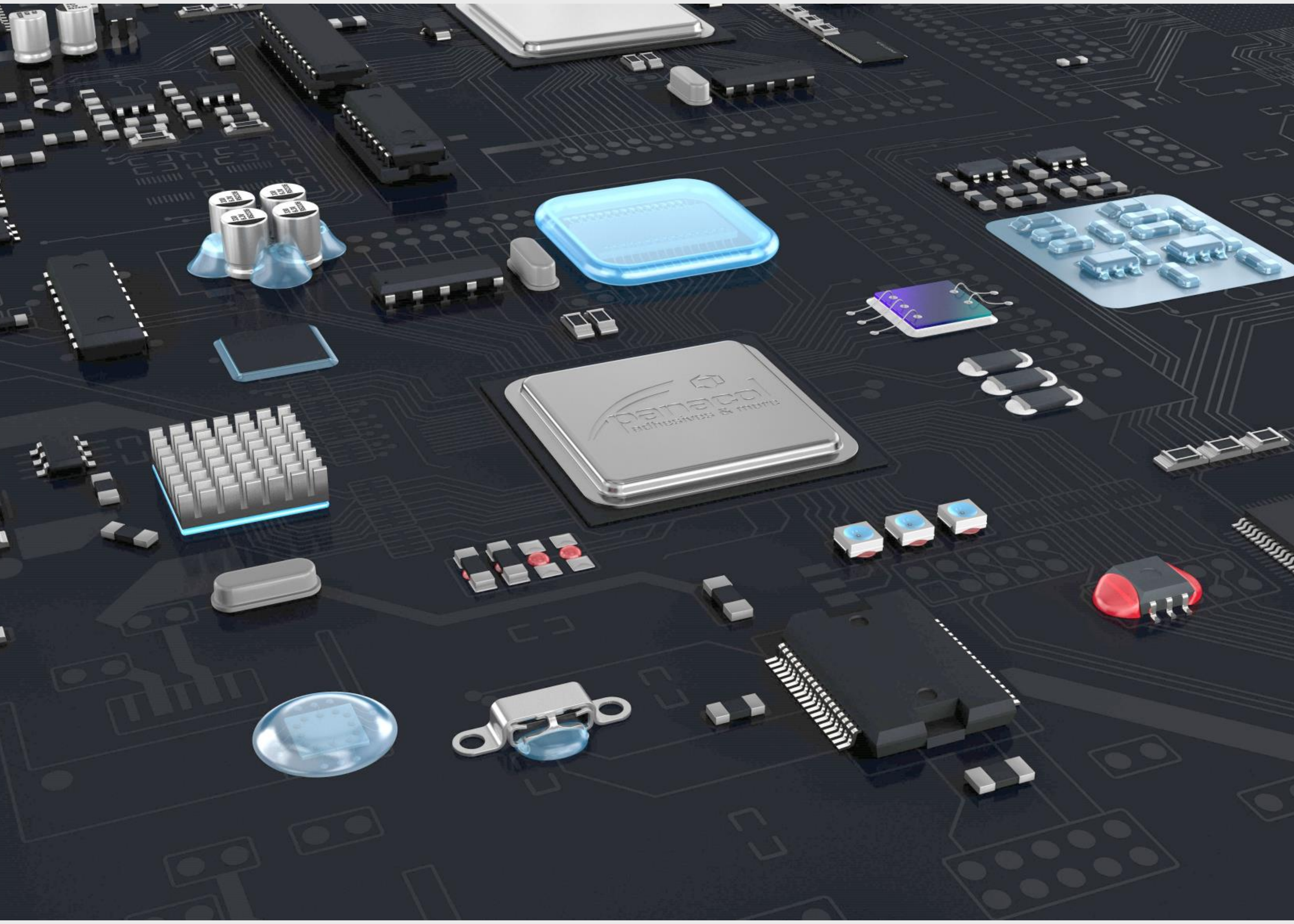
hönle group

Annual Report 2021/2022

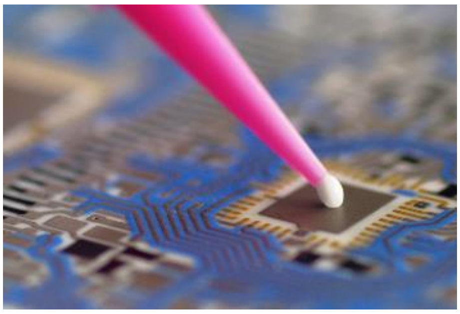


Content

Title picture: Adhesives are used as coatings or potting compounds to protect the sensitive components on printed circuit boards. Even some soldering points are replaced by flexible electrically conductive adhesives.

Business Segments

A d h e s i v e s



Consumer Electronics

The requirements in the electronics sector are increasing, with ever higher demands being placed on the quality and performance of computers, mobile phones and laptops. At the same time, devices and components are becoming smaller and lighter. This requires innovative adhesives that can keep up with the rapid pace of development and replace solder joints, shield components or protect them with coatings.

Automotive

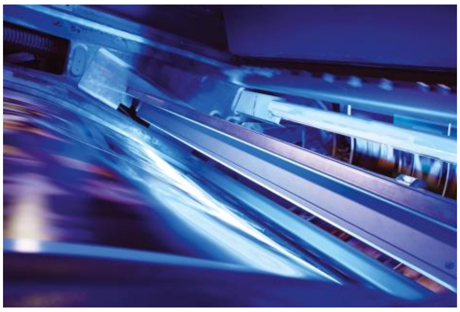
Today, adhesives are used more and more frequently to replace welding, riveting or screwing work. In addition, the number of adhesive applications in automotive electronics is constantly increasing: sensors, driver assistance systems and displays must be bonded, coated or laminated. Especially in the field of e-mobility, the bonding of battery packs opens up entirely new forms of application.

Optics and Opto-Electronics

Special adhesives are used for the manufacture of opto-electronic products such as optically transparent and non-yellowing adhesives used for the bonding of lens systems. In this case, Panacol products are filled with special nano-particles which provide the advantage of not impairing the optical properties while at the same time improving enormously the mechanical properties of the adhesive.

Medical Technology

Special regulations apply to medical devices. Among other things, the products must be biocompatible, have high adhesive strength and also withstand various sterilisation methods. With solvent-free adhesives, medical products such as syringes, dialysis filters, blood bags or tube connections can be manufactured in a reliable process in short cycle times.



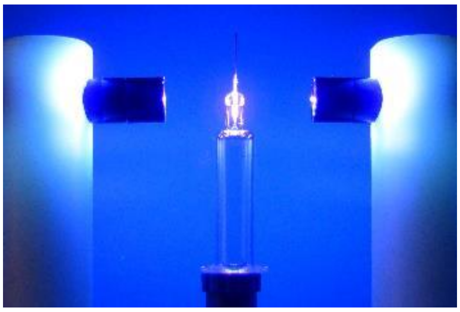
Equipment for the printing and coating industry

About two thirds of print products worldwide are produced using offset processes. Hönle supplies UV drying systems for this market as well as for the digital inkjet printing segment. UV technology ensures outstanding print quality with a clearly better environmental and energy balance compared to conventional drying processes. Moreover, Hönle offers innovative UV dryers for coating two- and three-dimensional objects.

Disinfection

UV-C technology offers the possibility to disinfect room air permanently, reliably and quietly. This significantly minimises the risk of infection by SARS-CoV-2 viruses and other pathogens.

In addition, UV irradiation is an efficient and environmentally friendly method of disinfection in the food and beverage industry.



Curing of adhesives

UV-reactive adhesives dry quickly and reliably. They are therefore indispensable in many manufacturing processes. With the Panacol high-tech adhesives and casting compounds, the Hönle Group has become a unique systems supplier for bonding technology worldwide. The product range includes innovative LED curing units and high-performance UV lamps.

Solar simulation and lighting technology

Artificial sunlight makes products age in fast motion under laboratory conditions. In addition to the automotive industry, the main area of application is the semiconductor industry, which thoroughly tests the photovoltaic modules using our lamps.

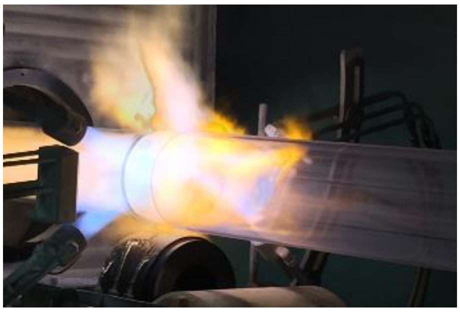
In the area of lighting technology, lighting systems are used, for example, for crash tests, for trade fair events or research.

Medium-pressure lamps

UV medium-pressure lamps are used, for example, for drying inks, paints and coatings. UV inks and paints are generally more scratch-resistant, more glossy and more durable than conventional coatings. The high quality of the UV-cured surface is a major reason for the ever-increasing use of UV technology.

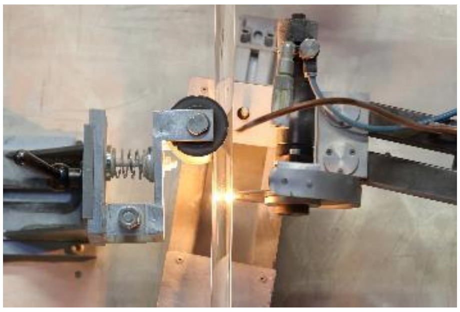
Special lamps for life science

UV discharge lamps are used for the environmentally and cost-effective disinfection of water, air and surfaces. Water disinfection is used for drinking water, for wastewater treatment and the disinfection of ballast water in the shipping industry.
Hönle also develops and produces infrared lamps that are used in large-format printing machines.



Quartz glass tubing

Quartz glass tubes are not only needed in the production of our own UV lamps. High-quality quartz glass is also an indispensable component in a wide variety of processes in the semiconductor industry, the automotive industry, and in water treatment.



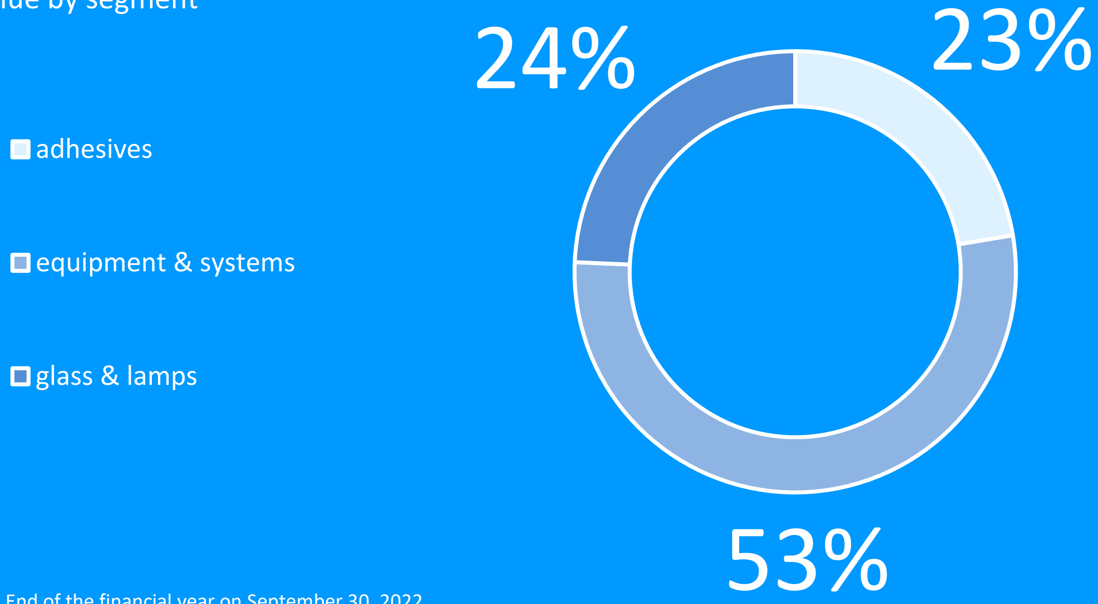
Quartz glass rods

Quartz glass rods are needed in the manufacture of fibre optic cables. Fibre optic cables are mainly used in communications engineering as a transmission medium. They achieve higher ranges and transmission rates compared to electrical transmission on copper cables.

Hönle Group at a glance

1976	Prof. Dr. Karl Hönle founds the company
20+	Production and sales locations worldwide
650	Employees
127 Mio. €	Revenue
9 Mio. €	Adjusted operating profit
116 Mio. €	Market capitalisation at the stock exchange

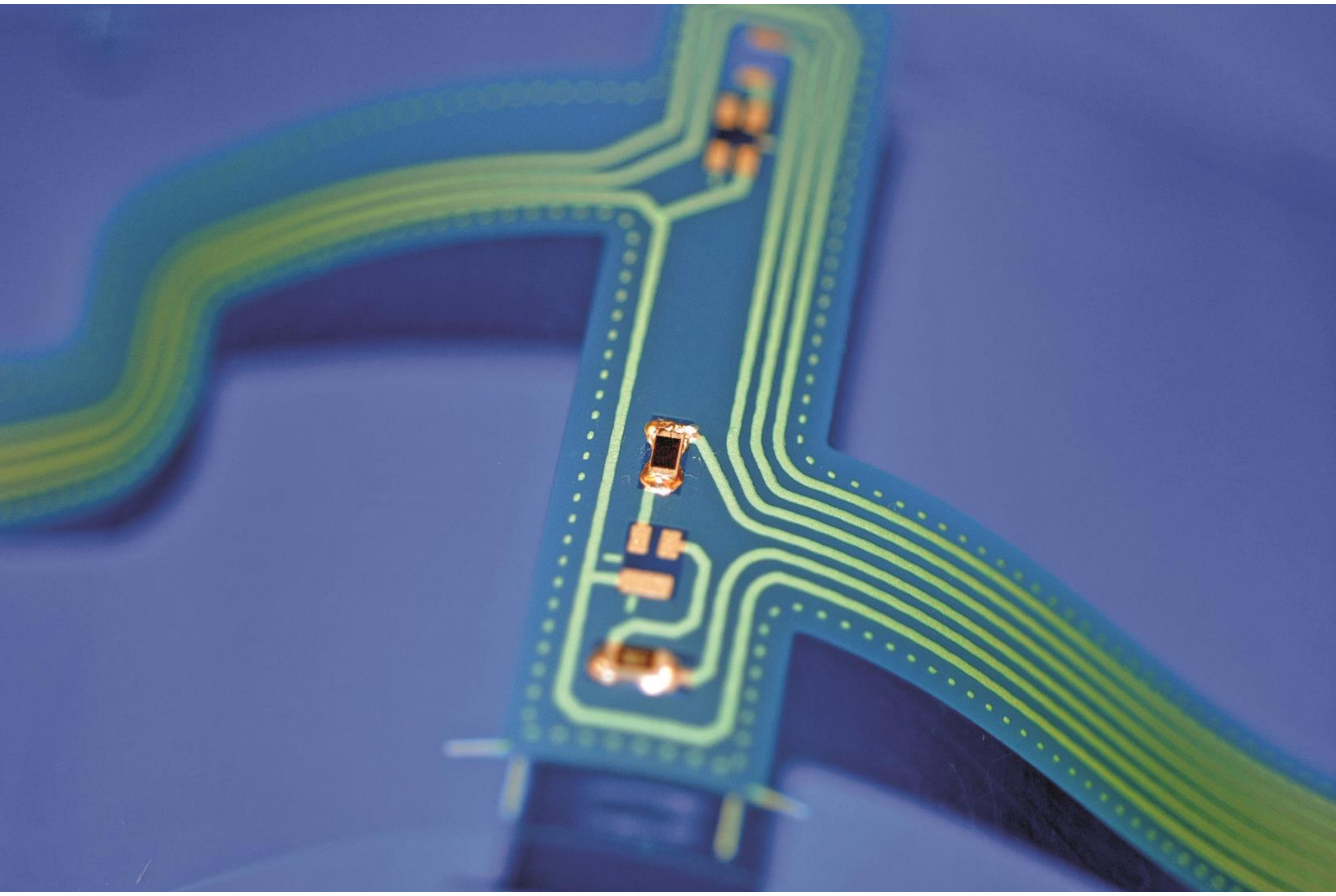
Revenue by segment



1) As of: End of the financial year on September 30, 2022

High-tech adhesives for the electronic industry

The trend in the electronics industry continues towards miniaturization. At the same time, the components and contacts that are becoming smaller must function reliably. Some soldering points are therefore replaced by flexible adhesives. Panacol has developed an electrically conductive adhesive for this purpose, which is also suitable for temperature-sensitive foils and flex PCBs.



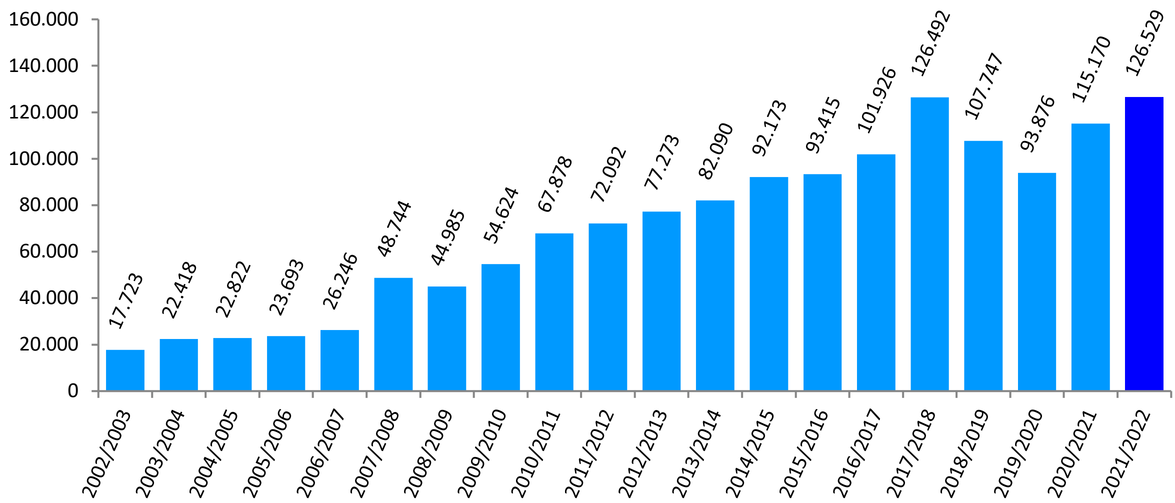
Business Development

HÖNLE GROUP in T€	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	+/- %
Income Statement											
Revenue	77,273	82,090	92,173	93,415	101,926	126,492	107,747	93,876	115,170	126,529	9.9
EBITDA	10,235	12,034	16,162	15,109	18,144	33,837	20,318	14,707	13,853	4,349	-68.6
Operating result/EBIT	7,705	9,483	13,524	12,400	15,207	30,687	17,003	8,099	349	-10,123	< -100
EBIT-margin as a %	9.8	11.3	14.6	13.0	14.8	23.9	15.5	8.7	0.3	-7.5	< -100
EBT	8,637	8,967	14,023	12,050	14,877	30,397	16,872	7,846	-608	-11,546	> 100
Consolidated profit for the year	6,712	6,495	10,320	8,290	10,414	21,726	12,396	5,605	-4,860	-13,198	> 100
Cash flow											
Operating cash flow[1)]	9,020	9,201	12,863	13,126	12,146	27,877	23,062	16,608	6,142	-421	< -100
Statement of Financial Position[2)]											
Non-current assets	40,257	42,013	41,524	44,404	46,305	54,275	71,877	107,226	120,350	114,810	-4.6
Current assets	39,445	43,582	49,112	49,871	56,002	71,248	71,320	88,020	81,605	80,652	-1.2
Equity	46,872	49,718	57,514	61,669	69,778	87,250	90,122	116,685	111,122	107,239	-3.5
Non-current liabilities	13,558	16,676	15,084	15,130	13,152	12,925	30,394	58,442	64,131	37,202	-42.0
Current liabilities	19,272	19,201	18,414	17,475	19,377	25,351	23,630	21,070	27,652	51,021	84.5
Total assets	79,702	85,595	91,012	94,275	102,306	125,523	144,147	196,196	202,905	195,462	-3.7
Equity ratio as a %	58.8	58.1	63.2	65.4	68.2	69.5	62.5	59.5	54.8	54.9	0.2
Staff											
At the end of the financial year	526	506	545	542	581	646	590	582	667	648	-2.8
Share											
Earnings per share in €	1.20	1.13	1.84	1.50	1.89	3.94	2.26	1.02	-0.80	-2.20	< -100
Dividend in €	0.50	0.50	0.55	0.55	0.60	0.80	0.80	0.50	0.20	0.00	-100
Number of shares in T	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	5,512.9	6,062.9	6,062.9	6,062.9	0.0

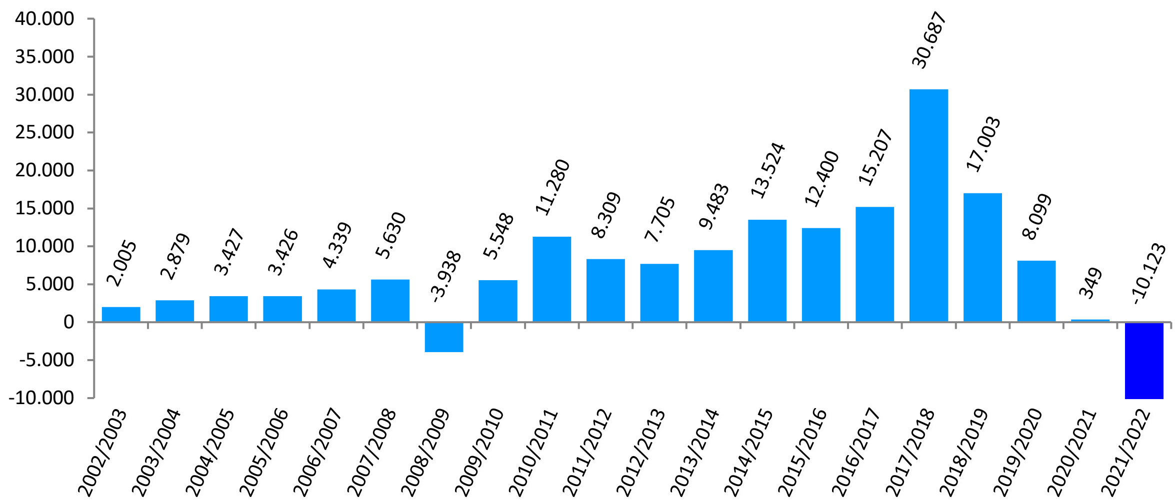
DR. HÖNLE AG (acc. to HGB) in T€											
Income Statement											
Revenue	27.207	29.579	34.358	36.405	39.855	46.038	38.627	35.609	39.553	49.335	24,7
Operating result /EBIT	2.321	3.833	3.747	2.709	2.892	3.550	-225	-2.699	-12.907	-22.929	-77,7
Net income for the year	7.028	5.191	11.300	6.737	4.476	4.333	2.141	615	-18.161	-21.364	-17,6
Earnings per share in €	1,28	0,94	2,05	1,22	0,81	0,79	0,39	0,11	-3,00	-3,52	-17,3

1) cash generated from operations
2) as at the end of the respective financial year

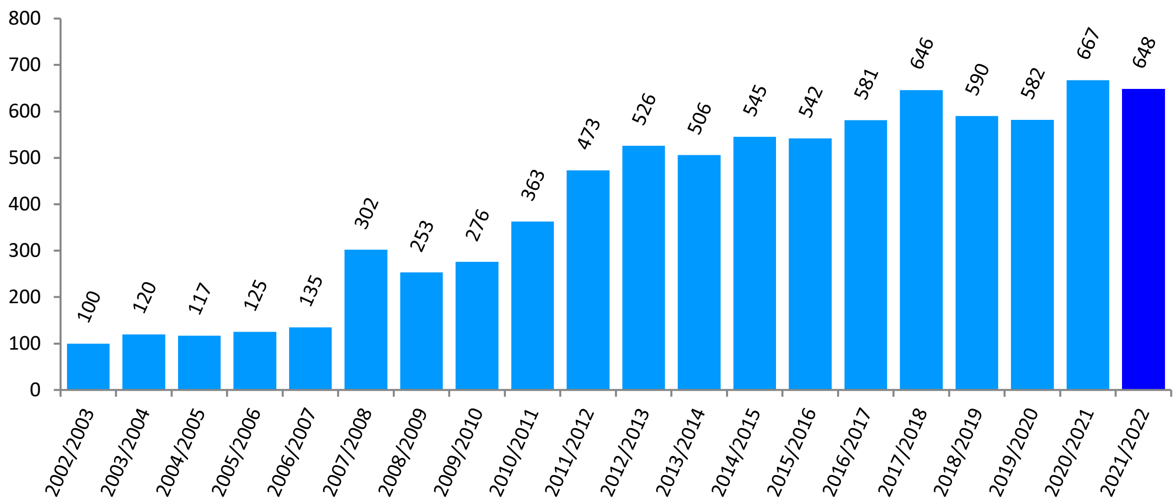
Revenue in T€



Operating Profit in T€



Staff



Rainer Pumpe and Norbert Haimerl
Management Board of Dr. Hönle AG

Dear shareholders,
Dear business friends,

We significantly increased sales in the 2021/2022 financial year. At € 126.5 million, it was 10% up on the previous year. This is particularly gratifying in light of the fact that the framework conditions have deteriorated and economic growth lagged behind that of the previous year. While several company acquisitions contributed significantly to the increase in sales in the previous year, sales in the year under review increased purely operationally. Sales in the Equipment & Systems segment increased significantly. Segment sales climbed from € 59.2 million in the previous year to € 67.5 million in the 2021/2022 financial year. The printing industry was a key growth driver. The Hönle Group produced significantly more UV drying systems for printing machine manufacturers than a year ago. In addition, series device production benefited from the revival in the electronics industry. The devices are mainly used in the manufacture of electronic components for drying adhesives. Sales also increased in the Glass & Lamps segment: Revenue climbed from € 28.0 million in the previous year to € 30.8 million in the 2021/2022 financial year. In particular, the treatment of ballast water in container ships as well as process and drinking water was an important sales market here. At € 28.3 million, sales in the adhesives segment in the 2021/2022 financial year were slightly above the previous year's figure of € 28.0 million. In China, corona-related restrictions significantly hampered sales activities. Furthermore, lower sales with large end customers impacted the business development of the Adhesives segment. Nevertheless, we managed to compensate this decline in sales with sales from new customers, particularly from the electronics industry.

The Hönle Group's earnings were impacted by several factors in the 2021/2022 financial year: The global bottlenecks on the procurement markets led to rising purchase prices. In addition, the high energy costs, which at times rose to dizzying heights as a result of the Russia-Ukraine war, had a negative impact. Due to the high energy prices and rising quartz sand prices, we have decided to restructure Raesch Quartz (Germany) GmbH and to sell the company. With its smelting furnaces, the company is particularly affected by rising energy prices. As part of the restructuring of Raesch Quarz (Germany) GmbH, write-downs of € 12.5 million were made at group level. We sold the company on December 1, 2022.
In addition, in the 2021/2022 financial year, we wrote down around 60% of the inventory of air sterilization devices due to changed market conditions, which corresponds to a value of €6.4 million. The operating result (EBIT) therefore fell to € -10.1 million in the year under review (previous year: € 0.3 million). The Hönle Group's operating result (adjusted EBIT) adjusted for the special effects amounted to € 8.9 million in the 2021/2022 financial year (previous year: € 7.9 million).

At the end of the financial year, the order backlog of the Hönle Group was at a high level comparable to the previous years level. We are therefore starting the new financial year with well-filled order books.

What are our goals for the new financial year?
We assume that we will be able to realize high-volume adhesives projects in the 2022/2023 financial year, which are of great importance for the medium-term development of our adhesives segment. Promising projects exist in particular in the areas of renewable energies, consumer electronics and automotive. We have hired an additional managing director who is responsible for international adhesive sales and who's task it is primarily to further develop the sales areas in China and the USA.

In the Equipment & Systems segment, we expect good business development due to the still good order backlog and stable demand. Additional impetus will arise in the second half of the year with the launch of a new product line for the printing press industry. In electronics production, increasing demands on the quality of the products and at the same time the demand for ever higher production speeds make the use of fast-curing adhesives indispensable. For this purpose, we develop both the necessary special adhesives and the UV devices for drying these adhesives. In order to identify market developments at an early stage and tap new sales potential, we will continue to expand business development management.

The area of life science and in particular UV-based disinfection represents an important business area that offers great potential for our future development. The disinfection of water using UV technology was and is a significant growth market in this business area. The environmentally friendly process is being used more and more often in the treatment of ballast water, drinking water, wastewater and process water. Here we supply leading manufacturers of water treatment systems our emitters and components. In the 2022/2023 financial year, we expect further increase in sales and results in the field of water disinfection.
The high energy prices had a significant impact on the earnings situation at Raesch Quarz (Germany) GmbH. The sale of this company in December 2022 will make the Hönle Group less dependent on rising energy prices in the future and will lead to sustained positive earnings and liquidity effects at Group level. Overall, we therefore expect a leap in earnings in the Glass & Lamps segment.

As you can see, we are quite optimistic concerning the new financial year.
In addition to purely organic growth, the acquisition of companies will also be important for the expansion of our business activities in the future. In the medium term, we want to further strengthen our market position, particularly in the areas of adhesives and life science.

Dear employees, we would like to thank you for your dedicated work in the past financial year. And we would also like to thank you, dear business associates and shareholders, for the trust you are placing in us.

Gilching, January 2023

Norbert Haimerl	Rainer Pumpe
Management Board	Management Board

Lighting systems for crash tests

To improve vehicle safety, extensive crash tests are being performed in the automotive industry for new developments as well as for series production. Test vehicles and fully equipped production vehicles are being driven against a barrier under defined conditions. The effects are documented using sensors and recordings with high-speed cameras. Illuminance of up to 100,000 lux is required for lighting for high-speed recordings.

Report of the Supervisory Board

Prof. Dr. Karl Hönle
Chairman of the Supervisory Board

Dear shareholders,

The 2021/2022 financial year was initially dominated by the effects of the Corona crisis. Then, the consequences of the war which Russia has imposed on Ukraine led to a sharp increase in energy prices in Europe and in Germany, in particular. As in the previous year, the COVID-19 pandemic boosted the sale of air sterilisation equipment, although not to the extent expected. In addition, Hönle succeeded in again increasing sales of UV-C lamps and UV systems in the traditional business segments. Travel restrictions in Asia had an adverse impact on customer acquisition and the planned business expansion in the Adhesives segment. Finally, the high energy costs for the quartz smelter as well as the situation on the procurement markets weighted negatively on the Group's profitability.

The Hönle Group was faced with operative challenges and has also made some significant structural changes. Mr. Runge, who was a Dr. Hönle AG Management Board member for more than 20 years and in charge of Sales and Marketing and, for a long time, also for Technology, left the Company. Mr. Haimerl, head of Finance and Personnel, additionally assumed responsibility for Sales and Marketing. The Supervisory Board appointed him as Management Board Chairman of Dr. Hönle AG as at 1 September 2022. Changes were also made to the Supervisory Board. The General Meeting elected Mr. Niklas Friedrichsen, a representative of our anchor investor Peter Möhrle Holding, as an additional member to Dr. Hönle AG's Supervisory Board on 24 March 2022.
As a result of these changes, my resignation from the Supervisory Board, which was announced at the last Annual General Meeting, will be postponed to the next Annual General Meeting on 23 March 2023, at the end of which I will resign from office. As the Company's founder and member of its Supervisory Board for many years, I will remain connected with Dr. Hönle AG in the scientific field. The Supervisory Board decided to propose Dr. Franz Richter as a new candidate for election to the Supervisory Board at the Annual General Meeting. Dr. Richter is a proven expert in all areas of optical technologies and has many years of experience gained in the Management Board and Supervisory Board areas. It is planned that Dr. Franz Richter will then take over the Supervisory Board chairmanship.

Below I will give you an overview of the activities of the Supervisory Board during the 2021/2022 financial year.

Intensive exchange of information with the Management Board
We duly performed the duties incumbent on us according to the law and the Articles of Association, continuously monitored the work of the Executive Board, advised it on the management and strategic further development of the Company and discussed significant business transactions with it. The cooperation between the Management Board and the Supervisory Board took place in a sometimes critical but always objective atmosphere on the basis of mutual trust. The Supervisory Board was involved in all essential decisions providing guidance and direction. This concerned, among other things, the Company's strategic orientation, the activities in the life science market and changes in the management and supervisory bodies.

In preparation for the meetings, the Management Board provided the Supervisory Board with up-to-date and detailed reports on the course of business. In addition, we were also promptly provided with ad-hoc information about any unusual events, either verbally or in writing.
The Management Board and the Supervisory Board held eight meetings and one extraordinary meeting in the year under review. On the basis of detailed reports from the Management Board, we held in-depth discussions on the business development, including that of individual subsidiaries, the assets and financial position, corporate planning and risk management. To the extent required by law, the Company's Articles of Association and the rules of procedure, we approved the Management Board's motions after extensive discussion. Thus, we were always informed about the correctness and regularity of the Management Board's work.

Focus of the consultations

The first meeting of the Supervisory Board in financial year 2021/2022 was held on 7 October 2021 at the Panacol-Elosol GmbH headquarters in Steinbach. At this meeting, the Management Board reported in detail on the projected figures as at the end of the financial year. In particular, the Management Board addressed the sales revenues and earnings development of Dr. Hönle AG's, which was influenced to a large extent by the air disinfection business field. The Management Board also dealt with, the developments at UV-Technik Speziallampen GmbH, Raesch Quarz (Germany) GmbH and Panacol Elosol GmbH, concluding with an outlook on major events and the expected business development of individual Hönle Group companies for the new financial year.

At the meeting held on 2 November 2021, the Management Board informed us about the development of order intake, orders on hand and the Group revenues in financial year 2021/2022. In summary, all figures are clearly above those of the previous year. We then discussed the current competitive situation in the air disinfection equipment market and deliberated on the advantages and disadvantages of different technical solutions aimed at reducing germs in indoor air. Finally, we discussed a possible larger-scale development project in the area of UV lamps.

The subject of the Supervisory Board meeting on 26 January 2022 was the discussion and adoption of the audited annual financial statements of Dr. Hönle AG and the discussion and approval of the audited consolidated financial statements as at 30 September 2021. This meeting was also attended by the auditors of Dr. Hönle AG. The Management Board reported on the profitability of the Company, the subsidiaries and associated companies, and in this context, also referred to the profitability of equity capital pursuant to Section 90 (1) Number 2 AktG (German Stock Corporation Act). Following an in-depth discussion of the annual financial statements with the auditor and the Management Board, the Supervisory Board approved the financial statements. The agenda for the Annual General Meeting and the resolution proposals were also specified within the scope of this meeting. The Management Board and the Supervisory Board decided to propose to the Annual General Meeting that a dividend of € 0.20 per share be paid to the shareholders from Dr. Hönle AG's retained earnings for the 2020/2021 financial year. We then discussed in detail, and approved. the declaration of compliance with the Corporate Governance Code pursuant to Section 161 AktG.

On 18 February 2022, the Management Board and the Supervisory Board met at the premises of UV-Technik Speziallampen GmbH in Ilmenau. The company's Managing Director provided an overview of the sales and earnings development over the past five years and then presented the planned development for the next five years. In doing so, he also addressed the development of lamp sales volumes. As part of the planned expansion of future business activities, the meeting also dealt with the extension of spatial capacities.
The Managing Director of Rausch Quarz (Germany) GmbH then presented the business development of the company and, in this context, reported on the already foreseeable significant increase in order intake and sales in the current financial year. He also informed about the individual market segments and the new sales strategy.

The Annual General Meeting on 24 March 2022 was again held in virtual form due to COVID-19 restrictions. Items on the agenda included the appropriation of retained earnings, the discharge of the Management Board and Supervisory Board members from responsibility for the past financial year, the election of the auditor, the election of a further Supervisory Board member, the relocation of the Dr. Hönle AG headquarters and several amendments to the Articles of Association. The Annual General Meeting approved all items on the agenda with a large majority.
Following Mr. Niklas Friedrichsen's appointment to the Supervisory Board, the Supervisory Board re-elected Prof. Dr. Karl Hönle as Chairman and Günther Henrich as Deputy Chairman of the Supervisory Board.

The Supervisory Board held a further meeting, excluding the members of the Management Board, on 1 April 2022. At this occasion, the Supervisory Board deliberated on the tasks of the Audit Committee and the draft rules of procedure for the Audit Committee as well as on the committee's future composition The future structure and staffing of the Management Board was a significant agenda item. The Supervisory Board discussed, in particular, a severance package offer for Mr. Runge.

The Supervisory Board meeting held on 13 May 2022 began with specifying the structure of the Management Board following the departure of Mr. Runge. As a result, a CEO will be responsible for the strategic direction, in particular, and will also be in charge of Sales and Marketing. Mr. Haimerl, the present CFO, will take on the duties of Chief Marketing and Sales Officer with immediate effect.
The Management Board then reported on the current business situation in the first half of 2021/2022, dealing, in particular, with the sales and earnings situation concerning Panacol Elosol GmbH, Raesch Quarz (Germany) GmbH and Sterilsystems GmbH, continuing with the build-up of stocks in the area of air disinfection. A further point of discussion related to the future strategy in the Adhesives segment which is expected to lead to a significant improvement in business development.

On 8 June 2022, the Management Board explained the projected figures of the Hönle Group's individual companies and those of the Group as a whole as at 30 June 2022. The severance payment concerning a Management Board member impacted adversely on earnings in the third quarter. The development of sales and order intake in the air disinfection business was also analysed in greater detail. The Management Board then highlighted the favourable development of order intake at Raesch Quarz (Germany) GmbH but also mentioned the strain resulting from increased energy prices. The Management's report on the operative business concluded with an explanation of the Group's liquidity status and liquidity planning. Finally, we dealt with the structure and management of the Supervisory Board of Dr. Hönle AG.

The Supervisory Board meeting held on 12 August 2022 was concerned with the composition of the Management Board and, in this context, discussed the appointment of the Management Board Chairman and the head of Sales and Marketing. It was decided to appoint Mr. Haimerl as Chairman of the Management Board with a view to improving the implementation of the corporate strategy. Subsequently, the Managing Director of Panacol-Elosol GmbH presented the current business development and the company's strategic orientation. The Managing Director of Raesch Quarz (Germany) GmbH then outlined possible scenarios for the company's continuing operation given high energy prices. The Management Board then explained in detail the impact of higher energy prices and procurement market prices on the income statement of the individual companies and the Group and also referred to the price adjustments on the sales side. The unsatisfactory situation in the air sterilization business and intended measures were also explained to us.

