

hönle group

Annual Report 2020/2021



Content

004 To Our Shareholders

- 004 Business Segments
- 008 Business Development
- 010 Letter to the Shareholders
- 014 Report of the Supervisory Board

020 Combined Management Report

- 020 Business Operations and General Conditions
- 025 Results of Operations
- 026 Financial Position
- 027 Net Assets
- 028 Details on Dr. Hönle AG (HGB Annual Financial Statements)
- 030 Overall Statement on the Economic Situation
- 031 Research & Development
- 033 Environmental Aspects
- 035 Disclosures Required by the Takeover Directive
- 036 Employees
- 038 Opportunities and Risk Report
- 044 Remuneration Report
- 046 Forecast Report

049 Consolidated Financial Statements

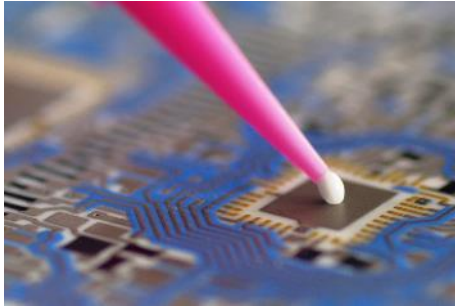
- 049 Corporate Governance Report
- 057 Disclosures on Corporate Governance Practices
- 059 Statement of the Legal Representatives
- 060 Independent Auditor's Report
- 067 Consolidated Income Statement
- 069 Consolidated Statement of Financial Position
- 070 Consolidated Statement of Changes in Equity
- 071 Statement of Consolidated Cash Flows
- 072 Notes to the Consolidated Financial Statements
 - 072 General Information
 - 089 Notes to the Consolidated Income Statement
 - 096 Notes to the Consolidated Statement of Financial Position
- 120 Other Disclosures

140 Miscellaneous

- 140 Disclaimer
- 140 Financial Calendar
- 141 Glossary of Terms
- 144 Contact

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 nanoparticles 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.

E q u i p m e n t & S y s t e m s



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.

High-tech adhesives for the electronic industry

Panacol has developed new epoxy adhesives that cure at temperatures as low as 60°C. They are therefore suitable for many particularly temperature-sensitive electronic components. The adhesives have a high level of adhesion to common materials in the electronics industry, to liquid crystal polymers and other high-tech plastics. The adhesives meet international standards for electronic adhesives.



Business Development

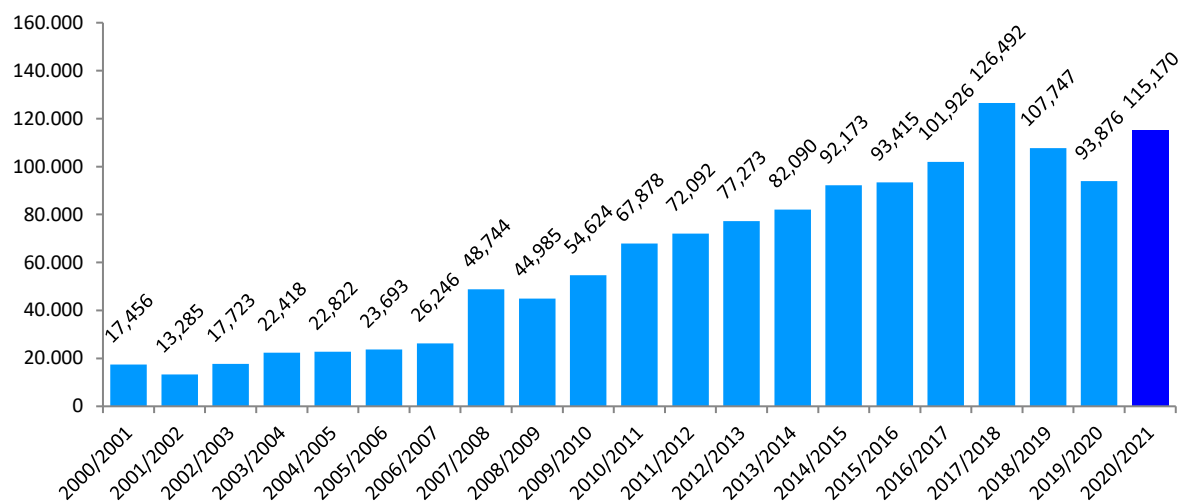
| HÖNLE GROUP in T€ | 2011/ 2012 | 2012/ 2013 | 2013/ 2014 | 2014/ 2015 | 2015/ 2016 | 2016/ 2017 | 2017/ 2018 | 2018/ 2019 | 2019/ 2020 | 2020/ 2021 | +/- % |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|----------|
| Income Statement | | | | | | | | | | | |
| Revenue | 72,092 | 77,273 | 82,090 | 92,173 | 93,415 | 101,926 | 126,492 | 107,747 | 93,876 | 115,170 | 22.7 |
| EBITDA | 10,664 | 10,235 | 12,034 | 16,162 | 15,109 | 18,144 | 33,837 | 20,318 | 14,707 | 13,853 | -5.8 |
| Operating result/EBIT | 8,309 | 7,705 | 9,483 | 13,524 | 12,400 | 15,207 | 30,687 | 17,003 | 8,099 | 349 | -95.7 |
| EBIT margin as a % | 11.5 | 9.8 | 11.3 | 14.6 | 13.0 | 14.8 | 23.9 | 15.5 | 8.7 | 0.3 | -96.6 |
| EBT | 8,431 | 8,637 | 8,967 | 14,023 | 12,050 | 14,877 | 30,397 | 16,872 | 7,846 | -608 | -107.7 |
| Consolidated profit for the year | 6,209 | 6,712 | 6,495 | 10,320 | 8,290 | 10,414 | 21,726 | 12,396 | 5,605 | -4,860 | -186.7 |
| Cash flow | | | | | | | | | | | |
| Operative cash flow ¹⁾ | 7,235 | 9,020 | 9,201 | 12,863 | 13,126 | 12,146 | 27,877 | 23,062 | 16,608 | 6,142 | -63.0 |
| Statement of Financial Position ²⁾ | | | | | | | | | | | |
| Non-current assets | 36,462 | 40,257 | 42,013 | 41,524 | 44,404 | 46,305 | 54,275 | 71,877 | 107,226 | 120,350 | 12.2 |
| Current assets | 40,476 | 39,445 | 43,582 | 49,112 | 49,871 | 56,002 | 71,248 | 71,320 | 88,020 | 81,605 | -7.3 |
| Equity | 43,830 | 46,872 | 49,718 | 57,514 | 61,669 | 69,778 | 87,250 | 90,122 | 116,685 | 111,122 | -4.8 |
| Non-current liabilities | 15,633 | 13,558 | 16,676 | 15,084 | 15,130 | 13,152 | 12,925 | 30,394 | 58,442 | 64,131 | 9.7 |
| Current liabilities | 17,475 | 19,272 | 19,201 | 18,414 | 17,475 | 19,377 | 25,351 | 23,630 | 21,070 | 27,652 | 31.2 |
| Total assets | 76,938 | 79,702 | 85,595 | 91,012 | 94,275 | 102,306 | 125,523 | 144,147 | 196,196 | 202,905 | 3.4 |
| Equity ratio as a % | 57.0 | 58.8 | 58.1 | 63.2 | 65.4 | 68.2 | 69.5 | 62.5 | 59.5 | 54.8 | -7.9 |
| Staff | | | | | | | | | | | |
| At the end of the financial year | 473 | 526 | 506 | 545 | 542 | 581 | 646 | 590 | 582 | 667 | 14.6 |
| Share | | | | | | | | | | | |
| Earnings per share in € | 1.08 | 1.20 | 1.13 | 1.84 | 1.50 | 1.89 | 3.94 | 2.26 | 1.02 | -0.80 | -178.4 |
| Dividend in € | 0.50 | 0.50 | 0.50 | 0.55 | 0.55 | 0.60 | 0.80 | 0.80 | 0.50 | 0.20 ³⁾ | -60.0 |
| Number of shares in thousand | 5,512.9 | 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 | 0.0 |
| DR. HÖNLE AG (acc. to HGB) in T€ | | | | | | | | | | | |
| Income Statement | | | | | | | | | | | |
| Revenue | 27,643 | 27,207 | 29,579 | 34,358 | 36,405 | 39,855 | 46,038 | 38,627 | 35,609 | 39,553 | 11.1 |
| Operating result/EBIT | 3,929 | 2,321 | 3,833 | 3,747 | 2,709 | 2,892 | 3,550 | -225 | -2,699 | -12,907 | -378.2 |
| Net income for the year | 4,334 | 7,028 | 5,191 | 11,300 | 6,737 | 4,476 | 4,333 | 2,141 | 615 | -18,161 | -3,053.0 |
| Earnings per share in € | 0.80 | 1.28 | 0.94 | 2.05 | 1.22 | 0.81 | 0.79 | 0.39 | 0.11 | -3.00 | -2,827.3 |

