

Corporate Governance Report

Statement pursuant to Section 161 AktG on the observance of recommendations concerning the German Corporate Governance Code by Dr. Höhle AG

As of 10 December 2007

The German Corporate Governance Code presents essential statutory regulations governing the management and supervision of German listed companies and includes internationally and nationally recognised standards for corporate governance. The German Corporate Governance Code defines three different standards, namely regulations that describe current statutory law, recommendations of the government commission, and suggestions of the government commission.

As currently valid statutory law, corporations are obliged to act in compliance with the legal provisions defined in the German Corporate Governance Code. The companies may deviate from the recommendations but are required to make an annual disclosure concerning such deviations. In accordance with Section 161 AktG [German Stock Corporation Act], the Management Board and the Supervisory Board of German listed companies are required to issue annual statements concerning observance of the recommenda-

tions of the government commission. Deviations from the suggestions of the German Corporate Governance Code need not be disclosed.

Dr. Höhle AG complies to a large extent with the recommendations of the German Corporate Governance Code. The Company's past, present and expected future practices deviate from the recommendations of the German Corporate Governance Code as amended on 12 June 2006 with respect to the following points:

Deductibles concerning D&O Insurance Policies

The German Corporate Governance Code recommends that an adequate deductible be stipulated in liability insurance policies which a corporation takes out for its Management Board and Supervisory Board members [Directors and Officers Liability Insurances, in short D&O insurance] (Code paragraph 3.8, sub-paragraph 2). Dr. Höhle AG is not of the opinion that such deductibles would improve the Management Board and Supervisory Board members' motivation and responsibility respecting their duties and functions. Dr. Höhle AG does not plan to alter its current D&O insurance contracts, which do not provide for deductibles concerning members of corporate bodies.

Chairman or Spokesman of the Management

The German Corporate Governance Code recommends that the Management Board shall have a chairman or a spokesman (Code paragraph 4.2.1, sentence 1). At present, the Management Board of Dr. Hönle AG is comprised of two persons. The distribution of business and cooperation within the Management Board is governed, among other things, by the rules of internal procedure. Both Management Board members have worked together closely and successfully for years. Dr. Hönle AG does not have a Management Board chairman or a Management Board spokesman.

Age Limits of Supervisory Board Members

The German Corporate Governance Code recommends that age limits be defined for Supervisory Board members (Code paragraph 5.4.1, sentence 2). Dr. Hönle AG regards such a limitation as an inappropriate limitation of the shareholders' right to elect Supervisory Board members.

Formation of Supervisory Board Committees

The German Corporate Governance Code recommends that the Supervisory Board shall form committees with sufficient expertise, in particular an audit committee (Code paragraph 5.3.1, sentence 1). At present the Dr. Hönle AG Supervisory Board consists of three members. Decision-making committees must also consist of three members. Owing to the size of the Dr. Hönle AG Supervisory Board, no committees are formed at present.

Accounting

The German Corporate Governance Code recommends that the consolidated financial statements shall be publicly accessible within ninety days after the financial year-end (Code paragraph 7.1.2, sentence 2). As before, Dr. Hönle AG plans to publish preliminary figures for the financial year within ninety days after the financial year-end. However, in accordance with the Stock Exchange Directive for Prime Standard Securities of the Frankfurt Stock Exchange, the Annual Report is published within four months after the end of the reporting period.

Disclosures in accordance with the German Corporate Governance Code

Remuneration of Management Board Members

The German Corporate Governance Code recommends that compensation concerning Management Board members be disclosed in a Remuneration Report, which is part of the Corporate Governance Report (Code items 4.2.2 to 4.2.5). Within this context, the remuneration system concerning Board members is to be explained in a comprehensible manner. Dr. Hönle AG discloses the Board remuneration in the Management Report of this Annual Report in detail and explains the basic features of the remuneration system in a comprehensible manner.

Remuneration of Supervisory Board Members

The German Corporate Governance Code recommends that the remuneration of Supervisory Board members be individualised in the Corporate Governance Report and classified according to remuneration components (Code item 5.4.7, sub-paragraph 3). Dr. Hönle AG discloses the remuneration for Supervisory Board members in the Management report of this Annual Report in the chapter: Remuneration Report.

Directors' Dealings

The German Corporate Governance Code recommends that the company's transactions involving shares or the related financial

instruments be published by Board of Management and Supervisory Board members (Code item 6.6, sub-paragraphs 1 and 3). Dr. Hönle AG publishes the securities transactions of executive staff in its homepage: www.hoenle.de under the column "Investor Relations", "Directors' Dealings".

Securities Holdings of Corporate Bodies

The German Corporate Governance Code recommends that disclosures be made in the Corporate Governance Report concerning ownership in the company's shares or related financial instruments by Management Board and Supervisory Board members. (Code item 6.6, sub-paragraphs 2 and 3). Dr. Hönle AG provides detailed disclosures concerning ownership in shares or related financial instruments in the Corporate Governance column in the chapter on "Securities Holdings of Corporate Bodies".

Stock Option Programmes

The German Corporate Governance Code recommends that information about stock option programmes and similar security-based incentive systems of the company be provided in the Corporate Governance Report (Code item 7.1.3). Dr. Hönle AG deals with the stock option programmes in detail in the Notes to this Annual Report in the chapter: Stock Option Programmes.