On 19 September 2022 the Supervisory Board met for the last time in the reporting year. At this meeting, the Management Board discussed the current business situation and informed in detail on the measures planned to improve the earnings position in financial year 2022/2023. Mr. Haimerl's remuneration was adapted to the changed area of responsibility as Chairman of the Management Board.

Individualised representation of meeting attendance

The German Corporate Governance Code recommends that the number of Supervisory Board meetings and committee meetings attended by each member be disclosed. Dr. Hönle AG has had an audit committee since January 2022. I hereby confirm that that all members of the Supervisory Board, i.e. Prof. Dr. Karl Hönle, Mr. Günther Henrich, Dr. Bernhard Gimple, Prof. Dr. Imke Libon and, from March 2022, Mr. Niklas Friedrichsen personally attended all meetings in full. The meeting of the Audit Committee was also attended by all committee members.

Corporate Governance

The Government Commission, German Corporate Governance Code, published the Code on responsible governance in the current version on 28 April 2022. The Supervisory Board coordinated the implementation of the Code's recommendations and suggestions with the Management Board and issued a joint declaration pursuant to Section 161 AktG. The declaration was included in the annual report and made permanently accessible to the shareholders by publication on the Internet. The Management Board of Dr. Hönle AG consisted of three members in the reporting year and of two members as from 15 May 2022. The Supervisory Board of Dr. Hönle AG included four members and, since 26 April 2022, five members.

Separate financial statements and consolidated financial statements

The Annual General Meeting held on 24 March 2022 elected SONNTAG GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, as the auditor for the 2021/2022 financial year. SONNTAG GmbH Wirtschaftsprüfungsgesellschaft had audited the separate financial statements and the consolidated financial statements of Dr. Hönle AG for the financial year from 1 October 2021 to 30 September 2022 as well as the Group management report which is combined with the Dr. Hönle AG management report. SONNTAG GmbH Wirtschaftsprüfungsgesellschaft issued an unqualified audit opinion in each case.

The audit report for financial year 2021/2022 was discussed in detail at the Supervisory Board meeting held on 23 January 2023. The auditor reported on the main findings of the audit of the annual financial statements, the consolidated financial statements and the combined management report/Group management report of Dr. Hönle AG and provided supplementary information on the last financial year dealing, in particular with the assets, financial and earnings position of the stock corporation and the Group.
The Supervisory Board approved the result of the annual audit. The Supervisory Board also examined the annual financial statements, the consolidated financial statements and the combined Group management report. There were no objections and the Supervisory Board approved the financial statements. The annual financial statements were thus adopted.

In the name of the Supervisory Board I wish to thank the members of the Management Board and all employees of the Hönle Group companies for their dedicated commitment and constructive collaboration in the past financial year.

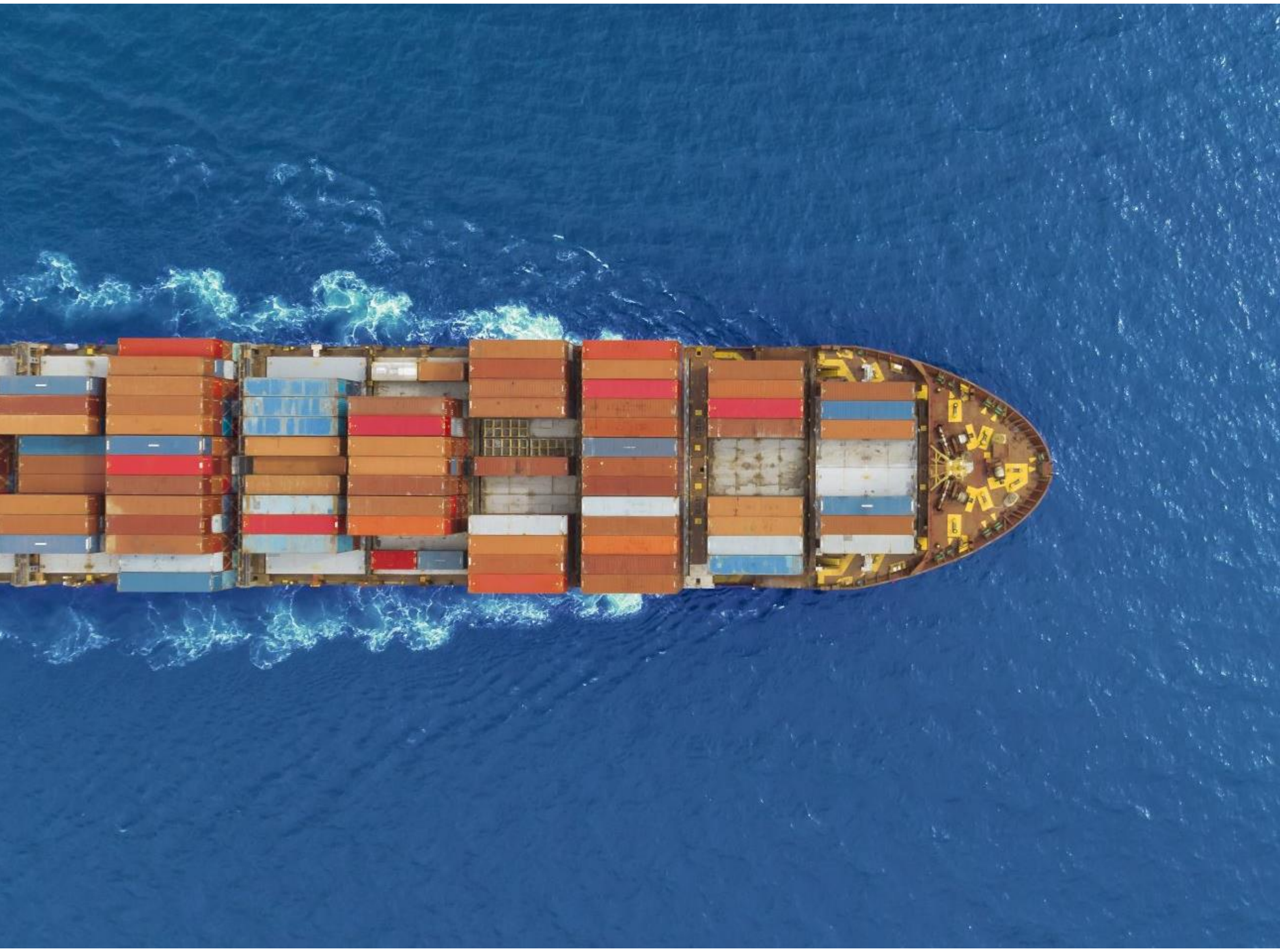
Gilching, January 2023

For the Supervisory Board

Prof. Dr. Karl Hönle
Chairman of the Supervisory Board

Sterilize ballast water in an environmentally friendly way

The IMO (International Maritime Organization) agreement places the highest demands on ballast water management systems. The systems are required worldwide on both existing and newly built ships. A possible treatment method is the extremely environmentally friendly UV system, in which UVC low-pressure lamps or UV medium-pressure lamps disinfect the ballast water.



Combined Management Report/
Group Management Report of Dr. Hönle AG

for the 2021/2022 Financial Year

Business Operations and General Conditions

The Group's Business Purpose and Structure

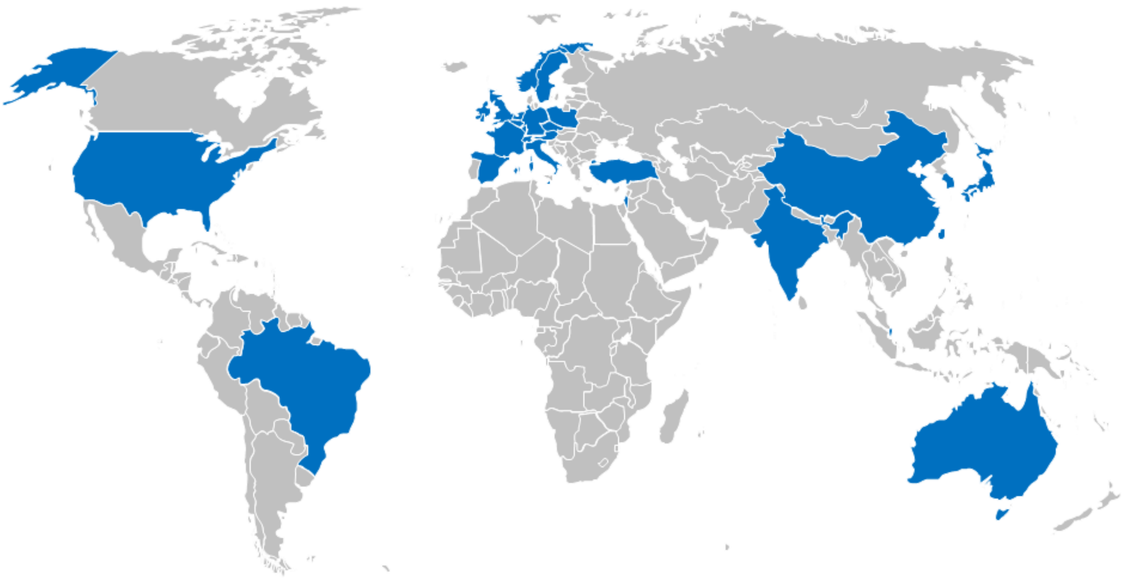
Dr. Hönle AG is a listed technology company with head office in Gilching. The Hönle Group is organized into the following three business segments: Adhesives, Equipment & Systems and Glass & Lamps. The Adhesives segment includes industrial adhesives designed for a broad spectrum of applications for the electronics, medical technology, optics and automotive sectors, among others. Equipment and systems are used in the drying of inks and coatings, in adhesives and plastics curing, for the disinfection of air, surfaces and water and for solar simulation. The Glass & Lamps segment comprises quartz glass tubes and rods for the semiconductor, fibre optics and lamp industries. The lamps are used in the disinfection of water, air and surfaces as well as in the drying of coatings and adhesives. Dr. Hönle AG held direct or indirect participating interests in the following companies as at 30 September 2022:

Name (in alphabetical order)	Corporate Seat
Adhesives Segment	
Agita Holding AG	Regensdorf/Zurich, Switzerland
Eleco Panacol - EFD, SAS	Gennevilliers/Paris, France
Hoenle UV Technology (Shanghai) Trading Ltd.	Shanghai, China
Metamorphic Materials Inc.[1, 2]	Winsted/Connectict, USA
Panacol AG	Regensdorf/Zurich, Switzerland
PANACOL-ELOSOL GmbH	Steinbach/Taunus, Germany
Panacol-USA, Inc.	Torrington/Connecticut, USA
Panacol-Korea Co., Ltd.	Suwon-si, South Korea
Equipment & Systems Segment	
Eltosch Grafix America Inc.	Batavia/Chicago, USA
ELTOSCH GRAFIX GmbH	Pinneberg, Germany
GEPA Coating Solutions GmbH	Frickingen, Germany
Hönle Electronics GmbH	Dornbirn, Austria
Honle US Real Estate LLC	Torrington/Connectict, USA
Honle UV France S.à.r.l.	Lyon, France
Luminez GmbH	Kirchheim, Germany
PrintConcept UV-Systeme GmbH	Kohlberg, Germany
SOLITEC GmbH[2]	Gilching, Germany
STERIXENE SAS[1, 2]	Les Angels, France
STERILSYSTEMS GmbH	Mauterndorf, Austria
Technigraf GmbH	Grävenwiesbach-Hundstadt, Germany
TECINVENT GmbH[1, 2]	Schömberg, Germany
UMEX GmbH	Kirchheim b. Arnstadt, Germany
Glass & Lamps Segment	
Raesch Quarz (Germany) GmbH	Ilmenau, Germany
Raesch Quarz (Malta) Ltd.	Mosta, Malta
uv-technik international Ltd.	Luton, Great Britain
uv-technik Speziallampen GmbH	Ilmenau, Germany

1) minority shareholding; 2) not consolidated; 3) at equity; 4) sold at 30.09.2022

Worldwide Locations

Hönle is an internationally operating corporate group with more than 20 subsidiaries. Outside Germany, Hönle has its own sites in those countries that are of key importance to the operating business. In addition, the Company has an international network of sales and service partners. Hönle has its own production sites in Germany, Malta, Austria and the USA.



Non-Financial Statement

With respect to the non-financial statement pursuant to the provisions of Section 289b HGB in conjunction with Section 315b HGB, reference is made to the separate non-financial group report published on Dr. Hönle AG's website under https://www.hoenle.com/investor-relation/corporate-governance.

Management System

The goal of entrepreneurial activity is to achieve sustained growth of corporate value. With this objective in mind, in addition to its responsibility vis à vis investors, the Hönle Group also strives to fulfil its responsibility vis à vis the environment, its employees, customers, suppliers, and other business partners. Hönle aims at stabilising and expanding its market position in its core business segments and, in so doing, focuses on customer-specific systems solutions, , in particular, We see ourselves as a partner to our customers.

The Group's internal management system essentially consists of regular Management Board meetings, a monthly analysis of business development, strategic corporate planning, quality and environmental management, the planning of investments, liquidity, personnel and acquisitions as well as risks and opportunities management. The Management Board reports to and deliberates with the Supervisory Board at regular intervals and on an ad hoc basis as required.

The operational objective of Hönle's management is to increase the Company's revenues, earnings and cash flows on a sustained basis, taking ecological and social aspects into account. Important financial indicators in this context include the operative margins, in particular the EBIT margin. For this reason, Hönle continually monitors the development of revenues and expense ratios and compares these with internal planning. Great emphasis is also placed on increasing the Hönle Group's operational cash flow.

The present management report provides more detailed information on individual control parameters, in particular in the report sections: Course of Business, Results of Operations, Financial Position and Outlook, and discusses the measures for the planned development of these indicators. The non-financial statement deals with social and economic concerns. The major financial performance indicators for the past financial year and respective changes versus the previous year are presented below:

Earnings Development

in T€	**2021/2022**	2020/2021	+/- %
Revenue	**126,529**	115,170	9.9
EBIT[1)]	**-10,123**	349	-2997.2
EBIT-Marge as a %[2)]	**-7.5**	0.3	-2600.0
Consolidated profit for the year	**-13,198**	-4,860	171.5

1) Earnings before interest and taxes; 2) Ratio of earnings before interest and taxes to total output; Total output is the sum of sales, changes in inventory and capitalized own work

Annual General Meeting

The Annual General Meeting of Dr. Hönle AG was held on 24 March 2022 as a virtual general meeting without the physical presence of shareholders. More than 130 participants followed the presentations of the Management Board. The participating shareholders represented 49% of Dr. Hönle AG's nominal capital and voting rights. All proposed resolutions on the agenda were adopted with a large majority. This included the distribution of a dividend in the amount of € 0.20 (PY: € 0.50) per dividend-bearing share, which corresponds to a dividend distribution of T€ 1,212. Furthermore, the Supervisory Board was expanded from four to now five members and the Annual General Meeting appointed Niklas Friedrichsen as a new Supervisory Board member. Finally, the Annual General Meeting approved the relocation of Dr. Hönle AG's registered office from Gräfelfing (Munich region) to Gilching (Starnberg region).

Economic Report

Market Development

The Russian attack on Ukraine in combination with a mix of high inflation and sharply rising interest rates led to a significant deterioration in the general economic conditions. Following a strong expansion course in the previous year with a 6 % growth rate, the economy slowed down noticeably in 2022. For 2022, the IMF (International Monetary Fund) predicts economic growth of 3.2%. The German economy finds itself in a stagflation phase, with recession looming in the winter. Although growth dynamics are also weakening in the USA, in relative terms, the USA are the winners in the current crisis. Economic growth in China has slackened considerably due to Gina's zero tolerance Corona policy.
The main factors underlying the economic slowdown were persistent supply bottlenecks, geopolitical uncertainties and high inflation coupled with rising interest rates. Real wages declined in many countries and dampened private consumption. China’s strict zero-COVID policy continued to hamper economic activities. Russia's attack on Ukraine further accelerated already high inflation rates and supply bottlenecks increased again in various sectors.
The basic economic trend in the advanced economies is downward. In many industrialised nations, the gross domestic product is close to stagnation.

Course of Business

Although the general economic conditions have clouded over significantly in comparison with the last year, the Hönle Group was able to further increase its sales revenues. While several corporate acquisitions contributed significantly to this increase in sales revenues in the previous year, sales revenues earned in the reporting period rose in strictly operational terms. At 126,529 T€ sales revenues generated in financial year 2021/2022 were clearly above the previous year's figure of 115,170 T€. At the financial year end, the Hönle Group's order portfolio was on par with the previous year's high level, thus providing a good starting point for the new financial year.

Bottlenecks in the procurement markets continued to translate into rising purchase prices and production delays. Moreover, high energy costs also impacted adversely on the Hönle Group’s profitability in financial year 2021/2022.

In addition, business development in the reporting year was negatively impacted by several one-off factors:
Due to high energy prices and rising quartz sand prices, the Dr. Hönle AG Management Board decided to restructure Raesch Quarz (Germany) GmbH and to sell the company. The company is one of the energy-intensive companies and as such is particularly affected by the rise in energy prices. Raesch Quarz (Germany) GmbH’s operating result was clearly negative in financial year 2021/2022 despite the energy cost subsidy it had received. As explained in more detail in the Economic Report section, the restructuring of Raesch Quarz (Germany) led to write-downs at Group level. This was an extraordinary burden on the operating result in the amount of T€ 12.689.
In addition, given existing sales risks, Dr. Hönle AG wrote down about 60%, corresponding to a value of about T€ 6.357, of its air disinfection equipment in financial year 2021/2022.
Furthermore the implemented personnel changes at Dr. Hönle AG's management level led to an additional personnel expense in the amount of T€ 1,400.

The operating result (EBIT) amounted to -10,123 T€ (PY: 349 T€). The Hönle Group’s operating result, adjusted by the above-stated one-off effects (EBIT adjusted) came to T€ 8,920 (PY: T€ 7,871) in financial year 2021/2022.

Adhesives Segment

At 28,282 T€, sales revenues generated in the Adhesives segment in financial year 2021/2022 were above the previous year's figure of 27,975 T€. In China, COVID-related restrictions significantly hampered sales activities. This sales region is of great importance for the Hönle Group as the production sites of many important customers are located there. In particular, the acquisition of new customers in China could not be carried out as planned. In addition, the realisation of new adhesives projects was also delayed in other sales regions. The situation was exacerbated by the fact that lower sales revenues generated with a major end customer affected the Adhesives segment’s business development. Hönle succeeded in further expanding strategic business relationships with leading technology companies, especially in the electronics industry, thus further reducing dependence on key customers. Sales generated with these customers only partially compensated for the drop in sales revenues reported in other areas.
The segment's operating result contracted from 5,483 T€ in the previous year to 3,860 T€ in the reporting year. The decline in earnings was also attributable to the rise in the number of staff in the Adhesives segment, which took place in line with the planned sales development. The Management Board expects that several high-potential adhesives projects - of which some have already been qualified by customers- will lead to positive business development in the new financial year. At the end of the financial year, the order backlog in the Adhesives segment was higher than in the previous year. Investments in operating and office equipment were at a low level.

Equipment & Systems Segment

Sales revenues generated in the Equipment & Systems segment increased significantly. Whereas the previous year had been characterised by a reluctance to invest, particularly in the printing press industry, the year under review saw a recovery in almost all product areas and sales markets. Sales revenues advanced from 59,225 T€ in the previous year to 67,495 T€ in financial year 2021/2022. The printing industry was one of the main growth drivers. The Hönle Group produced significantly more UV drying systems for printing machine manufacturers than a year ago. The upturn in the electronics industry also boosted series equipment production. Hönle sold significantly more UV drying equipment for industrial adhesives. The equipment is primarily used in the manufacture of electronic components.

The segment's operating result contracted from 1,559 T€ in the previous year to -1,770 T€ in the current financial year due to the tense situation on the procurement markets and, in particular, due to one-off factors. The one-off factors are related to the impairment losses recorded on inventories of air sterilisation equipment due to sales risks in the amount of T€ 6.347 and to increased personnel expenses as a result of staff changes at the management level of Dr. Hönle AG. The order backlog in the Equipment & Systems segment remained at a high level at the end of the financial year. Investments in operating and office equipment were again at a low level after the completion of construction work at the new company location.

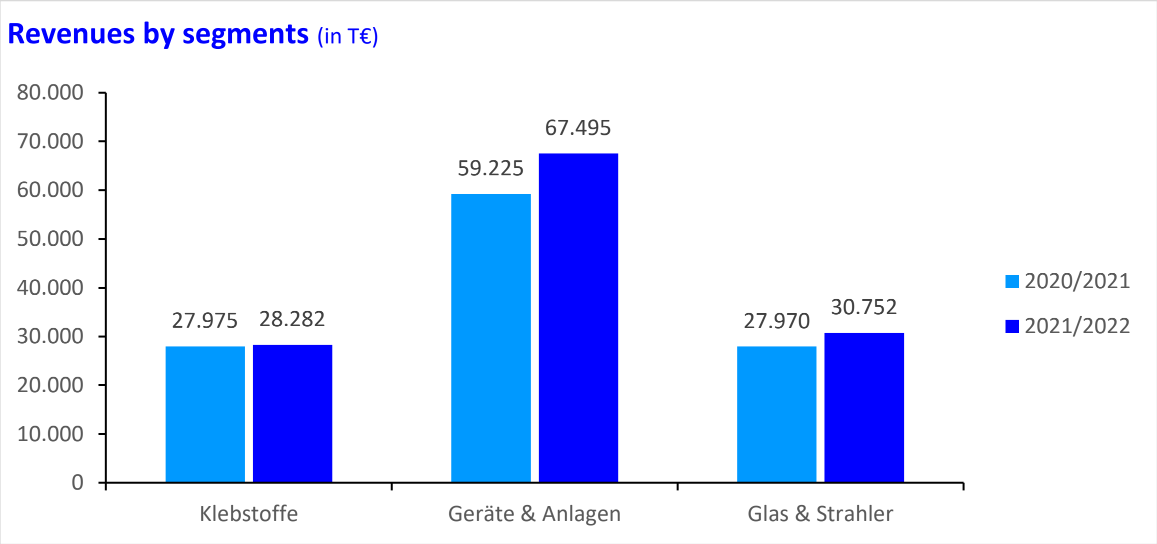
Glass & Lamps Segment

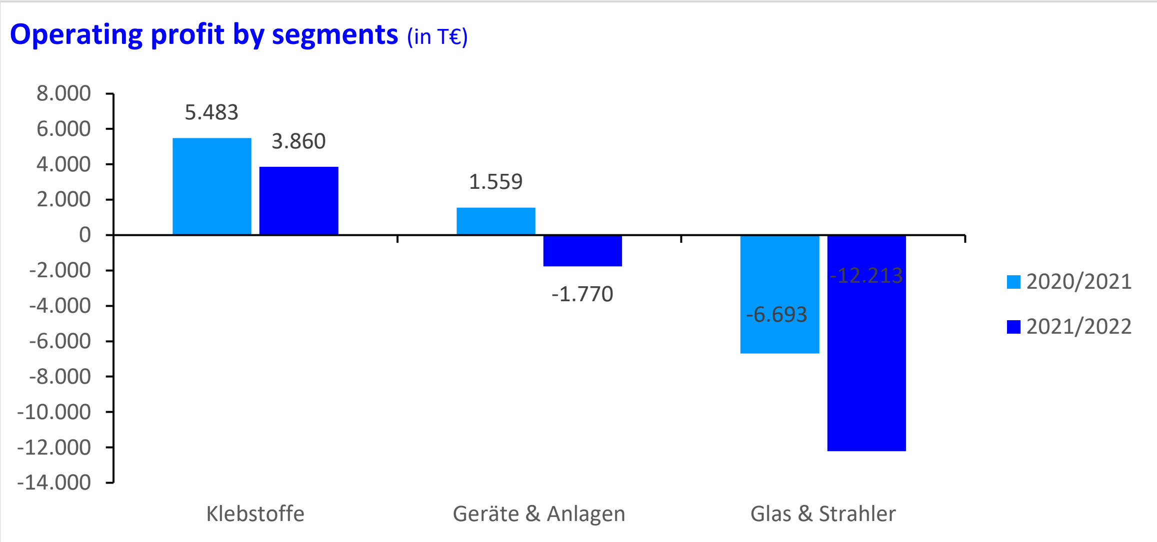
Sales revenues also increased in the Glass & Lamps segment, rising from 27,970 T€ in the previous year to 30,752 T€ in financial year 2021/2022. As in the previous year, sales revenues generated by uv-technik Speziallampen GmbH also rose in the current financial year. The company succeeded in selling significantly more medium- and low-pressure lamps than in the previous year. In particular, the treatment of ballast water in container ships and of process and drinking water was an important sales market. Raesch Quarz (Germany) GmbH also succeeded in generating higher sales revenues. Sales revenues from business in the semiconductor market, in particular, was significantly higher than in the prior-year period. The high energy prices, however, placed a noticeable strain on earnings. The further increase in energy prices in the wake of the Russia-Ukraine war had a considerable detrimental impact on the segment result.

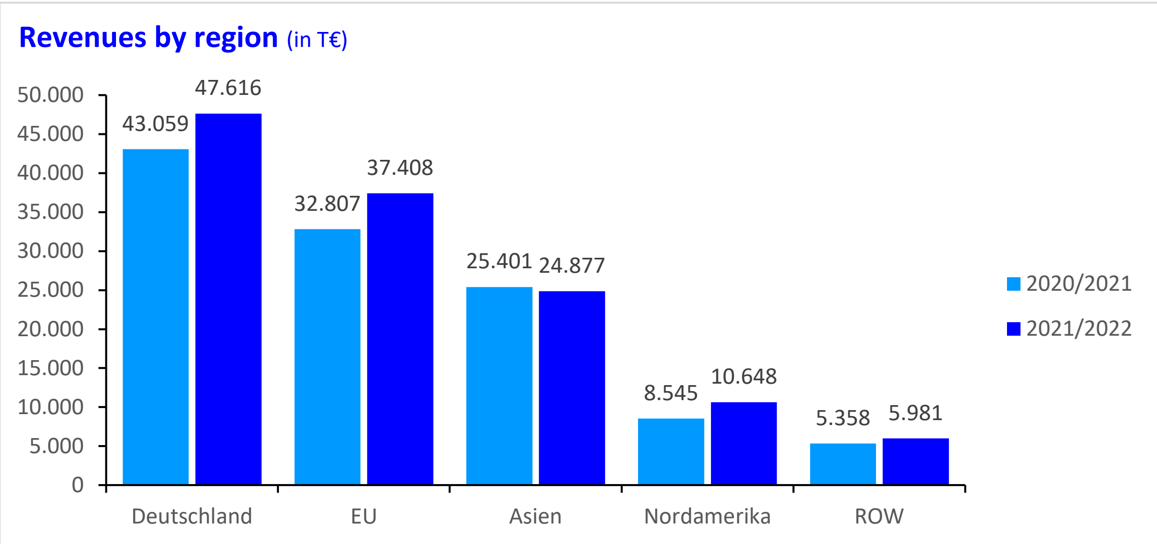
The restructuring and sale of Raesch Quarz (Germany) GmbH led to higher impairment losses. The operating result achieved in the Glass & Lamps segment thus came to -12,213 T€ in the reporting year (PY: -6,693 T€). Raesch Quartz (Germany) GmbH was sold on December 1st, 2022. The order backlog in the Glass & Lamps segment, both including and excluding Raesch Quartz (Germany) GmbH, was higher than in the previous year at the end of the financial year. Investments in operating and office equipment were at a low level in the year under review.

Business Development by Region

At 47,616 T€, sales revenues achieved in Germany were up 10.6% on the previous year's figure. Sales revenues generated in Europe outside Germany climbed by 14.0% to 37,408 T€. Sales revenues achieved in Asia dropped by -2.1% to 24,877 T€ due to travel restrictions in the Chinese sales territory attributable to the COVID-19 pandemic. Sales revenues achieved in North America increased by 24.6% to 10,648 T€ and sales revenues generated in the rest of the world advanced by 11.6% to 5,981 T€.


Revenues by segments (in T€)
80.000
70.000
60.000
50.000
40.000
30.000
20.000
10.000
0
27.975
28.282
59.225
67.495
27.970
30.752
Klebstoffe
Geräte & Anlagen
Glas & Strahler
2020/2021
2021/2022


Operating profit by segments (in T€)
8.000
6.000
4.000
2.000
0
-2.000
-4.000
-6.000
-8.000
-10.000
-12.000
-14.000
5.483
3.860
1.559
-1.770
-6.693
-12.213
Klebstoffe
Geräte & Anlagen
Glas & Strahler
2020/2021
2021/2022


Revenues by region (in T€)
50.000
45.000
40.000
35.000
30.000
25.000
20.000
15.000
10.000
5.000
0
43.059
47.616
32.807
37.408
25.401
24.877
8.545
10.648
5.358
5.981
Deutschland
EU
Asien
Nordamerika
ROW
2020/2021
2021/2022

The Hönle Group's Results of Operations

The Hönle Group's sales revenues came to 126,529 T€, which exceeds the previous year's figure of 115,170 T€ by 9.9%.

Bottlenecks in the procurement markets led to a temporary increase in the cost of materials and had a clearly negative impact on the operating result. The higher energy prices also affected the Hönle Group's operating result. Raesch Quarz (Germany) GmbH, which is one of the energy-intensive companies due to its quartz glass smelter, was hit particularly hard by the high electricity and gas costs. Since it is quite probably that the company's gross profit margins would suffer from high electricity and gas costs in the future also, if the company's business activities were to be continued, the Management Board decided on November 2, 2022 to initiate restructuring measures. In line with this decision, Raesch Quarz (Germany) GmbH in Ilmenau was sold at a sales price of €5 million as at December 1, 2022. The extraordinary expenses incurred from the disposal totalled T€ 12.828 in financial year 2021/2022. The amount comprises write-downs on inventories in the amount of T€ 5.535, write-downs on property, plant and equipment in the amount of T€ 7.154 and devaluation of deferred taxes in the amount of T€ 139. Other operating income includes €1,825 thousand from the sale of the commercial property of the former Aladin GmbH in Rott am Inn.

Due, in particular, to the already mentioned one-off factors (write-down of inventories of air sterilisation equipment and write-down of inventories of Raesch Quarz (Germany) GmbH) the cost of materials ratio at the Hönle Group increased significantly from 41.4% in the previous year to 53.9% in the reporting year.

Personnel expenses rose by 8.5% to 43,041 T€. The figure includes one-off factors that largely concern the staff changes implemented at the management level of Dr. Hönle AG and led to a rise in personnel expenses of T€ 1,400. The personnel expense ratio decreased from 33.6% to 31.8%.

Other operating expenses advanced from 17,445 T€ in the previous year to 18,692 T€ in the reporting year while their ratio dropped from 14.8% to 13.8%.

Amortisation and depreciation in the amount of 12,652 T€ (PY: 9,812 T€) include one-off factors in the amount of T€ 7.154 attributable to the disposal of Raesch Quarz (Germany) GmbH.

The operating result (EBIT) contracted from 349 T€ in the previous year to -10,123 T€ in the reporting year.

Earnings before taxes (EBT) came to -11,546 T€ (PY: -608 T€) while the consolidated loss amounted to -13,198 T€ (PY: -4,860 T€). The net return on sales thus stood at -10.4 % (PY: -4.2 %). Earnings per share fell from -0.80 € to -2.20 €.

The Hönle Group's Earnings Development

in T€	**2021/2022**	2020/2021	+/- %
Revenue	**126,529**	115,170	9.9
Gross profit	**66,187**	70,944	-6.7
Operating result (EBIT)	**-10,123**	**349**	**-2,997.2**
EBIT margin as a %	**-7.5**	0.3	-2,600.0
Earnings before tax (EBT)	**-11,546**	-608	1,797.8
Consolidated profit for the year	**-13,198**	**-4,860**	**171.5**
Earnings per share in €	**-2.20**	-0.80	175.0

The Hönle Group's Financial Position

The Hönle Group's operative cash flow amounted to -422 T€ (PY: 6,142 T€) in financial year 2021/2022. The 11,568 T€ rise in inventories before non-cash value adjustments, contributed significantly to the decrease in operating cash flow. The increase in inventories is largely due to the rise in the inventory level associated with the SteriWhite Air product line.
After payment of interest in the amount 1,314 T€ and income taxes of 5,672 T€, the cash flow from operating activities came to -7.406 T€ (PY: 1,130 T€).

At 1,692 T€, investments were clearly below the previous year's level of 24,497 T€. Whereas the previous year was still characterised by higher payments for the new corporate premises and the acquisition of companies, these costs fell noticeably in the current financial.

The cash flow from financing activities came to 3,731 T€ (PY: 1,247 T€) and is largely due to the taking out and repayment of loans and liabilities to banks as well as the payment of leasing liabilities. Hönle also made dividend payments of 1,212 T€ (PY: 3,031 T€). In all, liquid assets decreased by 4,941 T€ (PY: -22,100 T€).

Liquidity Development

in T€	**2021/2022**	2020/2021	+/- %
Cash generated from operations	**-421**	6,142	-106.9
Cash flow from operating activities	**-7,406**	1,130	-755.4
Cash flow from investing activities	**-1,692**	-24,497	-93.1
Cash flow from financing activities	**3,731**	1,247	199.2
Change in cash and cash equivalents	**-4,941**	-22,100	-77.6

The Hönle Group's Net Assets

On the assets side of the balance sheet, the value of property, plant and equipment as of September 30, 2022 was T€ 79,567 (previous year: T€87,801). In particular, value adjustments on property, plant and equipment at Raesch Quartz (Germany) GmbH contributed to a reduction in property, plant and equipment. Inventories fell by €-355 thousand to €46.371 thousand in the 2021/2022 financial year. Here, the production of UVC air disinfection systems at Dr. Hönle AG led to an increase in inventories and value adjustments on the inventories of Raesch Quartz (Germany) GmbH and on air sterilization devices of Dr. Hönle AG led to a reduce in inventories. Overall, the increase in inventories before value adjustments also contributed significantly to a reduction in liquid funds by €4.942 thousand to T€7.131. Other non-current assets increased by €5,262 thousand, while other non-current liabilities fell by €6,252 thousand. This is mainly due to the changed reporting of interest rate derivatives due to the rise in interest rates.

On the liabilities side of the balance sheet, retained earnings in equity fell by T€ 3,835 to T€ 58,848, the equity ratio was 54.9% (previous year: 54.8%). As of September 30, 2022, the long-term loans amounted to T€ 29,852 and the short-term bank liabilities to T€ 26,383. At the end of the last financial year, the corresponding values were T€ 45,520 and T€3,890, respectively. Some loan agreements of the group companies contain credit terms with regard to the economic equity (bank definition) and to the net debt (bank definition) of the group. The agreed gearing ratio for a real estate loan from Panacol-Elosol GmbH was not met for the 2021/2022 financial year. This was due to impairments or devaluations with regard to the fair value of Raesch Quartz (Germany) GmbH and the devaluations of the SteriWhite Air devices. Since the bank had no waiver agreement as of the balance sheet date, liabilities of € 13.5 million were classified as current in the consolidated balance sheet. On January 17, 2023, the bank confirmed to the borrower that the entire loan would not become due in the short term despite the breach of the loan condition.

With an equity ratio of 54.9 % and sufficient cash and cash equivalents and credit facilities, the Hönle Group's financing continues to be on solid ground. Total assets decreased from 202,905 T€ as at 30 September 2021 to 195,462 T€ as at 30 September 2022.

Statement of Financial Position

in T€	**30.09.2022**	30.09.2021	+/- %
Non-current assets	**114,810**	120,350	-4.6
Current assets	**80,652**	81,605	-1.2
Equity	**107,239**	111,122	-3.5
Non-current liabilities	**37,202**	64,131	-42.0
Current liabilities	**51,021**	27,652	84.5
Total assets	**195,462**	202,905	-3.7

Details on Dr. Hönle AG (HGB Annual Financial Statements)

The annual financial statements of Dr. Hönle AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The management report of Dr. Hönle AG and the group management report are combined in accordance with the provisions of Section 315 (3) HGB in conjunction with Section 298 (3) HGB.

Dr. Hönle AG is a listed technology company with head office in Gilching. Hönle develops, produces and sells UV- and infrared equipment and systems used in the drying of inks and coatings, the curing of adhesives and plastics as well as in the disinfection of air and surfaces. The product range also comprises sunlight simulation and lighting systems for industrial applications.
The sales activities are carried out by the company's own staff, by subsidiaries and independent partner companies. In its capacity as parent company, Dr. Hönle AG provides services to subsidiaries in the areas of development, production, IT and administration. The average number of staff increased slightly from 202 in the previous year to 208 in the reporting year.

Sales revenues generated by Dr. Hönle AG climbed by 24.7% to 49,335 T€ in financial year 2021/2022. The positive business development was mainly attributable to the following business areas: drying equipment for adhesives that are largely used in in the electronics industry and in medical technology as well as drying systems for printing machines and for surface coating. In addition, the increase in inventories in the amount of 8,142 T€ largely contributed to the rise in aggregate operating performance in the reporting year. Other operating income comprises income of T€ 5,000 from the write-up of the participation due to the sale of Raesch Quarz (Germany) GmbH and income of T€ 1,904 from the sale of the company building of the former Aladin GmbH in Rott am Inn.

The situation in the procurement markets also had a clearly negative impact on the operating result in the reporting year. Many price increases on the sales side will only take effect in the new financial year, which will then contribute to an improvement in the gross profit margin. At 59.3%, the cost of materials ratio was above the previous year's figure of 53.8%. Dr. Hönle AG's personnel expenses increased by 9.9% to 15,948 T€ year-on-year. The figure includes one-off factors that largely concern the staff changes implemented at Dr. Hönle AG’s management level and led to a non-recurring rise in personnel expenses of T€ 1,400. The personnel expense ratio in the 2021/2022 financial year stood at 27.6% (PY: 33.4%).
Other operating expenses decreased from 8,766 T€ to 8,601 T€, which is largely due to lower rental expenses. The other operating expenses ratio rose from 20.2% in the previous year to 14.9% in the reporting year. Dr. Hönle AG reported amortisation and depreciation in the amount of 29,207 T€ (PY: 10,161 T€) in financial year 2021/2022. The figure mainly includes write-downs on receivables due from Raesch Quarz (Germany) GmbH and value adjustments recognised on inventories of air sterilisation equipment. This translated into an operating result of-22,929 T€ (PY: -12,907 T€). Dr. Hönle AG posted a financial result of -388 T€ (PY: -6,447 T€). After taxes, the net loss for the year amounted to -21,364 T€ (PY: -18,161 T€).