1) cash generated from operations

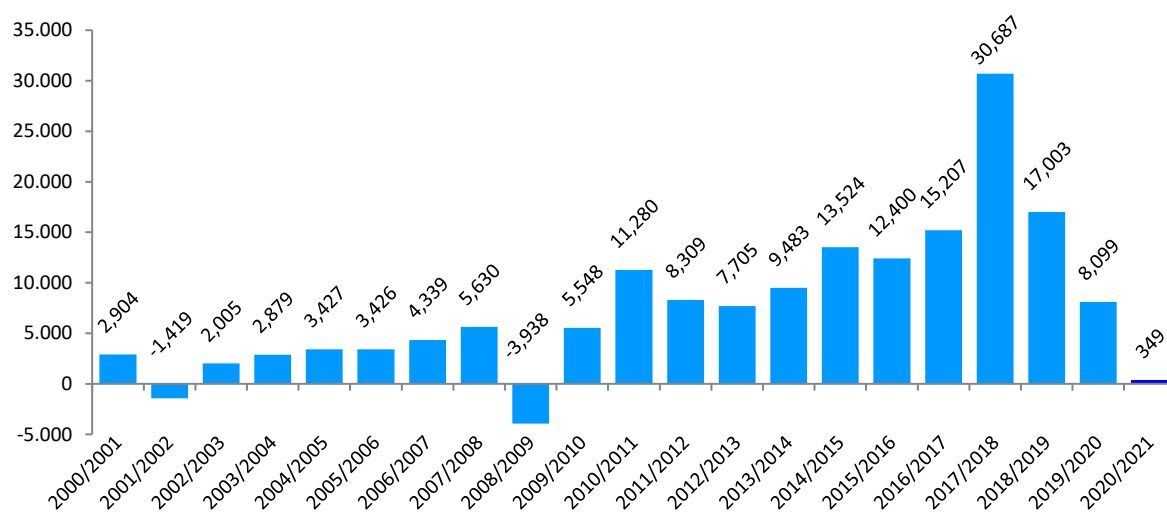
2) as at the end of the respective financial year

