease in trade accounts payable	- 259	- 187
Increase/decrease in liabilities to associated companies	0	- 2
Increase/decrease in advance payments received	- 76	191
Increase/decrease in other liabilities	- 14	- 270
Increase/decrease of deferred revenues	1	0
Cash from ongoing business activities	1,979	1,430
Interest paid	- 55	- 41
Tax paid from income	- 1,071	104
Net cash from operating activities	853	1,493
Cashflows from investment:		
Income from the sale of fixed assets (incl. Payback of participation certificates)	8	0
Purchase of tangible assets and intangible assets	- 1,730	- 253
Purchase of investments	0	- 9,080
Change in special item revaluation in equity	117	97
Change in investments	- 117	- 97
Change in other long-term assets	15	38
Interest and dividend received	754	644
Net cash used for investment	- 953	- 8,651
Cashflows from financing activities:		
Capital increase paid-in	132	0
Change in debts and liabilities towards banks	885	45
Change in minority interest (without allocation of results)	0	60
Dividends paid	- 1,019	- 417
Purchase of own shares	0	- 193
Net cash from financing activities	- 2	- 505
Currency disparities	- 9	- 18
Net increase/decrease in cash	- 111	- 7,681
Cash at the beginning of the period under review	7,534	15,536
Cash at the end of the period under review	7,423	7,855

Explanatory Notes

to the 9-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 30 June 2005 without an effect on profits. The value of these shares amounted to T€ 729 at the end of the quarter compared to T€ 612 as at 30 September 2004. The difference of T€ 117 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€ 589 in the first nine months of the 2004/2005 financial year. The corresponding premium of T€ 242 was recognized as income.

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

	Germany		Europe		Rest of the world		Eliminations		Consolidated	
	as at 06/05	as at 06/04	as at 06/05	as at 06/04	as at 06/05	as at 06/04	as at 06/05	as at 06/04	as at 06/05	as at 06/04
	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€
INCOME:										
External sales	8,130	7,552	5,699	5,098	2,990	3,281			16,819	15,931
Intra-group sales	1,231	1,119	1,240	1,084			- 2,471	- 2,203		
Total sales	9,361	8,671	6,939	6,182	2,990	3,281	- 2,471	- 2,203	16,819	15,931
RESULT:										
Segment result (operating income)	1,237	918	910	664	372	432	- 10	- 14	2,509	2,000
Interest received									141	193
Interest paid									- 55	- 41
Income from securities									371	282
Results before income taxes (and minority interest)									2,966	2,434
Extraordinary result									0	0
Taxes on income									- 998	- 939
Net income for the period									1,968	1,495
OTHER INFORMATION										
Segment assets:										
• by sales areas	7,230	6,784	4,831	3,926	2,425	2,568	- 1,138	- 1,390	13,348	11,888
• by location of assets	12,760	11,838	1,726	1,440			- 1,138	- 1,390	13,348	11,888
Non-allocated assets:										
• Financial assets									8,776	8,683
• Lang-term receivables									1,185	1,054
• Deferred tax assets									281	319
• Cash and cash equivalents									7,423	7,855
Consolidated assets									31,013	29,799
Segment liabilities (by sales areas)	3,285	3,611	3,074	2,911	1,076	1,342	- 2,636	- 3,013	4,799	4,851
Deferred taxes									12	0
Investments:										
• by sales areas	943	185	453	34	334	34			1,730	253
• by location of assets	1,724	253	6						1,730	253
Segment depreciation (by sales areas)	225	238	88	91	60	75			372	404
non cash segment expenses (by sales areas)	588	538	336	278	195	211			1,119	1,027

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 06/05 T€	as at 06/04 T€	as at 06/05 T€	as at 06/04 T€	as at 06/05 T€	as at 06/04 T€	as at 06/05 T€	as at 06/04 T€	as at 06/05 T€	as at 06/04 T€
INCOME:										
External sales	5,271	4,585	10,166	9,819	1,382	1,527			16,819	15,931
Intra-group sales	1,199	1,204	1,162	869	110	130	-2,471	-2,203	0	0
Total sales	6,470	5,789	11,328	10,688	1,492	1,657	-2,471	-2,203	16,819	15,931
Segment assets:										
• by business areas	4,660	4,082	8,663	7,987	1,163	1,209	-1,138	-1,390	13,348	11,888
Investments:										
• by business segments	578	146	1,003	92	149	15			1,730	253

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 30 June 2005:

	Number of shares	Shares as percentage of nominal capital	Number of options
Board of Management			
Norbert Haimerl	25,000	0.48	26,500
Heiko Runge	16,100	0.31	26,500
Supervisory Board			
Dr. Hans-Joachim Vits	353,444	6.75	-
Prof. Dr. Karl Hönle	266,225	5.08	-
Eckhard Pergande	4,950	0.09	-
Dr. Hönle AG	143,039	2.73	-
Total	808,758	15.44	53,000

Trade Fairs

21-24 September 2005

LABELXPO EUROPE

Brussels, Belgium

18-20 October 2005

RADTECH EUROPE

Barcelona, Spain

15-18 November 2005

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