As of September 30, 2022, the value of inventories was T€31,199 and thus significantly higher than the previous year's figure of T€ 26,591. The increase in inventories is due, among other things, to the production of a larger number of air disinfection devices, which were written down by € 6.4 million as of the balance sheet date due to changed market conditions. In December 2022, Raesch Quartz (Germany) GmbH and separately the receivables from Raesch Quartz (Germany) GmbH were sold to the buyer. Appropriate value adjustments were made as of the balance sheet date, resulting in a decrease in receivables and other assets from T€ 26,902 to T€ 10,831. At the end of the financial year, cash and cash equivalents amounted to T€ 230 (previous year: T€ 4,480). The increase in deferred taxes is mainly due to the negative annual result and the deferred taxes formed on loss carry forwards.

Dr. Hönle AG's equity amounted to 35,730 T€ (PY: 58,307 T€) as at 30 September 2022. Liabilities to banks rose from 30,889 T€ to 38,777 T€ and liabilities to affiliated companies increased from 30,753 T€ in the previous year to 35,053 T€ in the reporting year. The increases are mainly due to the rise in inventories in the area of air disinfection, investments in operating and office equipment as a result of the relocation.

The average number of R&D staff Department has remained unchanged at 29, i.e., 13.9% of Hönle's employees worked in the Research and Development Department. The expenses for Dr. Hönle AG's R&D activities rose from T€ 2,408 in the previous year to T€ 2,429 in the year under review.

The risks of a global recession have increased recently, political risks and an even more restrictive monetary policy are creating continuing headwinds for the global economy. Supply bottlenecks on the global markets will likely continue to hamper economic activities for some time.
However, given the still high order backlog and the good prospects in important sales markets, Dr. Hönle AG's Management Board overall feels positive about the future. The Management Board expects sales revenues for financial year 2022/2023 to be around the previous year's level and projects an operating result of approximately € 2.0 million.

Condensed Income Statement of Dr. Hönle AG (HGB annual financial statements)

in T€	**2021/2022**	2020/2021	+/- %
Revenue	**49,335**	**39,553**	**24.7**
Change in inventory	**8,142**	3,776	115.6
Other operating income	**7,264**	470	1445.7
Cost of materials	**34,289**	23,319	47.0
Gross profit	**30,827**	20,527	50.2
Personnel expenses	**15,948**	14,507	9.9
Amortisation/depreciation	**29,207**	10,161	1,106.8
Other operating expenses	**8,601**	8,766	-1.9
Operating result/EBIT	**-22,929**	**-12,907**	**77.7**
Financial result	**-388**	-6,447	-94.0
Taxes	**1,953**	1,193	63.7
Net income/loss for the year	**-21,364**	**-18,161**	**17.6**
Earnings per share €	**-3.52**	-3.00	17.3

Condensed Statement of Financial Position of Dr. Hönle AG (HGB annual financial statements)

in T€	30.09.2022	30.09.2021	+/- %
Intangible assets	347	520	-33.4
Property, plant and equipment	40,652	41,639	-2.4
Financial assets	37,546	33,056	13.6
Non-current assets	**78,544**	**75,216**	**4.4**
Inventories	31,199	26,591	17.3
Receivables and other assets	10,831	26,902	-59.7
Cash on hand, bank balances	230	4,480	-94.9
Current assets	**42,261**	**57,973**	**-27.1**
Prepaid expenses	317	371	-14.6
Deferred tax assets	4,073	2,104	93.6
Issued capital	6,062	6,062	0.0
Capital reserves	44,410	44,410	0.0
Retained earnings	2,573	2,573	0.0
Unappropriated retained earnings	-17,315	5,262	-429.1
Equity	**35,730**	**58,307**	**-38.7**
Provisions	**10,173**	**8,827**	**15.3**
Liabilities to banks	38,777	30,889	25.5
Prepayments received on account of orders	1,754	1,380	27.1
Trade accounts payable	2,970	5,052	-41.2
Liabilities to affiliated companies	35,053	30,753	14.0
Liabilities to companies in which an equity investment is held	1	0	#DIV/0!
Other liabilities incl. deferred income	736	457	61.0
Liabilities incl. Deferred income	**79,292**	**68,530**	**15.7**
Total assets	**125,195**	**135,664**	**-7.7**

Overall Statement on the Hönle Group's Economic Situation

Supply bottlenecks on the global markets also slowed down the economic upturn in 2022. In addition, with the start of the Russian attack on Ukraine, the general economic conditions have clouded over significantly.

In the management report for financial year 2020/2021, the Management Board had reported that it expected a significant improvement in sales revenues and earnings for the Hönle Group in the 2021/2022 financial year compared to the previous year's sales revenues and adjusted operating result given the high order backlog and the good business prospects.
In actual fact, sales revenues rose as expected by 9.9% to 126.5 Mio. € in financial year 2021/2022. The adjusted operating result advanced from T€ 7,871 to T€ 8,920 while the operating result decreased from 349 T€ to -10,123 T€. The decrease is due to the following factors:

Bottlenecks in the procurement markets led to a temporary increase in the cost of materials and had a clearly negative impact on the operating result. The higher energy prices also affected the Hönle Group's operating result. Raesch Quarz (Germany) GmbH, which is one of the energy-intensive companies due to its quartz glass smelter, was hit particularly hard by the high electricity and gas costs. The restructuring measures initiated at this company and the sale as at 01.12.2022 led to special effects totalling € 12.8 million in the 2021/2022 financial year.

The Hönle Group is solidly financed with cash and cash equivalents in the amount of 7.1 Mio. € (PY: 12.1 Mio. €) and unused credit lines of € 3 million. Liabilities to banks rose from € 49.4 million to € 56.2 million in the reporting year mainly as a result of the increase in inventories. In recent years, new business premises were constructed for Dr. Hönle AG (Equipment & Systems segment), PANACOL-ELOSOL GmbH (Adhesives segment) and uv-technik Speziallampen GmbH (Glass & Lamps segment). The total capital expenditure of around € 58 million largely covered the period from 2018 to 2022 and has now been largely completed. The investments were largely financed on the basis of long-term real estate loans with an average residual term of 15.5 years. The variable-interest loans are hedged against interest rate fluctuations by appropriate interest rate swaps.

The high order backlog and the large number of ongoing customer projects are an excellent starting point for the new financial year. The strains on margins in the course of the reporting year due to the situation on the procurement markets can probably be offset to a large extent by price adjustments on the sales side in financial year 2022/2023. The sale of Raesch Quarz (Germany) GmbH is also projected to improve the Hönle Group's profitability and liquidity position on a sustained basis. The Management Board expects sales for the Hönle Group in the 2022/2023 financial year to be slightly below the sales for the 2021/2022 financial year and an operating result that is significantly higher than the adjusted operating result of the last financial year (2021/2022: EUR 9 million before special effects).

While travel restrictions in China still dampened business activities in the Adhesives segment in the reporting year, the situation in this region, which is important for the Hönle Group, has increasingly improved recently. High-volume adhesives projects, which are very important for the Group’s further development, are expected to be realised in financial year 2022/2023.
Hönle registers strong demand for UV-based drying solutions for adhesives in the Equipment and Systems segment. The adhesives are mainly used in the electronics industry. Increasing demands imposed on product quality and high cycle times make the use of fast-curing adhesives indispensable in electronics production. Medical technology is another important growing market for UV drying equipment. This segment also places high demands on the quality of the bonded components. In addition, a new product line for the printing industry is expected to contribute significantly to the planned sales growth in the second half of the new financial year.
In the Glass & Lamps segment, the high demand for UV lamps for air and water disinfection contributed to positive sales development at uv-technik Speziallampen GmbH. The prospects in the disinfection and drying business segments are also extremely good due to the high order backlog and the large number of ongoing customer projects. The ballast and process water disinfection business segments in particular are expected to continue to develop positively and contribute significantly to positive business performance in the UV lamps segment.
The prerequisites for significantly expanding the Hönle Group's sales and earnings level in the existing segments, both organically and inorganically, are also good for the coming years.

Several one-off effects such as the restructuring of Raesch Quarz (Germany) GmbH and the inventory write-downs had a significant impact on the Hönle Group's operating result in financial year 2021/2022 so that the reporting year did not develop satisfactorily overall. The Management Board is nevertheless satisfied with the Group's position, mainly due to the growth prospects described above and the expected sustainable improvement in profitability and free cash flow. In future, the focus will be strongly on the Adhesives segment. The implementation of strategies aimed at increasing sales revenues and earnings will be given top priority in this respect.

Research & Development

The Hönle Group's research-and development expenses in the reporting year amounted to T€ 7,154 after T€ 6,518 in the preceding year. The average number of staff employed in the R&D Departments increased from 95 to 97 within one year. In all, 14.8% (PY: 14.5%) of Hönle's employees were engaged in research and development activities in the financial year under review. A selection of R&D activities in the past financial year is presented below:

Adhesives Segment

In the Adhesives segment, a new two-component adhesive system was developed which is convincing due to its unique high resistance to environmental influences. Sensitive electronic components, but also bonded casings can thus be permanently protected against environmental influences. The epoxy adhesive boasts high temperature resistance and excellent adhesion to metals such as aluminium and stainless steel as well as to many plastics. Its very high vibration and shock resistance and very good resistance to liquids such as transmission oil, biodiesel and alcohol extend the adhesive's field of application to the automotive industry.

Equipment & Systems Segment

The UV drying system, LightGuide pureUV, was developed in the Equipment & Systems segment. Owing to its unique reflector geometry, the UV lamp achieves approximately 50% higher peak intensity than comparable curing equipment. The LightGuide pureUV is particularly user-friendly thanks to its "Quick-Change" technology, comprising a plug base that is integrated into the housing for quick UV lamp replacement. The device can be used in UV-inert chamber systems that are also developed and manufactured by Hönle. A special feature is the installation of the UV-inert chamber above a cooled roll. In addition to the advantages of inertisation, this combination offers easier web temperature management and reduces nitrogen consumption by approximately 10%. The LightGuide pureUV UV-system was presented at the ICE 2022 trade fair.

Glass & Lamps Segment

Following the takeover of uv-technik meyer GmbH by uv-technik Speziallampen GmbH, the UV specialist presented innovations from its expanded product range at the Aquatech trade fair in Amsterdam. This includes innovative products from the areas of UV low-pressure and UV medium-pressure technology for the treatment of drinking, process and wastewater.
Over four days, more than 550 international exhibitors presented their latest products and services on the topics of drinking water, industrial wastewater and sewage at Aquatech. In this context, the treatment of water by means of UV technology is playing an increasingly important role. The perfect interplay of various components, from high-performance medium-pressure and low-pressure UV lamps, reliable sensor technology to efficiency-enhancing electronic ballasts, contributes significantly to safe water disinfection.

Selection of Memberships

Permanent exchange of experience with customers and interested parties is crucial to the success of the Hönle Group. Furthermore, Hönle is working with universities and research institutions in the development of new processes and products. In addition, the Hönle Group is member of several processional associations and organisations to represent its interests (excerpt in alphabetical sequence).

DECHEMA

DECHEMA Gesellschaft für Chemische Technik und Biotechnologie e. V.

DFTA
Der FlexoDruck.

DFTA Flexodruck Fachverband e. V.

DVS VERBAND

DVS Deutscher Verband für Schweißen und verwandte Verfahren e. V.

FGD VDMA

FGD Forschungsgesellschaft Druckmaschinen e. V.; im VDMA Verband Deutscher Maschinen- und Anlagenbau e. V.

FOGRA Forschungsgesellschaft Druck e. V.

Hong Kong Printers Association

Industrieverband Klebstoffe e. V.

POLYGRAPH Leipzig e. V.

VCI Verband der Chemischen Industrie e. V.

Environmental Aspects

Environmental Policy

In order to protect the environment and to comply with its social and legal obligations and to actively shape a sustainable future, Dr. Hönle AG defined the following guiding principles:

“The creation of awareness for the protection of the environment and the careful use of resources are integrated into our processes in order for them to fully, and not only selectively, make their impact felt along our value chain and in our daily work.
In our product development activities, we give preference to reusable materials for our equipment and systems. In doing so, we aim at the environmentally friendly disposal and disassembly of our products, as well as reuse through recycling, after a long service life.
We prefer to reduce the environmental impact from the outset and to avoid the generation of waste wherever possible rather than having to dispose of it afterwards. To accomplish this, we work closely with our partners such as customers, suppliers, logistics and waste disposal companies.
Just as technological change is advancing, our Company is also constantly undergoing change. This is why we are in a constant process of further enhancing our processes and procedures. Our employees are essential for the further development and enhancement of our methods for active environmental protection. We maintain an open employee suggestion scheme giving our employees the opportunity to get involved and actively shape our approach to environmental protection. Every employee is asked to point out errors and risks to environmental protection and opportunities for the saving of resources.
The protection and well-being of our employees is essential for us and is taken into account in the design of the workplace environment, among other things. We train our workforce to avoid or reduce accidents and to act appropriately in emergency situations.”

Protection of Resources

The increase in the world's population and rising prosperity are contributing to a growing demand for resources. It is therefore a central task for companies and consumers to use resources and treat nature carefully and responsibly.
With the introduction of an environmental management system, Hönle is strengthening its efforts to achieve effective and sustainable environmental protection. Dr. Hönle AG has had a certified environmental management system in accordance with ISO 14001 since 2018.

With the installation of a photovoltaic system at the Malta site, Raesch is making a contribution to environmental protection. The plant has an output of 197 kWp and generates electricity from sunlight, which can be used by the site itself or fed into the public power grid. Greenhouse gas emissions and other air pollutants are significantly reduced compared to electricity generation from fossil fuels. With this system, Hönle reduces greenhouse gas emissions by 228 tonnes per year[1].
The new Hönle Group corporate headquarters were set up at the site in Gilching near Munich. The real estate complex consists of a logistics building and an office and production building. The properties were occupied in 2020 and 2021, respectively. Attention was paid to a sustainable building design for the new construction. The new head office is heated using district heating and cooled using groundwater. A special ventilation concept is used for air-conditioning at the production area. A photovoltaic system came on stream on the roof of the logistics building in 2022. The system has an output of 200 kWp and will make it possible to save 150 tonnes[1] of greenhouse gases every year in the future.
[1)] Source: own calculations, Fraunhofer ISE, www.solarserver.de

Technology and Products

UV technology is a core competency of the Hönle Group. Hönle UV drying systems are used in a wide variety of printing and coating applications. Compared to conventional thermal drying processes, UV processes are usually characterised by significantly better environmental compatibility. The use of modern UV drying systems is recommended due to the systems' superior energy performance when compared to conventional infrared and hot air drying systems. In addition, the high quality and scratch resistance of end products help to reduce the repair work necessary due to mechanical stress and strain.

Moreover, the use of UV technology enables a significant reduction in the amount of hazardous solvents. The German Solvent Ordinance (BlmSchV) limits the emission of volatile organic compounds (VOC). The use of UV inks and paints is one way to comply with the requirements of this directive. The process aimed at a further reduction of emissions as promulgated in the VOC and National Emission Ceilings Directive, for example, is continuing at cross-national level. For this reason, there will also be promising opportunities for the further spread of UV technology in the printing, painting and coating sectors in the future.

In addition to UV discharge lamps, Hönle's offering includes a constantly growing range of UV LED systems. By using LED technology, the already favourable energy performance of UV technology can be improved even further. In comparison with conventional discharge lamps, electricity consumption is reduced with LED systems and the lamps' lifespan is significantly increased at the same time. With their compact dimensions and flexible layout, LED systems are ideally adaptable to any application. For these reasons, the Hönle Group invests in the production facilities as well as in the development and production staff for innovative UV LED systems.

The product range also comprises energy-saving air disinfection equipment. Viruses and other pathogens in the air can be inactivated simply, safely and effectively using UVC radiation. Disinfecting with UV light is a unique environmentally friendly process as no chemicals are used and the energy required for the equipment’s operation is low compared with traditional filter systems.

Another business segment of the Hönle Group comprises the disinfection of drinking water and wastewater as well as the treatment of ballast water on ships. The ultraviolet rays ensure very high germ elimination rates. The use of chemicals can be minimised or even completely avoided. Micro-organisms, for example, are killed off at drainage systems of sewage treatment plants without using chemicals and without any harm to the environment. Waters are protected by using UV technology and their self-cleaning properties are preserved or restored. The international Ballast Water

Management Convention came into force in 2017. It aims to stop the world-wide migration of alien species through the intake and discharge of ballast water in the shipping sector. In addition to the Ballast Water Management Convention, further guidelines have been adopted in the meantime which set out the testing and certification of ballast water treatment systems. The Marine Environment Protection Committee (MEPC) of the International Maritime Organization (IMO) has adopted transitional rules for the coming into force of the Ballast Water Management Convention. The transitional rules specify that by 2024 all ships and vessels concerned must be equipped with ballast water treatment systems that demonstrably meet the quality standard defined in the Convention. UV-Technik Speziallampen GmbH offers suitable UV systems for water disinfection on ships and vessels. The UV systems provide an environmentally friendly alternative for the chemical treatment of ballast water.

Around the globe, UV disinfection has been successfully employed for decades in surface disinfection, in the food industry for instance. UV disinfection offers numerous advantages over chemical disinfection methods. There is no need for transporting and storing, and above all for the disposing of chemicals. No harmful disinfection by-products have to be dealt with and aesthetic features, such as taste, odour or colour of the foodstuff are not impaired.

The Hönle Group also contributes to environmental protection in the segment of industrial adhesives. In addition to common adhesives, the product range also includes UV and light curing adhesives that enable a drying process without the emission of solvents. The adhesives react to radiation, the molecules interconnect and cure in seconds - and no solvents are used, thus proving the environmental compatibility of UV and light curing adhesives.

Statement on Corporate Governance

The statement on corporate governance to be submitted pursuant to Section 289f and Section 315d HGB is included in the Corporate Governance Report: It is also available on the Internet at www.hoenle.de.

Disclosures Required by the Takeover Directive and Explanatory Report of the Management Board

Disclosures pursuant to Sections 289a and 315a HGB

Re: No. 1: The nominal capital of Dr. Hönle AG amounts to € 6,062,930, split up into 6,062,930 no-par bearer shares. Each share carries one voting right; there are no shares carrying special rights. Further details on the nominal capital are provided in the notes to the financial statements in the Equity section.

Re: No. 3: Pursuant to Section 33 (1) WpHG, shareholders must report significant participating interests in listed companies. Mr. Kai Möhrle informed Dr. Hönle AG that his share of voting rights in Dr. Hönle AG exceeded the 10% threshold on 24 February 2022 and amounted to 11.09% (672,069 voting rights) on that day. Of this share of voting rights, 11.09% (672,069 voting rights) are attributable to him pursuant to Section 34 WpHG.

Re: No. 6: The Supervisory Board appoints the Dr. Hönle AG Management Board for a maximum term of office of five years. Each amendment to the company’s Articles of Incorporation requires a resolution by the Annual General Meeting.

Re: No. 7: The Management Board and the Supervisory Board shall continue to be able to use authorised capital, in particular for corporate acquisitions, equity holdings in companies and other economic assets, and for strengthening the Company's equity base. For this reason, the Annual General Meeting held on 23 March 2021 authorised the Management Board, with the approval of the Supervisory Board, to increase the nominal capital through the single or repeated issuance of new, no-par bearer shares by up to € 600,000 until 22 March 2026.

Moreover, the Annual General Meeting held on 26 March 2019 authorised the Company to purchase up to 551,293 of its own shares up to 31 December 2023. In this regard, reference is also made to the disclosures on own shares in the Equity section of the notes to the consolidated financial statements.

Re: No. 8: In the event of a change of ownership at Dr. Hönle AG, the Management Board has the right to give notice to terminate and resign from office.

Re: No. 9: In the event of a change of ownership at Dr. Hönle AG, the Management Board is entitled to receive a severance payment.

Further details respecting Section 315a Nos. 8 and 9 HGB are provided in the remuneration report.

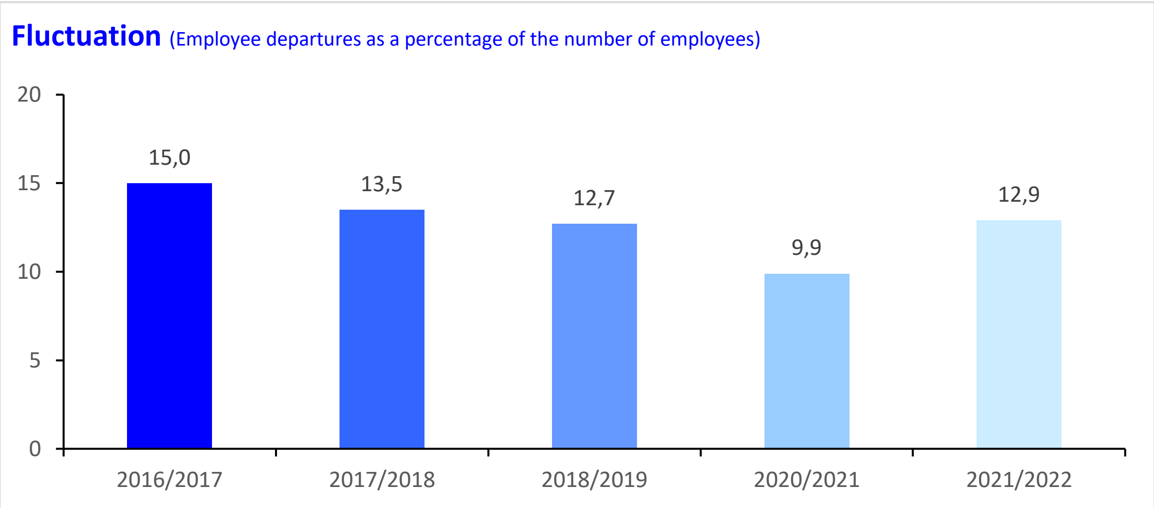
Employees

As at 20 September 2022 the number of staff employed by the Hönle Group was 648 (PY: 667). 58 employees worked part-time, which corresponds to a ratio of 9.0% of the total workforce. The fluctuation rate increased from 9.9% in the previous year to 12.9% in the reporting year. The increase was due to the relocation of Dr. Hönle AG and other factors.
Personnel expenses rose from 39,676 T€ in the previous year to 43,041 T€ in the reporting year. The higher personnel expenses are attributable to severance payments, commission payments and pay increases.

Personnel Development

With a view to ensuring a high qualification level, Hönle regularly invests in qualification and training measures for the Company's employees. In this context, the Company uses the services of both internal experts from the respective departments as well as external service providers. In financial year 2021/2022, expenses for staff training and qualification amounted to T€ 654 (PY: T€ 569).

Hönle invests in vocational training with a view to covering the future demand for qualified personnel: 26 young people were undergoing training in the Group as at 30 September 2022 (PY: 33). At present, the Hönle Group trains electricians, IT specialists, warehouse logistics specialists, industrial clerks, industrial mechanics, process mechanics, and others.



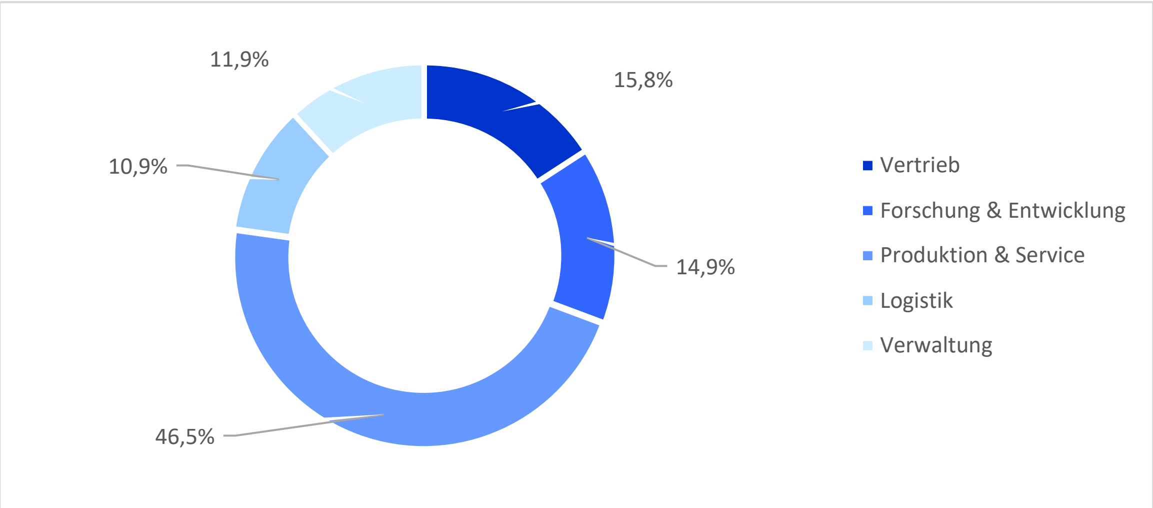
Employees by Segments

	30.09.2022	30.09.2021	+/- %
Adhesives	139	139	0.0
Equipment & Systems	298	299	-0.3
Glass & Lamps	211	229	-7.9
	648	667	-2.8

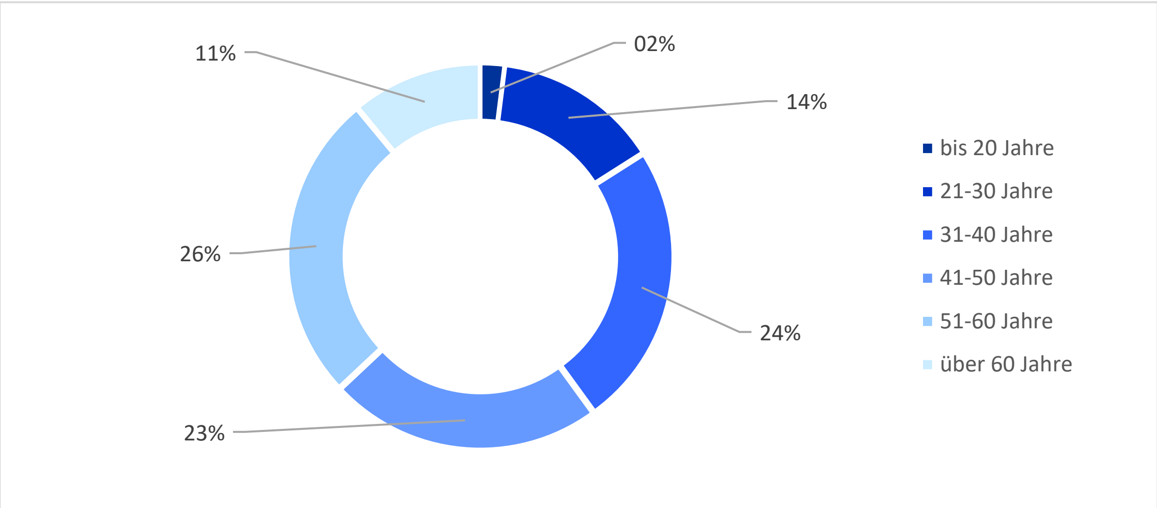
Personnel Expense

in T€	2021/2022	2020/2021	+/- %
Wages and salaries	35,299	32,110	9.9
Social security and pension costs	7,742	7,566	2.3
	43,041	39,676	8.5

Employees by Functional Areas



Employees by Age Group



Opportunities and Risk Report

Risk Management Objective

As a leading technology company, the Hönle Group is exposed to numerous regulatory, technological and market-related changes. Recognising and exploiting the opportunities resulting from these changes is essential for Hönle's entrepreneurial success. Dr. Hönle AG's risk policy is aligned to the entrepreneurial objectives of sustained growth and constant improvement of the Company's results in order to contribute to an increase in corporate value. Entrepreneurial opportunities are usually accompanied by risks, which need to be identified and evaluated as early as possible. The introduction of suitable measures is intended to limit any possible negative effects and thus to prevent a threat to the Company's continued existence as a going concern.

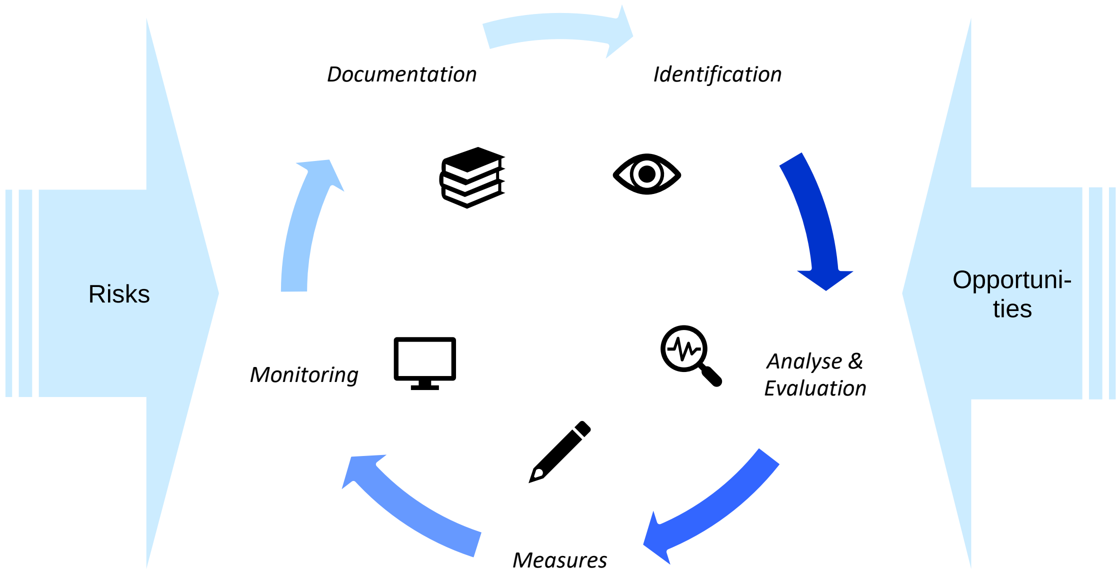
Risk Management Structure

For purposes of risk monitoring, Dr. Hönle AG has implemented a formalised risk management system. The principles, which are documented in a risk manual, define the procedures for dealing with risks. By weighing up the potential amount of loss, the probability of a loss occurring, but also the opportunities arising from it for the Company, it is determined whether the respective risk should be avoided, reduced, transferred or accepted. The probability of occurrence is allocated to the categories "low", “medium" and "high". The assessment of opportunities and risks is based on a medium-term observation period of two to three years.

In the past financial year, risk reports were sent to the risk manager as required (risk identification). All risks were evaluated within the scope of a predefined scale for the evaluation of potential losses and the probability of occurrence (risk evaluation).

Measures were defined and initiated as required (risk management). In addition, risk discussions were held with the responsible risk managers at three-month intervals, the risk situation was analysed and measures were monitored (monitoring).

The Dr. Hönle AG Management Board is informed of the group’s current risk situation at regular intervals and is promptly notified as soon as defined risk thresholds of specific risks are reached. All responsibilities, principles and procedural approaches are documented in a risk management manual and all risk reports are recorded on standardised forms (risk documentation).



Specific Risks and Opportunities

Risks that could have medium or high adverse impact on the Hönle Group's net assets, financial position or results of operations are described below. It should be noted in this context that the Hönle Group considers the probability of occurrence of all below-stated risks to be low unless otherwise stated. The sequence of the risks presented within the following categories reflects the current assessment of the relative risk level in descending order, thus providing an indication of the significance of these risks for the Hönle Group as far as this is possible in each individual case. Additional risks which are not known at present or risks that are currently classified as insignificant may also impact adversely on business activities. Unless otherwise specified, the following risks concern all segments. From the current perspective, the Hönle Group is exposed to the following internal and external opportunities and risks:

Market and General Conditions

The Russian attack on Ukraine and a mix of high inflation rates and sharply rising interest rates led to a significant deterioration in the general economic conditions. The risks of a global recession have increased and political risks and an even more restrictive monetary policy are creating continuing headwinds for the global economy. The International Monetary Fund (IMF) revised its economic forecast for 2023 downwards several times. The ongoing war in Ukraine puts the security of gas supply in Europe at risk. Inflation could be harder to bring down than hoped and global financial conditions coupled with rising interest rates could lead to debt problems in emerging markets and developing countries. In China, economic growth has moderated considerably due to China's zero-COVID policy. An economic downturn would probably have a negative impact on the Hönle Group's financial position and results of operations. On the other side, if the economy should prove to be less feeble than initially feared, this would have a positive impact on the Hönle Group's earnings development. Global supply bottlenecks due to recurring production disruptions in China and geopolitical turmoil are expected to continue. It cannot be ruled out that, due to the tense situation on the procurement markets, components can only be procured promptly at significantly higher purchase prices, if at all, and thus it cannot be ruled out either that strong pressure on margins could arise. It cannot be ruled out that price increases on the sales side cannot compensate for price increases on the procurement side.
Hönle is addressing this challenge by intensifying the analysis of supplier markets and through its inventory level that had already been increased in the reporting year.

Market risks also arise from changes in energy and raw materials prices. Electricity and gas prices rose significantly in 2022. The high energy prices hampered Raesch Quarz (Germany) GmbH's earnings situation considerably. The sale of Raesch Quarz (Germany) GmbH will make the Hönle Group much less dependent on fluctuating electricity and gas prices in the future.
High energy and raw materials prices are also expected in 2023. While the Hönle Group has increased its inventories, after careful weighing all relevant factors on a cost-benefit analysis, it decided against the taking of special hedging measures with respect to commodity price risks. A decline in the prices for energy and many raw materials, on the other hand, would have a positive impact on the Hönle Group's earnings development.

Furthermore, risks may arise from changing international regulations and laws in Germany and the EU, in particular, such as those relating to the use of raw materials or ingredients. The setting up of trade barriers and increasing geopolitical strains may also play a negative role. Trade conflicts such as between the US, China and the EU, may lead to rising customs duties, increasing prices for purchased goods and they also may impact adversely on global growth dynamics.
At the same time, opportunities arise from changes in general economic conditions - for example, as a result of the conclusion of trade agreements or due to the Ballast Water Convention, which will apply to all ships concerned from the year 2024 onwards and which is expected to impact positively on the demand for Hönle Group products and thus on Hönle's economic development.

Operational Development

The loss of key customers could lead to a decline in revenues. Hönle addresses this risk through intensive monitoring of its key customers and ongoing review of key customers' financial performance. Key account satisfaction is constantly monitored. Expanding the customer base in economically decoupled target industries also improves the risk structure. Successful cooperation with key customers provides a sound basis for the further expansion of business activities and continuing growth with strong partners.

It cannot be ruled out that in individual cases customers may meet their future payment obligations too late or not at all. Especially in connection with the disruption of supply chains, the liquidity situation of important business partners could deteriorate and thus lead to an increased risk of default. However, the Hönle Group customers have thus far demonstrated good payment behaviour. Hönle adapts the payment conditions to customers' credit standing as required.

As a result of the introduction of new products or technologies, the Company's existing products or inventory portfolio may no longer be marketable. The Hönle Group's success thus depends on the ability to promptly recognise market developments and to continuously develop and offer new products. At the same time, technological changes also offer an opportunity to open up new sales markets with innovative products.

Just as other companies, the Hönle Group is exposed to IT-related risks. IT systems provide the basis for almost all operational procedures and processes. Structures were established with a view to protecting the business processes from IT risks. These structures are to prevent possible damage/losses and ensure high process security. The redundant design of IT systems is of crucial importance in this context. The operational solutions concerning access control, extensive protection systems, backup systems and failure management ensure a high level of availability of the IT infrastructure. Regular analyses and checks of the IT systems as well as consistent security management ensure an appropriate level of security.

Hönle competes for specialists and executive staff. The market for skilled workers and engineers, in particular, is subject to intense competition. The attractiveness of an employer plays a crucial role in applicants' decision-making process. Hönle thus places great emphasis on a good working environment, targeted training and qualification measures and offers promising career prospects. The Company also cooperates closely with selected technical universities and offers bachelor's and master's theses as well as internships. Hönle also counteracts the lack of skilled professionals by offering internal vocational training. The range of vocational training in the industrial area was significantly expanded in recent years. In all, Hönle is well equipped to cope with the challenge of intensified competition for specialists and executives on the labour market.

The loss of corporate key personnel on whose know-how the Company's success depends constitutes a further at least partial risk. In order to counteract this risk, Hönle aims to retain its staff in the Company over the long term and has implemented comprehensive measures to this end. Furthermore, corresponding substitution arrangements are in place in the sensitive areas, in particular, in order to minimise the impact of an unexpected loss of an employee.

Financial Risks

Acquisitions are a major component in the strategic further development of Hönle's corporate structure. The acquisition of companies involves both opportunities and risks. Acquisitions offer the possibility to open up new business segments and markets, and to make a sustained contribution to the Hönle Group's positive business development. Impairment risks arise when the acquired company cannot be integrated within the planned time schedule or does not develop as expected. The probability of unfavourable business developments increases in times of difficult or uncertain general macroeconomic conditions. It cannot be ruled out that, in the course of an unscheduled deterioration in the business development of individual Hönle Group companies, impairment losses may have to be recognized for goodwill (consolidated financial statements) and other assets or investment assets (annual financial statements) or that impairments already taken into account may increase. On the other hand, however, sales and earnings may develop significantly better than planned.

Financial risks include additionally risks associated with financial losses due to fluctuating economic data such as data pertaining to exchange and interest rates. Such risks may impact negatively on the Company's net assets, financial position and results of operations. It is to be assumed that rising euro exchange rates could adversely impact on Hönle's export business. However, since sales are for the most part invoiced in euros, Hönle does not engage in currency hedging transactions. Hönle addresses exchange rate fluctuations which affect regional price structures through continuous market monitoring and through product or price adjustments, as required. A weaker euro entails the risk of higher material expenses. On the other hand, a falling euro exchange rate offers the Hönle Group the opportunity of competitive advantages outside the euro zone with positive effects on the earnings situation. Savings in the cost of materials will result from a rising euro exchange rate.
Changing interest rates involve financing risks. The previously historically low interest rates have risen significantly again in the course of 2022, which has also been done to counteract the high inflation rate. In order to finance the acquisition of commercial real estate and to finance the acquisition of corporate shares in the previous year, the Hönle Group has, among other things, taken out loans with variable interest rates. Derivative financial instruments in the form of interest rate swaps were used in this context for hedging against interest risks. Overall, the interest rate risk is of minor relevance for the Hönle Group at present. Nevertheless, the higher interest rates generally tend to make favourable financing more difficult.

Liquidity bottlenecks as a result of sustained poor business performance cannot be ruled out completely. The liquidity supply of Dr. Hönle AG and its subsidiaries is based on long-term financial and liquidity planning. The Management Board is informed at regular intervals about the current liquidity situation. With liquid assets of currently 7.1 Mio. € and additional unused credit facilities, the Hönle Group is solidly financed. Moreover, a cash pooling arrangement optimises the liquidity supply of the individual companies and minimises the respective liquidity risks. Moreover, the sale of Raesch Quarz (Germany) GmbH is expected to contribute to an improvement of the Hönle Group's liquidity situation as from the 2022/2023 financial year.