3) Management Board and Supervisory Board proposal

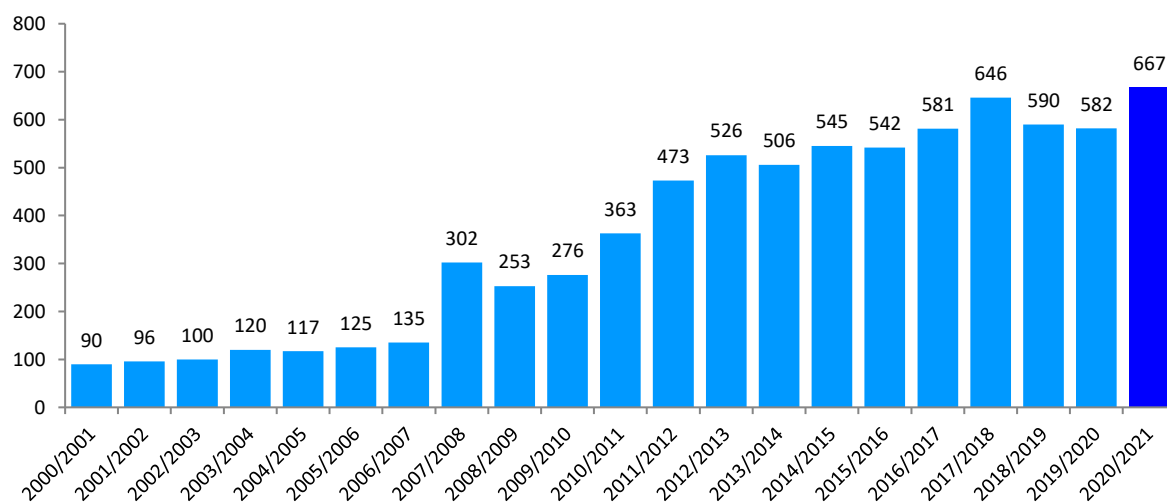
Revenue in T€



Operating result in T€



Staff



Letter to the Shareholders



Heiko Runge, Rainer Pumpe and Norbert Haimerl (from left to right)
Management Board of Dr. Hönle AG

Dear shareholders,
Dear business friends,

we took over several companies in the 2020/2021 financial year, thereby significantly strengthening our position in the life science market. The newly added companies have mainly specialized in the UV-based disinfection of air, water and surfaces. UVC disinfection is a reliable and environmentally friendly method that is used successfully in the food industry, but also in many other areas of application. We are convinced that we are opening up a promising and at the same time sustainable growth market.

The new group companies made a significant contribution to the increase in sales in the 2020/2021 financial year. In addition, the Höhle Group benefited from the economic revival in the existing sales markets. In this way, sales and even more orders could be increased. At T€ 115,170, sales in the year under review were well above the previous year's figure of T€ 93,876. At the end of the financial year, the order backlog of the Höhle Group was an impressive 80% above the previous year's level. We are therefore starting the new financial year with well-filled order books.

Two relocations were planned in the 2020/2021 financial year: At the beginning of the reporting year, the new company headquarters of the adhesives segment was occupied. The new buildings in Steinbach near Frankfurt now offer enough space for the development and production of adhesives and casting compounds for the international sales markets. Sufficient expansion areas for further growth are available. In order to make this growth possible, we have further expanded the workforce in the areas of sales, application technology and development.

In addition, the Dr. Höhle AG moved into its new corporate headquarters. The new, modern building complex reunites all functional areas in one place and thus enables short distances and optimized work processes.

Several special effects contributed to the fact that the operating result of T€ 349 fell well below the previous year's level of T€ 8,099. The adjustment of the planned business development at Raesch Quartz (Germany) GmbH led to increased depreciation at group level and thus to a burden on the operating result of T€ 7,522. The operating result adjusted for the impairment (adjusted EBIT) was thus T€ 7,871.

In addition, the move led to the Dr. Höhle AG to the fact that, particularly in the fourth quarter, less was produced and delivered than planned. The interruption of the supply chains as a result of the corona pandemic also hampered business activities and led to postponements of delivery dates in the Höhle Group. In addition, increased expenses due to company relocations and the market launch of the SteriWhite Air air disinfection device burdened the result in the reporting year.

One focus of development activity last year was in the field of air disinfection. We have made several products ready for series production that use ultraviolet radiation to reliably and effectively inactivate germs in the air. The areas of application for the UVC disinfection of room air are diverse. They range from schools, kindergartens, hotels, nursing homes, hospitals and offices to vehicles for transporting people such as trains and buses.

In the area of adhesives, the focus of development was in the areas of electronics and medical technology. For example, we have launched adhesives for magnets in electric motors and a biocompatible UV adhesive for soft plastics in medical technology.

What are our goals for the new financial year?

In the immediate vicinity of the previous location in Steinbach near Frankfurt, the new company headquarters for the development, production and sale of high-tech industrial adhesives was built. The significantly enlarged laboratory areas for the areas of research & development, application technology and quality assurance were equipped with the latest analysis and test equipment. The new production areas make it possible to optimize work processes and also allow a significant increase in production capacities. In order to be able to present the planned growth, we will again increase both the development and sales capacities in the adhesives segment. At the beginning of the year, another managing director was hired, who is responsible for international adhesive sales. We assume that the ongoing customer projects and the enlarged customer base will probably contribute to a strong business development in the adhesives segment in the second half of the year.

As already explained, the life science sector represents a sustainable growth market for us. The pandemic situation in connection with public subsidy programs is currently also contributing to good business development in the Devices & Systems segment. In the medium to long term, we assume that air purification systems in schools, day care centers and many other facilities will become the standard solution for reducing the risk of infection with SARS-CoV-2 viruses, but also with other cold viruses. Other areas of application in the life science market are the food industry, which is increasingly relying on UVC disinfection, and the shipping industry, which uses environmentally friendly and low-maintenance UV technology to disinfect ballast water. In the 2021/2022 financial year, we therefore expect very good sales development in this business area. We also see good business development in drying systems for the printing and coating market and in drying equipment for adhesives. This is also underpinned by the high order backlog in these application areas.

The sale of UV lamps has already risen sharply in the year under review. In the 2021/2022 financial year, too, sales of lamps and components will contribute to very good business development at uv-technik Speziallampen GmbH. As in the Equipment & Systems segment, a growth driver will be the Life Science area. The prospects in the air and water disinfection business areas are extremely good, so we expect further increases in sales and earnings. We have expanded our development and sales capacities in the field of quartz glass. We therefore expect that sales at Raesch Quarz (Germany) GmbH will continue to increase in the new fiscal year, particularly in the strategically important semiconductor and glass fiber markets.

Overall, the high order backlog of the Hönle Group represents an excellent starting point for the new financial year. We assume that we will significantly improve sales and earnings in financial year 2021/2022 compared to the sales and adjusted operating result of the previous year.

We would like to thank all employees of the Hönle Group for their great commitment in the past financial year. We would like to thank our customers in almost 80 countries around the world for their trust in our company and our products. And finally, we would like to thank our shareholders for accompanying us on our journey.