Internal Control and Risk Management System with regard to the Accounting Process

Disclosures pursuant to Section 289 (4) and 315 (4) HGB

The risk management system and the internal control system are concerned, among other things, with monitoring the accounting processes. In addition to identifying and assessing the risks which may hinder the preparation of financial statements in compliance with the rules, it is mandatory to take appropriate measures to avert such risks.

Dr Hönle AG's risk management system incorporates strategic corporate planning, internal reporting and the internal control system. Strategic corporate planning is aimed at identifying and utilising future opportunities while assessing the associated risks that may arise. Internal reporting serves as an information system that provides information about current developments and existing risks. The internal control system is continuously used for the identification of risks, the taking of corresponding measures and monitoring their implementation and effectiveness. This also encompasses Dr. Hönle AG's accounting process. Controlling is responsible for analysing the accounting process. Accounting-related reporting to the Management Board takes place regularly and promptly. The reporting includes relevant financial indicators and comprises a detailed comparison of actual figures with those planned.

In addition, within the scope of risk management, risks are monitored and measures to be initiated are discussed at regular meetings involving all Dr. Hönle AG departments. The Management Board is provided with the respective reports in due time.
In order to ensure appropriate implementation of the internal risk management guidelines, Hönle also uses a manual specifically developed for this purpose. The contents of the manual include rules of conduct respecting the identification, analysis, assessment, treatment, monitoring and documentation of risks.

The major preconditions for proper accounting include an adequate merchandise information system, in-depth staff training, the allocation of responsibilities, functional segregation with respect to the accounting system, and controlled access at IT system level. Dr. Hönle AG implemented an ERP (Enterprise Resource Planning) and accounting system that enables appropriate accounting. In addition, the Hönle Group established a uniform, Group-wide ERP system and implemented a certified consolidation program aimed at ensuring reliable and prompt financial accounting. Newly founded or acquired companies are integrated into the existing ERP system as quickly as possible. In this context, Dr. Hönle AG also performs the accounting function centrally as a service provider for other Hönle Group companies. The accounting process is based on the principle of dual control. The information provided in the financial statements as well as the financial statements preparation are subject to defined release processes. The figures stated in the financial statements are analysed and any changes are reviewed in the context of financial statements preparation.

In order to exclude as far as possible any threat to data security, Hönle aims to constantly review and further enhance preventive measures in the IT segment. Regular system updates and, if required, any system enhancements, are just as important to us as the observance of internal security guidelines by our employees. Protection against unauthorised access, misuse and destruction is ensured, among other things, by the use of multi-layer firewall systems and virus protection programmes through access controls at operating system and application level as well as by multiple data backups.
The IT system structure contributes to prompt and adequate recording of all information relevant to the accounting process and ensures the greatest possible security throughout the group.

Risk Management with Regard to Financial Instruments

Disclosures pursuant to Sections 289 (2) No. 1 and 315 (2) No. 1 HGB

In its capacity as the controlling group company, Dr. Hönle AG monitors, coordinates and directs the financial activities of the Hönle Group. Ensuring that sufficient liquidity reserves are in place is top priority for Hönle in this context and great emphasis is placed on achieving optimised profitability while minimising risks at the same time.

Liquidity Risk

The liquidity risk may be of relevance to the Hönle Group if current or future payment obligations cannot be met due to insufficient available cash/cash equivalents. Long-term financial planning, which extends over several years, and regular liquidity planning ensure the Company's solvency at all times. Since financial covenants partly have been agreed with financial institutions, the liquidity risk could increase if the credit conditions are not met and the bank makes use of the option of calling in long-term debt in the short term. Regular monitoring of credit terms is intended to counteract this risk.

Default Risk

A potential financial risk in all business transactions is the risk of default from the failure of contracting parties to meet their payment obligations as scheduled. In connection with the coronavirus pandemic and the disruption of supply chains, the liquidity situation of important business partners could deteriorate, which could involve an increased risk of default. Hönle reviews its business partners' credit standing, paying special attention to major customers. The continuous monitoring of business transactions ensures a low risk of default.
Achieving the plan targets of equity investments held by Hönle plays a major role in Dr. Hönle AG's existing risk exposure. This applies, in particular, to the carrying amounts of equity investments as well as to loans and receivables vis à vis equity holdings. If the equity investments fail to meet the planned targets or if necessary measures as a response to further developments cannot be taken in time, the recognised values must be reviewed to identify any write-down requirements.

Market Risk

The market risk arises from financial losses due to fluctuating market prices, e.g. respecting raw materials, exchange rates, interest rates and securities. The commodity price risk, currency risk and interest rate risk are particularly relevant to the Hönle Group. Such risks may impact negatively on the Company's net assets, financial position and results of operations. Following a careful assessment based on a cost-benefit analysis, the Hönle Group largely decided not to implement special hedging measures against currency and commodity price risks.

Depending on the changing market situation, significant price fluctuations may affect purchase prices for required raw materials or for energy supply. From a current perspective, the existing and expected market risks do not represent a threat to the Hönle Group's continued existence as a going concern. The sale of Raesch Quarz (Germany) GmbH also makes the Hönle Group much more independent of fluctuating electricity and gas prices.
On the other hand, favourable price developments concerning energy and raw materials could have a positive impact on the Hönle Group's net assets, financial position and results of operations.

The currency risk comprises risks arising from exchange rate fluctuations that may impact on the competitiveness of the Hönle Group's products and purchase prices. Since the Hönle Group settles most of its purchase and sales transactions in euros, the currency risks associated with the settlement of services and deliveries from suppliers or to customers are limited. Hönle reviews the use of hedging instruments in individual cases.

The interest rate risk arises from changes in interest rates. Derivative financial instruments in the form of interest rate swaps were used for hedging against interest risks. Due to the effectiveness of the hedging instruments, Dr. Hönle AG is not exposed to an earnings risk that must be recognised in the statement of financial position since any negative fair values of the financial instrument are matched by positive developments of the related hedged item. For further details, reference is made to the disclosures in the notes to the consolidated financial statements.

Overall Assessment of the Opportunities and Risk Situation

With high-performance products in various industries and fields of application, the Hönle Group is excellently positioned and has a solid financial footing.

From today's perspective, supply bottlenecks respecting raw materials and primary products still represent a significant risk. Continuing supply bottlenecks may lead to delays in delivery dates at several Hönle Group companies. The restructuring and sale of Raesch Quarz (Germany) GmbH and the impairment losses on inventories recorded at Dr. Hönle AG resulted in one-off factors in the amount of € 19.2 million in financial year 2021/2022. Budget deviations at companies of the Hönle Group could also negatively impact on the individual companies' and the group's net assets, financial position and results of operations in the future.

On the other hand, economic opportunities arise for the Hönle Group from the opening up of new markets and fields of application. New fields of application - for example in consumer electronics, renewable energies and life science - are strategically important growth areas for the Hönle Group's future development.
The expansion of sales capacities via own companies and also via local sales partners is expected to open up new sales markets for the Hönle Group.

Currently, no risks are discernible that could jeopardise the Company’s continuation as a going concern now or in the future.

Forecast Report

Market Outlook

The risks of a global recession have increased further, political risks and an even more restrictive monetary policy are creating continuing headwinds for the global economy. The International Monetary Fund (IMF) revised its economic forecast for 2023 downwards several times, most recently to 2.7%.

With the start of the Russian war of aggression on Ukraine, the general economic conditions have clouded over significantly. While at the beginning of the year the expectation was that the global economy would continue to recover from the negative economic effects of the COVID-19 pandemic and that above-average growth could again be expected, it is now to be assumed that global economic growth will weaken substantially. The risks to the outlook are clearly tilted to the downside: The ongoing war in Ukraine results in bottlenecks with important commodities, inflation could be harder to bring down than hoped, global financial conditions with rising interest rates could lead to debt problems in emerging markets and developing countries, and a further escalation of the crisis in the real estate sector and an inappropriate COVID-19 policy could further dampen Chinese growth.

Outlook for the Hönle Group

The Hönle Group's further business development depends to a large extent on the general economic conditions. The outlook is based on detailed planning for the individual companies in the three existing business segments.

Adhesives Segment

Sales revenues generated in the Adhesives segment in financial year 2021/2022 were above the previous year's level. The existing travel restrictions in China had a dampening effect. The situation in this region, which is important for the Hönle Group, has normalised further in recent months. High-volume adhesives projects, which are very important for the Company’s further development, are expected to be realised in financial year 2022/2023. Promising adhesive projects exist in particular in the areas of renewable energies, electronics, especially consumer electronics, as well as the automotive sector. It is encouraging that the orders portfolio at the end of the financial year is also significantly higher than the previous year's level.
In view of the large number of high-potential adhesives projects, the Management Board expects strong business development. Another managing director who is responsible for international adhesives sales is to further tap into the China and USA sales territories, in particular.

Equipment & Systems Segment

The Management Board expects positive business performance in the Equipment & Systems segment due to the still good order backlog and continued stable demand. Additional stimulus will be provided in the second half of the 2022/2023 financial year with the launch of a new product line for the printing industry.
Hönle continues to register high demand for UV drying equipment for adhesives. The adhesives are mainly used in the electronics industry. Increasing demands imposed on product quality and high cycle times make the use of fast-curing adhesives, which are dried with the aid of UV equipment, indispensable in electronics production. The expansion of business development management will open up further high-potential UV applications in the future.

Glass & Lamps Segment

In the Glass & Lamps segment, the life science unit and UV-based disinfection, in particular, represent an important business segment that offers great potential for the future development of the Hönle Group. The disinfection of water by means of UV lamps was and continues to be a major growth market in this business segment. The environmentally-friendly process is increasingly used in the treatment of water in various applications and the Hönle Group supplies leading manufacturers of water treatment systems with lamps and components.
The Management Board expects further increases in sales and operating results in the lamps segment for financial year 2022/2023.

The high energy prices and price situation at the procurement markets for raw materials placed a considerable drag on Raesch Quarz (Germany) GmbH’s earnings situation. The sale of Raesch Quarz (Germany) GmbH is projected to sustainably improve the Hönle Group's earnings and cash flow position. In all, the Management Board thus expects a rise in earnings in the Glass & Lamps segment. Segment sales in the 2022/2023 financial year are expected to be below those of the previous year due to the sale of Raesch Quarz (Germany) GmbH.

Overall Assessment of Future Business Development

Promising customer projects in all of the three business segments and a strong order backlog provide the basis for positive business development of the Hönle Group. The gross profit margins will likely improve in the course of the 2022/2023 financial year due to the adjustment of sales prices. The sale of Raesch Quarz (Germany) GmbH, which is one of the energy-intensive companies due to its melting furnaces, will make the Hönle Group less dependent on rising energy prices in the future and will lead to positive earnings and liquidity effects at Group level.

Overall, the Management Board expects sales for the Hönle Group in the 2022/2023 financial year to be slightly below the sales for the 2021/2022 financial year and an operating result that is significantly higher than the adjusted operating result of the last financial year (2021/2022: EUR 9 million special effects).

In addition to organic growth, corporate acquisitions will continue to be important for the expansion of the Hönle Group's business activities in the future also. The Hönle Group intends to further expand its market position over the medium term in the Adhesives and Life Science segments, in particular.

Gilching, 17 January 2023

Norbert Haimerl Management Board	Rainer Pumpe Management Board

Corporate Governance Statement

pursuant to Section 289f HGB and Section 315d HGB

Declaration of compliance with the German Corporate Governance Code (DCGK) pursuant to Section 161 AktG of 23 January 2023

The Management Board and Supervisory Board of a stock corporation listed in Germany are obliged under Section 161 (1) AktG to submit a declaration at least once a year about the extent to which the recommendations of the DCGK have been complied with in the past and how this is intended for the future. Dr. Hönle AG attaches great importance to the rules of proper corporate governance. The Management Board and the Supervisory Board of Dr. Hönle AG published the following Compliance Declaration on 23 January 2023.

The Management Board and Supervisory Board of Dr. Hönle AG declare pursuant to Section 161 of the German Stock Corporation Act (AktG) that the recommendations of the Government Commission on the German Corporate Governance Code as amended on 28 April 2022, published by the Federal Ministry of Justice and Consumer Protection (BMJ) in the official section of the Federal Gazette have been and are being complied with, with the following exceptions:

A.2 Governance tasks of the Management Board; observance of diversity when filling executive positions

The German Corporate Governance Code recommends that the Management Board shall consider diversity when filling executive positions (Recommendation A.2 DCGK 2022). The Management Board is of the opinion that diversity aspects should not play a role in filling executive positions, but rather the personal qualifications and individual skills of the respective manager concerned should be the main focus.

A.4 Governance tasks of the Management Board; protected whistleblower system

The German Corporate Governance Code recommends that employees and third parties shall suitably be given the opportunity to report, in a protected manner, suspected breaches of the law within the enterprise (Recommendation A.4 DCGK 2022). Dr. Hönle AG is currently examining various whistleblower systems. The implementation of a protected whistleblower system is expected to take place in the first half of 2023.

B.1 Appointments to the Management Board; taking diversity into account

The German Corporate Governance Code recommends that the Supervisory Board shall take diversity into account when appointing Management Board members (Recommendation B.1 DCGK 2022). The Supervisory Board will generally base its selection of Management Board members on the qualifications and individual skills of the candidate. In the opinion of the Supervisory Board, gender, age or other diversity aspects are not decisive when making appointments to the Management Board. The sole decisive factor is to find the most suitable person for the Management Board position to be filled.

B.4 Appointments to the Management Board; re-appointment prior to one year before the end of an appointment period

The German Corporate Governance Code recommends that only in the presence of special circumstances, Management Board members shall be re-appointed prior to one year before the end of an appointment period given termination of the current appointment at the same time (Recommendation B.4 DCGK 2022). Under stock corporation law, neither special nor good cause is required for premature re-appointment prior to one year before the end of the term of appointment with simultaneous termination of the current appointment. The Supervisory Board observes the provisions under stock corporation law concerning the re-appointment of Management Board members. At the same time, however, in the interest of the Company, the Supervisory Board aims at responding as flexibly as possible to the requirements it considers necessary for the re-appointment of a Management Board member without the need for special circumstances applying within the meaning of the Code recommendation.

B.5 Appointments to the Management Board; specification of an age limit for Management Board members

The German Corporate Governance Code recommends that an age limit shall be specified for members of the Management Board and be disclosed in the Corporate Governance Statement (Recommendation B.5 DCGK 2022). The Supervisory Board is of the opinion that the personal qualifications and individual competences of Management Board members are decisive with respect to appointments to the Management Board, rather than age. Consequently, the Supervisory Board of Dr. Hönle AG has not specified any fixed age limits for Management Board members.

C.1 Composition of the Supervisory Board; determination of specific objectives

The German Corporate Governance Code recommends that the Supervisory Board shall determine specific objectives regarding its composition and prepare a profile of skills and expertise for the entire Board while taking diversity into account (Recommendation C.1 DCGK 2022). Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required competences and expertise for the entire Board. The implementation status shall be disclosed in the Corporate Governance Statement. This shall also provide information on the number of independent shareholder representatives on the Supervisory Board that is appropriate in the opinion of the shareholder representatives and the names of these members. Dr. Hönle AG is of the opinion that personal qualifications and individual competences rather than, for example, gender, age or other diversity aspects or the Company's ownership structure, are decisive when making appointments to the Supervisory Board. Dr. Hönle AG views such a definition as an inappropriate restriction of the shareholders' right to elect the members of the Supervisory Board. The Supervisory Board has therefore not specified any specific objectives or skills and expertise profiles for its composition within the meaning of the Code.

C.2 Composition of the Supervisory Board; age limit to be specified for Supervisory Board members

The German Corporate Governance Code recommends that an age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement (Recommendation C.2 DCGK 2022). So far, the Supervisory Board of Dr. Hönle AG has not specified any fixed age or length of appointment limits for its members as it considers such specification to be an inappropriate restriction of the shareholders' right.

D.2, D.3, D.4 Supervisory Board procedures; Supervisory Board committees

The German Corporate Governance Code recommends that, depending on the specific circumstances of the enterprise and the number of Supervisory Board members, the Supervisory Board shall form committees of members with relevant specialist expertise. This recommendation D.2 and the further recommendations D.3 and D.4 of the DCGK 2022 refer to the requirements for the composition and chairmanship of the relevant committees. The Supervisory Board of Dr. Hönle AG had three members until 19 May 2021 and therefore had no committees since these are also required to consist of at least three members. Since 20 May 2021, the Supervisory Board of Dr. Hönle AG has included four members and since 26 April 2022 of five members. The Supervisory Board of Dr. Hönle AG has had an audit committee since January 2022.

F.2 Transparency and external reporting; publication deadlines for financial information

The German Corporate Governance Code recommends that the consolidated financial statements and group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period (Recommendation F.2 DCGK 2022). As before, the Dr. Hönle AG will continue to publish preliminary figures for the financial year within 90 days. However, in accordance with the rules of the Frankfurt Stock Exchange for Prime Standard stocks, the annual report is published within four months from the end of the reporting period. Semi-annual reports and quarterly reports are published within two months from the end of the reporting period in accordance with the rules of the Frankfurt Stock Exchange. The shortening of the publication times would increase the administrative costs in an unreasonable proportion. The publication deadlines will therefore remain unchanged until further notice.

G.6 Remuneration of the Management Board; proportion of long-term term targets in relation to short-term targets in variable remuneration

The German Corporate Governance Code recommends (Recommendation G.6 DCGK 2022) that the share of variable remuneration achieved as a result of reaching long-term targets shall exceed the share from short-term targets. The Supervisory Board of Dr. Hönle AG is of the opinion that the Management Board of Dr. Hönle AG ensures the long-term and sustainable development of the Company even if the variable remuneration achieved as a result of reaching long-term targets does not exceed the share from short-term targets.

G.7 Remuneration of the Management Board; performance criteria for variable remuneration components

The German Corporate Governance Code recommends that for the upcoming financial year the Supervisory Board should determine the performance criteria for all variable remuneration components for each individual member of the Board of Management, which - in addition to operational ones - should be based primarily on strategic objectives (Recommendation G.7 GCGC 2022. The Supervisory Board shall also determine to what extent individual targets for each Management Board member – or targets for the entire Management Board as a whole – are decisive for the variable remuneration components. The Supervisory Board of Dr. Hönle AG is of the opinion that operational performance criteria also encompassing a strategic objective are to be used for the majority of variable remuneration components for the Management Board of Dr. Hönle AG. The Supervisory Board is of the opinion that the definition of the individual targets for the Management Board members should not be decisive for the variable remuneration components. A remuneration system based on the determination of individual targets would be too complicated and might also offer too much room for interpretation.

G.10 Remuneration of the Management Board; variable remuneration based on company shares

The German Corporate Governance Code recommends that, taking the respective tax burden into consideration, variable remuneration amounts respecting Management Board members shall be invested predominantly in company shares by the respective Management Board member, or shall be granted as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years (Recommendation G.10 DCGK 2022). The remuneration system of Dr. Hönle AG does not provide for variable remuneration based on shares in the Company or corresponding share-based remuneration. The system of variable remuneration has been tried and tested at Dr. Hönle AG over a long period of time. Consequently, Dr. Hönle AG does not plan to change this system.

G.11 Remuneration of the Management Board; extraordinary developments

The German Corporate Governance Code recommends that the Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent (Recommendation G.11 DCGK 2022). It shall be permitted to retain or reclaim variable remuneration if justified. In accordance with Section 87 (2) AktG, the Supervisory Board should reduce the remuneration to the appropriate amount if the Company's situation deteriorates to such an extent that it would be unreasonable for the Company to continue to grant the remuneration under paragraph 1. According to this, the Supervisory Board already has a statutory right to reduce the Management Board's remuneration. In the view of the Supervisory Board of Dr. Hönle AG, there is no need for any further contractual rights to account for extraordinary developments.

G.13 Remuneration of the Management Board; severance cap and offsetting against non-compete compensation payments

The German Corporate Governance Code recommends that any payments made to a Management Board member due to early termination of their Management Board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract. If post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments (Recommendation G.13 DCGK 2022). From the point of view of the Supervisory Board of Dr. Hönle AG, the severance payment for the contractual remaining term of the Management Board service contract and the compensation payment due to a post-contractual non-compete clause are two fundamentally different payments. The severance payment for the remaining contractual term is based on the remaining term in the service contract. If the remaining term is more than two years at the time of early termination, the Company feels bound by the contract and accordingly grants remuneration for the entire remaining term. The post-contractual non-compete clause, on the other hand, aims to ensure that the Management Board member does not start working directly for a competitor after termination of his or her activity on the Management Board. The Management Board member is entitled to compensation for this. However, in the opinion of the Supervisory Board, the non-compete compensation payment is not materially related to the severance payment for the remaining contractual term. Therefore, in the opinion of the Supervisory Board, offsetting the non-compete compensation payment against the severance payment is not convincing.

G.16 Remuneration of the Management Board; Supervisory Board decision on the offsetting of remuneration from supervisory board memberships at non-group entities against the remuneration of the Management Board members

The German Corporate Governance Code recommends that when members of the Board of Management assume Supervisory Board mandates outside the Group, the Supervisory Board should decide whether and to what extent the compensation is to be credited (Recommendation G.16 DCGK 2022). The Supervisory Board is of the opinion that the members of the Board of Management themselves should be able to decide on their own responsibility within the scope of their management competence and in accordance with their duty to exercise discretion whether, in view of the time required for their Board of Management mandate, they can accept further Supervisory Board mandates outside the Group. To the extent that the members of the Board of Management agree, the Supervisory Board is of the opinion that the compensation for Supervisory Board membership outside the Group should not be offset against the Management Board compensation of the Management Board member concerned, as the Supervisory Board compensation for Supervisory Board memberships outside the Group is intended to compensate the additional workload associated with the Supervisory Board membership of the person concerned.

Reference to the Company's website, on which the remuneration report for the last financial year and the auditor's assurance report pursuant to Section 162 AktG, the applicable remuneration system pursuant to Section 87a Paragraphs 1 and 2 Clause 1 AktG and the last remuneration resolution pursuant to Section 113 Paragraph 3 AktG are made publicly accessible

Section 289f of the German Commercial Code (HGB) in the version applicable from 1 January 2020 is to be applied for the first time to annual and consolidated financial statements as well as management and group management reports for the financial year beginning after 31 December 2020. The information on the remuneration report for the last financial year and the auditor's assurance report pursuant to Section 162 of the German Stock Corporation Act and the last remuneration resolution pursuant to Section 113 (3) of the Stock Corporation Act did not yet have to be published separately on Dr. Hönle AG's website. The remuneration system resolved by the Supervisory Board pursuant to Section 87a Paragraphs 1 and 2 Clause 1 of the German Stock Corporation Act, which was approved by the Annual General Meeting on 23 March 2021, is available on the website of Dr. Hönle AG at https://www.hoenle.com/investor-relation/corporate-governance. The remuneration report pursuant to Section 289f HGB in the version applicable from 1 January 2020 is to be applied for the first time to the 2021/2022 financial and will be published on 30 January 2023 at https://www.hoenle.com/investor-relation/corporate-governance.

Information on corporate governance practices

In addition to the statutory regulations and the German Corporate Governance Code (DCGK), Dr. Hönle AG attaches great importance to acting responsibly in all areas of the Group. However, this conduct has not been regulated in a specific code of conduct so far, but was lived in daily practice. Since December 2022, Dr. Hönle AG has had a binding Code of Conduct, published on the Internet at https://www.hoenle.com/investor-relation/corporate-governance.

Description of the working methods of the Management Board and the Supervisory Board and the composition and working methods of their committees

The Management Board and Supervisory Board of Dr. Hönle AG form the dual management and control structure as stated under the provisions of the German Stock Corporation Act. The Management Board and the Supervisory Board work closely together for the benefit of the Company.

Tasks and working methods of the Management Board

At present, the Management Board of Dr. Hönle AG consists of two members. It was comprised of three members in the period from January 2021 through September 2022. The Management Board is responsible for managing the Company in the Company's interests, developing the Company's strategic direction, coordinating it with the Supervisory Board and ensuring its implementation. The Management Board conducts the Company's business on its own responsibility in accordance with the law, the articles of association and the rules of procedure of the Management Board, thereby taking into account the resolutions made at the Annual General Meeting. The allocation of responsibilities and cooperation within the Board of Management are governed, among other things, by the Rules of Procedure for the Board of Management. Dr. Hönle AG has had a Management Board Chairman since September 2022. The Management Board represents the company vis-à-vis third parties. The Management tasks include regular strategic discussions at Management Board level and with the divisional heads. The Management Board is informed monthly about the development of key parameters of Dr. Hönle AG and its subsidiaries. The Management Board takes suitable measures to identify any developments that may jeopardize the continued existence of the Company at an early stage. This system is continuously being enhanced and adapted to changing framework conditions. The risk report includes further information on risk management.

Tasks and working methods of the Supervisory Board

The Supervisory Board of Dr. Hönle AG appoints the Management Board members, monitors and advises the Management Board on the management of the business. It is involved in all decisions of fundamental importance at all times in a timely and appropriate manner. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about the course of business, results of operations and financial position, the employment situation as well as the Company's planning and projects. In preparation for the meeting dates, the Supervisory Board receives regular written reports from the Management Board. After careful examination and consultation, the Supervisory Board adopts resolutions, if necessary. Rules of procedure regulate the tasks of the Supervisory Board and the internal organization of the Supervisory Board. The rules of procedure are publicly accessible on the Internet at https://www.hoenle.com/investor-relation/corporate-governance (Recommendation D.1 DCGK 2022). The Supervisory Board holds at least two meetings every six months. The meetings of the Supervisory Board are usually held in person. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board or, if he is prevented from doing so, by his deputy. The resolutions of the Supervisory Board are passed in meetings chaired by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board determines the type of vote. Resolutions may also be adopted in writing, by telex, telephone, fax or telegraph if no member of the Supervisory Board objects to this procedure immediately. Resolutions of the Supervisory Board are passed with a simple majority of the votes cast, unless otherwise stipulated by law or the articles of association. Further details on the activities of the Supervisory Board are set out in the report of the Supervisory Board.
The German Corporate Governance Code recommends that the Supervisory Board, together with the Management Board, shall ensure that there is long-term succession planning (Recommendation B.2 DCGK 2022). The Supervisory Board of Dr. Hönle AG is in constant communication with the Management Board as to whether the current composition of the Management Board corresponds to the Company's strategic objectives or whether additional Management Board members should be appointed in order to meet the Company's strategic objectives. Employees and managers of the Company individually receive training and are prepared for possible management positions. As a matter of principle, the Supervisory Board initially tries to recruit executives for a position on the Executive Board from within the Group in a targeted manner. If no suitable candidates are available within the Group, the Supervisory Board uses recruitment agencies to identify and recruit suitable candidates for a Management Board position that may have to be filled.
The German Corporate Governance Code provides specific recommendations regarding the composition of the Supervisory Board. For example, the DCGK recommends that the Supervisory Board shall determine specific objectives regarding its composition and prepare a profile of skills and expertise for the entire Board while taking diversity into account. Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise for the entire Board (Recommendation C.1 DCGK 2022). Dr. Hönle AG is of the opinion that personal qualifications and individual skills, but not, for example, gender, age or other diversity aspects or the Company’s ownership structure, are decisive when making appointments to the Supervisory Board. Dr. Hönle AG views such a definition as an inappropriate

restriction of the shareholders' right to elect the members of the Supervisory Board. The Supervisory Board has therefore not specified any specific objectives or competences and expertise profiles for its composition within the meaning of the DCGK. Dr. Hönle AG will therefore not publish the objectives of the composition of the Supervisory Board or the fulfilment of the profile of required competences and expertise and the status of implementation in the Corporate Governance Statement.

The German Corporate Governance Code also recommends that information be provided on the number of independent shareholder representatives on the Supervisory Board and the names of these members, as deemed appropriate by the shareholder representatives. (Recommendation C. 1 DCGK 2022). In the opinion of the Supervisory Board, Dr. Bernhard Gimple, Günther Henrich and Prof. Imke Libon have no personal or business relations with Dr. Hönle AG or its Group companies, the corporate bodies of Dr. Hönle AG or any shareholder with significant participating interests in Dr. Hönle AG that would have to be disclosed in accordance with the recommendations of the DCGK, nor are there any indications of a conflict of interest or a lack of independence within the meaning of the DCGK. If one or more of the indicators set out in recommendation C.7 are met and the Supervisory Board member concerned is still considered independent, the reasons for this shall be given in the Corporate Governance Statement in accordance with recommendation C.8 DCGK 2022. The DCGK recommends that, when assessing the independence of Supervisory Board members from the Company and its Management Board, the shareholder representatives of the Supervisory Board shall particularly take into consideration whether the respective Supervisory Board member or a close family member has been a member of the Supervisory Board for more than 12 years (Recommendation C. 7 Paragraph 2 last indent and C. 10 DCGK 2022). Prof. Dr. Hönle currently holds less than 3% of the shares and thus of the share capital in Dr. Hönle AG. He has been a member of Dr. Hönle AG’s Supervisory Board since 1999 and has been its Chairman since 2015. Due to his many years of expertise in the Company's business area, Prof. Dr. Hönle is excellently suited to supervise the Management Board. In the opinion of the Supervisory Board, Prof. Dr. Karl Hönle has no personal or business relations with Dr. Hönle AG or its Group companies, the corporate bodies of Dr. Hönle AG or any shareholder with significant participating interests in Dr. Hönle AG that would have to be disclosed in accordance with the recommendations of the DCGK, nor are there any indications of a conflict of interest. Limiting the term of Supervisory Board membership to 12 years would be disadvantageous for the Company. Although Prof. Dr. Hönle has been a member of Dr. Hönle AG’s Supervisory Board for a long time, he is to be regarded as independent. In addition to his role as spokesman for the management of PMF Vermögensverwaltung GmbH & Co. KG, Niklas Friedrichsen is also, among other things, managing director of Zweiundreißigste PMB Management GmbH, Hamburg, which is controlled by PMF Vermögensverwaltung GmbH & Co. KG. Zweiunddreißigste PMB Management GmbH currently holds 11.1% of the shares and thus of the share capital in Dr. Hönle AG. Within the meaning of the German Corporate Governance Code, PMF Vermögensverwaltung GmbH & Co. KG and Zweiunddreißigste PMB Management GmbH, from the perspective of Dr. Hönle AG, is a shareholder with material participating interests. In the opinion of the Supervisory Board, other than his material participating interests, Mr. Friedrichsen has no further personal or business relations with Dr. Hönle AG or its Group companies, the corporate bodies of Dr. Hönle AG or any shareholder with significant participating interests in Dr. Hönle AG that would indicate a material and not only temporary conflict of interest or a lack of independence within the meaning of the DCGK

The German Corporate Governance Code recommends that the term of Supervisory Board membership be disclosed (Recommendation C.3 DCGK 2022). Niklas Friedrichsen has been a member of the Supervisory Board since 26 April 2022, Dr. Bernhard Gimple since 20 March 2015, Günther Henrich since 20 March 2015, Prof. Dr. Karl Hönle since 21 September 1999, and Prof. Dr. Imke Libon since 20 May 2021.

In addition, according to recommendation C.2 DCGK 2022, an age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement. So far, the Supervisory Board of Dr. Hönle AG has not specified any fixed age or length of appointment limits for its members as it considers such specification to be an inappropriate restriction of the shareholders’ right.

Recommendation D. 12 DCGK 2022 stipulates that the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfil their tasks. The Supervisory Board regularly evaluates the efficiency of its activities. This evaluation takes place every two years. The self-assessment is standardised and essentially comprises the areas of meeting preparation, process, duration, frequency and documentation of the meetings, as well as the content of the meetings and cooperation with the Management Board and auditors. The last self-assessment took place in financial year 2020/2021, which confirmed the efficiency of the Supervisory Board’s activities.

Committees of the Supervisory Board

The Supervisory Board of Dr. Hönle AG had three members until 19 May 2021 and. consequently, had no committees as committees should also consist of at least three members according to the DCGK. Since 20 May 2021, the Supervisory Board of Dr. Hönle AG has consisted of four members and since 26 April 2022 of five members. Since January 2022, the Supervisory Board of Dr. Hönle AG has had an Audit Committee that deals in particular with the audit of financial accounting, the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, as well as the audit of the financial statements and compliance. Pursuant to recommendation D.2 DCGK 2022, the names of the respective committee members and the committee chairs shall be provided. The names of the financial experts shall be provided and details concerning their expertise in the areas of accounting and the auditing of financial statements shall be included (Recommendation D.3 DCGK 2022). Niklas Friedrichsen is currently the Chairman of the Audit Committee and Prof. Imke Libon and Dr. Bernhard Gimple are the other members of the Audit Committee. As a tax consultant and given his university degree in business management and his experience as commercial manager, CFO and managing director at various companies in the mechanical engineering and service sectors, Mr. Niklas Friedrichsen distinguishes himself as an independent financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act (AktG) who has expertise in both accounting and the auditing of financial statements. Dr. Bernhard Gimple also qualifies as an independent financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act (AktG) with expertise in the field of accounting due to his many years of professional activity as a self-employed lawyer. Prof. Dr. Libon is qualified for the Audit Committee due to her many years of experience in business consulting.

Target values for the share of women in the two management levels below the Management Board; target values for the percentage of women on the Supervisory Board and Management Board

The Management Board stipulates target values for the share of women in the two management levels below the Management Board according to Principle 3 DCGK 2022. The Management Board of Dr. Hönle AG also defined those target values in accordance with the provisions of the German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors of 24 April 2015. The Management Board specified that the proportion of women in the first management level below the Management Board to be achieved by 30 June 2022 shall be at least 25%. This corresponds to the proportion of women in the first management level below the Management Board at that time. The proportion of women in the first management level below the Management Board stands at 0% since 23 June 2021. On 30 June 2022, the Management Board specified that the target value for the proportion of women in the two management levels below the Management Board shall be at least 0%*.* It is thus not necessary to define an implementation deadline. The Management Board is of the opinion that personal qualifications and individual skills are the decisive factors when filling management positions, but not gender.
The Supervisory Board specifies target values for the percentage of women on the Management Board pursuant to Principle 9 DCGK 2022. The Supervisory Board of Dr. Hönle AG also defined those target values in accordance with the provisions of the German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors of 24 April 2015. On 30 June 2017 and subsequently on 30 June 2022, the Supervisory specified that the target value for the proportion of women on the Management Board of Dr. Hönle AG shall be at least 0%. It is thus not necessary to define an implementation deadline. As in the past, no minimum target value greater than 0% is to be defined for the proportion of women on the Management Board. The Supervisory Board will continue to generally base its selection of Management Board members on the qualifications and individual skills of the respective candidate. In the opinion of the Supervisory Board, gender or age are not decisive when making appointments to the Management Board. The sole decisive factor is to find the most suitable person for the Management Board position to be filled.

Information on compliance with the minimum proportion of women and men on the Supervisory Board

According to Principle 11 DCGK 2022, the composition of the Supervisory Board has to ensure that the legal gender quota is complied with. A fixed gender quota of at least 30 percent women and men for supervisory boards is not required at Dr. Hönle AG as the Company is neither subject to the German Codetermination Act (MitbestG) nor did it emerge as a result of a cross-border merger. The Supervisory Board specified a target value for proportion of women on the Supervisory Board in accordance with the provisions of the German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors of 24 April 2015. On 30 June 2017, the Supervisory Board of Dr. Hönle AG specified that the target value for the proportion of women on the Supervisory Board shall be at least 0%. It is thus not necessary to define a deadline for achieving the target figure. The Annual General Meeting elected Prof. Imke Libon to the Supervisory Board of Dr. Hönle AG on 23 March 2021 and Niklas Friedrichsen on 24 March 2022. The new Supervisory Board members were entered in the Commercial Register on 20 May 2021 and on 26 April 2022, respectively. The proportion of women on the Supervisory Board thus initially stood at 0% and subsequently at 25% in the period from 20 May 2021 through 25 April 2022. Since 26 April 2002, the proportion of women on the Supervisory Board of Dr. Hönle AG has been 20%. On 30 June 2022, the Supervisory Board of Dr. Hönle AG specified that the target value for the proportion of women on the Supervisory Board to be achieved by 30 June 2027 shall be at least 20%.

Appointments to the Management Board; specification of an age limit for Management Board members

The German Corporate Governance Code recommends that an age limit be specified for members of the Management Board and disclosed in the Corporate Governance Statement (Recommendation B.5 DCGK 2022). The Supervisory Board is of the opinion that the personal qualifications and individual skills of Management Board members are decisive in appointments to the Management Board, rather than age. Consequently, the Supervisory Board of Dr. Hönle AG has not specified any fixed age limits for Management Board members. No age limit has been specified in the Corporate Governance Statement since there is no age limit.

Description of the diversity concept or explanations on the lack of a diversity concept

Dr. Hönle AG does not pursue a detailed diversity concept for the Supervisory Board, Management Board or management functions at the Company (Recommendations A.1, B.1, C.1 DCGK 2022). Dr. Hönle AG does not deem rigid criteria, quotas or skills and expertise profiles that limit flexibility in personnel decisions and the number of possible candidates to be reasonable. Instead, Dr. Hönle AG focuses on the personal qualifications and individual skills of a candidate. When electing the members of the Management Board and the Supervisory Board, Dr. Hönle AG takes into account aspects such as educational and professional background, age, gender, and cultural heritage and strives for diversity in the composition of the Boards.

Disclosures on Corporate Governance Practices

Corporate Body

The Corporate Body includes the Board of Management, the Supervisory Board, and the Annual General Meeting.
The respective competencies are governed by the German Stock Corporation Act (AktG), the company's Articles of Incorporation, and the Rules of Internal Procedure for the Management Board and Supervisory Board.

Responsibilities of the Management Board

The Management Board manages the company on its own authority in accordance with applicable laws, the company's Articles of Incorporation, and the Board's Rules of Internal Procedure, and by taking the resolutions of the General Annual Meeting into account. The Management Board represents the company vis-a-vis third parties. The company is managed via regular strategic discussions at Management Board level and by including the managers of the business segments. The Management Board is informed about the development of significant key indicators of Dr. Hönle AG and its subsidiaries on a monthly basis. Further information on corporate governance can be found in this management report under the heading "Management System." The Management Board is required to take suitable measures to identify developments that could threaten the company's continued existence as a going concern at an early stage. This includes establishing a monitoring system, in particular. This system is continuously being enhanced and adjusted to changes in general circumstances. The risk report includes further information on risk management.

Responsibilities of the Supervisory Board

The Supervisory Board monitors and advises the Management Board with respect to the management of the company's business activities. To this end, the Supervisory Board is promptly and properly involved in all decisions of fundamental importance to the company. The Management Board regularly and promptly informs the Supervisory Board in detail on the course of business, results of operations, financial position, the employment situation, and on the company's planning and intended projects. The Management Board regularly provides written reports to the Supervisory Board with a view to preparing for Board meetings. Following careful examinations and consultations, the Supervisory Board passes resolutions, as required. Further details on the activities of the Supervisory Board are presented in the report of the Supervisory Board. A recommendation is made in the German Corporate Governance Code that qualified committees be formed, which are to comprise at least three members. The supervisory board of Dr. Hönle AG has consisted of four members since March 2021 and has had an Audit Committee since January 2022.

Annual General Meeting

Shareholders exercise their rights at the Annual General Meeting and decide on fundamental issues that concern Dr. Hönle AG by exercising their voting rights. Each share of stock carries one voting right. All important documents that are required for decision-making are also made accessible to the shareholders on Dr. Hönle AG's website in good time before the Annual General Meeting.
(https://www.hoenle.de/de/investoren/hauptversammlung)
The shareholders may have their voting rights exercised by proxy of their choice or by a voting representative appointed by Dr. Hönle AG, who acts upon instruction of the shareholder.
Following the Annual General Meeting, the attendance and voting results are published on the company's website.

Management Board

Norbert Haimerl
MBA (60)
CEO
Responsible for Finances and Human Resources and additionally responsible for Sales and Marketing since 15.05.2022
Norbert Haimerl completed his business management studies at the Regensburg University for Applied Science with a diploma in business management. [Dipl.-Betriebswirt (FH)]. He commenced his career in 1990 as assistant to the management of a medium-sized company. During the years from 1992 to 1996, he worked for a subsidiary of a German printing machine manufacturer as a management assistant. In 1996 he changed jobs to take up a position as commercial manager with Dr. Hönle AG. He was appointed to the Management Board with effect from 1 January 2000 and is CEO since 1 September 2022.

Rainer Pumpe
Graduate Engineer (55)
Responsible for Technology and Production
After completing his mechanical engineering studies at the Ruhr University Bochum with a degree in engineering, Rainer Pumpe began his career in 1995 at Voith Paper GmbH in Krefeld, initially as a design/development engineer. After several positions at Voith Paper, he was appointed Managing Director of Voith Paper Finishing Inc. in Springfield (USA) in 2004. In 2007 he then took over the management of Voith Paper Air Systems GmbH with responsibility for the Mönchengladbach, Bayreuth and Montreal (Canada) locations. In 2016, Mr. Pumpe became managing director of the medium-sized family company IDEAL - Werk C. + E. Jungeblodt GmbH + Co. KG in Lippstadt.
Since 1 January 2021 he has been on the board of Dr. Hönle AG, Gilching, where he is responsible for the areas of technology and production.

Heiko Runge

Graduate Engineer (58)

Responsible for Sales and Marketing till 15 May 2022

Heiko Runge completed his physical technology studies at the Wedel University for Applied Science with a diploma in engineering [Dipl. Ingenieur (FH)]. He began his career in 1990 as product manager for marketing at Eltosch Torsten Schmidt GmbH. Three years later, he changed jobs to work for Dr. Hönle AG as marketing manager.

He was member of the Management Board from 1 January 2000 till 15 May 2022.

Supervisory Board

Prof. Dr. Karl Hönle

Physicist

Supervisory Board Chairman

Prof. Hönle is one of the founders of the Dr. Hönle AG and was the first managing director of Dr. Hönle GbR resp. GmbH. After the company was established, he accepted a professorship at the Munich University of Applied Sciences for technical optics and laser technology and was the representative for technology transfer and trade fair participation for Bavarian universities of applied sciences. Prof. Hönle has been a professor emeritus since 2004 and has been an honorary senator at Munich University of Applied Sciences since 2021. He is also a member of the Senate of Economics in Europe.

He is a member of the standards committee for lighting technology at the German Institute for Standardization (DIN). Since the transformation of the Dr. Hönle GmbH into a stock corporation in 1999, Prof. Hönle is Member of the Supervisory Board and its Chairman since 2015. When Dr. Hönle AG separated from the medical technology business area, Prof. Hönle took over this business and has been Managing Director of Dr. Hönle Medizintechnik GmbH in Gilching.

Günther Henrich

Lawyer

Vice Chairman of the Supervisory Board

Following his activities for the Bavarian Ministry of Economics and LfA Förderbank Bayern, Mr Günther Henrich acted as managing director at BayBG Bayerische Beteiligungsgesellschaft mbH and its predecessor companies from 1987 through 2012. Mr Henrich has played a leading role in building up BayBG to become the present market leader for SME investment capital in Bavaria. As a result, Mr Henrich has an extensive network in the Bavarian industry. He was Member of the Supervisory and Advisory Boards of numerous small- and medium-sized companies. In addition, Mr Henrich headed an expert group and was member of the Board of Directors of the German Private Equity and Venture Capital Association [BVK Bundesverband deutscher Kapitalbeteiligungsgesellschaften].

Dr. Bernhard Gimple

Lawyer

Supervisory Board

Dr. Bernhard Gimple has been working as a lawyer in Munich since 2001. After completing his law studies and receiving his PhD at Ludwig-Maximilian-University in Munich, he initially worked for several large-scale supra-regional business law firms before founding the law firm, SOLEOS, together with another colleague in 2011. Since November 2005 the trained banker has also been acting as Pfandbrief trustee at Stadtsparkasse Munich.

Niklas Friedrichsen

Diplom-Kaufmann, Tax Consultant

Supervisory Board

Mr. Niklas Friedrichsen has been managing the holding company of the Peter Möhrle family based in Hamburg as spokesman for the management board since 2018. After completing his business studies and his training as a tax consultant, he held finance and corporate development positions in various companies in the mechanical engineering and service sectors. He also looks back on many years of experience in the commercial management and further development of family offices with a comparable investment focus.

Mr. Niklas Friedrichsen is a member of the Advisory Board of Bike Holding GmbH, Aachen.

Prof. Dr. Imke Libon
Professor
Supervisory Board
Prof. Dr. Libon has been Professor of Physics and Didactics at Munich University of Applied Sciences since 2009 and Dean of the Faculty of Applied Sciences and Mechatronics at Munich University of Applied Sciences since 2019. After completing her physics studies at the Friedrich-Alexander University Erlangen-Nuremberg, the University of Cambridge, UK, the University of California, Berkeley, USA, and the Technical University of Munich, she did her doctorate in applied optoelectronics at the Ludwig Maximilian University of Munich. She then worked for six years as a strategic management consultant at Booz Allen Hamilton on interdisciplinary projects in several European countries before she accepted an appointment as professor at the Munich University of Applied Sciences.
After moving to Munich University of Applied Sciences, she held various positions and honorary posts for several years in addition to her teaching activities and was Vice Dean of the faculty there from 2014 to 2019. Since 2019 she has also been Deputy Chairwoman of the Board of Directors of the Munich Student Union.

Statement of the Company's Management

We affirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with generally accepted accounting principles. The group management report provides a suitable understanding of the course of business, including the business results and the group's position, and suitably presents the opportunities and risks of future development.

Gilching, 17. January 2023

Dr. Hönle AG

Management Board

Independent Auditor’s Report

To Dr. Hönle Aktiengesellschaft, Gilching

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinion

We have audited the consolidated financial statements of Dr. Hönle AG, Gilching, and its subsidiaries (the group), comprising the consolidated statement of financial position as at 30 September 2022 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 October 2021 to 30 September 2022 and the notes to the consolidated financial statements including a summary of significant accounting policies. We have also audited the group management report of Dr. Hönle AG, which is combined with the company's management report, for the financial year from 1 October 2021 to 30 September 2022. In accordance with the German statutory provisions, we have not audited the content of the declaration on corporate governance pursuant to Section 289f HGB and Section 315d HGB (including the declaration on the German Corporate Governance Code pursuant to Section 161 AktG), to which reference is made in the combined management report.

In accordance with the findings gained during the audit, we establish that

- the attached consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements to be observed in Germany pursuant to Section 315e (1) HGB. The consolidated financial statements give a true and fair view of the group's net assets and the financial position as at 30 September 2022 and its results of operations for the financial year from 1 October 2021 to 30 September 2022 in accordance with these requirements, and
- the attached group management report as a whole appropriately reflects the group's position. The group management report is consistent with the consolidated financial statements in all material respects. It is in compliance with the German legal regulations and presents fairly the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the parts of the management report listed in the “Other information” section.

Pursuant to Section 322 (3) sent. 1 HGB, we confirm that our audit has not led to any objections to the appropriateness of the consolidated financial statements and the group management report.

Basis for the audit opinion

We have performed our audit of the consolidated financial statements and the group management report in accordance with Section 317 HGB and the EU Regulation on specific requirements regarding statutory audits of public interest entities (No. 537/2014; hereinafter "EU - APrVO“), thereby taking into account the generally accepted accounting principles as defined by the Institute of Public Auditors in Germany (IDW). Our responsibility under these provisions and principles is described in greater detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" in our auditor’s report. With respect to the company we are an independent entity as required under European and German commercial and professional provisions and we performed our activities in compliance with the other professional requirements applicable in Germany. In addition we confirm that, pursuant to Article 10 (2) Letter f) EU-APrVO, we have not provided any prohibited non-audit services as specified under Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion on the consolidated financial statements and the group management report.

Critical audit matters in the audit of the consolidated financial statements

Critical audit matters are matters which, based on our professional judgement, were the most significant matters arising from our audit of the consolidated financial statements for the financial year from 1 October 2021 to 30 September 2022. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and when forming our audit opinion. We do not provide a separate audit opinion on these matters.

In the following, we present what we consider to be a particularly important audit matter, “Value of goodwill”:

We have structured our presentation of this critical audit matter as follows:
1) Reasons for the definition as critical audit matter
2) Audit procedure and findings
3) Reference to further-going information

Value of goodwill

1) The consolidated financial statements of Dr. Hönle AG disclose goodwill in the amount of T€ 21,119 (PY T€ 21,119) under non-current assets. The item accounts for 10.8% of the consolidated balance sheet total (PY 10.4%). Goodwill values are subjected to an impairment test at least once per year. These tests are regularly based on the present value of future cash flows of the cash-generating unit to which the goodwill concerned is allocated. The impairment tests are based on the budget accounting of the individual cash generating units which, in turn, results from the financial plans adopted by the management. Discounting is based on weighted average capital costs of the respective cash generating unit. The test result depends, in particular, on the legal representatives' assessment of future inflows of cash and the discounting rate applied. The tests are therefore subject to uncertainties. The result of the impairment tests was no need for depreciation as of the balance sheet date.

2) We determined that, overall, the future inflows of cash and cash equivalents and the applied discount rates underlying the evaluations provide an appropriate basis for the impairment tests of the individual cash generating units. We based our assessment, among other things, on a comparison of general and industry-specific market expectations and on management's elaborations respecting significant value drivers of planning. Keeping in mind that even relatively small changes in the discounting rate can impact significantly on the values, we also assessed the parameters used in the determination of the applied discounting rate and have verified the calculation scheme. Moreover, we performed additional sensitivity analyses for the cash generating units with minor surplus cover (carrying amount relative to present value) in order to enable us to assess any potential impairment risk in the event of a possible change in significant valuation assumptions. In our view, the valuation parameters and assumptions used by the management have been appropriately derived and can be used for the purpose of verifying the value of goodwill. In the case of the cash-generating unit Dr. Hönle AG, however, can lead to an impairment due to minor deviations in the key planning parameters.

3) The information which the Company provided on the impairment tests is included in sections "5 – Accounting and Valuation Methods“ and "20 – Non-Current Assets“ in the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. This other information comprises

- the remaining sections of the Annual Report with the exception of the audited consolidated financial statements, the group management report and our auditor’s report,
- the statement on corporate governance pursuant to Section 289f and Section 315d HGB to which reference is made in the combined management report,
- the non-financial statement pursuant to Section 289b and Section 315b HGB to which reference is made in the combined management report,
- the corporate governance report pursuant to item 3. 10 of the German Corporate Governance Code to which reference is made in the combined management report, and
- the statement of the legal representatives pursuant to Section 297 (2) sentence 4 HGB concerning the consolidated financial statements and the statement pursuant to Section 315 (1) sentence 5 HGB concerning the group management report.

Our audit opinions on the consolidated financial statements and the group management report do not extend to the other information. Consequently, we do not provide an audit opinion or any other form of audit conclusion in this respect.

In connection with our audit, we were obliged to read the other information and to assess whether the other information

- is in material respects inconsistent with the consolidated financial statements, the group management report or the findings which we gained in the course of the audit, or
- otherwise appears to be incorrectly presented.

Should we conclude on the basis of the activities we performed that this other information includes material misrepresentations we are obliged to report on this fact. There is nothing to report in this context.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for preparing consolidated financial statements which comply in all material respects with IFRS as applied in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB. The legal representatives are also responsible for ensuring that the consolidated financial statements provide a true and fair view of the net assets-, financial position and results of operations of the group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls which they consider to be essential in the context of preparing consolidated financial statements that are free of material misrepresentations, whether intended or not.

Within the scope of preparing the consolidated financial statements, the legal representatives are responsible for assessing the group's ability to continue as a going concern. Moreover, they are responsible for providing information on all matters of relevance in connection with the going concern assumption. They are additionally responsible for using the principle of going concern as accounting basis unless it is intended to liquidate the group or to discontinue business operations or if there is no other realistic alternative.

Furthermore, the legal representatives are responsible for preparing the group management report which as a whole provides a fair view of the group's position and is in all material respects consistent with the consolidated financial statements and the German legal regulations and appropriately presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) which they consider to be essential for enabling the preparation of a group management report in compliance with the applicable German legal regulations and for providing sufficient and appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for monitoring the group's accounting process in the context of the preparation of the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report
Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free of intended or unintended misstatements, whether the group management report as a whole presents fairly the group's position and is consistent in all material respects with the consolidated financial statements and the findings which we gained during our audit, whether it is in compliance with the German legal regulations and appropriately presents the opportunities and risks of future development. In addition, our objective is to issue an auditor’s report which includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance provides a high level of security but does not guarantee that an audit, which is performed in compliance with Section 317 HGB and the EU-APrVO, taking into account the German generally accepted accounting standards as defined by the Institute of Certified Public Accountants (IDW), always detects material misrepresentations. Misrepresentations can result from violations or inaccuracies. They are considered to be material when it can be reasonably expected that they impact separately or in aggregate on the economic decisions made by addressees on the basis of these consolidated financial statements and group management report.

During the entire audit process we performed our activities using our professional judgement and maintaining a critical approach. Moreover

- we identify and assess the risks arising from material misrepresentations, whether intended or not, in the consolidated financial statements and the group management report, we plan and perform audit activities as a response to these risks and we obtain audit evidence that is sufficient and appropriate to serve as a basis for our audit opinion. The risk that material misrepresentations are not detected is higher for violations than the risk associated with misstatements since violations may involve fraudulent interaction, falsifications, wilful incompleteness, misleading presentation or the overriding of internal controls.
- we obtain an understanding of the internal control system of relevance for the audit of the consolidated financial statements and the arrangements and measures relevant for the audit of the group management report in order to enable us to plan audit activities that are appropriate under the circumstances at the time without being aimed at issuing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods applied by the legal representatives and the viability of the assessed values and associated disclosures presented by the legal representatives.
- we draw conclusions on the appropriateness of the accounting principle of going concern applied by the legal representatives and, using the audit evidence obtained, on whether there is a material uncertainty in connection with events or circumstances that may cast significant doubt on the group's ability to continue as a going concern. Should we arrive at the conclusion that a material uncertainty exists, we are obliged to draw attention to the pertinent disclosures in the consolidated financial statements and the group management report in the auditor’s report or, if these disclosures should be unreasonable, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor’s report. However, future events or circumstances may result in the group being unable to continue its corporate activities.
- we assess the overall presentation, the structure and contents of the consolidated financial statements including pertinent information and we also assess whether the consolidated financial statements appropriately present the underlying business transactions and events thus ensuring that the consolidated financial statements provide a true and fair view of the group's net assets, financial position and results of operations, taking into account IFRS as applied in the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- we obtain sufficient and appropriate audit evidence concerning the companies' accounting information or business activities within the group in order to issue an audit opinion on the consolidated financial statements and the group management report. We are responsible for the guidance, monitoring and performance of the audit of the consolidated financial statements. We bear the sole responsibility for our audit opinion.

- we assess whether the group management report is consistent with the consolidated financial statements and the relevant legal regulations and whether it fairly presents the position of the group.
- we carry out audit activities relating to the future-oriented statements provided by the legal representatives in the group management report. Based on sufficient and appropriate audit evidence we verify the significant assumptions underlying the future-oriented statements of the legal representatives and we assess the appropriate derivation of the future-oriented statements from these assumptions. We do not issue a separate audit opinion on the future-oriented statements and the underlying assumptions. There is a considerable unavoidable risk that future events differ significantly from the future-oriented statements.

We discuss with those responsible for monitoring, inter alia, the scope and time schedule planned for the audit, and also discuss with them any significant audit findings including any shortcomings in the internal control systems that we may identify during our audit.

We provide those responsible for monitoring with our written confirmation that we have complied with the relevant independence requirements and we discuss with them all relations and other matters where it can reasonably be assumed that they impact on our independence, including the respective protective measures taken.
We select from the matters, which we discussed with those responsible for monitoring, those matters which were the most significant for the audit of the consolidated financial statements for the current reporting period and which therefore qualify as critical audit matters. We describe these matters in the auditor's report unless laws or other legal regulations exclude the public information about this specific matter.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Note on the audit of the electronic reproductions of the consolidated financial statements and the group management report prepared for disclosure purposes in accordance with Section 317 (3a) HGB

Audit opinion
In accordance with Section 317 (3a) HGB, we have performed an audit with reasonable assurance as to whether the reproductions of the consolidated financial statements and the group management report (hereinafter also referred to as "ESEF documents") contained in the file with the SHA-value cdaacc8dbff26ad290c101433a85be771655b5851574e60f24b1fbfa8ae7b1b3 and prepared for disclosure purposes comply with the requirements of Section 328 Para. 1 HGB to the electronic reporting format ("ESEF format") in all essential respects. In accordance with the German legal requirements, this audit only covers the conversion of the information of the consolidated financial statements and the group management report into the ESEF format and therefore neither the information contained in these renditions nor any other information contained in the above file.

In our opinion, the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned file and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the financial year from October 1, 2020 to September 30, 2021 contained in the above "Comment on the audit of the consolidated financial statements and the group management report", we do not issue any audit opinion on the matters contained in these playbacks, as well as the other information contained in the file referred to above.

Basis for the audit opinion
We have audited the reproductions of the consolidated financial statements and the group management report contained in the above-mentioned file in accordance with Section 317 Para. 3a HGB in compliance with the IDW auditing standard: Audit of the electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 Para. 3a HGB (IDW PS 410 (10.2021). Our responsibility thereafter is described in more detail in the section "Responsibility of the group auditor for the examination of the ESEF documents". Our auditing practice has the requirements for the quality assurance system of the IDW quality assurance standard: Requirements for quality assurance applied in the auditing practice (IDW QS 1).

Responsibility of the legal representatives and the board of directors for the ESEF documents
The legal representatives of the company are responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and the group management report in accordance with Section 328 Para. 1 Sentence 4 No. 1 HGB and for the presentation of the consolidated financial statements in accordance with Section 328 Para. 1 sentence 4 no. 2 HGB.

Furthermore, the legal representatives of the company are responsible for the internal controls that they deem necessary to enable the creation of the ESEF documents that are free of material - intentional or unintentional - violations of the requirements of Section 328 (1) HGB the electronic reporting format.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the audit opinion and the attached audited consolidated financial statements and audited group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Board of Directors is responsible for overseeing the process of preparing the ESEF documents as part of the accounting process.

Group Auditor's Responsibility for Reviewing ESEF Records
Our objective is to obtain sufficient certainty as to whether the ESEF documents are free from significant - intentional or unintentional - violations of the requirements of Section 328 (1) HGB. During the audit, we exercise professional judgment and maintain a critical attitude. Furthermore

- we identify and assess the risks of significant - intentional or unintentional - violations of the requirements of Section 328 (1) HGB, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as a basis for our to serve as an audit opinion.
- Obtain an understanding of the internal controls relevant to the audit of the ESEF records in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of those controls.
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file.
- we assess whether the ESEF documents enable an XHTML representation of the audited consolidated financial statements and the audited group management report with the same content.
- assess whether marking up the ESEF documentation with Inline XBRL Technology (iXBRL) allows for an adequate and complete XBRL machine-readable copy of the XHTML rendering.

Other disclosures pursuant to Article 10 EU-APrVO

The Annual General Meeting held on 24 March 2022 appointed us as group auditors. The Supervisory Board commissioned us on 7 September 2022. We have acted as group auditor of Dr. Hönle AG without interruption since the financial year 2012/2013.

We confirm that in every case the audit opinion included in this auditor's report complies with the additional report to the Supervisory Board in accordance with Article 11 EU-APrVO (Audit Report).

OTHER MATTERS - USE OF THE AUDIT OPINION

Our auditor's report should always be read in connection with the audited financial statements and the audited management report as well as the audited ESEF documents. The financial statements and management report transferred to the ESEF format - including the versions to be published in the Federal Gazette - are merely electronic reproductions of the audited financial statements and the audited management report and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in connection with the audited ESEF documents provided in electronic form.

Responsible auditors

Joachim Mairock is the auditor responsible for the audit.

Augsburg, 23 January 2023

SONNTAG GmbH
Wirtschaftsprüfungsgesellschaft

Mairock	Dr. Burkhardt-Böck
Public Auditor	Public Auditor

Consolidated Income Statement

for the period from 1 October 2021 to 30 September 2022 according to IFRS

in T€	Notes	01.10.2021-30.09.2022	01.10.2020-30.09.2021
Revenue	(6)	**126,529**	115,170
Changes in inventories of finished goods and work in progress		**8,269**	3,058
Other work performed by entity and capitalised		**376**	47
Other operating income	(7)	**3,901**	1,601
Cost of purchased materials and services	(8)	**72,888**	48,932
Personnel expenses	(9)	**43,041**	39,676
Depreciation and amortisation of property, plant and equipment and intangible assets	(10)	**12,652**	9,812
Amortisation of rights of use IFRS 16	(43)	**1,821**	3,692
Other operating expenses	(11)	**18,692**	17,445
Impairment pursuant to IFRS 9		**-105**	-30
Operating result/EBIT		**-10,123**	349
Profit/loss from investments accounted for using the equity method	(12)	**34**	19
Financial income	(13)	**71**	144
Financial expenses	(14)	**1,528**	1,121
Financial result		**-1,423**	-958
Earnings before tax and non-controlling interests/EBT		**-11,546**	-608
Income taxes	(15)	**1,652**	4,252
Consolidated profit		**-13,198**	-4,860
Share of earnings attributable to non-controlling interests	(16)	**163**	-40
Share of earnings attributable to Dr. Hönle AG shareholders		**-13,361**	-4,820
Earnings per share (basic) in €	(19)	**-2.20**	-0.80
Earnings per share (diluted) in €	(19)	**-2.20**	-0.80

Consolidated Statement of Comprehensive Income

for the period from 1 October 2021 to 30 September 2022 according to IFRS

in T€	Notes	**01.10.2021-30.09.2022**	01.10.2020-30.09.2021
Consolidated profit		**-13,198**	**-4,860**
Other comprehensive income:			
Positions that may be subsequently reclassified to profit or loss			
Currency translation differences	(31)	**625**	61
Other comprehensive income from hedge accounting	(47)	**9,576**	1,582
Income tax effects	(23)	**-2,711**	-329
Positions not reclassified to profit or loss			
Change in actuarial gains/losses from pensions	(35)	**4,492**	1,072
Deferred tax from change to actuarial gains/losses from pensions	(23)	**-1,244**	-158
Total other comprehensive income		**10,739**	2,228
Total comprehensive income		**-2,459**	**-2,632**
Thereof:			
Comprehensive income attributable to non-controlling interests		**163**	-40
Comprehensive income of Dr. Hönle AG shareholders		**-2,622**	-2,592

Consolidated Statement of Financial Position

as at 30 September 2022 according to IFRS

in T€	Notes	30.09.2022	30.09.2021
A S S E T S			
NON-CURRENT ASSETS			
Goodwill	(20)	**21,119**	21,119
Intangible assets	(20)	**2,135**	2,889
Property, plant and equipment	(20)	**79,567**	87,801
Investment property	(20)	**1,054**	1,093
Investments accounted for using the equity method	(22)	**327**	282
Financial assets	(20)	**26**	26
Other non-current assets	(21)	**7,535**	2,272
Deferred tax assets	(23)	**3,048**	4,870
Total non-current assets		**114,810**	**120,350**
CURRENT ASSETS			
Inventories	(24)	**46,371**	46,725
Trade accounts receivable	(25)	**19,659**	17,057
Receivables from companies in which an equity interest is held	(26)	**132**	98
Finance lease receivables		**84**	112
Other current assets	(27)	**3,622**	3,228
Tax refund claims	(28)	**3,653**	2,311
Cash and cash equivalents	(29)	**7,131**	12,073
Total current assets		**80,652**	**81,605**
Non-current assets held for sale	(30)	**0**	950
TOTAL ASSETS		**195,462**	**202,905**
E Q U I T Y A N D L I A B I L I T I E S			
EQUITY			
Subscribed capital	(31)	**6,063**	6,063
Own shares	(31)	**-8**	-8
Capital reserves	(31)	**41,979**	41,979
Retained earnings	(31)	**58,848**	62,683
Equity attributable to Dr. Hönle AG shareholders		**106,881**	**110,716**
Non-controlling interests	(31)	**357**	406
Total equity		**107,239**	**111,122**
NON-CURRENT LIABILITIES			
Non-current loans (less current portion)	(32)	**29,852**	45,520
Non-current finance lease liabilities	(33, 43)	**1,808**	2,548
Other non-current liabilities	(34)	**415**	6,667
Pension provisions	(35)	**4,011**	8,603
Accrued public investment grants	(36)	**115**	137
Deferred income tax liabilities	(23)	**1,001**	656
Total non-current liabilities		**37,202**	**64,131**
CURRENT LIABILITIES			
Trade accounts payable	(37)	**10,295**	9,431
Liabilities to companies in which an equity investment is held	(26)	**1**	-23
Contract liabilities	(38)	**2,628**	3,106
Current liabilities from finance leasing	(33, 43)	**1,399**	1,588
Current liabilities to banks and current portion of non-current loans	(39)	**26,383**	3,890
Other current liabilities	(40)	**8,121**	6,645
Other provisions	(41)	**708**	663
Income tax liabilities	(42)	**1,486**	2,352
Current liabilities, total		**51,021**	**27,652**
TOTAL EQUITY AND LIABILITIES		**195,462**	**202,905**

Consolidated Statement of changes in Equity

for the period from 1 October 2021 to 30 September 2022 according to IFRS

				Retained earnings					Equity		
in T€	Sub-scribed capital	Own shares	Capital-reserve	Legal and other reserves	Reserve from measures acc.to IFRS 9	Reserve from hedging trans-actions	Reserve for actuarial gains/ Losses	Reserve für currency differences	Equity attributable to Dr. Hönle AG shareholders	Non-controlling Interest	Total
As at 01.10.2020	**6.063**	**-8**	**41.979**	**74.664**	**342**	**-4.638**	**-3.863**	**1.803**	**116.341**	**345**	**116.686**
Consolidated net income for the year	-	-	-	-4.820	-	-	-	-	-4.820	-40	-4.860
Other comprehensive income	-	-	-	-	0	1.253	914	62	2.229	0	2.229
Total comprehensive income	**-**	**-**	**-**	**-4.820**	**0**	**1.253**	**914**	**62**	**-2.591**	**-40**	**-2.631**
Equity contribution by non-controlling shareholders	-	-	-	-	-	-	-	-	-	100	100
Dividend distribution	-	-	-	-3.031	-	-	-	-	-3.031	-	-3.031
As at 30.09.2021	**6.063**	**-8**	**41.979**	**66.812**	**342**	**-3.386**	**-2.950**	**1.865**	**110.716**	**406**	**111.122**
Consolidated net income for the year	-	-	-	-13.361	-	-	-	-	-13.361	163	-13.198
Other comprehensive income	-	-	-	-	0	6.865	3.249	625	10.739	-	10.739
Total comprehensive income	**-**	**-**	**-**	**-13.361**	**0**	**6.865**	**3.249**	**625**	**-2.622**	**163**	**-2.459**
Changes due to the purchase of non-controlling interests	-	-	-	-	-	-	-	-	-	-212	-212
Dividend distribution	-	-	-	-1.212	-	-	-	-	-1.212	-	-1.212
As at 30.09.2022	**6.063**	**-8**	**41.979**	**52.238**	**342**	**3.480**	**299**	**2.490**	**106.881**	**357**	**107.239**

Statement of Consolidated Cash Flows

for the period from 1 October 2021 to 30 September 2022 according to IFRS

in T€	01.10.2021-30.09.2022	01.10.2020-30.09.2021
Cash flow from operating activities		
Consolidated profit before non-controlling interests and taxes	**-11,546**	-608
Adjustments for:		
Depreciation of intangible assets, property, plant and equipment and investment property	**14,473**	13,504
Gains/losses from disposal of intangible assets, property, plant and equipment and investment property	**-1,865**	345
Financial income	**-105**	-163
Financial expenses	**1,528**	1,121
Other non-cash expenses and income	**11,345**	2,718
Operating result before changes to net current assets	**13,830**	**16,917**
Increase/decrease in provision	**-152**	406
Increase/decrease in trade accounts receivable	**-2,706**	-1,280
Increase/decrease in receivables from companies in which an equity investment is held	**-32**	19
Increase/decrease in other assets	**-438**	-646
Increase/decrease in reinsurance	**-217**	-245
Increase/decrease in inventories	**-11,568**	-12,548
Increase/decrease in trade accounts payable	**1,270**	2,257
Increase/decrease in liabilities to companies in which an equity investment is held	**24**	-57
Increase/decrease in contract liabilities	**-478**	1,328
Increase/decrease in other liabilities	**47**	-9
Cash generated from operations	**-421**	**6,142**
Interest paid	**-1,314**	-1,064
Income taxes paid	**-5,672**	-3,948
Cash flow from operating activities	**-7,406**	**1,130**
Cash flow from investing activities		
Payments received from the disposal of intangible assets, property, plant and equipment and investment property	**2,838**	168
Acquisition of subsidiaries less acquired net cash	**0**	-7,710
Payments for the acquisition of property, plant and equipment and intangible assets	**-4,309**	-17,089
Change in financial assets	**0**	1
Payments received from non-current receivables	**313**	176
Payments for non-current receivables	**-500**	-100
Interest received	**32**	58
Proceeds from the sale of consolidated companies and other business units	**18**	0
Cash flow from investing activities	**-1,692**	**-24,497**
Cash flow from financing activities		
Payments received from loans and liabilities to banks	**10,665**	11,594
Payments for loans and liabilities to banks	**-3,862**	-3,560
Payments for the repayment portion of leasing liabilities	**-1,860**	-3,756
Dividends paid	**-1,212**	-3,031
Cash flow from financing activities	**3,731**	**1,247**
Currency differences	**247**	-27
Currency-related change in cash and cash equivalents	**180**	47
Net change in cash and cash equivalents	**-4,941**	**-22,100**
Cash and cash equivalents at the beginning of the reporting period	**12,073**	**34,175**
Cash and cash equivalents at the end of the reporting period	**7,131**	**12,073**

Notes to the IFRS Consolidated Financial Statements

for the Financial Year 2021/2022 of Dr. Hönle AG, Gilching

GENERAL INFORMATION

1. Accounting Basis

Dr. Hönle AG is a listed corporation. It is registered in the Commercial Register of the Munich (Germany) local court under HRB No. 127507. The Company's head office is located at Nicolaus-Otto-Str. 2 in 82205 Gilching near Munich, Germany.

The Hönle Group is split into the following three business segments: Adhesives, Equipment & Systems and Glass & Lamps. The Adhesives segment includes industrial adhesives designed for a broad spectrum of applications such as electronics, medical technology, optics and glass processing. Equipment and systems are used for drying inks and coatings, for curing adhesives and plastics, for disinfecting surfaces and for solar simulation. The Glass & Lamps segment comprises quartz glass tubing and rods for the lamp, automotive, semiconductor and fibre cable industries as well as lamps for water disinfection and the drying of coatings and adhesives.

The present consolidated financial statements of Dr. Hönle AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the European Union and the supplementary applicable provisions stipulated in Section 315e (1) of the German Commercial Code (HGB).

The consolidated financial statements include the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in consolidated equity, the cash flow statement and the notes to the financial statements (Notes). The consolidated financial statements are supplemented by the combined management report of Dr. Hönle AG and the group.

The financial year of Dr. Hönle AG and its included subsidiaries, with the exception of Hoenle UV Technology (Shanghai) Trading Ltd., China, and Panacol-Korea Co., Ltd., South Korea, corresponds to the period from 1 October to 30 September. The financial year of the above-mentioned subsidiaries corresponds to the calendar year. The two companies are included on the basis of interim financial statements.

The present consolidated financial statements were prepared in full compliance with relevant IFRS standards as approved by the EU, and therefore present a true and fair view of the Hönle Group's net assets, financial condition and results of operations and cash flows.

The consolidated financial statements are prepared in euro currency. Unless otherwise stated, the amounts quoted are shown as T€ (thousand euros). Due to rounding-off the totals, individual figures may not add up to the total stated. The consolidated financial statements are generally based on historical purchase and production costs, unless stated otherwise under section 5 (Accounting and Valuation Methods.

The consolidated financial statements are prepared on the basis of the going concern assumption. The Dr. Hönle AG Management Board prepared the consolidated financial statements on 17 January 2023.

2. Estimates and Assumptions

The preparation of the consolidated financial statements requires estimates and assumptions to be made that have impacted on the reported amounts and related disclosures. In preparing the consolidated financial statements, management exercises its discretionary powers to the best of its knowledge. However, actual results may deviate from these estimates and assumptions.

The major future-related assumptions as well as other key sources of estimation uncertainty as at the reporting
date that involve a significant risk of causing major adjustments to be made to the carrying amounts of assets and liabilities within the next financial year are disclosed in the notes to the individual items. Estimates and assessments within the Hönle Group relate, to a large extent, to assessing the value of goodwill (cf. paragraph 20), the valuation of pension provisions (cf. paragraph 35), and other provisions (cf. paragraph 41) and the determination of deferred taxes (cf. paragraph 23).

3. Consolidation

Consolidated Group

The consolidated financial statements as at 30 September 2022 include the parent company, Dr. Hönle AG, and the following subsidiaries:

	Name	Home state	Percentage of shares held Reporting year	Percentage of shares held Prior year	Held via
Direct participations:					
(1)	AGITA Holding AG, Regensdorf/Zurich	Switzerland	100.00%	100.00%	
(2)	Eltosch Grafix GmbH, Pinneberg	Germany	100.00%	100.00%	
(3)	GEPA Coating Solutions GmbH, Frickingen	Germany	51.00%	51.00%	
(4)	Hoenle UV Technology (Shanghai) Trading Ltd., Shanghai	China	100.00%	100.00%	
(5)	Honle UV France S.à.r.l., Lyon	France	100.00%	100.00%	
(6)	Honle US Real Estate LLC, Torrington	USA	100.00%	100.00%	
(7)	Hönle Electronics GmbH, Dornbirn	Austria	51.00%	51.00%	
(8)	Luminez GmbH, Kirchheim b. Arnstadt	Germany	0.00%	51.00%	
(9)	PrintConcept UV-Systeme GmbH, Kohlberg	Germany	100.00%	100.00%	
(10)	Raesch Quarz (Germany) GmbH, Ilmenau	Germany	100.00%	100.00%	
(11)	Raesch Quarz (Malta) Ltd., Mosta	Malta	100.00%	100.00%	
(12)	STERILSYSTEMS GmbH, Mauterndorf	Austria	95.00%	95.00%	
(13)	Technigraf GmbH, Gräfenwiesbach-Hundstadt	Germany	55.00%	55.00%	
(14)	UMEX GmbH, Kirchheim b. Arnstadt	Germany	60.26%	60.26%	
(15)	uv-technik Speziallampen GmbH, Ilmenau	Germany	100.00%	100.00%	
Indirect participations:					
(16)	Eleco Panacol-EFD, SAS, Gennevilliers/Paris	France	99.96%	99.96%	(18)
(17)	Eltosch Grafix America Inc., Batavia/Chicago	USA	100.00%	100.00%	(2)
(18)	Panacol AG, Regensdorf/Zurich	Switzerland	100.00%	100.00%	(1)
(19)	Panacol-Elosol GmbH, Steinbach/Frankfurt/M.	Germany	100.00%	100.00%	(18)
(20)	Panacol-Korea Co., Ltd, Suwon-si	South Korea	100.00%	100.00%	(19)
(21)	Panacol-USA Inc., Torrington	USA	71.36%	71.36%	(18)
(22)	uv-technik international ltd., Luton	Great Britain	100.00%	100.00%	(15)
Associated companies:					
(23)	Metamorphic Materials Inc., Winsted	USA	30.00%	30.00%	(18)
(24)	STERIXENE SAS, Les Angles	France	24.24%	24.24%	
(25)	TECINVENT GmbH, Schömberg	Germany	35.00%	35.00%	

The investment quotas for all direct and indirect participations (equity investments) also represent the proportion of voting rights.

The above-mentioned companies listed under direct and indirect participations are fully consolidated due to the possibility of exerting control through the majority of voting rights.

Control is achieved when the parent company

- can exercise control over the equity investments,
- is exposed to fluctuating returns from its equity investments and can exert an influence on the amount of returns due to its control over the equity investments.

Changes in the group's investment quotas in subsidiaries that do not lead to a loss of control over the subsidiary concerned are accounted for as equity capital transactions.

Associated companies ("associates") pursuant to IAS 28 are accounted for at equity unless the shares are classified as assets held for sale, in which case accounting is based on IFRS 5. An associate is a company over which the group can exert significant influence due to the group's involvement in the associate's financial and business policy without, however, exerting control over the associate. Significant influence is assumed when the parent company holds 20% or more but less than 50% of the voting rights (associated company). In accordance with the equity method, shares in associated companies are to be included in the consolidated statement of financial position at cost which are adjusted for changes in the group's share in profit or loss and in the other comprehensive income of the associated company after the acquisition date. Hönle's share in the profit/loss of an associated company is reported in the consolidated income statement. The share in changes in equity capital with neutral effects on profit or loss is reported directly in the consolidated equity capital.