Gilching, January 2022

Norbert Haimerl
Vorstand

Rainer Pumpe
Vorstand

Heiko Runge
Vorstand

Air disinfection reliable & quiet noise level

The air disinfection device SteriWhite Air received the Red Dot Design Award.

Statement of the jury: "With its unmistakable shape and innovative sterilization technology, which does not require any chemicals and which does not produce ozone or other harmful substances, SteriWhite Air Q115 meets all the requirements of a modern air sterilizer."



Report of the Supervisory Board



Prof. Dr. Karl Höhle
Chairman of the Supervisory Board

Dear shareholders,

The Hönle Group was able to significantly increase its sales, but above all its order intake, in the 2020/2021 financial year. New group companies were added and had to be integrated, company locations were relocated. In addition, the establishment of the new business field of air disinfection demanded great commitment from our employees.

As planned, we strengthened our position in the life sciences market last year and developed and launched high-performance products for the effective disinfection of room air.

The Hönle Group has grown significantly. We have therefore also adapted the management and control bodies to the increased area of responsibility. We have separated the areas of responsibility for sales and technology on the Management Board and appointed Mr. Rainer Pumpe to the Management Board for Technology with effect from January 1, 2021, while Mr. Runge took over the Marketing and Sales department. And the Supervisory Board was also expanded. Ms. Prof. Dr. Imke Libon has been a member of the Supervisory Board of Dr. Hönle AG.

Below I will give you an overview of the activities of the Supervisory Board during the 2020/2021 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 an at times critical but always objective atmosphere and was characterized by mutual trust. We were involved in all decisions of fundamental importance and supported them. This affected, among other things, the company's strategic orientation, the necessary acquisitions, our activities in the life sciences 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 information on the course of business. In addition, we were also informed promptly about special events in an unscheduled manner, verbally or in writing.

The Board of Management and the Supervisory Board held five meetings in the year under review. The Supervisory Board also met for one constitutive meeting and one other extraordinary meeting. On the basis of detailed reports from the Management Board, we dealt in detail with business development, the assets and financial position, corporate planning and risk management. To the extent required by law, the company's Articles of Association or the rules of procedure, we approved the Management Board's motions after extensive discussion. We were therefore always convinced of the legality and regularity of the work of the Management Board.

The purpose of the extraordinary meeting was to revise the rules of procedure for the enlarged Executive Board.

Focus of the consultations

The first meeting of the Supervisory Board in the 2020/2021 financial year took place on October 29, 2020. At this meeting, the Management Board explained to us the expected figures for the individual companies in the Hönle Group and for the Hönle Group in the first quarter of the new financial year. The Management Board emphasized that several companies will be affected by the effects of the Corona crisis. On the other hand, the pandemic in the areas of air and surface disinfection offers significant sales and earnings potential for individual companies in the Hönle Group in the 2020/2021 financial year.

Among other things, the Management Board focused on the area of air sterilization at Dr. Höhle AG, which will already make a significant contribution to sales in the first quarter. In addition, he explained the good business development at uv-technik Speziallampen GmbH and the Austrian subsidiary Sterilsystems GmbH. Both companies benefit from the demand for air disinfection devices to combat the corona pandemic. Accordingly, PANACOL-ELOSOL GmbH will also end the first quarter better than in the previous year. Raesch Quartz (Germany) GmbH will start the new financial year weakly due to the travel restrictions.

We then coordinated the plans for the income statements for the individual companies of the Höhle Group with the Management Board for the next five years.

We discussed the figures for the first quarter in more detail a little later at the meeting on December 21, 2020. Accordingly, the Management Board expected sales at group level due to the company acquisitions to be higher and the operating result to be lower than in the previous year. The main reason for the decline in earnings is the weaker market environment. In particular, the sales and results of Dr. Höhle AG would fare significantly worse than expected. For the second quarter, the Management Board again assumed positive sales and earnings effects, among other things in the field of air disinfection.

After a thorough discussion, the Supervisory Board and Executive Board decided that to propose Prof. Dr. Imke Libon as a further member of the Supervisory Board at the next Annual General Meeting. In addition, due to the appointment of Mr. Rainer Pumpe to the Management Board, the Supervisory Board defined and approved new rules of procedure for the Management Board. Furthermore, together with the Management Board, we decided to propose a dividend distribution of € 0.50 per share for the 2019/2020 financial year at the Annual General Meeting.

The subject of the Supervisory Board meeting on January 26, 2021 was the discussion and approval of the audited annual financial statements of Dr. Höhle AG and the discussion and approval of the audited consolidated financial statements as of September 30, 2020. The auditors of Dr. Höhle AG. The Management Board reported on the profitability of the company, the subsidiaries and associated companies, and in this context also on the profitability of equity capital in accordance with Section 90 Paragraph 1 Number 2 AktG. After a detailed 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 proposed resolutions were also determined at this meeting. The Board of Management and the Supervisory Board decided to propose to the Annual General Meeting that Dr. Höhle AG to distribute a dividend of € 3,030,927 to the shareholders for the 2019/2020 financial year. We then discussed in detail the declaration of compliance with the Corporate Governance Code in accordance with Section 161 AktG and approved it.

On March 19, 2021, the Management Board and Supervisory Board met to discuss the sales and earnings forecast for the first half of the year. Accordingly, sales and earnings were above those of the previous year. PANACOL-ELOSOL GmbH made a significant contribution to earnings. In addition, the newly acquired Sterilsystems GmbH and uv-technik Speziallampen GmbH made a significant contribution to the result. The Management Board emphasized that the development of uv-technik Speziallampen GmbH in particular was proceeding as planned and that a strong contribution to earnings was also to be expected for the year as a whole. In addition, the Dr. Höhle AG sales and earnings above the previous year's level. Even if the result at Raesch Quartz (Germany) GmbH was well below that of the previous year, the Management Board expected positive further business development due to the good order backlog. Finally, the Management Board informed us that it expects business to develop significantly better in the second half of the year than in the previous year.