Although Solitec Gesellschaft für technischen Produktvertrieb mbH (Solitec GmbH) with registered head office in Gilching, is a 100% participation (equity investment), it was not included in consolidation as the company is immaterial for providing a true and fair view of the group’s net assets, financial position and results of operations. The business result of Solitec GmbH in financial year2021/2022 amounts to T€ -1 (PY: T€ 9), the amount of equity as at 30 September 2022 amounts to T€ 52 (PY: T€ 54).

The companies included in the consolidated group saw the following changes in comparison with the previous year:

In accordance with a purchase agreement dated 7 July 2022, the shares held by Dr. Hönle AG in Luminez GmbH were sold as at 30 September 2022. Accordingly, Luminez GmbH was deconsolidated from the consolidated group as at 30 September 2022. Taking into account the proceeds from the sale, the deconsolidation resulted in a loss of T€ 102.

Consolidation Methods

Business combinations are accounted for using the acquisition method. The costs of an acquisition are measured at the fair value of the assets transferred and the liabilities transferred or entered into at the acquisition date. The identified assets acquired within the scope of a business combination as well as the liabilities transferred including contingent liabilities are initially measured at the respective fair values as of the acquisition date, irrespective of the scope of any non-controlling interests.

Asset-side differences between acquisition costs and the company’s prorated revalued equity capital are reported as goodwill in the statement of financial position. Debit-side differences are released and included in the operating result following re-examination. Differences resulting from the acquisition of non-controlling interests are set off directly in equity capital.

Non-controlling interests are valued at the prorated fair value of the acquired assets and transferred debts. Following initial recognition, profits and losses are allocated without any limitations in accordance with the proportionate investment share, and this may result in a negative balance with respect to non-controlling interests.

Transactions with non-controlling interests, which do not lead to a loss of control, are reported as equity capital transactions with neutral effect on profit or loss.

All intra-group business transactions, balances, and intra-group results are fully eliminated within the scope of consolidation.

Currency Translation

The functional currency and the reporting currency of Dr. Hönle AG and most of its European subsidiaries is the euro (€).

The functional currency for the independent subsidiaries in Switzerland, the United States, the UK and South Korea is the Swiss franc (CHF), the US dollar (USD), the pound sterling (GBP), and the South Korean won (KRW). The functional currency for the independent Chinese subsidiary is the Chinese renminbi (RMB). Assets and debts are translated at the rates applicable as of the balance sheet date while equity capital is translated at historical rates.

The resulting currency translation differences were recorded in equity capital and in the statement of comprehensive income with neutral effect on profit/loss. The development of this special item is presented in the statement of changes in equity. Income statement items are translated using the average rate for the financial year.

		Reporting date rate		Average rate	
in €		**30.09.2022**	30.09.2021	**2021/2022**	2020/2021
1 Swiss Franc	CHF	**1.0347**	0.9137	**0.9785**	0.9198
1 US Dollar	USD	**1.0259**	0.8636	**0.9243**	0.8363
1 Chinese Renminbi	RMB	**0.1442**	0.1336	**0.1410**	0.1285
1 British Pound	GBP	**1.1830**	1.1747	**1.1794**	1.1444
1 South Korean Won	KRW	**0.0007**	0.0007	**0.0007**	0.0007

In accordance with IAS 21, foreign currency receivables and liabilities are generally translated at the mean spot exchange rate on the date of initial accounting entry and at the end of the reporting period at the mean exchange rate as of the balance sheet date. The resulting translation differences are recognized in profit/loss as income/expenses from exchange rate differences. No hedging transactions were concluded to hedge against currency risks.

4. New Standards and Interpretations and Newly Issued Accounting Provisions

New Standards and Interpretations to be Applied in the Financial Year

In financial year 2021/2022 the following new or amended standards of the IASB (International Accounting Standards Board) or IFRIC (International Financial Reporting Interpretations Committee) were to be applied for the first time. The first-time application had no material impact on the consolidated financial statements of Dr. Hönle AG.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)
The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

Amendment to IFRS 16 – COVID-19-Related Rent Concessions
The amendment is to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

New Standards and Interpretations not yet Mandatory

Furthermore, the IASB and IFRIC issued the following standards, interpretations and amendments to existing standards as already adopted by the EU but not yet mandatory for Dr. Hönle AG in the financial year under review. As a general rule, Dr. Hönle AG does not apply new IFRS/IFRICs prior to the date of mandatory application (effective date). Possible effects on future consolidated financial statements are currently being reviewed. A reliable assessment is not possible at this time, however.

Amendments to IFRS 3 – Reference to the Conceptual Framework: The amendments serve to update a reference to the conceptual framework.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use: Purpose of the amendments is to prohibit the deduction of costs of an item of property, plant and equipment the revenues arising from the sale of goods produced while these are being brought to the location and into the condition necessary for them to be used in a manner intended by the company management.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract: These amendments are intended to include costs incurred when determining whether or not a contract has a detrimental effect.

Annual improvements to IFRSs (2018–2020 Cycle): As part of IASB's annual improvement process, amendments are made to individual IFRSs in order to eliminate inconsistencies with other standards or to clarify their content. Amendments concern
IFRS 1 (Subsidiary as a First-time Adopter),
IFRS 9 (Fees Included in the ‘10 Per Cent Test’ for the Purpose of Derecognition),
IFRS 16 (Amendments to the Illustrative Example Accompanying IFRS 16: Lease Incentives),
IAS 41 (Taxation in Fair Value Measurements).

5. Accounting and Valuation Methods

The statement of financial position, the income statement and the statement of comprehensive income of companies included in the consolidated financial statements were prepared in a uniform manner using the parent company’s accounting policies presented below.

Goodwill

Goodwill is not subject to scheduled amortisation but is reviewed with regard to impairment at least once a year. A review is also carried out in the case of triggering events that indicate a possible impairment in value. Goodwill is stated at acquisition costs net of accumulated amortisation from impairments.

The goodwill impairment test is carried out at the level of cash generating units (CGUs) which represent the lowest level at which the goodwill is monitored for purposes of internal corporate management.

For purposes of the impairment test, the goodwill acquired within the context of a business combination is allocated to the cash generating unit which is expected to profit from the synergies of the business combination. If the carrying amount of the entity to which the goodwill is allocated is higher than its recoverable amount, the goodwill allocated to the cash-generating unit is amortised accordingly due to impairment. The achievable amount is the higher of the two amounts from fair value less sales costs and the usage value of the unit.

The usage value is determined using the discounted cash flow method. In the process, future expected cash flows from the most recent management planning are used as a basis with long-term growth rates and assumptions concerning the margin development, and discounted with the capital costs of the unit to be measured.

No reinstatements of the original values of amortised goodwill are recorded in future periods if the achievable amount exceeds the carrying amount of the cash generating unit or the group of cash generating units to which the goodwill is allocated.

For details on the assumptions used in impairment tests, please see paragraph 20.

Intangible Assets

Acquired intangible assets and internally developed intangible assets are capitalised at acquisition and manufacturing cost in accordance with IAS 38 and are amortised over their expected useful lives using the straight line method.

The following useful lives were applied:

Customer base and other rights	5 to 10 years
Software	1 to 15 years
Licenses	3 to 10 years
Copyrights, patents and other commercial property rights	7 to 10 years
Formulas, secret procedures, models, drafts and prototypes	10 to 15 years

Property, Plant and Equipment

Property, plant and equipment are measured at acquisition or manufacturing costs net of accumulated depreciation in accordance with IAS 16. Depreciable non-current assets are written down according to schedule using the straight line method of depreciation.

The scheduled depreciation of the group's melting furnaces disclosed in technical equipment and machines is split up into individual components (in particular furnace body and melting pots including pertaining sub-components). These are written down separately in accordance with IAS 16.43 et seqq. due to their different useful lives. This approach leads to a more appropriate and more cause-based period recognition of the expense from the use of the asset and its components.

The following useful lives were applied:

Buildings	3 to 50 years
Technical equipment and machines	1 to 20 years
Operating and business equipment	1 to 39 years

The “Buildings” position also includes leasehold improvements. Scheduled depreciation of leasehold improvements is defined in accordance with the expected useful life.

Maintenance expenses are treated as expense for the period.

Leases

Rights of use are measured at acquisition costs and include the amount of initial measurement of the lease liability and direct costs. The lease liability is measured at the present value of the lease payments not yet made. The leases are generally concluded for fixed periods of one to four years. The leases for buildings may stipulate longer terms. The agreements may contain arrangements on tacit renewals or renewal and termination options.
In specifying the term of leases for buildings, management takes into account all facts and circumstances that provide an economic incentive to exercise renewal options or the non-exercising of termination options. Term changes resulting from exercising renewal / termination options are included in the lease term only if renewal or non-exercise of a termination option is reasonably certain to occur. This assessment is reviewed when a significant event or change in circumstances occurs that may impact on the previous assessment, but only if this is within the control of the Hönle Group.

Rights of use are subsequently measured at amortised acquisition costs. The rights of use are amortised on a straight-line basis over the shorter of the useful life and the lease term. If the exercise of a call option is sufficiently certain from the Group's perspective, amortisation is recognized over the useful life of the underlying asset.

If the contracts include an extension or termination option, the lease liability is revalued and the right-of-use asset is adjusted in the event that a significant event occurs that is within the control of the Dr. Hönle Group and was estimated differently within the scope of initial measurement.

The lease liabilities are amortised using the effective interest method.

Application relief is made use of with respect to low-value leased assets and short-term leases.

Investment Property

Property, which is not used for business purposes and exclusively serves to generate rental income and profit from value increases, is recognized at depreciated acquisition costs. The scheduled depreciation of this property runs for a period of 20 to 33 years.

Investments Accounted for Using the Equity Method

Associated companies are accounted for at equity and disclosed in the statement of financial position under “Investments accounted for using the equity method”. A company on which the group exerts a significant influence without, however, being able to control the company alone or jointly, qualifies as an associated company. IAS 28.6 assumes that a participation of more than 20% of the voting rights indicates significant control.

Deferred Taxes

The liability method stipulated in IAS 12 is used to determine deferred taxes. In principle, this involves creating deferred tax assets and deferred tax liabilities for all temporary valuation differences between the values applied according to IFRS and the tax values of balance sheet items. Deferred tax assets were taken into account only where it is expected that taxable profits will be available in the future. Deductible temporary differences, unused tax losses as well as unused tax credit notes can be set off against these profits.

The tax rates used by the German companies differ due to differing trade tax factors at the individual location.

Deferred taxes are measured using the tax rate expected for the period in which an asset is realised or an obligation is settled.

Inventories

In general, raw materials and supplies are stated at acquisition costs in accordance with IAS 2. Acquisition costs are determined using the weighted average cost method. Finished goods and work in progress are measured at manufacturing costs. The manufacturing costs contain, in addition to directly allocable costs, fixed and variable manufacturing and material overheads as well as the costs of value depletion of property, plant and equipment to the extent caused by manufacture. The manufacturing costs also include production-related administration costs and expenses incurred for voluntary social benefits.

Borrowing costs are charged to expenditure at the full amount since these costs cannot be directly allocated to qualified assets.

Slow-moving items are written down at the lower of acquisition or manufacturing costs and the net realisable value. The net realisable value represents the estimated sales proceeds that are achievable in the normal course of business, net of estimated manufacturing and selling costs.

Financial Assets

The categorisation of financial assets under IFRS 9 is based on the following three measurement categories:

- financial assets measured at amortised cost (AC)
- financial assets measured at fair value (FVthOCI) with neutral effect on profit or loss
- financial assets measured at fair value through profit or loss (FVthPL)

Financial assets are classified according to the underlying business model and the contractual cash flows of the financial assets. Essentially, the Dr. Hönle AG business model is to hold financial assets in order to recognise contractual cash flows.

Financial assets are measured at amortised cost (AC) if they comply with the "hold" business model and their contractual cash flows consist exclusively of interest and principal payments. Amortised cost is reduced by impairment losses. Interest income, exchange rate gains/losses and impairment losses are recognised in profit or loss. A gain or loss from derecognition is also recognised in the income statement.

With respect to equity instruments, IFRS 9 optionally permits measurement at fair value with neutral effect on profit or loss (FVthOCI). Dividends are recognised as income in profit or loss unless the dividend is clearly intended to cover part of the cost of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss.

A debt instrument is designated as "FVthOCI measured" to the extent that both of the following conditions are met and the asset is not designated as FVthPL:

- It is held as part of a business model whose objective is both to hold financial assets to recognise the contractual cash flows and to sell financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Debt instruments classified as FVthOCI are subsequently measured at fair value. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. On derecognition, the accumulated other comprehensive income is reclassified to profit or loss. The group currently has no such debt instruments.

Financial assets whose cash flows do not consist exclusively of interest and principal payments are measured at fair value through profit or loss (FVthPL). Net gains and losses in this category, including any interest or dividend income, are recognised in the income statement. Dr. Hönle AG does not currently have any financial assets measured at FVthPL. At present, derivatives are only reported within the scope of hedging relationships.

The impairment model under IFRS 9 takes into account expectations about the future and is based on expected credit losses. The model under IFRS 9 basically provides for three levels and is applicable to all financial assets (debt instruments) that are measured either at amortised cost or at fair value with neutral effect on income.

In the group, the following classes of financial instruments are generally subject to the impairment model under IFRS 9:

- Other non-current financial assets
- Trade accounts receivable
- Other current financial assets
- Liquid assets (cash and cash equivalents)

Level 1:
Includes financial assets at the time of acquisition and, thereafter, those financial assets without a significant increase in credit risk since acquisition. Impairment is measured based on the expected credit loss within the next twelve months.

Level 2:
Includes financial assets that have experienced an increase in credit risk but whose credit quality has not yet been impaired. Impairment is measured based on the expected credit loss over the entire remaining term. The group considers an increase in credit risk to be a deterioration in the credit rating of the counterparty.

Level 3:
Includes financial assets which show objective evidence of impairment or have a default status. The expected credit losses over the entire term of the financial asset and other qualitative information indicating significant financial difficulties of the debtor are recorded as impairment losses.

The Hönle Group makes use of the relief option under IFRS 9 for trade receivables with a financing component, contractual assets with a financing component and leasing receivables. Consequently, upon acquisition, these financial assets can be directly allocated to Level 2 rather than to Level 1, with the option of exclusively recording the expected credit loss over the entire term (lifetime expected credit loss).

Trade receivables and contract assets - each without a financing component - must be allocated to Level 2 of the valuation adjustment model when they are added, with the necessity of recording the lifetime expected credit loss.

A classification or reclassification to Level 3 takes place if there is objective evidence of impairment.

The group applies an impairment matrix to determine the need for value adjustments on trade receivables. Reference is made in this regard to the explanations under "Credit Risks" in section 47.

Within the scope of the application relief concerning trade accounts receivable, impairment is determined on the basis of default probabilities by customer group. In the process, past data is adjusted for future-oriented parameters. These parameters may include macroeconomic factors (e.g. growth in gross domestic product, unemployment rate) and forecasts of future economic conditions.

Derecognition

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) is derecognised when one of the following prerequisites is met:

- The contractual rights to the receipt of cash flows from a financial asset have expired.
- The group has transferred its contractual rights to receive cash flows from a financial asset to a third party or to assume a contractual obligation stipulating immediate payment of cash flow to a third party within the scope of an agreement (so-called pass-through agreement), and, in doing so, either (a) transferred substantially all the risks and awards of ownership of the financial asset or (b) neither transferred nor retained substantially all risks and awards of the ownership of the financial asset, but transferred control of the asset.

When the group transfers the contractual rights to cash flows from an asset or enters into a pass-through agreement, it measures whether and if so to what extent the risks and rewards remain with the group. If the group neither transfers nor retains substantially all risks and rewards of the financial asset, and if it does not transfer control over the asset, the group states the asset at the amount of the respective ongoing commitment. In this case, the group also recognises a pertaining liability. The transferred asset and the associated liability are measured in such a way that the rights and obligations retained by the group are accounted for.

When the continuing exposure formally provides a guarantee respecting the asset transferred, the scope of the continuing exposure corresponds to the lower of the original carrying amount of the asset and the maximum amount of the payment received that the group might have to repay.

Assets Held for Sale

Non-current assets are classified as assets held for sale when the associated carrying amount is realised primarily through a sale transaction rather than through continued use. This condition is only considered to be met when the non-current asset is immediately available for sale in its present condition and the sale is highly probable. The Management must have agreed to a sale of the respective asset and it must be assumed that the sale process will be completed within one year following the classification as asset held for sale.

Non-current assets that are classified as held for sale are measured at the lower of the assets' original carrying amount and the fair value, net of selling costs.

Cash and Cash Equivalents (Liquid Assets)

Cash on hand and bank balances are stated at nominal value. Credit balances denominated in foreign currencies are translated at the mean spot exchange rate applicable as of the balance sheet date.

Own Shares (Treasury Stock)

Acquired own shares are deducted from equity capital as a special item at the amount of the acquisition costs pursuant to IAS 32.33. Transaction costs were incurred only to an insignificant extent.

Liabilities

Financial liabilities are either classified as financial liabilities that are measured at fair value through profit or loss, or as other liabilities measured at amortised acquisition costs. The group defines the classification of financial liabilities upon initial recognition.

The group's financial liabilities include trade accounts payable and other liabilities, overdraft facilities, loans, financial guarantees, and derivative financial instruments.

When recognised for the first time, all financial liabilities are measured at fair value. In the case of loans, directly allocable transaction costs are additionally included in the measurement.

Within the scope of **subsequent measurement,** with the exception of derivative financial instruments, the financial liabilities are stated at amortised acquisition cost in accordance with the effective interest rate method. Derivative financial instruments are reported at fair value.

Amortised acquisition costs of **current liabilities** generally correspond to the nominal amount or the repayment amount. **Non-current liabilities** are reported at the respective present value or, if interest-bearing, at the respective repayable amounts.

In accordance with IAS 32.23, purchase price liabilities from written put options on non-controlling interests are stated as a liability at the amount of the present value of the expected payment obligation. Since the options are based on execution prices that are influenced by the corporate development, a change in the cash flow that determines the value of the financial liability leads to a balance sheet adjustment which, in the opinion of the IASB, is to be reported in profit or loss in accordance with IAS 39.

Short-term liabilities denominated in foreign currencies are translated at reporting date rates in accordance with IAS 21.

Derecognition

A financial liability is derecognised if the obligation underlying the liability has been settled, annulled or has expired.
If an existing financial liability is replaced with another financial liability of the same lender with substantially different contractual terms and conditions, or if the terms and conditions of an existing liability are subject to significant changes, the replacement or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is reported in profit/loss.

Derivative Financial Instruments and the Accounting Treatment of Hedging Relationships

Derecognition

In accordance with its risk management strategy, the group uses derivative financial instruments, such as interest rate swaps, to hedge against interest rate risks. These derivative financial instruments are stated at present value at the date of contract conclusion and are remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their present values are positive and as financial liabilities if their present values are negative.

Gains and losses from changes in the fair value of derivatives are immediately reported in profit/loss, with the exception of the effective portion of a cash flow hedge which is stated as other comprehensive income in the statement of comprehensive income.

Hedging instruments are classified as follows for hedge accounting purposes:

- As a fair value hedge when the hedge relates to the risk of a change in the fair value of a recognised asset or a recognised liability or an unrecognised firm commitment,
- As a cash flow hedge if the hedge relates to the risk of cash flow fluctuations that can be allocated to the risk associated with a recognised asset, a recognised liability or the risk of a highly probable future transaction or the currency risk of an unrecognised firm commitment,
- As a hedge of a net investment in a foreign operation.

The Hönle Group exclusively uses hedging instruments to hedge cash flows. At the beginning of a hedge, both the hedging relationship as well as the group's risk management objectives and strategies with respect to the hedge are formally established and documented. The documentation contains the designation of the hedging instrument, the underlying transaction or the hedged transaction, the nature of the hedged risk, and a description of how the enterprise determines the effectiveness of changes in the fair value of the hedging instrument in compensating for the risk from changes in the cash flows of the hedged underlying transaction, which can be ascribed to the hedged risk. Such hedge relationships are deemed to be highly effective in compensating for risks arising from changes in cash flows. They are continuously evaluated to determine if they were actually highly effective during the entire reporting period for which the hedge relationship has been defined.

Hedging transactions that satisfy the strict criteria for hedge accounting are reported as follows:

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the statement of comprehensive income and in the cash flow hedge reserve, while the ineffective portion is recognised immediately in profit/loss under "Other operating expenses". The Hönle Group uses interest rate swaps as a hedging instrument to hedge the interest rate risk of financial liabilities. For further explanations, please refer to paragraph 47.

The amounts recognised in other comprehensive income are transferred to the income statement in the period in which the hedged transaction impacts on profit or loss, e.g., when hedged financial income or expenses are recognised or when an expected sale is carried out. If a hedge results in the recognition of a non-financial asset or a non-financial liability, the amounts reported under Other comprehensive income become part of acquisition costs at the acquisition date of the non-financial asset or non-financial liability.

If an expected transaction or a firm commitment is no longer expected to materialise, the accumulated gains and losses previously recognised in equity are reclassified and reported in the income statement. If the hedging instrument expires or is sold, terminated, or exercised and the hedging instrument is not replaced or rolled over to another hedging instrument, or if the criteria for hedge accounting are no longer met, the accumulated gains and losses continue to be recognised under Other comprehensive income until the expected transaction or firm commitment impacts on profit or loss.

Classification as Current and Non-current

Derivative financial instruments that are not designated as hedging instruments and are effective as such, are classified as current or non-current, or are split up into a current and a non-current portion on the basis of an assessment of the facts and circumstances (i.e. the underlying contractual cash flows).

If the group holds a derivative for a period of more than twelve months after the balance sheet date in its portfolio for hedging purposes (and does not state the derivative as a hedge relationship), the derivative is classified as non-current (or is divided into a current and a non-current portion) in accordance with the classification of the underlying item.

Derivative financial instruments that have been designated as hedging instruments and are effective as such are classified in accordance with the classification of the underlying hedged item.

The derivative financial instrument is only split into a current and a non-current portion if a reliable allocation can be made.

Provisions

Provisions for pensions are set up using the projected unit credit method pursuant to IAS 19 (Employee Benefits). Based on a prudent estimate of the relevant parameters, this method takes into account the pensions and vested pension benefits known as at the balance sheet date as well as expected future salary and pension increases. The calculation is carried out using actuarial reports on the basis of biometrical calculation assumptions.

Other provisions are reported in accordance with IAS 37 if a current legal or factual obligation exists as a result of a past event, if the outflow of resources with economic benefit concerning the settlement of this obligation is likely, and if the amount of the obligation can be assessed reliably. Other provisions take all recognisable risks into account. They are stated on the basis of their most probable amount.

Government Grants

Government grants pursuant to IAS 20 are recognised when there is reasonable assurance that the pertaining requirements are met and the grants will actually be received. Grants earmarked for the purchase or manufacture of non-current assets (asset value-based grants) are stated using the gross method ("deferred income") at the initial recognition and are released and recognised in the income statement on a scheduled basis over the assets' useful lives. In accordance with IAS 20.20, grants for expenses or losses already incurred or that serve as immediate financial support without pertaining expenses in the future are recognised as income in the period in which the corresponding claim arises.

Income Tax Liabilities

Liabilities from income taxes include obligations arising from current income taxes.

Borrowing Costs

Borrowing costs are recognized in profit or loss as incurred unless they relate to a qualifying asset as defined in IAS 23.

Measurement of Fair Value

The group measures certain financial instruments (e.g. derivatives) at fair value at each reporting date and/or discloses the fair value of financial instruments as part of its disclosure requirements. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, it is assumed that the transaction in which the asset is sold or the liability is transferred would take place either

- in the principal market for the asset or the liability, or
- in the most advantageous market for the asset or liability, if a principal market is not available.

The group must be able to access the principal market or the most advantageous market.

The fair value measurement of an asset or a liability is based on the criteria which market participants would use when determining the prices for an asset or a liability, assuming that market participants act in their economic best interest.

The fair value of a non-financial asset is measured based on the assumption that the market participant is capable of generating economic benefits through the highest and best use of the asset concerned or the sale of this asset to another market participant who would find the best and highest use of the asset.

The group uses measurement techniques which are appropriate under the circumstances and for which sufficient data for measuring the fair value is available. In doing so, both observable and non-observable input factors are applied.
All assets and liabilities that are measured at fair value or are recognised at fair value in the financial statements, are classified on the basis of the fair value hierarchy described below, based on the input parameters of the lowest level which is of overall significance for fair value measurement:

Level 1:
quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2:
measurement methods where the input parameter of the lowest level, which, overall, is significant for measuring fair value, is observable, either directly or indirectly.

Level 3:
measurement methods where the input parameter of the lowest level, which, overall, is significant for measuring fair value, is not unobservable on the market.

With respect to assets and liabilities that are reported in the financial statements on a recurring basis, the group determines whether they were reclassified within the hierarchy levels by reviewing the classification (based on the lowest level input parameters which, overall, are of significance for fair value measurement) at the end of each reporting period.

The employees responsible for group accounting determine, together with the Management, the guidelines and procedures governing recurring and non-recurring fair value measurement.

In order to meet the information requirements respecting fair value, the group defined groups of assets and groups of liabilities on the basis of type, specific features and risks as well as the levels of the above-stated fair value hierarchy.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement was prepared using the type of expenditure format.

6. Revenue

Sales revenues of T€ 126,529 (PY: T€ 115,170) include revenue from the sale of goods in the amount of T€ 123,129 (PY: T€ 111,803) and revenue from services in the amount of T€ 3,400 (PY: T€ 3,367).

The amount of T€ 15 (PY: T€ 10) concern sales generated within the scope of deliveries to Dr. Hönle Medizintechnik GmbH at regular market conditions.

All sales revenues result from contracts concluded with customers.

For a further breakdown of revenue from contracts with customers, please refer to: Segment Reporting.

The following table provides information on receivables and contractual liabilities from contracts with customers. There are no contractual assets.

in T€	As at 30.09.2021	Change	**As at 30.09.2022**
Trade accounts receivable	17,057	2,602	**19,659**
Contract liabilities	3,106	-478	**2,628**

The contractual liabilities relate to advance payments received from customers for the manufacture of partly customer-specific machines. The amount of T€ 3,106 reported under contractual liabilities at the beginning of the period was mainly recognised as revenue in the financial year. The expected term of contractual liabilities reported as of the balance sheet date is less than one year.

7. Other Operating Income

in T€	2021/2022	2020/2021
Income from assets held for sale	**1,825**	0
Income from exchange rate differences	**803**	480
Income from the release of provisions	**582**	258
Off-period income	**26**	40
Other Income	**665**	822
	3,901	1,601

in T€	2021/2022	2020/2021
Other income	**379**	444
Other income from continuation of wage payments	**115**	92
Income from disposal of property, plant and equipment	**87**	168
	61	52
Public investment grants	**22**	66
	665	822

Income from subsidies/investment grants results from the grant notifications concerning research projects and measures taken by the European Union which are associated with the corresponding expenses. In addition, the item includes income from the release of deferred grants within the scope of acquisitions of non-current assets.

8. Cost of Purchased Materials and Services

in T€	2021/2022	2020/2021
Cost of raw materials and supplies and of purchased merchandise	**71,819**	47,671
Cost of purchased services	**1,068**	1,261
	72,888	48,932

Cost of raw materials and supplies and of purchased merchandise includes on-off factors attributable to write-downs of inventories in the amount of T€ 11,892.

9. Personnel Expenses

in T€	2021/2022	2020/2021
Wages and salaries	**35,299**	32,110
Social security and pension costs	**7,742**	7,566
	43,041	39,676

10. Depreciation/Amortisation of Property, Plant and Equipment and of Intangible Assets

The structure of depreciation/ amortisation of property, plant and equipment and of intangible assets is presented in the Schedule of Non-Current Assets (paragraph 20).

The impairment tests carried out in financial year 2021/2022 led to a need for recording non-scheduled write-downs. Further details concerning impairment tests are provided in the comments on non-current assets (paragraph 20).

11. Other Operating Expenses

Other operating expenses are broken down as follows:

in T€	**2021/2022**	2020/2021
Shipment, goods delivery, packaging	**4,966**	4,634
Cost of office space	**2,109**	2,092
Advertising and representation	**1,476**	1,440
Consulting, bookkeeping, year-end closing costs	**1,332**	1,184
Insurance, membership fees and charges	**1,185**	896
Travel expenses	**1,099**	758
Expenses from exchange rate differences	**480**	455
Other off-period expenses	**203**	131
Other expenses	**5,842**	5,855
	18,692	17,445

Other expenses are broken down as follows:

in T€	**2021/2022**	2020/2021
Maintenance and repair	**883**	863
Vehicle costs	**705**	639
thereof leasing	***59***	*64*
Postage and telephone	**467**	488
Office supply and technical literature	**134**	152
Other expenses	**3,654**	3,713
	5,842	5,855

Expenses from operating leases not covered by IFRS 16 totalled T€ 276 (PY: T€ 304) in financial year 2021/2022. Of this amount, T€ 59 (PY: T€ 64) relate to vehicles and T€ 218 (PY: T€ 240) to machinery and operating and office equipment, included in other expenses.
Other expenses include cost incurred for personnel recruitment and personnel training in the amount of T€ 654 (PY: T€ 561). In addition, the item includes expenses relating to equity holdings in the amount of T€ 13 (PY: T€ 94) as well as IT expenses in the amount of T€ 758 (PY: T€ 701). Expenses incurred for Supervisory Board compensation in the amount of T€ 183 (PY: T€ 153) are also disclosed under Other expenses.

12. Income/Loss from Investments Accounted for using the Equity-Method

This item includes the prorated results concerning Metamorphic Materials Inc., Winsted, USA, in the amount of T€ 34 (PY: T€ 28) and STERIXENE SAS, Les Angles, France, in the amount of T€ 3 (PY: T€ -14) and TECINVENT GmbH, Schömberg in the amount of T€ -4 (PY: T€ 5). For more information see paragraph 22 "Investments Accounted for using the At Equity Method".

13. Financial Income

in T€	**2021/2022**	2020/2021
Other interest and similar income	**71**	144
	71	144

Other interest and similar income includes interest income on loan receivables from Dr. Hönle Medizintechnik GmbH in the amount of T€ 23 (PY: T€ 12).

14. Financial Expenses

in T€	**2021/2022**	2020/2021
interest and similar expenses	**1,482**	1,065
interest expenses from the discounting of lease liabilities	**46**	55
	1,528	1,121

Interest and similar expenses include the amount of T€ 18 (PY: T€ -50) from the adjustment of liabilities concerning written put options to non-controlling shareholders.

15. Income Taxes

Current and deferred tax expenses and tax income are structured as follows:

in T€	**2021/2022**	2020/2021
Actual income tax expense and income	**3,464**	3,921
Deferred tax expense and income		
from a change in non-current assets	**-30**	-390
from a change in current assets	**-15**	-15
from a change in provisions	**-67**	-356
from a change in liabilities	**86**	-92
from a change in the capital increase	**0**	0
from a change in losses carried forward	**2,206**	-2,742
from value adjustments on losses carried forward	**-3,849**	3,725
from consolidation effects	**-164**	194
from currency differences	**30**	8
from other valuation differences	**-7**	0
	-1,811	332
	1,652	4,252

The following overview reconciles the tax expense that would notionally result when applying the current German tax rate of 27.73% of the group parent (corporation tax, solidarity surcharge, trade tax), with the actual tax expense in the consolidated financial statements:

in T€	**2021/2022**	2020/2021
Earnings before tax	**-11,546**	-608
Theoretical tax rate in %	**27.73**	25.10
Computed tax expense	**-3,202**	-153
Change in computed tax expense relative to the actual tax expense due to:		
Use of deferred taxes on loss carry forwards	**2**	-160
Change in the value adjustment of deferred tax assets	**93**	3,725
Deviating tax base	**4,971**	1,203
Distribution-related tax refunds	**-85**	-88
Off-period effects	**245**	-64
Deviating local tax rates	**-380**	4
Change in tax rates	**7**	-214
	1,652	4,253
Effective group tax rate in %	**-14.31**	-699.15

The listing below reflects the tax rates applicable in the respective countries and used for the calculation of deferred taxes. When calculating deferred taxes, the following tax rates were applied:

- Group companies in Germany: 27.73% to 30.53% (PY: 25.10% to 30.53%)
- Group companies in France: 26.50% (PY: 28.00%)
- Group companies in Switzerland: 1.00% (PY: 1.00%)
- Group companies in the USA: 26.93% to 28.50% (PY: 26.93% to 28.50%)
- Group companies in China: 25.00% (PY: 25.00%)
- Group companies in Malta: 15.00% (PY: 15.00%)
- Group companies in South Korea: 10.00% (PY: 10.00%)
- Group companies Austria: 25.00% (PY: 25.00%)
- Group companies in the UK: 19.00%

The income tax effects of T€ 3,955 (PY: T€ 487) disclosed in the statement of comprehensive income include the amount of T€ -2,711 (PY: T€ -329) which is attributable to a change in the present value of hedging transactions, and the amount of T€ -1,244 (PY: T€ -158) which is attributable to the change in actuarial gains and losses from pension obligations.

16. Share in Earnings Attributable to Non-Controlling Interests

Non-controlling interests in the result for the financial year consist of the following:

in T€	**2021/2022**	2020/2021
Profit shares		
UMEX GmbH	**25**	11
Technigraf GmbH	**34**	5
Hönle Electronics GmbH	**123**	39
Loss shares		
GEPA Coating Solutions GmbH	**-19**	-46
Luminez GmbH	**0**	-49
	163	-40

17. Off-Period Expenses and Income

The item "Other operating income" includes off-period income in the amount of T€ 26 (PY: T€ 40) and T€ 582 (PY: T€ 258) from the release of provisions.

The position "Other operating expenses" includes off-period expenses in the amount of T€ 203 (PY: T€ 131).

18. Research and Development Costs

Research costs are taken into account as expense as they accrue. Development costs are only capitalised when the Hönle Group meets the capitalisation requirements defined in IAS 38 "Intangible Assets". While the other development costs are aimed at further developing the Hönle Group's products and processes, it is almost impossible to assess the respective technical feasibility or useful lives. There are no reliable assessments respecting expenses for the further development of products and processes.

Expenses for research and development recorded as an expense during the reporting period amounted to T€ 7,154 (PY: T€ 6,518).

19. Earnings per Share

In accordance with IAS 33, earnings per share are determined by dividing the profit share attributable to Dr. Hönle AG shareholders by the weighted average number of shares in circulation during the period.

The weighted average portfolio of own shares (treasury stock) as at the balance sheet date (1,076 shares of stock), is not taken into account in the calculation of undiluted earnings per share and in the diluted earnings per share.

The weighted average portfolio of shares developed as follows in the year under review:

Weighted average of ordinary shares	
As at 30.09.2021	**6,061,854**
As at 30.09.2022	**6,061,854**

	2021/2022	2020/2021
Profit share in T€ attributable to Dr. Hönle AG shareholders	**-13,361**	-4,820
Weighted average of ordinary shares in circulation during the period (shares of stock) (undiluted)	**6,061,854**	6,061,854
Weighted average of ordinary shares in circulation during the period (shares of stock) (diluted)	**6,061,854**	6,061,854
Undiluted earnings per share in €	**-2.20**	-0.80
Diluted earnings per share in €	**-2.20**	-0.80

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20. Non-Current Assets

Non-current assets include the following balance sheet items in the statement of financial position:

- Goodwill
- Intangible assets
- Property, Plant and Equipment
- Investment Property
- Investments accounted for using the equity method
- Financial assets

Goodwill

Goodwill values from business combinations are allocated to those cash-generating units that draw benefit from the combinations, irrespective of whether other assets or debts of the acquiring company have already been allocated to these units.

Each unit or group of units to which goodwill has been allocated (a) is to represent the lowest level within the group where the goodwill is monitored for internal management purposes, and (b) may not be larger than a business segment in terms of IFRS 8.

The Hönle Group accounted for goodwill in the amount of T€ 21,119 (PY: T€ 21,119). The values have been allocated to the following cash-generating units:

in T€	**2021/2022**	2020/2021
Dr. Hönle AG	**5,850**	5,850
ELTOSCH GRAFIX GmbH	**2,495**	2,495
PrintConcept GmbH	**460**	460
uv-technik Speziallampen GmbH	**464**	464
Raesch Quarz (Malta) Ltd.	**6,290**	6,290
STERILSYSTEMS GmbH	**5,412**	5,412
Technigraf GmbH	**135**	135
UMEX GmbH	**14**	14
	21,119	21,119

The above stated companies qualify as business segments in accordance with IFRS 8.5.

Hönle reviews the goodwill for impairment at least once a year in accordance with the procedure presented under paragraph 5. The recoverable amount for these cash-generating units is determined in order to perform an impairment test pursuant to IAS 36. The recoverable amount for cash-generating units was determined on the basis of the value in use.

The value in use is the present value of future cash flows that are expected from the continued use of the cash-generating units and the respective disposal at the end of their useful life. The usage value is determined using the discounted cash flow method on the basis of current corporate planning data in accordance with IAS 36. The planning horizon is five years. A weighted average capital cost rate (WACC) is used to discount the cash flows.

The cash flow projection is based on the profits/losses of the individual group companies which are determined within the scope of a detailed planning process using internal historical values and external economic data. Planning is based, in particular, on assumptions concerning the sales development, the

sales prices and the purchase prices for materials and primary products. The assumptions take cost-reducing measures already taken as well as replacement investments into account. An average annual sales increase of between 0.7% and 18.5% is assumed for the respective companies in the planning period. In all, the average revenue growth rate achieved in the planning period of the companies concerned is 7.3%.
These growth rates are based in each case on detailed sales planning, which includes the development of sales with the individual existing customers and a sales forecast relating to new customers, generally on the basis of current sales projects. The forecast also takes into account estimates and information provided by customers, as well as information and assumptions on emerging trends in the relevant markets (product-specific and regional).

A significant share in the Hönle Group's goodwill is attributable to the cash-generating units Dr. Hönle AG, ELTOSCH GRAFIX GmbH, Raesch Quarz (Malta) Ltd. and to Sterilsystems GmbH.

It is expected that Raesch Quarz (Malta) Ltd. will achieve sales growth of 11.9% in financial year 2022/2023. This assumption is based on investments in production, which lead to faster throughput times and permit the acceptance of additional orders. An average rise in sales revenue of 7.3% is expected by financial year 2026/2027.

A drop in sales revenue of 0.5% is predicted for Dr. Hönle AG in financial year 2022/2023. An average increase of 7.1% is expected by financial year 2026/2027. The rise in sales revenue is largely based on a high order backlog and current projects, which will contribute to the increase in sales revenue starting from financial year 23/24.

Largely due to the high order backlog, a rise in sales revenue of 14.3% in financial year 2022/2023 is expected for ELTOSCH GRAFIX GmbH. An average sales increase of 3.5% is expected by financial year 2026/2027.

A rise in sales revenue of 10.6% in financial year 2022/2023 is predicted for Sterilsystems GmbH. The sales increase is mainly based on the assumed market growth in the surface and air disinfection business and the expansion of the Europe sales territory. An average sales increase of 11.8% is expected by financial year 2026/2027.

After the end of the five-year planning horizon, a sales growth rate of 1% p.a. is assumed for the following years.

On the basis of cash flow forecasts, the values in use of the cash-generating units were calculated using segment-specific cost of capital rates before income taxes for Dr. Hönle AG (12.94%), for PrintConcept GmbH (13.61%), for ELTOSCH GRAFIX GmbH (14.21%), for UMEX GmbH (14.07%), for Sterilsystems GmbH (13.30%), for Technigraf GmbH (11.65%), for uv-technik Speziallampen GmbH (17.55%), and for Raesch Quarz (Malta) Ltd. (11.10%).

In the previous year, discounting rates of between 8.64% and 13.83% were applied. The impairment test carried out did not indicate a need for downward adjustment, as the recoverable amounts exceed the carrying amounts of the cash-generating units.

The calculation of values in use is based on assumptions that are subject to uncertainties. This relates, in particular, to sales expectations, the development of profit margins, the discount rates and the growth rate, which is set to extrapolate cash flow projections beyond the detailed planning period.

The discount rates represent current market assessments respecting the risks attributable to the cash-generating units. The determination of the discount rates is based on the weighted average cost of capital (WACC). The weighted average cost of capital accounts for both the equity capital and debt capital. Equity capital costs are derived from the expected return on investments of typical market participants. Borrowing costs are based on the borrowing rate of typical market participants. The segment-specific risk is taken into account by using individual beta factors. The beta factors are calculated annually on the basis of market data.

The estimation of growth rates is based on the expected general increase in prices.
The Management calculated scenarios with a 10% increase in the weighted average cost of capital (WACC) and a reduction in growth rates of 0.5% after the detail planning period. With the exception of Dr. Hönle AG, the calculations would not lead to an impairment loss respecting the reported goodwill of the individual cash-generating units (CGUs), neither individually nor as a combination of the disadvantageous development.

Taking into account the growth rates and capital cost rates used as part of the impairment test as of September 30, 2022, the recoverable amount of the cash-generating unit Dr. Hönle AG reduced the carrying amount by EUR 990k. If the growth rates used were reduced by 16.1% or the cost of capital increased by 1.05%, the recoverable amount corresponds to the cash-generating unit Dr. Hönle AG book value.

Intangible Assets

The development of other intangible assets in financial years 2021/2022 and 2020/2021 is as follows:

in T€	name	Customer base and other rights	Software	Patents, licenses and other industrial property rights	Procedures, models, designs and prototypes	Payments on account	**Total**
Acquisition and production costs as at 01.10.2021	**58**	**5,418**	**3,187**	**1,949**	**1,555**	**16**	**12,183**
Additions	-	-	68	0	1	12	81
Disposals	-	-	1	0	-	-	1
Reclassifications	-	-	-	-	-	-	-
Currency parties	-	-	-	-	-	-	-
Consolidated group	0	0	0	-101	0	-	-101
as at 30.09.2022	**58**	**5,418**	**3,256**	**1,848**	**1,556**	**28**	**12,164**
Depreciation as at 01.10.2021	**4**	**4,322**	**3,007**	**1,178**	**784**	**-**	**9,294**
Additions	4	372	165	132	53	-	726
Disposals	-	-	1	0	-	-	1
Reclassifications	-	-	-	-	-	-	-
			32				
Currency parties	-	-	-	-	-	-	-
Consolidated group	-	-	0	- 23	-	-	-23
as at 30.09.2022	**8**	**4,694**	**3,206**	**1,286**	**836**	**-**	**10,031**
Net carrying amount as at 30.09.2022	**50**	**724**	**50**	**562**	**719**	**28**	**2,135**

in T€	name	Customer base and other rights	Software	Patents, licenses and other industrial property rights	Procedures, models, designs and prototypes	Payments on account	**Total**
Acquisition and production costs as at 01.10.2020	**0**	**4,124**	**3,025**	**1,604**	**1,551**	**11**	**10,315**
Additions	-	-	112	89	1	5	207
Disposals	-	-	1	13	-	-	14
Currency parties	-	-	2	-	-	-	2
Consolidated group	58	1,294	51	269	2	-	1,674
as at 30.09.2021	**58**	**5,418**	**3,187**	**1,949**	**1,555**	**16**	**12,183**
Depreciation as at 01.10.2020	**0**	**3,579**	**2,774**	**1,055**	**728**	**-**	**8,137**
Additions	4	743	184	136	55	-	1,121
Disposals	-	-	1	13	-	-	14
Consolidated group	-	-	50	-	-	-	50
as at 30.09.2021	**4**	**4,322**	**3,007**	**1,178**	**784**	**-**	**9,294**
Net carrying amount as at 30.09.2021	**54**	**1,096**	**180**	**772**	**771**	**16**	**2,889**

Within the course of the corporate acquisitions in the financial years: 2007/2008, 2010/2011, 2011/2012, 2012/2013, 2014/2015 and 2020/2021 brands, customer bases as well as production technologies were acquired and capitalised as intangible assets under non-current assets.

The position also includes purchased development services and subsequent acquisition costs concerning ERP software.

Intangible assets include, in particular, internally created assets in the amount of T€ 0 (PY: T€ 625) concerning a customer-specific development project which meets the capitalisation requirements stipulated in IAS 38.

Intangible assets with limited useful lives are carried at cost and amortised on a straight-line basis over a period of 1 to 15 years depending on their estimated useful lives. Intangible assets with indefinite useful lives are tested for impairment at annual intervals.

Property, Plant and Equipment

Property, plant and equipment developed as follows in financial years 2021/2022 and 2020/2021:

in T€	Land and buildings	Technical equipment and machinery	Other equip-ment, oper-ating and business equipment	Lease rights of use IFRS 16	Payments on account and assets under con-struction	**Total**
Acquisition and production costs						
as at 01.10.2021	**71,699**	**33,254**	**14,654**	**6,500**	**337**	**126,444**
Additions	1,590	1,214	1,156	888	336	5,184
Disposals	-	710	202	1,305	-	2,217
Reclassifications	2	197	6	-	-204	-
Currency parties	229	181	53	60	-	524
Consolidated group	-	-10	- 2	-	-	-12
as at 30.09.2022	**73,520**	**34,126**	**15,665**	**6,144**	**469**	**129,923**
Depreciation and amortiza-tion						
as at 01.10.2021	**4,081**	**23,172**	**8,932**	**2,459**	**-**	**38,645**
Additions	2,008	1,559	1,163	1,809	-	6,539
Disposals	79	663	147	1,305	-	2,194
Reclassifications	-	-	-	-	-	-
Amortization	2,032	4,573	412	-	106	7,122
Currency parties	40	160	33	18	-	251
Consolidated group	-	-4	- 1	-	-	-4
as at 30.09.2022	**8,082**	**28,797**	**10,392**	**2,980**	**106**	**50,359**
Net carrying amount as at 30.09.2022	**65,438**	**5,329**	**5,273**	**3,163**	**363**	**79,566**

in T€	Land and buildings	Technical equipment and machinery	Other equipment, operating and business equipment	Lease IFRS 16	Payments on account and assets under construction	**Total**
Acquisition and production costs as at 01.10.2020	**30,478**	**30,936**	**13,868**	**7,832**	**30,003**	**113,118**
Additions	24,574	2,102	3,253	2,635	-13,059	19,506
Disposals	-	583	3,373	4,000	-	7,956
Reclassifications	16,255	55	297	-	-16,607	-
Currency parties	13	18	12	34	-	73
Consolidated group	379	726	597	-	-	1,703
as at 30.09.2021	**71,699**	**33,254**	**14,654**	**6,500**	**337**	**126,444**
Depreciation as at 01.10.2020	**3,158**	**19,805**	**10,585**	**2,759**	**-**	**36,309**
Additions	920	1,667	1,100	3,692	-	7,379
Disposals	-	515	2,934	4,000	-	7,449
Reclassifications	-	-	-	-	-	-
Amortization	-	1,564	-	-	-	1,564
Currency parties	3	11	12	7	-	33
Consolidated group	-	640	169	-	-	810
as at 30.09.2021	**4,081**	**23,172**	**8,932**	**2,459**	**-**	**38,645**
Net carrying amount as at 30.09.2021	**67,618**	**10,082**	**5,722**	**4,042**	**337**	**87,801**

Items of property, plant and equipment subject to wear and tear are stated at cost and subsequently measured using the acquisition cost model. They are depreciated according to schedule over the respective estimated useful life. With regard to the sale of the shares in Raesch Quarz (Germany) GmbH on December 1, 2022, impairments of T€ 7,154 were taken into account in fixed assets.

Land and Buildings
This item discloses the group's own land and buildings. The following companies are concerned:

- Dr. Hönle AG
- uv-technik Speziallampen GmbH
- Raesch Quarz (Germany) GmbH
- Eleco Panacol – EFD, SAS
- Honle US Real Estate LLC
- PANACOL-ELOSOL GmbH
- UMEX GmbH

Technical Equipment and Machinery
The assets disclosed under this position are depreciated over their useful lives of between 1 to 20 years applying the straight-line method.

Operating and Business Equipment
The assets disclosed under this position are depreciated over their useful lives of between 1 to 39 years applying the straight line method.

Rights of Use
The recognised leases mainly relate to leased buildings and leases of motor vehicles. Reference is made to paragraph 43: Leases.

Investment Property
In financial year 2021/2022 ELTOSCH GRAFIX GmbH holds a commercial property in Unterlüß, Germany, which qualifies as investment property in terms of IAS 40 following discontinuation of production activities at this site and use of the property for rental purposes. The carrying amount of this property reported under non-current assets stands at T€ 1,054. The investment property generated income of T€ 213 in financial year 2021/2022. Significant expenses in the context of this income generation came to T€ 40.

The position developed as follows:

in T€	Investment Property
Acquisition and production costs as at 01.10.2021	**1,399**
Additions	-
Disposals	-
Reclassifications	-
as at 30.09.2022	**1,399**
Depreciation as at 01.10.2021	**306**
Additions	39
Disposals	-
Reclassifications	-
as at 30.09.2022	**345**
Net carrying amount as at 30.09.2022	**1,054**

in T€	Investment Property
Acquisition and production costs as at 01.10.2020	**1,399**
Additions	-
Disposals	-
Reclassifications	-
as at 30.09.2021	**1,399**
Depreciation as at 01.10.2020	**267**
Additions	39
Disposals	-
Reclassifications	-
as at 30.09.2021	**306**
Net carrying amount as at 30.09.2021	**1,093**

The fair value in the amount of € 1.6 million is derived from an appraisal performed by a real estate expert.

Financial Assets

This position includes shares in affiliated companies in the amount of T€ 26 (PY: T€ 26) which concern the 100% investment in Solitec GmbH. Solitec GmbH is not included in the consolidated group due to its minor importance for the group.

21. Other Non-Current Assets

in T€	**30.09.2022**	30.09.2021
Loans granted to related parties	**504**	321
Asset values conc. reinsurance	**2,135**	1,918
Derivatives amounting	**4,859**	0
Other	**37**	33
	7,535	2,272

With respect to loans extended to related parties, reference is made to paragraph 50.

22. Investments Accounted for Using the Equity Method

This position includes the balance sheet values of the investments in Metamorphic Materials Inc., TECINVENT GmbH and STERIXENE SAS which were accounted for at equity. The carrying amount of the investments accounted for under the equity method came to T€ 327 (PY: T€ 282) as at 30 September 2022. The investments are considered to be immaterial, both individually and in total.

23. Deferred Tax Assets and Deferred Tax Liabilities

The tax deferrals recorded are to be allocated to the following balance sheet positions or tax issues, respectively:

in T€	**Asset 30.09.2022**	**Liability 30.09.2022**	Asset 30.09.2021	Liability 30.09.2021
Non-current assets	**107**	**245**	120	251
Current assets	**263**	**17**	262	28
Provisions	**1,148**	**193**	2,132	0
Liabilities	**60**	**1,754**	1,488	388
Tax losses carried forward	**2,832**	**0**	1,189	0
- deferred taxes on losses	**4,025**	**0**	6,231	0
- value adjustments	**-1,192**	**0**	-5,042	0
consolidation effect	**175**	**330**	96	406
Netting of deferred tax assets/liabilities	**-1,537**	**-1,537**	-417	-417
	3,048	**1,001**	4,870	656

In accordance with IAS 12, deferred tax assets which are to be offset against unused tax losses carried forward are accounted for to the extent that future taxable income is likely to be available against which the unused tax losses can be offset.

The companies: Dr. Hönle AG, Panacol AG, Hoenle UV Technology Shanghai, Ltd., Panacol-USA, Inc., Panacol-Korea Co., Ltd., GEPA Coating Solutions GmbH and Hönle Electronics GmbH, record tax losses carried forward as at 30 September 2022.

Value assessments are made on the basis of annual planning calculations from which predictions on the use of future tax losses can be derived. Only those losses are stated that are expected to be used within a period of five years.

Due to the sale of the shares in Raesch Quarz (Germany) GmbH, held by Dr. Hönle AG as at 30 September 2022, with economic effect as at 1 December 2022, the usability of deferred tax assets on losses carried forward ceases to exist, which is why they were fully written down.

24. Inventories

Inventories are structured as follows:

in T€	**30.09.2022**	30.09.2021
Raw materials and supplies incl. Descriptive material (at acquisition costs)	**30,150**	27,112
Work in progress (at acquisition or manufacturing costs)	**872**	564
Finished goods and merchandise (at acquisition or manufacturing costs)	**14,972**	17,329
Prepayments made	**376**	1,720
	46,371	46,725

The carrying amount of inventories stated at net sales prices (fair value) amounts to T€ 6,774 (PY: T€ 1,823). In the 2021/2022 reporting period, inventories in the amount of T€ 53,791 (PY: T€ 44,375) were booked under cost of materials and the amount of T€ 11,655 (PY: T€ 3,295) was expensed as an impairment loss on inventories.

The only reservations of title to the assets reported under inventories are those customary in the context of sales contracts.

25. Trade Accounts Receivable

in T€	**30.09.2022**	30.09.2021
Total receivables	**19,855**	17,165
less value adjustments	**-196**	-108
	19,659	17,057

Trade accounts receivable as at 30 September 2022 were measured taking into account the expected-loss-impairment-model stipulated in IFRS 9. The value adjustments were determined based on past experience with actual payment defaults and were adjusted for prospective expectations (see under paragraph 47 "Credit Risks").

The development of impairment on trade receivables is as follows:

in T€	2021/2022	2020/2021
As of 01.10.	**108**	**198**
Change in impairment on trade receivables	88	-90
As at 30.09.	**196**	**108**

The receivables presented do not include any delinquent receivables as at the reporting date and for which the group has not recognised any impairment losses.

The fair values of trade receivables correspond to the carrying amounts. The residual term of trade receivables is less than one year.

26. Receivables from and Liabilities to Companies in which an Equity Investment is Held

The position mainly consists of receivables from Metamorphic Materials Inc. in the amount of 20 Tsd. € (PY: 44 Tsd. €), from TECINVENT GmbH in the amount of 62 Tsd. € (PY: 55 Tsd. €) and from STERIXENE SAS in the amount of 50 T€ (PY: 23 T€).

27. Other Current Assets

in T€	30.09.2022	30.09.2021
Prepaid expenses	579	638
Other current assets	3,043	2,590
	3,622	3,228

in T€	30.09.2022	30.09.2021
Receivables from related parties	266	192
Value added tax	1,474	1,870
Receivables from employees	78	95
Other	1,224	433
	3,043	2,590

The disclosed carrying amounts correspond to the fair values. The residual term is less than one year. With respect to receivables from related parties reference is made to paragraph.
The position "Other" mainly includes receivables from the energy cost containment programs in the amount
T€ 646. The reported other assets are not subject to ownership restrictions or restraints on disposal.

28. Current Tax Assets

Current tax assets are structured as follows:

in T€	**30.09.2022**	30.09.2021
Dr. Hönle AG	**1,233**	1,416
PrintConcept GmbH	**30**	39
ELTOSCH GRAFIX GmbH	**127**	62
Eltosch Grafix America Inc.	**35**	3
STERILSYSTEMS GmbH	**0**	1
Technigraf GmbH	**8**	8
Panacol AG	**21**	20
PANACOL-ELOSOL GmbH	**2,074**	645
uv-technik Speziallampen GmbH	**55**	57
Panacol-USA, Inc.	**72**	60
	3,653	2,311

29. Cash and Cash Equivalents

Cash and cash equivalents include cheques, cash in hand and bank credit balances. At the same time, the position represents cash and cash equivalents relevant to the cash flow statement in terms of IAS 7. The reported cash and cash equivalents are not subject to disposal restrictions.

30. Non-Current Assets Held for Sale

In the first quarter of 2020/2021 Dr. Hönle AG sold a building including land (carrying amount as at 30.09.2021: 950 Tsd. €). Both the building and the land are owned by Dr. Hönle AG and were used by the former subsidiary, Aladin GmbH. The production of medium pressure lamps at the former location of Aladin GmbH at Rott am Inn was discontinued and relocated to Ilmenau. No impairment losses were recognised at the time of reclassification as "held for sale" during the past two financial years since the fair value net of selling costs is higher than the carrying amount.

31. Equity Capital

Equity Capital Management

In addition to an adequate return on the equity capital employed, the Hönle Group aims at maintaining the equity ratio and pertaining liquidity reserves at a continuously high level in order to ensure further growth and increase corporate value.

Equity capital decreased by 3,883 Tsd. € to 107,239 Tsd. € year-on-year. The equity ratio rose to 54.9 % (PY: 54.8 %).

With respect to changes in equity capital in financial year 2021/2022 reference is made to the statement of changes in consolidated equity.

Some of the loan agreements of the Group companies include covenants concerning economic equity capital (bank definition) and net indebtedness (bank definition). The agreed gearing ratio was not complied with for financial year 2021/2022 with respect to a real estate loan of Panacol-Elosol GmbH. This was due to impairment losses and write-downs relating to the fair value of Raesch Quarz (Germany) GmbH and the write-downs concerning SteriWhite Air equipment. Due to the absence of a waiver agreement of the bank as at the balance sheet date, liabilities in the amount of € 13.5 million were classified as current in the consolidated statement of financial position. As at January 17, 2023, the borrower received confirmation from the bank via an issued waiver agreement that the loan as a whole would not fall due for repayment in the short term despite the breach of the loan covenant.

Subscribed Capital

The subscribed capital (nominal capital) amounts to 6,062,930 € (PY: 6,062,930 €). Accordingly, one share of stock grants a notional share of € 1.00 in corporate capital. The no par shares of stock are made out to the bearer.

As at the respective balance sheet date, shares issued and in circulation were as follows:

Share of stock	**30.09.2022**	30.09.2021
Number of shares issued	**6,062,930**	6,062,930
less own shares	**1,076**	1,076
Shares in circulation	**6,061,854**	6,061,854

Own Shares (Treasury Stock)

The shareholders' meetings held in previous years authorised Dr. Hönle AG to acquire up to 10% of the respective nominal capital pursuant to Section 71 (1) No. 8 AktG [German Stock Corporation Act].

Effective 27 March 2019, the Annual General Meeting resolved to authorise the Dr. Hönle AG Management Board and Supervisory Board to acquire treasury stock up to a total of 10% of the nominal capital in the amount of € 5,512,930 up to 31 December 2023 pursuant to Section 71 (1) No. 8, AktG. The Company may not use the authorisation to trade in own shares. Dr. Hönle AG did not make use of the authorisation in financial year 2021/2022.
In previous years, the Company acquired shares or issued shares in the current financial year as follows, with a view to acquiring additional subsidiaries:

	As at 30.09.2021	Change	**As at 30.09.2022**
Number of treasury shares	1,076	-	**1,076**
Acquisition costs in T€	8	-	**8**
Average acquisition costs per share in €	7.77	-	**7.77**

In accordance with IAS 32, own shares are deducted from equity and disclosed as a separate item at acquisition costs of 8 Tsd. €. The average share price of all treasury stock held amounts to 7.77 €. The stock exchange price amounted to € 14.52 as at the balance sheet.

Pursuant to Section 71b AktG, Dr. Hönle AG is not entitled to any rights arising from own shares; in particular, these shares do not carry an entitlement to dividends.

Capital Reserves

Capital reserves include mainly the premiums from the capital increase associated with the stock flotation in financial year 2000/2001 and the issue of new shares in financial year 2019/2020.

Nature and Purpose of Reserves

Legal and Other Reserves

The legal reserve was set up in accordance with Section 150 AktG. Unless distributed, the respective result for the year is transferred to retained earnings.

Reserve for Measurement in accordance with IFRS 9

Changes from the initial application of the impairment model in accordance with IFRS 9 are recognised in this reserve after taking deferred taxes into account. As at 30 September 2022, the reserve amounted to 341 Tsd. € (PY: 341 Tsd. €) after deferred taxes, as in the previous year.

Reserve for Hedging Transactions

This reserve includes changes in the fair value of effective hedging transactions after accounting for deferred taxes. As at 30 September 2022, the reserve amounted to 3,480 Tsd. € (PY: -3,386 Tsd. €) after deferred taxes.

Reserve for Actuarial Gains and Losses in accordance with IAS 19

The reserve for actuarial gains and losses in accordance with IAS 19 contains the actuarial losses from the measurement of pension obligations recognised with neutral effect on profit or loss in accordance with IAS 19 after taking deferred taxes into account.

Reserve for Currency Differences

The reserve for currency differences is used to recognise currency differences arising from the translation of the financial statements of foreign subsidiaries.

Proposed Dividend

In view of the business development, the Dr. Hönle AG Management Board and Supervisory Board propose to the Annual General Meeting 2023 that no dividend be paid out for financial year 2021/2022. In the preceding financial year, an amount of € 0.20 per share was paid out, corresponding to a total amount of T€ 1,212.

Authorised Capital

In accordance with a resolution passed by the Annual General Meeting on 26 May 2020, the Management Board was authorised, with the approval of the Supervisory Board, to increase the nominal capital by up to T€ 550 through one or several issues of new, no-par shares (ordinary shares). This capital increase was carried out in full in August 2020.
In accordance with a resolution passed by the Annual General Meeting on 23 March 2021, the Management Board was authorised until 22 March 2026 with the approval of the Supervisory Board, to increase the share capital by issuing new, no-par-shares (ordinary shares) on one or more occasions by up to T€ 600.

Non-Controlling Interests

Non-controlling interests are considered individually and collectively to be immaterial..

32. Non-current Loans (less current portion)

The position includes the non-current portion of the following bank loans:

in T€	Loan amount	Effective interest rate in %	Term	**Carrying amount 30.09.2022**
Loan Dr. Hönle AG	700	2.90	31/08/2023	**73**
Loan Dr. Hönle AG	340	1.50	30/12/2022	**13**
Loan Dr. Hönle AG	1,500	0.90	30/06/2023	**167**
Loan Dr. Hönle AG	1,300	0.80	31/12/2024	**468**
Loan Dr. Hönle AG	30,100	2.24	30/06/2038	**27,090**
Loan Dr. Hönle AG	300	1.45	30/06/2040	**266**
Loan Dr. Hönle AG	200	1.45	30/06/2040	**177**
Loan Dr. Hönle AG	400	2.08	30/06/2027	**400**
Loan Dr. Hönle AG	3,000	1.49	31/07/2023	**3,000**
Loan PANACOL-ELOSOL GmbH*	15,000	2.17	29/10/2038	**13,528**
Loan uv-technik GmbH	4,200	2.14	30/09/2037	**3,600**
Loan Technigraf GmbH	59	1.88	30/10/2024	**25**
Loan UMEX GmbH	265	2.01	30/06/2030	**108**
Loan UMEX GmbH	50	2.75	30/04/2023	**5**

The non-current and current portions of the above-stated loans are as follows:

in T€	Current portion	Non-current portion	Payer interest swap	Collateral
Loan Dr. Hönle AG	73	0	no	Land charge
Loan Dr. Hönle AG	13	0	no	none
Loan Dr. Hönle AG	167	0	no	none
Loan Dr. Hönle AG	208	260	no	none
Loan Dr. Hönle AG	1,720	25,370	yes	Land charge
Loan Dr. Hönle AG	15	251	no	Land charge
Loan Dr. Hönle AG	10	168	no	Land charge
Loan Dr. Hönle AG	66	334	no	none
Loan Dr. Hönle AG	3,000	0	no	none
Loan PANACOL-ELOSOL GmbH*	13,528	0	yes	Land charge
Loan uv-technik GmbH	240	3,360	yes	Land charge
Loan Technigraf GmbH	10	15	no	none
Loan UMEX GmbH	14	94	no	none
Loan UMEX GmbH	5	0	no	none

*see comments on short-term disclosure under paragraph 31

33. Non-current and Current Lease Obligations

in T€	**30.09.2022**	30.09.2021
Current lease liabilities	**1,399**	1,588
Non-current lease liabilities	**1,808**	2,548
	3,207	4,136

With regard to the disclosures on leases as at 30 September 2022, reference is made to section 43.

34. Other Non-Current Liabilities

This position includes the market value of derivatives amounting to 0 Tsd. € (PY: 4,717 Tsd. €) and purchase price liabilities from written put options in the amount of 55 Tsd. € (PY: 31 Tsd. €). The position also includes a loan liability in the amount of 86 Tsd. € (PY: 95 Tsd. €).

35. Pension Provisions

Provisions for pension obligations are set up in connection with pension plans and pertaining old age-, invalidity- and surviving dependents commitments.

The pension provisions concerning defined benefit plans are determined in accordance with IAS 19 applying the projected unit credit method, i.e., future obligations are measured on the basis of prorated pension benefits accrued as at the balance sheet date. Trend assumptions concerning the relevant parameters, which impact on the amount of benefits, are accounted for. This relates, in particular, to fluctuation, future salary trends and the respective applicable interest rate.

The pension provisions mainly relate to pension commitments to employees of group companies in Germany and, to a smaller degree, employees of the French subsidiaries. In Germany, there are otherwise no laws or regulations stipulating a minimum required allocation of funds.

The pension obligations were structured as follows as at the balance sheet date:

in T€	**30.09.2022**	30.09.2021
Present value of pension obligation as at beginning of the year	**13,099**	12,286
plus new entity	**0**	1,047
plus pension costs	**514**	773
plus interest costs	**169**	133
plus / net of actuarial gains / losses	**-4,465**	-1,013
plus / net of severance payments on pension rights	**-482**	0
net of pension payments	**-125**	-126
Value of pension obligation at year-end	**8,711**	13,099

Payments of T€ 125 are expected to be made in the 2022/2023 financial year with respect to the above pension obligations.

The Company assumes that the pension obligation in the amount of T€ 8,585 (PY: T€ 12,952) will be settled after more than twelve months. The average term of the pension obligations is 17.1 years.

Actuarial gains and losses arising in financial year 2021/2022 were transferred to or netted with equity with neutral effect on profit or loss, leading to the stated change in pension provisions with neutral effect on profit/loss.

The following actuarial assumptions were used to determine the carrying value of the pension obligation:

	30.09.2022	30.09.2021	30.09.2020
Discounting rate in %	**3.70 - 3.75**	1.30	1.00
Income from fund assets in %	**1.30**	1.30	1.00
Growth rate of pension payments in %	**1.60 - 2.00**	1.60 - 2.00	1.60 - 2.00
Heubeck Mortality Tables	**2018_G**	2018_G	2018_G

The pensions obligation recognised is covered in the amount of 4,700 Tsd. € (PY: 4,497 Tsd. €) by plan assets largely in the form of life insurance policies that are administered independently by various providers.

Sensitivity analyses carried out within the scope of the actuarial expert opinions as at 30 September 2022 led to the following results concerning the pension obligations:

in T€		**30.09.2022**
Amount of the pension obligation following a change in parameters		
Discounting rate	+0,50%	**8,226**
Discounting rate	-0,50%	**9,697**
Amount of the pension obligation following a change in parameters		
Growth rate of pension payments	+0,25%	**9,194**
Growth rate of pension payments	-0,25%	**8,651**
Amount of the pension obligation following a change in parameters		
Life expectancy	+10,00%	**9,089**

The sensitivity analyses mentioned above were carried out using an actuarial procedure which extrapolates the impact of realistic changes of major assumptions at the end of the reporting period to the obligation arising from the defined benefit plan.

The development of the parameters presented above is closely monitored by the Company and appropriate adjustments are made to the existing reinsurance policies as required.

The plan assets developed as follows in the financial year 2021/2022:

in T€	**30.09.2022**	30.09.2021
Fair value of plan assets at the beginning of the year	**4,497**	3,466
Expected return on plan assets	**43**	37
Employer contributions paid	**470**	481
Benefits paid	**-337**	0
plus/net of actuarial gains/losses	**28**	59
Other	**0**	454
Fair value of plan assets at the end of the year	**4,700**	4,497

The expected total return on plan assets is calculated based on the market prices prevailing at that time for the period during which the obligation is met. These market prices are reflected in the basic assumptions.

The expected development of plan assets for financial year 2022/2023 is as follows:

in T€	30.09.2023
Fair value of plan assets at the beginning of the year	4,700
Expected return on plan assets	170
Employer contributions paid	470
	5,340

The income statement for the financial year includes the following expenses for pension obligations:

in T€	**2021/2022**	2020/2021
Current service costs	**514**	773
Interest costs	**169**	133
Return on plan assets	**-43**	-37
	640	868

The balance sheet position "Pension provisions" saw the following movements in the reporting year:

in T€	30.09.2022	30.09.2021
Balance sheet value of pension provision at the beginning of the year	**8,603**	8,821
plus new company	**0**	594
plus pension cost	**640**	868
net of contributions paid	**-470**	-481
net of payments/pension benefits	**-125**	-126
plus payment from fund assets	**337**	0
Less Settlement of pension claims	**-482**	0
Changes with neutral effect on profit/loss	**-4,492**	-1,072
thereof from adjusted historical values	**-62**	-235
thereof from biometric assumptions	**0**	0
thereof from financial assumptions	**-4,431**	-837
Balance sheet value of pension provision at the end of the year	**4,011**	8,604

With respect to pension obligations concerning current or former board members and managing directors, reference is made to paragraph 51.

36. Accrued Public Investment Grants

in T€	2021/2022	2020/2021
As at 01.10.2021	**137**	**200**
Applied for in the financial year	**0**	0
Recognised/released through profit/loss	**22**	63
As at 30.09.2022	**115**	**137**

The public grants relate largely to the acquisition of a building, melting furnaces and annealing furnaces of Raesch Quarz (Germany) GmbH, and the new construction of a production hall at uv-technik Speziallampen GmbH. It is expected that all conditions linked to these grants will be fulfilled. There are no significant uncertainties.

37. Trade Accounts Payable

Trade accounts payable are stated at settlement amounts. The carrying amount of trade accounts payable as at the balance sheet date is 10,295 Tsd. € (PY: 9,431 Tsd. €). Given the short payment targets respecting these liabilities, the amount corresponds to the fair value of the liabilities.

38. Contract Liabilities

Prepayments received on account of orders that are recognised as contract liabilities relate to payments from customers for services not yet provided by the Company. The amounts are shown excluding VAT. Reference in this respect is made to the explanations under paragraph 6: "Revenue”.

39. Current Liabilities to Banks and current Portion of Non-current Loans

The liabilities to banks are stated at the respective settlement amounts.

Current liabilities to banks amounted to 26,383 Tsd. € (PY: 3,890 Tsd. €) at the end of the reporting period. With respect to the structure of the loans included, reference is made to paragraph 32. In addition, this item includes short-term credit lines drawn down in the amount of 7,315 Tsd. € (PY: 50 Tsd. €).

As at 30 September 2022, the overdraft facilities granted by banks totalled T€ 10,050 (PY: T€ 4,777) on which interest would have to be paid at market rates if utilised. Of the total, the amount of 7,315 Tsd. € (PY: 50 Tsd. €) is utilised through overdraft facilities.

40. Other Current Liabilities

in T€	**30.09.2022**	30.09.2021
Wage tax and VAT	**825**	653
Social security contributions	**535**	482
Profit sharing bonus and other bonuses	**2,099**	1,845
Christmas bonus	**1,112**	1,111
Holidays not taken	**771**	882
Flexi-time surpluses	**415**	378
Other personnel-related liabilities	**1,009**	423
Other	**1,352**	871
	8,120	6,645

Liabilities concerning profit sharing bonuses and other bonuses relate to variable remuneration components and profit-sharing bonuses vis à vis the management boards, managing directors and employees of individual companies included in the consolidated financial statements.

The liabilities for Christmas bonuses were set up to account for appropriate allocation of the Christmas allowance.

Liabilities for holidays not taken were determined on a pro rata temporis basis due to the deviating financial year.

The liabilities respecting flexi-time surpluses relate to employees' overtime account credits.
Liabilities for Supervisory Board compensation, included in the item "Other”, amount to 183 Tsd. € (PY: 153 Tsd. €).

41. Other Provisions

Other provisions developed as follows:

in T€	As at 01.10.2021	Utilisa-tion	Release	Addition	Consoli-dation	**As at 30.09.2022**
Contractual obligations vis à vis third parties:						
Warranties and guarantees	436	0	10	71	0	**497**
Obligations from rental agreements	37	16	0	1	0	**21**
Other	190	0	0	0	0	**190**
	663	16	10	72	0	**708**

Provisions for warranties and guarantees relate to warranties provided with or without a legal obligation to do so, and to the cost of reworking as a result of returned goods. The provision is usually calculated at 0.5% of risk-prone revenue. The percentage rate is derived from historical values.

The expected outflow of cash used for the above-mentioned provisions is as follows:

in %	**30.09.2022**	30.09.2021
In the following year	**100**	97
In the following 2 to 5 years	**0**	3
In the following 6 to 10 years	**0**	0
	100	100

42. Income Tax Liabilities

Liabilities from income taxes were stated at the amount of the expected actual payment obligations resulting from income taxes for both the financial year and previous years.

43. Leases

Information on leases in which the group acts as lessee is presented below.

Rights of Use

Rights of use in connection with leased real estate, motor vehicles and IT equipment are presented as non-current assets within property, plant and equipment.

in T€	Land and buildings	Technical equipment and machinery	Other equipment, operating- and business equipment	**Total**
As at 01.10.2021	**2,949**	**1,039**	**55**	**4,042**
Additions to rights of use	184	536	167	888
Amount of amortisation in the financial year	1,094	640	75	1,809
Disposals of rights of use	852	431	21	1,305
Disposals of amortisation	-852	-431	-21	-1,305
Currency differences	38	5	0	43
As at 30.09.2022	**2,077**	**940**	**146**	**3,163**

in T€	Land and buildings	Technical equipment and machinery	Other equipment, operating- and business equipment	**Total**
As at 01.10.2020	**4,162**	**835**	**75**	**5,072**
Additions to rights of use	1,785	828	22	2,635
Amount of amortisation in the financial year	3,023	626	43	3,692
Disposals of rights of use	3,791	204	5	4,000
Disposals of amortisation	-3,791	-204	-5	-4,000
Currency differences	25	2	0	26
As at 30.09.2021	**2,949**	**1,039**	**54**	**4,042**

Amounts recognised in the income statement:

in T€	**2021/2022**	2020/2021
Amortisation of rights of use	**1,821**	3,692
Interest expenses for lease liabilities	**46**	55
Expenses for short-term leases	**0**	0
Expenses for leases of an asset of low value (excluding short-term leases)	**0**	32

Amounts recognised in the cash flow statement:

in T€	**2021/2022**	2020/2021
Cash flow from operating activities	**-40**	-32
Cash flow from financing activities	**-1,860**	-3,756

Lease Liabilities

Lease liabilities in the amount of 1,808 Tsd. € (PY: 2,548 Tsd. €) are included in the balance sheet item "Non-current financial liabilities" and in the amount of 1,399 Tsd. € (PY: 1,588 Tsd. €) in "Current financial liabilities". The maturities based on non-discounted cash flows are as follows:

2021/2022

in T€	Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years	**Total amount**
Lease liabilities based on non-discounted cash flow	1,430	1,707	126	**3,262**

2020/2021

in T€	Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years	Total amount
Lease liabilities based on non-discounted cash flow	1,622	2,372	206	4,201

OTHER DISCLOSURES

44. Contingent Liabilities

Beyond the existing obligations which are covered by provisions, there is currently no significant obligation that would depend on future uncontrollable events.

No guaranties have been issued to parties outside the group.

45. Contingent Receivables

No contingent receivables as defined under IAS 37 are reported.

46. Other Financial Obligations

The other financial obligations of the group are as follows:

in T€	due within 1 year	due in 1 to 5 years	due in more than 5 years	**30.09.2022 Total obligation**
Equipment lease agreements	77	6	0	**83**
Order commitments	7,446	0	0	**7,446**
	7,523	6	0	**7,529**

The other financial obligations from equipment leases relate to short-term leases and low-value leases for which no right-of-use asset or lease liability has been recognised.

in T€	due within 1 year	due in 1 to 5 years	due in more than 5 years	30.09.2021 Total obligation
Equipment lease agreements	98	27	0	125
Order commitments	9,365	0	0	9,365
	9,463	27	0	9,490

47. Management of Financial Risks

Principles of Risk Management

Within the scope of its operative activities, the Hönle Group is exposed to risks which are dealt with in the Risk Report section of the Management Report.

Dr. Hönle AG has introduced a formalised risk management system in order to monitor risks. The governing principles are documented in a manual. In measuring the probability of a loss event and the probability of a loss amount (and taking into account any potential opportunities for the group), a decision is made as to whether the pertaining risk is to be avoided, reduced, transferred or accepted. The risk situations are analysed and counter measures are defined and taken whenever necessary. The Dr. Hönle AG Management Board is informed at regular intervals about the group's current risk situation and is also informed immediately if new risks should occur.

Significant risks associated with financial assets and debts are allocated to liquidity, credit, and market risks.

Liquidity Risks

Basically, liquidity risks relate to the risk that the Hönle Group might not be in a position to meet its obligations in the context of financial liabilities.

One of the Hönle Group's management objectives is a sustained increase in the operative cash flow. In this context, the liquidity situation is permanently and intensively monitored. The Dr. Hönle AG Management Board is informed at weekly intervals about the group's liquidity situation. In particular, utilisation of the cash pooling account by Hönle Group subsidiaries is monitored. Moreover, all account balances of Hönle Group's bank accounts are reported in detail to the Management. The group monitors the risk associated with possible liquidity bottlenecks on an ongoing basis and assesses the liquidity development of all Hönle Group companies, based on the respective liquidity status in combination with the earnings forecast and intended financial and investing transactions.