The Annual General Meeting took place on March 23, 2021, which again had to be held in virtual form due to the corona situation. Items on the agenda were the appropriation of the balance sheet profit, the discharge of the members of the Management Board and the Supervisory Board, the election of the auditor, the election of a further member of the Supervisory Board, the creation of new authorized capital, the approval of the system for the remuneration of the Management Board members, the confirmation of the Supervisory Board remuneration and several amendments to the Articles of Association. The Annual General Meeting approved all items on the agenda with a large majority. After the election of Prof. Dr. Imke Libon, the Supervisory Board appointed Prof. Dr. Karl Hönle as re-elected Chairman and Günther Henrich as Deputy Chairman of the Supervisory Board.

The Supervisory Board meeting on May 11, 2021 began with an explanation of the current business situation in the second quarter. This was followed by the outlook for the third quarter. The contribution to earnings in the third quarter would therefore essentially come from Eltosch Grafix GmbH, Sterilsystems GmbH and PANACOL-ELOSOL GmbH. The Management Board also explained details of the move of Dr. Hönle AG from Gräfelfing to Gilching, which was planned for August 2021. Another subject of the talks was the business development of Raesch Quartz (Germany) GmbH, for which increasing orders and sales, but a negative result, were expected in the 2020/2021 financial year. We discussed in detail the sales concept for the area of air sterilization and recommended a personnel and structural reinforcement of the sales department.

Individualized representation of the session participation

The German Corporate Governance Code recommends stating how many meetings of the Supervisory Board and the committees the individual members have attended. The Dr. Hönle AG has had an audit committee since January 2022. I can inform you that all members of the Supervisory Board, Prof. Dr. Karl Hönle, Günther Henrich, Dr. Bernhard Gimple and from May 2021 Prof. Dr. Imke Libon personally attended all meetings in their entirety. The three members, Mr. Henrich, Prof. Dr. Libon and Dr. Gimple also attended the first meeting of the Audit Committee.

Corporate Governance

The Government Commission on the German Corporate Governance Code published the current version of the code on responsible corporate governance in the Federal Gazette on March 20, 2020. The Supervisory Board coordinated the implementation of the Code's recommendations and suggestions with the Executive Board and issued a joint declaration in accordance with Section 161 AktG. The declaration was included in the annual report and made permanently accessible to the shareholders by publication on the Internet. The board of directors of Dr. Hönle AG consisted of two members in the reporting year and three members from January 1, 2021. The Supervisory Board of Dr. Hönle AG consisted of three members and, since May 20, 2021, four members.

Annual accounts and consolidated accounts

The Annual General Meeting on March 23, 2021 elected S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, as the auditor for the 2020/2021 financial year. S&P GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of Dr. Hönle AG and the consolidated financial statements as well as the group management report, which is linked to the management report of Dr. Hönle AG and gave them an unqualified audit opinion.

At the Supervisory Board meeting on January 26, 2022, the audit report for the 2020/2021 financial year was discussed in detail by the auditor. The auditor reported on the main results of his audit of the annual financial statements and the consolidated financial statements as well as the combined management report/group management report of Dr. Hönle AG and provided additional information about the last financial year. In doing so, he focused in particular on the asset, financial and earnings situation of the stock corporation and the group. The Management Board and the Supervisory Board decided to propose to the Annual General Meeting on March 24, 2022 that Dr. Hönle AG to pay a dividend of € 0.20 per dividend-entitled share and to carry the remaining amount forward to new account.

The Supervisory Board approved the result of the audit. It also examined the annual financial statements, the consolidated financial statements and the combined group management report. There were no objections, so the Supervisory Board approved the financial statements. The annual financial statements were thus adopted.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board and the employees in all Group companies of the Hönle Group for their hard work and constructive cooperation in the past financial year.

Gilching, January 2022

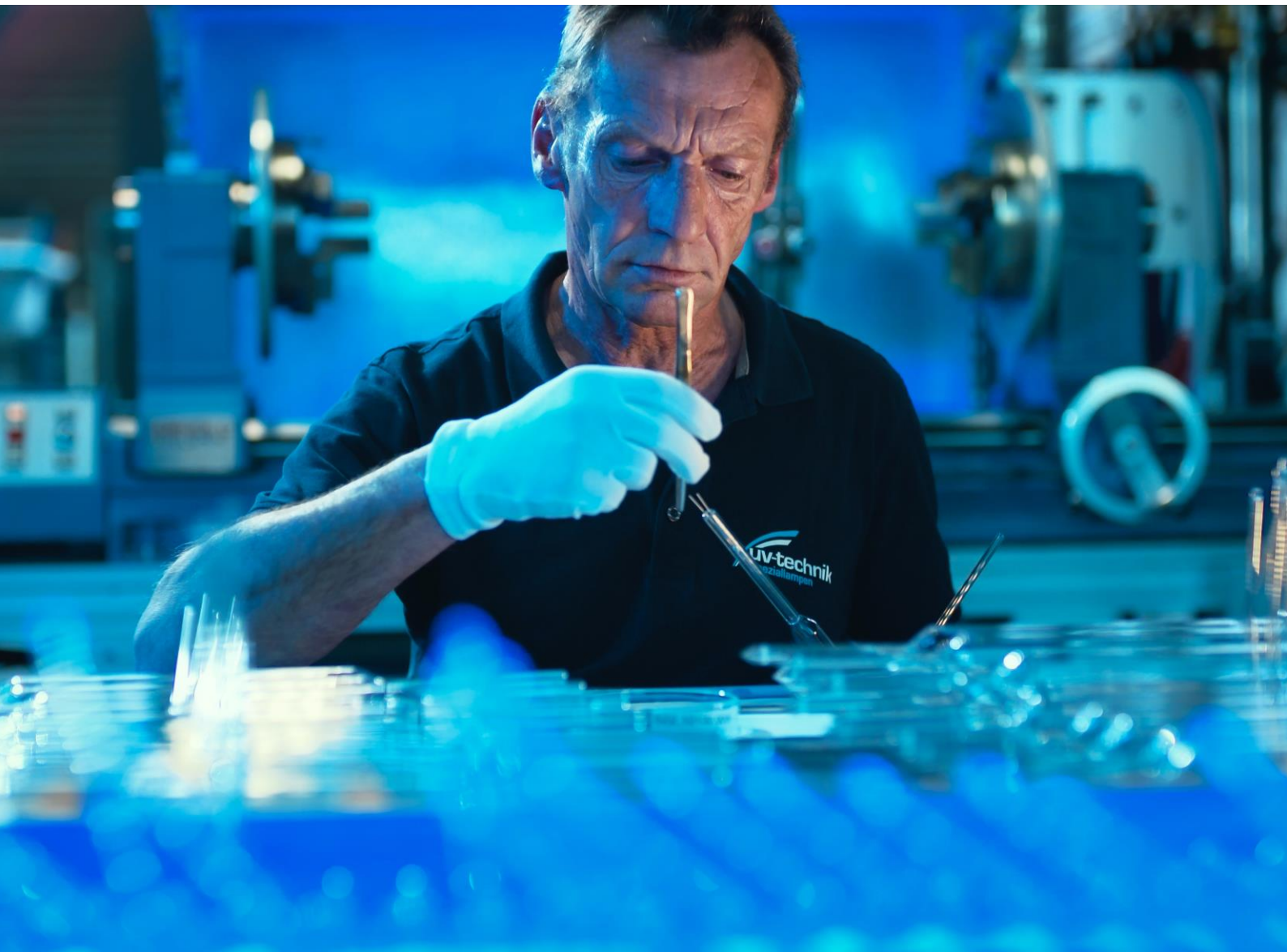
For the Supervisory Board

A handwritten signature in black ink, appearing to read 'K. Hönle', written in a cursive style.

Prof. Dr. Karl Hönle
Chairman of the Supervisory Board

Customized UV-lamps

uv-technik Speziallampen GmbH based in Ilmenau offers its customers a wide and constantly growing range of UV lamps. In addition to all common spectra, the UV expert also develops customer-specific low-pressure, medium-pressure and infrared lamps. The aim is to meet market requirements as comprehensively as possible and to offer the customer optimal solutions. For this reason, there is a constant and close cooperation with industrial partners and universities.



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

for the 2020/2021 Financial Year

Business Operations and General Conditions

The Group's Business Purpose and Structure

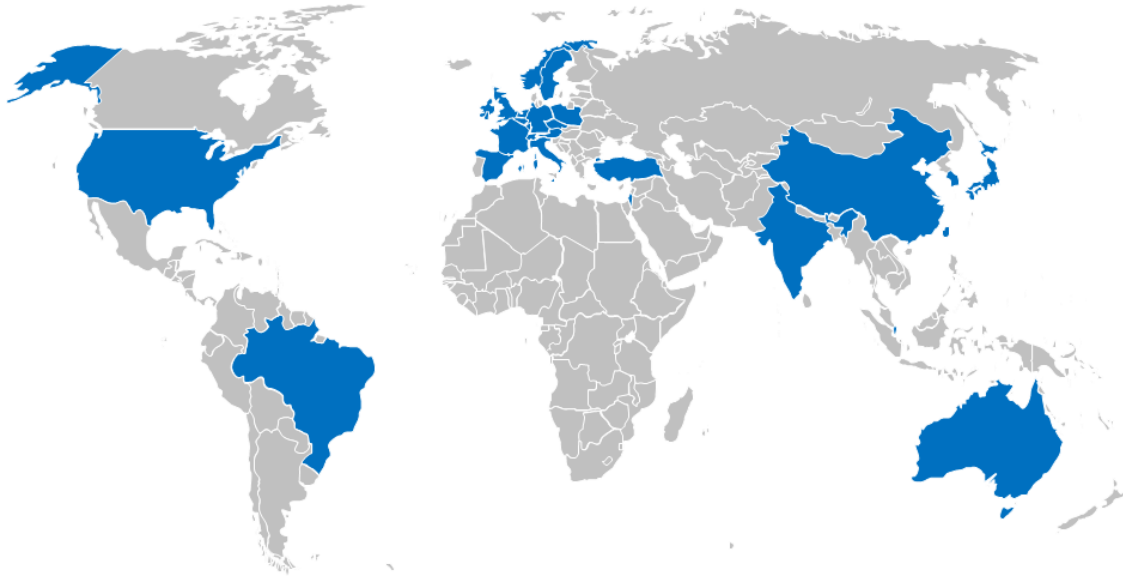
Dr. Hönle AG is a listed technology company with head office in Gilching. The Hönle Group is split into the following three business segments: Adhesives, Equipment & Systems and Glass & Lamps. The Adhesives segment includes industrial adhesives designed for a broad spectrum of applications, inter alia, in the electronics, medical technology, optics and automotive segments. The Equipment and Systems segment is engaged in the drying of inks and coatings, the curing of adhesives and plastics, surface disinfection and solar simulation. Air disinfection has been newly added to this segment. 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 30.09.2021.

| Name (each in alphabetical sequence) | Corporate Seat |
|--|-----------------------------------|
| Segment Adhesives | |
| 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/Connecticut, 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 |
| Segment Equipment & Systems | |
| 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/Connecticut, USA |
| Honle UV France S.à.r.l. | Lyon, France |
| Luminez GmbH | Kirchheim, Germany |
| PrintConcept UV-Systeme GmbH | Kohlberg, Germany |
| SOLITEC GmbH ² | Gräfelfing/Munich, Germany |
| STERIXENE SAS ^{1,2} | Les Angels, France |
| STERILSYSTEMS GmbH | Mauterndorf, Austria |
| Technigraf GmbH | Grävenwiesbach-Hundstadt, Germany |
| TECINVENT GmbH ^{1,2} | Schömburg, Germany |
| UMEX GmbH | Kirchheim b. Arnstadt, Germany |
| Segment Glass & Lamps | |
| Raesch Quarz (Germany) GmbH | Ilmenau, Germany |
| Raesch Quarz (Malta) Ltd. | Mosta, Malta |
| uv-technik international Ltd. | Luton, Graet Britain |
| uv-technik Speziallampen GmbH | Ilmenau, Germany |

1) minority shareholding; 2) not consolidated

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 and the USA.