According to our current planning, no liquidity bottlenecks are recognisable within the Hönle Group at present.

The following tables reflect the contractually agreed interest and principal payments concerning all liabilities:

Financial year 2021/2022

in T€	Residual term up to 1 year		Residual term 1 to 5 years		Residual term more than 5 years		**Total amount**	
	Interest	Repayment	Interest	Repayment	Interest	Repayment	**Interest**	**Repayment**
Liabilities to bank	3,137	26,383	2,323	8,533	2,654	21,969	8,114	56,884
thereof from loan commitments not yet called in	*3*	*41*	*25*	*609*	*0*	*0*	*29*	*650*
Trade accounts payable	0	10,295	0	0	0	0	0	10,295
Leasing liabilities	31	1,464	24	1,617	1	125	56	3,207
Liabilities to companies in which an equity investment is held	0	1	0	0	0	0	0	1
Other financial liabilities	3	8,695	4	393	0	0	7	9,088
	3,170	**46,838**	**2,352**	**10,543**	**2,654**	**22,094**	**8,176**	**79,475**

The interest disclosures in the liquidity profile "Liabilities to banks" include payments resulting from interest rate swaps. Reference is also made to the explanations under "Interest rate risks".

Financial year 2020/2021

in T€	Residual term up to 1 year		Residual term 1 to 5 years		Residual term more than 5 years		**Total amount**	
	Inter-est	Repay-ment	Inter-est	Repay-ment	Inter-est	Repay-ment	**Inter-est**	**Repay-ment**
Liabilities to bank	1,054	3,773	3,528	12,228	4,496	33,409	9,078	49,410
thereof from loan commitments not yet called in	0	0	0	0	0	0	0	0
Trade accounts paya-ble	0	9,431	0	0	0	0	0	9,431
Leasing liabilities	36	1,502	29	2,427	1	209	66	4,136
Liabilities to compa-nies in which an eq-uity investment is held	0	-23	0	0	0	0	0	-23
Other financial liabili-ties	3	8,028	6	6,665	0	2	9	14,696
	1,093	22,711	3,563	21,319	4,498	33,620	9,153	77,650

The interest disclosures in the liquidity profile "Liabilities to banks" include payments resulting from interest rate swaps. Reference is also made to the explanations under "Interest rate risks".

Credit Risks

The credit risk refers to the default risk concerning financial assets.

The Accounting and Sales/Marketing departments assess the customer receivables default risk at regular intervals. Outstanding receivables from customers are monitored, in particular, by analysing the age structure lists with respect to the maturity of outstanding receivables. Supplies to key account customers, in particular customers from abroad, are generally covered by letters of credit or other hedging instruments. It is assumed that the actual risk is covered by applying the impairment model for trade receivables in accordance with IFRS 9.
The Hönle Group Management is informed at monthly intervals about the age structure statistics of open receivables respecting all customers with special attention being paid to customer receivables involving amounts of more than T€ 10 where the maturity date is exceeded by more than 90 days.

The financial performance of specific customers or key account customers, respectively, is monitored permanently by external service providers or information that arises from the customers' payment pattern. In addition, market information is used in the assessment of customers' ability to comply with their payment obligations. The risk involved in large-scale contracts, in particular, is hedged on the basis of credit information and instalment plans. As a general rule, credit information is obtained with respect to new customers or in the event of a change in customers' payment pattern.

Risk concentrations may arise in the event that several business partners are engaged in similar activities in the same region or when, due to their economic features, their ability to meet their contractual obligations is impaired in the event of changes in the economic or political situation. In order to avoid disproportionately high risk concentrations, the Adhesives segment and the Glass & Lamps segment, in particular, are being expanded in addition to the Equipment & Systems segment. Identified default concentrations are continuously monitored and controlled. Selected hedging transactions are used within the group with a view to avoiding risks at the level of individual business relationships.

The carrying amounts of financial assets represent the maximum default risk in the event that the contracting parties do not meet their payment obligations.

The (net-) impairment losses on financial assets recognised in the income statement result from impairment losses on trade receivables.

The group's default risk is primarily due to trade receivables. A corresponding risk provision has been recognised for these financial assets. The group assesses the risk concentration with regard to trade receivables as low. This assessment is supported by the fact that the group's customers are divided into three different segments (Adhesives, Equipment and Systems, and Glass & Lamps). In addition, the customers operate on a worldwide scale and are active in various industries and largely independent markets, particularly in the Adhesives and Glass & Lamps segments.

The group uses a value adjustment matrix to measure the expected credit losses on trade and other receivables. Depending on the receivables' age structure, valuation allowances on receivables are applied uniformly throughout the group.

Based on default risk rating categories, the gross carrying amounts of trade receivables are as follows:

	Carrying amounts	Default rate	Impairment
	in T€	in %	in T€
in T€	**30.09.2022**		**30.09.2022**
Overdue in days			
Current (not yet due)	14,224	0.04	6
1 to 90 days overdue	3,424	2.10	72
91 to 180 days overdue	40	7.56	3
more than 180 days overdue	418	13.07	55
	18,105		**136**

	Carrying amounts	Default rate	Impairment
	in T€	in %	in T€
	30.09.2021		30.09.2021
Overdue in days			
Current (not yet due)	11,115	0.04	5
1 to 90 days overdue	3,022	2.10	63
91 to 180 days overdue	454	7.56	34
more than 180 days overdue	33	13.07	4
	14,624		107

The calculated loss ratios are based on historical values adjusted for prospective expectations. Any internal indications or external indications (e.g. information on significant financial difficulties or insolvency of the contractual partner) identified within the group as of the balance sheet date are accounted for by setting up appropriate additional risk provisions.

With regard to other financial assets, experience has shown that no payment defaults are expected.

No impairment calculation is made for bank credit balances, as the group does not expect any impairment. The default risk concerning bank credit balances is eliminated by spreading the risk (different banks) and selecting banks with strong credit ratings. The risk assessment has not changed since the date of acquisition. The risk at the time of acquisition was assessed as insignificant.

The Hönle Group assumes recoverability of all non-value adjusted trade accounts receivable. The other assets do not include any overdue items.

Market Risks

The market risk is split up into currency and interest rate risks.

Currency Risks

The Hönle Group is exposed to currency risks in as much as some of its purchases are made in foreign currencies and are not sold in the respective foreign currencies to the same extent.

Risks resulting from fluctuations in foreign currency receivables, liabilities, and from pending contracts and accrued and deferred items are largely associated with foreign currency transactions in US Dollar, Chinese Renminbi, Japanese Yen and South Korean Won.

As at the balance sheet date, no rate hedging transactions were reported with respect to these foreign currency positions.

If, relative to the US dollar, the Euro had been stronger by 10%, the consolidated result would have deteriorated by T€ 39 (PY: T€ 54) whereas a respective 10% weakening would have led to an improvement in the consolidated result by T€ 48 (PY: T€ 66).

If the Euro had been stronger by 10% relative to the Chinese renminbi, this would have led to an improvement in the consolidated result by T€ 65 (PY: T€ 54). A corresponding weakening of the Euro in comparison with the Chinese Renminbi would have led to a deterioration in the consolidated result by T€ 80 (PY: T€ 66).

If the Euro had been stronger by 10% relative to the Japanese Yen, the consolidated result would have deteriorated by T€ 95 (PY: T€ 53) whereas a weakening by 10% would have led to an improvement in the consolidated result by T€ 117 (PY: T€ 64).

If the Euro had been stronger by 10% relative to the South Korean Won, this would have led to an improvement in the consolidated result by T€ 26 (PY: T€ 7) whereas a 10% weakening would have led to a deterioration in the consolidated result by T€ 31 (PY: T€ 9).

Fluctuations in other currencies such as the Swiss franc or the British pound are of immaterial importance for the group's results of operations.

Interest Rate Risks
Interest rate risks are associated with variable interest-bearing financial instruments vis à vis banks.

In the 2021/2022 financial year and in prior years, derivative financial instruments were used to hedge against the interest rate risks to which the Hönle Group is exposed.

The group's strategy is aimed at ensuring that interest rate risks of variable-interest bank liabilities are hedged. Payer interest rate swaps are used as hedging instruments. The group applies a hedging ratio of 1:1.

The group determines the existence of an economic relationship between the hedging instrument and the hedged underlying transaction on the basis of reference interest rates, maturities, interest rate adjustment dates, maturities and nominal or notional amounts.

The group uses the critical term match method to assess whether the derivative designated in a hedging relationship is expected to be effective in offsetting changes in the cash flows of the hedged underlying transaction.

As at the balance sheet date, the amounts relating to items designated as hedged items are as follows:

in T€	Change in value for calculating the ineffectiveness of the hedging relationship **30.09.2022**	Reserve for the hedging of cash flows **30.09.2022**
Variable-interest loans	**-9,576**	**-9,576**

in T€	Change in value for calculating the ineffectiveness of the hedging relationship 30.09.2021	Reserve for the hedging of cash flows 30.09.2021
Variable-interest loans	-1,582	-1,582

The amounts relating to items designated as hedging instruments, and the hedge ineffectiveness are as follows:

in T€	Nominal amount **30.09.2022**	Assets **30.09.2022**	Balance sheet items in which the hedging instrument is included
Interest rate swaps with floor	**44,218**	**4,859**	Other non-current assets

in T€	Nominal amount 30.09.2021	Liabilities 30.09.2021	Balance sheet items in which the hedging instrument is included
Interest rate swaps with floor	47,057	4,717	Other non-current liabilities

in T€	**2021/2022**	2020/2021
Change in value for calculating the ineffectiveness of hedging relationships	**-9,576**	-1,582
Change in value of the hedging instrument recognised in other comprehensive income	**-9,576**	-1,582
Ineffectiveness recognised in profit/loss	**0**	0
Amount reclassified from the hedging reserve to profit or loss (Position: Interest and other expenses)	**1**	2

The interest rate swaps are treated as cash flow hedges. The interest rate swaps (variable to fixed) serve to hedge against rising interest rates on bank loans carrying variable interest rates. The fair value (= market value) corresponds to the value the respective company would receive or would have to pay at the dissolution of the transaction on the balance sheet date. The hedging instruments are stated in the balance sheet under the item "Other non-current liabilities".

The fair values are determined by discounting the future cash flows from variable payments on the basis of generally accepted financial models. Valuation is based on interbank rates.

Changes in the fair values of hedge-effective derivatives in the amount of T€ -9,576 (PY: T€ -1,582) were recognised directly in equity under the reserve for hedging transactions, taking deferred taxes of T€ 1,332 (PY: T€ 329) into account. Reconciliation of the reserve for hedging transactions is shown in the statement of changes in equity. Apart from the interest rate risk, there are no other risk categories.

All other loans are subject to fixed interest agreements. The loans are measured at amortised acquisition costs using the effective interest rate method. Consequently, a change in market interest rates does not impact on measurement. Current overdrafts and credit balances on current accounts bear variable interest rates. If an average 2% increase in the interest level respecting current account loans were to be assumed, the additional interest expense would amount to T€ 40 (PY: T€ 1), assuming that the average negative balance of the current accounts will correspond to approximately T€ 1,000 on the basis of liquidity planning, taking risk discounts into account. According to current information, market price changes concerning these financial instruments would not have any further significant impact on the Hönle Group results.

Other Disclosures regarding Financial Assets and Debts

The following table provides an overview of the transition of financial assets and debts included in the balance sheet positions pursuant to IFRS 9 categories as well as the impairment losses recognised in profit/loss in the respective financial year, the net profits/losses and the total interest expense and income.

in T€	Measure-ment category acc. to IFRS 9	Carrying amount acc. to IFRS 9 30.09.2022
Equity investments	FVthOCI	**26**
Other non-current assets	AC	**541**
Derivatives in connection with effective CF-hedge	CF-Hedge	**4,859**
Trade accounts receivable	AC	**19,669**
Other current assets	AC	**2,354**
Liquid assets	AC	**7,131**
		34,580
Liabilities to banks	AC	**56,234**
Trade accounts payable	AC	**10,296**
Other non-current financial liabilities	AC	**415**
Other current financial liabilities	AC	**8,947**
		75,892
thereof aggregated acc. to IFRS 9 measurement categories		
Amortised Cost (AC)		
Financial assets		**29,695**
Financial liabilities		**75,892**
Financial assets		
Fair Value through other Comprehensive Income (FVthOCI)		**26**
Further disclosures regarding financial assets and liabilities		
Amount of impairment losses on financial assets recognised in profit or loss		**103**
Net change in derivatives in connection with effective CF-hedge recognised in other comprehensive income		**-9,576**
Total interest expenses (amortised cost)		**-1,359**
Total interest income (amortised cost)		**32**

in T€	Measure-ment category acc. to IFRS 9	Carrying amount acc. to IFRS 9 30.09.2021
Equity investments	FVthOCI	26
Other non-current assets	AC	355
Trade accounts receivable	AC	17,061
Other current assets	AC	1,564
Liquid assets	AC	12,073
		31,078
Liabilities to banks	AC	49,410
Trade accounts payable	AC	9,408
Other non-current financial liabilities (without lease liability)	AC	1,970
Other current financial liabilities (without lease liability)	AC	8,085
Derivatives in connection with effective CF-hedge	CF-Hedge	4,717
		73,591
thereof aggregated acc. to IFRS 9 measurement categories		
Amortised Cost (AC)		
Financial assets		31,052
Financial liabilities		68,873
Financial assets		
Fair Value through other Comprehensive Income (FVthOCI)		26
Further disclosures regarding financial assets and liabilities		
Amount of impairment losses on financial assets recognised in profit or loss		-30
Net change in derivatives in connection with effective CF-hedge recognised in other comprehensive income		-1,582
Total interest expenses (amortised cost)		-994
Total interest income (amortised cost)		38

The carrying amounts of financial assets (trade accounts receivable, other current assets and liquid assets) correspond to market values.

Other non-current assets include fixed-interest bearing receivables. The market values are determined in consideration of interest rates, corresponding impairment in value, and individual criteria. The carrying amounts correspond to market values as at the 30 September 2022 balance sheet date.

The carrying amounts of financial liabilities (current financial liabilities and trade accounts payable) also correspond to market values. All positions are due within one year.

Non-current financial liabilities include fixed-interest bearing liabilities and liabilities with floating interest rates as well as recognised lease liabilities. The measurement of non-current financial liabilities at market values is based on the discounting of future cash flows over the contract term of the respective financial instruments, using the issuer's borrowing rate at the end of the reporting period. Management established that the carrying amounts of financial liabilities are almost equal to their fair values due to short terms to maturity or interest rates in line with market conditions.
Interest rate swaps (derivatives with effective hedge relationship) are regularly measured using a valuation method that is based on input parameters that are observable in the market. The measurement methods most frequently applied include option price and swap models using present value calculations. The models make reference to various parameters such as the credit standing of business partners, FOREX spot and futures prices/rates and yield curves. As at 30 September 2022, the derivative items are measured at market value (mark-to-market). Both the default risk of the group as well as the bank's default risk are classified as low.

The following table reflects the financial liabilities accounted for at fair values on the basis of hierarchy levels:

Category of liabilities in T€	Total	Prices quoted on active markets (Level 1)	Significant observable input parameter (Level 2)	Significant non-observable input parameter (Level 3)
As at 30.09.2022				
Interest rate swaps in connection with effective cashflow hedge	**-4,859**		**-4,859**	

Category of liabilities in T€	Total	Prices quoted on active markets (Level 1)	Significant observable input parameter (Level 2)	Significant non-observable input parameter (Level 3)
As at 30.09.2021				
Interest rate swaps in connection with effective cashflow hedge	4,717		4,717	

48. Statement of Consolidated Cash Flows

The cash flow statement indicates changes in the group's cash and cash equivalents and the respective changes resulting from an inflow and outflow of funds. In accordance with IAS 7 (Cash Flow Statements), cash flows are split into operating, investing, and financing activities. The cash and cash equivalents under review encompass the liquid assets disclosed in the statement of financial position.

Additions to/disposals of cash and cash equivalents are presented using the indirect determination method.

Cash from current activities amounts to -421 Tsd. € (PY: 6,142 Tsd. €), resulting from the consolidated net loss/net profit for the year before non-controlling interests and taxes in the amount of -11,546 Tsd. € (PY: -608 Tsd. €) and largely from adjustments relating to non-cash effects and financial results in the amount of 27,241 Tsd. € (PY: 17,525 Tsd. €) and changes in net working capital. The other non-cash expenses and income mainly include depreciation/amortisation of property, plant and equipment and intangible assets, as well as the valuation allowances on current assets.

Cash used for investing activities relates mainly to investments in property, plant and equipment and intangible assets in the amount of 4,394 Tsd. € (PY: 17,089 Tsd. €). The line item also includes proceeds from the sale of non-current assets and non-current assets held for sale in the amount of 2,838 Tsd. €.

The major outflows of cash used for financing activities comprise the repayment of liabilities to banks in the amount of 3,862 Tsd. € (PY: 3,560 Tsd. €) in financial year 2021/2022 and the dividend pay-out for financial year 2020/2021 in the amount of 1,212 Tsd. € (PY: 3,031 Tsd. €) as well as the reported repayment portion of lease liabilities of 1,860 Tsd. € (PY: 3,756 Tsd. €). The taking out of loans and the drawdown of current account facilities in the amount of 10,665 Tsd. € (PY: 11,594 Tsd. €), represent the main cash flows from financing activities.

Reconciliation acc. to IAS 7

	As at	Cash effective change	Non-cash changes					**As at**
in T€	01.10.2021		Acquisitions	Currency differences	New contracts	Changes in market value	Other	**30.09.2022**
Non-current liabilities	45,520	-2,982	-	-	-	-	12,687	**29,852**
Current liabilities	3,890	9,807	-	-	-	-	12,687	**26,383**
Lease liabilities	4,136	-1,860	-	43	888	-	-	**3,207**
Liabilities from other financial transactions	4,834	-23	-	19	-	-4,717	0	**114**
	58,380	**4,943**	**0**	**62**	**888**	**-4,717**	**0**	**59,556**

The liabilities from other financing transactions are a component of the balance sheet positions: "Other non-current liabilities" and "Other current liabilities".

In all, liquid assets decreased from 12,073 Tsd. € to 7,131 Tsd. € in financial year 2021/2022.

49. Segment Reporting

Segment reporting was prepared in conformity with IFRS 8.

The Hönle Group companies are combined into segments if they operate in similar markets, if they manufacture the same products and if their structures are similar.

At the Hönle Group, the parent company's Management Board is responsible for the allocation of resources and assessment of the segments' earnings power. The relevant segments were identified using the management approach in accordance with the Management Board's management information system.

The following business segments have been defined:

- Adhesives
- Equipment & Systems
- Glass & Lamps

The Adhesives segment comprises the development, production and sale of adhesives while the Equipment & Systems segment encompasses the development, production and sale of equipment and systems.
The Glass & Lamps segment includes the development, production and sale of tubing and semi-finished goods made of quartz glass as well as the manufacture of UV medium-pressure and low-pressure lamps.

Other activities and other segments were not defined. Segmentation is based on the data provided by the accounting departments of the included legal entities.

The accounting principles governing segment reporting generally correspond to the accounting and valuation methods applied at the Hönle Group, as described in paragraph 5.

Financial year 2021/2022

in T€	Adhesives 2021/2022	Equipment & Systems 2021/2022	Glass & Lamps 2021/2022	Total 2021/2022	Elimination 2021/2022	Consolidated 2021/2022
Sales revenues						
External customers	28,282	67,495	30,752	126,529	0	**126,529**
Sales with other business units	424	2,965	2,706	6,095	-6,095	**0**
Total sales	28,706	70,460	33,458	132,624	-6,095	**126,529**
RESULT						
Segment result (operating result)	**3,860**	**-1,770**	**-12,213**	**-10,123**	**0**	**-10,123**
Interest income	34	485	34	554	-483	**71**
Interest expenses	363	1,104	541	2,008	-481	**1,528**
Investments accounted for using the equity method				34		**34**
Earnings before taxes and non-controlling interests						**-11,546**
Income taxes	1,241	1,248	974	3,464	0	**3,464**
Deferred taxes	-19	-1,835	207	-1,647	-164	**-1,811**
Earnings before non-controlling interests						**-13,198**
OTHER INFORMATION						
Segment assets	**71,208**	**140,625**	**28,870**	**240,703**	**-59,326**	**181,377**
Non-allocated assets						
Investments accounted for using the equity-method				327		**327**
Financial assets				26		**26**
Non-current receivables				7,031		**7,031**
Current tax assets				3,653		**3,653**
Deferred tax assets				3,048		**3,048**
Consolidated assets						**195,462**
Segment liabilities	**24,956**	**67,375**	**40,670**	**133,001**	**-78,925**	**54,077**
Non-allocated liabilities						
Deferred tax liabilities				1,001		**1,001**
Current income tax liabilities				1,486		**1,486**
Non-current loans				31,659		**31,659**
Consolidated liabilities (current and non-current)						**88,223**
Investments	1,278	2,579	1,408	5,265	0	**5,265**
Segment write-downs	1,465	3,898	9,109	14,473	0	**14,473**
Non-cash expenses of the segment	13	387	-422	-22	0	**-22**

Financial year 2020/2021

in T€	Adhesives 2020/2021	Equipment & Systems 2020/2021	Glass & Lamps 2020/2021	Total 2020/2021	Elimina-tion 2020/2021	Consolidated 2020/2021
Sales revenues						
External customers	27,975	59,225	27,970	115,170	0	115,170
Sales with other business units	270	4,724	2,397	7,391	-7,391	0
Total sales	28,246	63,949	30,366	122,561	-7,391	115,170
RESULT						
Segment result (operating result)	**5,483**	**1,559**	**-6,693**	**349**	**0**	**349**
Interest income	33	489	35	557	-413	144
Interest expenses	294	793	519	1,607	-486	1,121
Investments accounted for using the equity method				19		19
Earnings before taxes and non-controlling interests						**-608**
Income taxes	1,680	1,451	790	3,921	0	3,921
Deferred taxes	-112	-815	1,495	569	-237	332
Earnings before non-controlling interests						**-4,860**
OTHER INFORMATION						
Segment assets	**70,171**	**132,345**	**38,984**	**241,499**	**-48,069**	**193,431**
Non-allocated assets						
Investments accounted for using the equity-method				282		282
Financial assets				26		26
Non-current receivables				1,951		1,951
Current tax assets				2,346		2,346
Deferred tax assets				4,870		4,870
Consolidated assets						**202,905**
Segment liabilities	**12,784**	**60,473**	**35,788**	**109,044**	**-68,337**	**40,707**
Non-allocated liabilities						
Deferred tax liabilities				656		656
Current income tax liabilities				2,352		2,352
Non-current loans				48,068		48,068
Consolidated liabilities (current and non-current)						**91,783**
Investments	4,909	12,315	2,489	19,713	0	19,713
Segment write-downs	1,346	5,062	7,097	13,504	0	13,504
Non-cash expenses of the segment	3	295	960	1,258	0	1,258

Geographical Information

Sales revenues generated with external customers are allocated on the basis of customer location.

The regional allocation of sales revenues is as follows:

in T€	**2021/2022**	2020/2021
Total revenue	**126,529**	115,170
Germany	**47,616**	43,059
RoW	**78,913**	72,111

In financial year 2021/2022, China accounted for more than 10% of total sales (PY: no country did). In the current financial year, none of the individual customers account for more than 10.0% of total sales.

Non-current assets are allocated as follows:

in T€	**30.09.2022**	30.09.2021
Germany	**85,640**	94,343
RoW	**18,236**	18,573

Segment assets are defined as the sum total of intangible assets, property, plant and equipment, inventories, short-term receivables and liquid assets. Segment debt includes non-current and current obligations. Non-cash segment expenses relate to changes in pension provisions and other provisions.

Intra-group deliveries and services are subject to the same terms and conditions as external third parties with regard to transfer prices and their basis of calculation. There has been no change in this respect compared with previous years.

50. Related Party Disclosures

Related parties within the meaning of IAS 24 are named below.

In accordance with IAS 24, related parties are other persons or entities that can be influenced by the reporting entity or that can influence the reporting entity, such as

- the members of the Management Board or Supervisory Board of Dr. Hönle AG
- associated companies
- non-consolidated subsidiaries.

With respect to disclosures relating to the Board of Management and the Supervisory Board, reference is made to our comments in paragraph 51.

With respect to reportable business relationships, reference is made to our comments on individual balance sheet and income statement positions. Costs are passed on mainly between Solitec GmbH and Dr. Hönle AG within the scope of advertising. The respective amounts were of minor significance for the results of operations, however. TECINVENT GmbH also provided companies included in the group with development services which were immaterial with respect to the results of operations.

Controlled Companies not Included in the Consolidated Financial Statements due to Insignificance

Solitec Gesellschaft für technischen Produktvertrieb mbH, Gilching.

Companies under Significant Influence of a Supervisory Board of the Group:

Dr. Hönle Medizintechnik GmbH, Gilching.

The receivables from Dr. Hönle Medizintechnik GmbH, which is under the significant influence of a Supervisory Board member, consist of a loan in the amount of T€ 289 (PY: T€ 333), which runs over a period of 65 months until 31 December 2025, and bears annual interest at 3%. The loan qualifies as an annuity loan with monthly instalments of T€ 7.
The current portion of T€ 77 (PY: T€ 75) is reported under "Other current assets" (cf. paragraph 27). The interest income (cf. paragraph 13) in the amount of T€ 9 (PY: T€ 12) results from the agreed annual interest rate of 3%.

In addition, there is a further loan of T€ 324 (PY: T€ 100) to Dr. Hönle Medizintechnik GmbH, which runs for a period of 50 months until 31 December 2025 and bears interest at 3.5% p.a. This loan qualifies as an annuity loan with a monthly instalment of T€ 9.

The current portion of T€ 95 (PY: T€ 100) is reported under “Other current assets” (cf. paragraph 27). The receivables from interest on loans amount to T€ 10 (PY: T€ 5). The interest income (cf. paragraph 13) in the amount of T€ 12 (PY: T€ 1) results from the agreed annual interest rate of 3.5%.

Relations with Board Members

The receivable from the Supervisory Board Chairman consists of a loan in the amount of T€ 75 (PY: T€ 75), which, overall, runs for a period of 49 months until 30 September 2024, and bears annual interest at 1%. This loan qualifies as an annuity loan with a monthly instalment of T€ 1 and a final instalment of T€ 30. The current portion of T€ 11 (PY: T€ 11) is reported under "Other current assets" (cf. paragraph 27). The interest income (cf. paragraph 13) in the amount of T€ 1 (PY: T€ 1) results from the agreed annual interest rate of 1%.

A short-term loan in the amount of T€ 200 was granted in financial year 2021/2022. The loan runs until 31 March 2023 and bears annual interest at 3%. The receivable amounts to T€ 70 as at 30 September 2022. Interest income of T€ 1 was recognised in the income statement.

There are also receivables from interest on loans in the amount of T€ 3 (PY: T€ 1) attributable to the above-mentioned loans.

The loans are secured on the basis of directly enforceable guarantees at corresponding amounts provided by Prof. Dr. Hönle.

51. Disclosures on Corporate Bodies

Management Board

- Norbert Haimerl, Diplom-Betriebswirt (FH) – Chairman,
  CEO responsible for Sales and Marketing, the commercial functions, Investor Relations, Logistics, Quality Management
- Rainer Pumpe, Diplom-Ingenieur,
  CEO responsible for Development and Production
- Heiko Runge, Diplom-Betriebswirt (FH) – until 15 May 2022
  CEO responsible for Sales and Marketing

The Company is represented by the two Management Board members holding sole power of representation.

The Management Board members are authorised to represent the Company without restriction in legal transactions with themselves as third party representatives.

The total Management Board remuneration (excluding pension expense) in financial year 2021/2022 amounted to:

Mr. Norbert Haimerl	389 Tsd. € (PY: 421 Tsd. €)
Mr. Heiko Runge	1,487 Tsd. € (PY: 420 Tsd. €) -until 15 May 2022
Mr. Rainer Pumpe	335 Tsd. € (PY: 271 Tsd. €)

Other remuneration includes benefits on the occasion of termination of employment for Mr. Runge, who left the Management Board on 15 May 2022, in the amount of T€ 1,300.

The structure of the remuneration for Management Board members is aligned to sustained corporate development. The monetary remuneration includes fixed and variable components based on the Hönle Group's performance.

The criteria used in evaluating the suitability of remuneration are as follows: The tasks of the respective Management Board member, personal performance, the economic situation, earnings, future outlook of the Company, standard practice in the industry and the Company’s general remuneration structure. The Supervisory Board regularly reviews the structure and amount of the remuneration for Management Board members.

Pension commitments have been made to Management Board members in some cases. Within the context of the conversion of pension commitments for Management Board members, annual pension modules have been acquired starting from 1 January 2012. The amount of a pension module acquired in a given financial year is derived from the pension expenses that are converted into pension instalments using age-dependent conversion factors. The pension expenses correspond to a fixed percentage rate of the annual fixed remuneration (excluding profit sharing bonus). The designated benefit types are: old age pension (from the age of 60), disability pension and survivors' pension (for widows, widowers, partners and orphans). The amount of the disability and old age pensions corresponds to the total of vested rights components and the pension components acquired up to the time when a pension becomes due. The widow's/widower's and partner's pension corresponds to 60% of the disability or old age pension entitlement at the time of death or which was paid out at the time of death. The orphan's pension amounts to 12% of the mentioned pension entitlement for half-orphans and 20% for orphans. Reinsurance contracts were concluded with a view to covering the pension commitments.

Remuneration not linked to performance

in T€	Salary 2021/2022	Salary 2020/2021	Other Remuneration 2021/2022	Other Remuneration 2020/2021	Total 2021/2022	Total 2020/2021
Norbert Haimerl	**288**	282	**6**	11	**294**	293
Rainer Pumpe	**245**	183	**15**	14	**260**	197
Heiko Runge (until 15.05.2022)	**177**	282	**1,310**	10	**1,487**	292
	711	748	**1,331**	35	**2,042**	783

Performance-based remuneration

in T€	Profit sharing bonuses 2021/2022	Profit sharing bonuses 2020/2021
Norbert Haimerl	**95**	128
Rainer Pumpe	**75**	74
Heiko Runge (until 15.05.2022)	**0**	128
	170	329

Pensions

in T€	Pension expenses pursuant to IAS 19 2021/2022	Pension expenses pursuant to IAS 19 2020/2021
Norbert Haimerl	**81**	276
Rainer Pumpe	**0**	0
Heiko Runge	**86**	242
	167	517

Pensions

in T€	Present value of defined benefit obligations 2021/2022	Present value of defined benefit obligations 2020/2021
Norbert Haimerl	**2,198**	3,237
Rainer Pumpe	**0**	0
Heiko Runge	**2,320**	2,905
	4,518	6,142

Benefits Paid in the Event of Termination of Management Board Activity

The Supervisory Board appoints the Dr. Hönle AG Management Board for a maximum term of office of five years.

An agreement governing a transitional allowance was concluded with the Management Board members Mr. Haimerl and Mr. Runge. In accordance with this agreement, Management Board members who resign from office after reaching the age of 50 and before reaching the age of 60, continue to receive payment of the fixed remuneration for 12 months as defined in their employment contracts. After the 12-month period, between 40% and up to a maximum of 50% of the fixed remuneration is paid until the pension commitment for Management Board members enters into effect. However, the agreement concerning the transitional allowance only enters into effect provided that the respective Management Board member has been a member of the Company’s Management Board for at least ten years and if she/he is not personally responsible for the termination of employment. Other income is to be counted against the transitional allowance and can reduce or completely set off the allowance. In addition, the Supervisory Board is authorised to reduce the transitional allowance if the Company's economic position deteriorates. In the event that benefits were received erroneously or if the Supervisory Board reduced the benefits subsequently, the benefits granted must be repaid to the Company.

In the event of a change of control at Dr. Hönle AG, the Management Board Chairman, Mr. Haimerl, is entitled to terminate the Management Board Service Agreement with a three-month notice period as at the end of a respective month-end, and to resign from office at that time. A change of control is defined as any direct or indirect assumption of control over Dr. Hönle AG by a third party within the meaning of the German Securities Purchase and Takeover Act (WpÜG). In the event of resignation, the above-mentioned Management Board members are entitled to payment of their remuneration and fringe benefits from the time of the premature termination up to the maturity date of their service agreement. With respect to the pension commitments, the Management Board members have a choice between a one-off payment in the amount of the value or the continuation. In this context, the Management Board members are to be placed in a position as though the Company had fulfilled the respective pension commitments up to the termination date stipulated in the service agreement.

Supervisory Board

Compensation of Supervisory Board Members

The compensation contains only fixed payments which are oriented towards the duties and responsibilities of the respective Supervisory Board member. No other compensation, for example from advisory or brokerage services, is granted.

Supervisory Board Compensation

in T€	**2021/2022**	2020/2021
Prof. Dr. Karl Hönle	**60**	60
Günther Henrich	**45**	45
Dr. Bernhard Gimple	**30**	30
Prof. Dr. Imke Libon	**30**	18
Niklas Friedrichsen (since 24 March 2022)	**18**	0
	183	153

Supervisory Board

- Prof. Dr. Karl Hönle, Dachau – Chairman
  Physicist, Professor of Technical Optics and Laser Technology and Honorary Senator at the Munich University for Applied Sciences (emeritus status), shareholder of Dr. Hönle Medizintechnik GmbH, Member of the Senate of the Economy
- Günther Henrich, Schäftlarn – Vice Chairman
  Business lawyer, independent
- Dr. Bernhard Gimple, Munich
  Lawyer, independent
- Prof. Dr. Imke Libon, Munich
  Professor/Dean of the Department of Applied Natural Sciences and Mechatronics at the Munich University of Applied Sciences; Deputy Chairwoman of the Board of Directors of the Munich Student Union, an institution under public law
- Niklas Friedrichsen, Hamburg
  Diplom-Kaufmann, tax consultant, spokesman for the management of PMF Vermögensverwaltung GmbH & Co. KG, member of the Advisory Board of Bike Holding GmbH

Total compensation for the Supervisory Board amounted to 183 Tsd. € (PY: 153 Tsd. €) in financial year 2021/2022.

More detailed information on the Management Board and Supervisory Board renumeration/compensation is included in the Remuneration Report, which is published separately.

52. Governance-Compliance Declaration pursuant to Section 161 AktG

In January 2022, the Management Board and the Supervisory Board of Dr. Hönle AG issued a Compliance Declaration as required under Section 161 AktG, and have provided shareholders with permanent access to it on the Company's Internet page (www.hoenle.de).

53. Annual Auditor's Fees

The annual auditor, SONNTAG GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, charged the following fees for the services provided in financial year 2021/2022:

in T€	**2021/2022**	2020/2021
Financial statements audit (individual and consolidated)	**200**	194
Tax consulting services	**36**	39
Other attestation services	**12**	9
	248	242

54. Employees

The average number of staff in the group (excluding the Management Board), allocated according to functions, was as follows:

in T€	**2021/2022**	2020/2021
Sales & Marketing	**103**	105
Research, Development	**97**	95
Production, Service	**307**	308
Logistics	**72**	71
Administration	**77**	78
	656	657

55. Approval of the Consolidated Financial Statements pursuant to IAS 10.17

The present consolidated financial statements were released by the Management Board for review by the Supervisory Board on 17 January 2023.

56. Events after the Balance Sheet Date

On 2 November 2022, Dr. Hönle AG announced its decision to restructure the subsidiary, Raesch Quarz (Germany) GmbH, Ilmenau, and, to this end, to close the company and sell all the assets. However, on 12 December 2022, an agreement could be reached in the short term on the sale of all shares in the company to a new owner, allowing business operations to continue. The sale took place retroactively as at 1 December 2022. The effects of this transaction on the carrying amounts of financial assets and current assets have been taken into account in the consolidated financial statements for the financial year ended 30 September 2022.

Further events after the balance sheet date that would impact significantly on the net assets, financial position and results of operations of Dr. Hönle AG have not occurred.

Gilching, 17 January 2023

Norbert Haimerl	Rainer Pumpe
Management Board	Management Board

Disclaimer

This annual report contains statements and information concerning Dr. Hönle AG and the Hönle Group which relate to future periods. These forward-looking statements represent estimates that were made on the basis of all information available at the time of preparation of the report. If the assumptions underlying the forecasts are not correct or risks - such as those mentioned in the risk report - occur, actual developments and results may differ from current expectations. The company assumes no obligation to update the statements contained in this management report outside the statutory publication requirements.

Furthermore the figures and percentages contained in this report may be subject to rounding differences.

Financial Calendar

30 January 2023
Present Annual Report 2021/2022

24 February 2023
I. Quarterly Statement 2022/2023

23 March 2023
Shareholders Meeting (virtual)

12 May 2023
Half Year Report 2022/2023

7. August 2023
III. Quarterly Statement 2022/2023

Glossary

Aggregate Operating Performance
The aggregate operating performance represents the sum total of sales revenue, inventory changes and other work performed by entity and capitalised.

AktG
Aktiengesetz (German Stock Corporation Act)

Cost of Materials Ratio
The cost of materials ratio represents the ratio of cost of materials to aggregate operating performance.

EBIT
Earnings Before Interest and Taxes

EBIT Margin
The EBIT margin represents the relationship between profits before interest and taxes and aggregate operating performance.

EBT
Earnings Before Taxes

EnMS
The Energy Management System (EnMS) pursuant to DIN EN ISO 50001 ensures the continuous and systematic improvement of an entity's energy-related performance.

HGB
German Commercial Code

IASB
International Accounting Standards Board – an international independent panel of accounting experts that develops and revises the International Financial Reporting Standards (IFRS).

IFRS
International Financial Reporting Standards – international accounting guidelines issued by the International Accounting Standards Board (IASB).

NEC Directive
The NEC Directive defines national emission ceilings.

Material Expense Ratio
The cost of materials quota results from the ratio of the cost of materials to the total output.

Net Profit on Sales
The net profit on sales represents the ratio of consolidated earnings for the year to sales revenues.

Personnel Expense Ratio
The personnel expense ratio represents the ratio of personnel expense relative to aggregate operating performance.

Ratio of Other Operating Expenses
The ratio of other operating expenses represents the relationship between other operating expenses and aggregate operating performance.

VOC
Volatile Organic Compounds – organic chemicals that evaporate easily or, at low temperatures, act as reactive organic gases. German Emission Law (Bundes-Immissionsschutzverordnung) limits the emission of volatile organic compounds. The use of UV paints and lacquers provides for the possibility of complying with the regulations stipulated in the German Emission Law.

WpHG
German Securities Trading Act

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