Non-Financial Statement

With respect to the non-financial statement pursuant to the provisions of Section 289b in conjunction with Section 315b HGB, reference is made to the separate non-financial 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, in particular, on customer-specific systems solutions. 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 developments, strategic corporate planning, quality and environmental management, the planning of investments, personnel and acquisition planning as well as risks and opportunities management. The Management Board reports regularly to the Supervisory Board and exchanges views with it whenever necessary, both at regular and ad hoc meetings.

The operational objective of Hönle's management is to increase the Company's revenues, earnings and cash flows on a sustained basis while taking into account ecological and social aspects. The operative margins, in particular the EBIT margin, serve as important financial indicators in this context. For this reason, Hönle is continually monitoring 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.

This management report provides more detailed information on individual control parameters, in particular in the sections: Course of Business, Results of Operations, Financial Position and Outlook, and explains measures for the planned development of these indicators. The non-financial statement serves to report on 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€ | 2020/2021 | 2019/2020 | +/- % |
|----------------------------------|-----------|-----------|--------|
| Revenue | 115,170 | 93,876 | 22.7 |
| EBIT | 349 | 8,099 | -95.7 |
| EBIT-Marge as a % | 0.3 | 8.7 | -96.6 |
| Consolidated profit for the year | -4,860 | 5,605 | -186.7 |

1) Earnings before interest and taxes; 2) Earnings before interest and taxes relative to aggregate operating performance; the aggregate operating performance includes the total of sales revenues, changes in inventories of finished goods and work in progress and work performed by entity and capitalised

Annual General Meeting

The Annual General Meeting of Dr. Höhle AG was held on 23 March 2021 as a virtual general meeting without the physical presence of shareholders. Some 140 participants followed the presentations of the Management Board. All proposed resolutions on the agenda were adopted with a large majority. This included the distribution of a dividend in the amount of € 0.50 (PY: € 0.80) per dividend-bearing share, which corresponds to a dividend distribution of T€ 3,031. Furthermore, the Supervisory Board was expanded from three to now four members and the Annual General Meeting appointed Prof. Dr. Imke Libon as a new Supervisory Board member. Finally, the Annual General Meeting approved the remuneration system for members of the Management Board and confirmed the remuneration of the Supervisory Board members.

Economic Report

Market Development

The global economy was staging a recovery in 2021. The International Monetary Fund (IMF) estimates that the global economy grew by 5.9% after contracting by 3.1% in the previous year in the context of the coronavirus crisis. However, a number of effects prevented an even better growth rate. Following a significant slowdown in the first quarter of 2021, global economic dynamics weakened further in the second quarter. In all, global production in the first six months of 2021 increased at a somewhat lower pace than the average growth rate registered in the years prior to the coronavirus crisis. The recovery from the economic slump recorded in the first half of 2020 was thus initially put on hold due to high infection rates in many countries and the measures implemented to contain them. In addition, first problems in the supply chains began to make themselves felt and this dampened the upturn in industrial production. Insufficient transport capacities and the supply bottlenecks occurring worldwide then increasingly slowed down growth in the manufacturing industry from the third quarter of 2021 onwards.

Course of Business

The Höhle Group benefited from the economic recovery and reported higher sales revenues and, in particular, a strong rise in order intake. The new Group companies contributed significantly to the increase in sales revenues (see Equipment & Systems segment and Glass & Lamps segment). At T€ 115,170, sales revenues generated in financial year 2020/2021 were clearly above the previous year's figure of T€ 93,876. The Höhle Group's order portfolio rose sharply and, at the end of the financial year, was about 80% above the previous year's level, which represents an excellent starting point for the new financial year.

Notwithstanding this positive sales performance, business development in the reporting year was negatively impacted by several one-off factors:

As explained in more detail in the chapter Economic Report, impairments due to an adjustment of the planned business development at Raesch Quartz (Germany) GmbH led to increased depreciation at group level and thus to a burden on the operating result of T€ 7,522. Furthermore production activities and delivery rates in the fourth quarter dropped below the budgeted figures due to Dr. Höhle AG's relocation to the new business premises. In addition, long delivery times for electronic and mechanical

components and in some cases also for raw materials led to sourcing bottlenecks at the Höhle Group. This contributed significantly to the postponement of delivery dates from the past financial year to the new financial year. Higher expenses, mainly as a consequence of the relocation of Dr. Höhle AG, also impacted adversely on earnings in financial year 2020/2021. Added to this were marketing expenses for the market launch of the SteriWhite Air air disinfection system.

The Höhle Group's operating result adjusted for impairment (EBIT adjusted) came to T€ 7,871 in the 2020/2021 financial year, almost unchanged from the previous year's figure of T€ 8,099.

Adhesives Segment

At the beginning of the year under review, the Adhesives segment moved into its new corporate headquarters. In the new building complex in Steinbach near Frankfurt, which is significantly larger than the previous property, adhesives and casting compounds are developed and produced for the international sales markets.

Sales revenues generated in the Adhesives segment dropped from T€ 28,573 to T€ 27,975, corresponding to a decrease of 2.1%. Coronavirus-related restrictions impacted adversely on sales activities and project developments, in some cases even considerably. In addition, lower sales revenues generated with a major customer affected the Adhesives segment's business development.

Höhle succeeded in establishing strategic business relationships with leading companies, especially in the field of consumer electronics, thus further reducing dependence on key customers. Sales generated with these customers partially compensated for the negative effects. Manpower in the sales and development areas was increased further in order to accommodate the planned sales growth. The Management Board continues to expect that the large number of high-potential adhesives projects - of which some have already been qualified by customers - will again lead to a significant increase in sales revenues and earnings, especially in the second half of the year. The segment's operating result contracted from T€ 7,313 in the previous year to T€ 5,483 in the reporting year.

Equipment & Systems Segment

UVC disinfection technology represents a significant growth area for the Höhle Group. Air disinfection, in particular, is to be expanded into a major business segment of the Höhle Group in the future. Consequently, a main focus of development activities was on this area of application. There were also several corporate acquisitions in the UVC disinfection market. In this context, the following companies were consolidated for the first time as at 1 October 2020.

Sterilsystems GmbH, based in Austria, is a company specialising in UVC air and surfaces disinfection in the food industry where it has been operating successfully for many years now. The company also offers a vast array of air and surface disinfection systems for a variety of different applications such as UVC disinfection systems for hospitals.

UMEX GmbH has been newly added to the corporate group. The company has long-standing experience and offers numerous products in the water sterilisation segment. The aim here is mainly to further expand the process water disinfection segment.

Technigraf GmbH, a specialist for conveyor belts with UV irradiation modules also joined the Höhle Group. The systems are used in the production process and also serve as test systems for laboratories. The potential for synergy effects is mainly derived from the company's high degree of vertical integration in manufacturing that allows it to develop and manufacture special equipment for the Höhle Group.

Sales revenues generated in the Equipment & Systems segment advanced from T€ 47,910 in the previous year to T€ 59,225 in the financial year under review. The increase in sales revenues in an environment that was still heavily affected by the pandemic was largely due to corporate acquisitions and new sales revenues generated in the air disinfection segment. From the second half of the 2020/2021 financial year onwards, incoming orders increased steadily, particularly from the printing industry. The order backlog at the end of the year was more than 100% above the previous year's level.

Several one-off factors impacted adversely on the earnings achieved in the Equipment & Systems segment:

Dr. Hönlé AG's relocation to the new head office in Gilching resulted in temporary production downtimes. Other operating expenses also increased in the process of the relocation. Supply bottlenecks at the global sourcing markets led to an increase in the prices for raw materials and components. Lastly, higher marketing expenses were incurred in connection with the market launch of the SteriWhite Air product family.

The segment's operating result came to T€ 1,559 in the financial year under review, up from T€ 1,181 reported in the previous year.

Glas & Lamps Segment

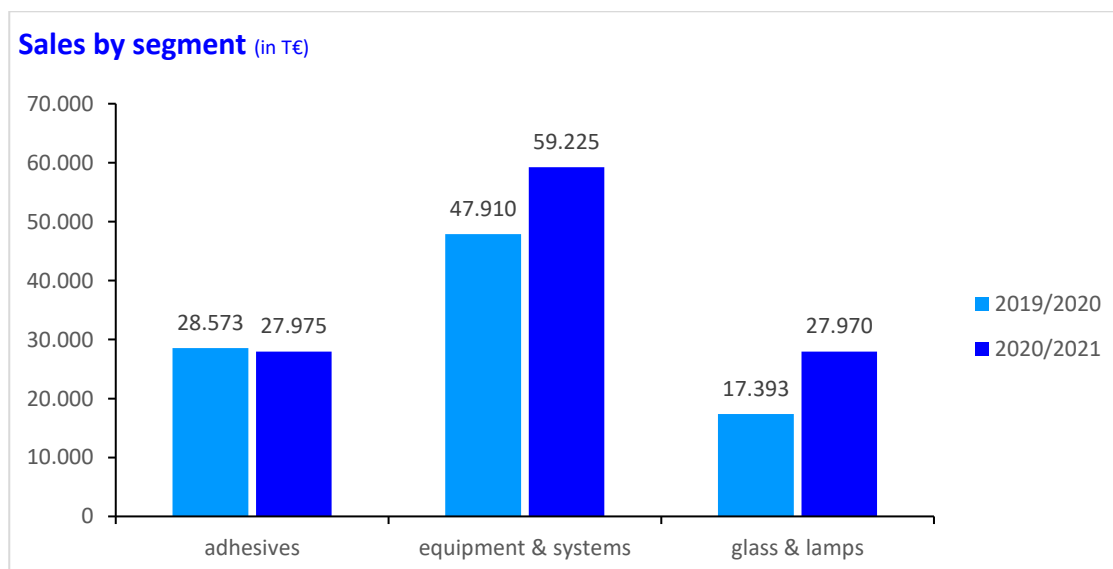
Sales revenues generated in the Glass & Lamps segment rose from T€ 17,393 to T€ 27,970 and the adjusted operating result increased from T€ -394 to T€ 829. The operating result dropped to T€ -6,693 due to the non-cash impairment charges attributable to the impairment loss at Raesch Quarz (Germany) GmbH.

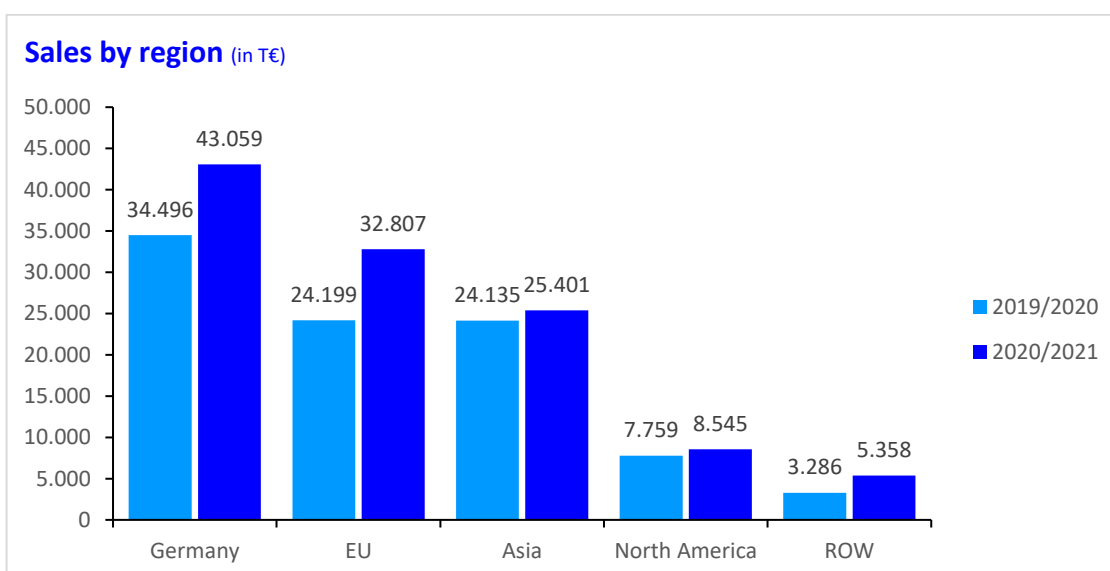
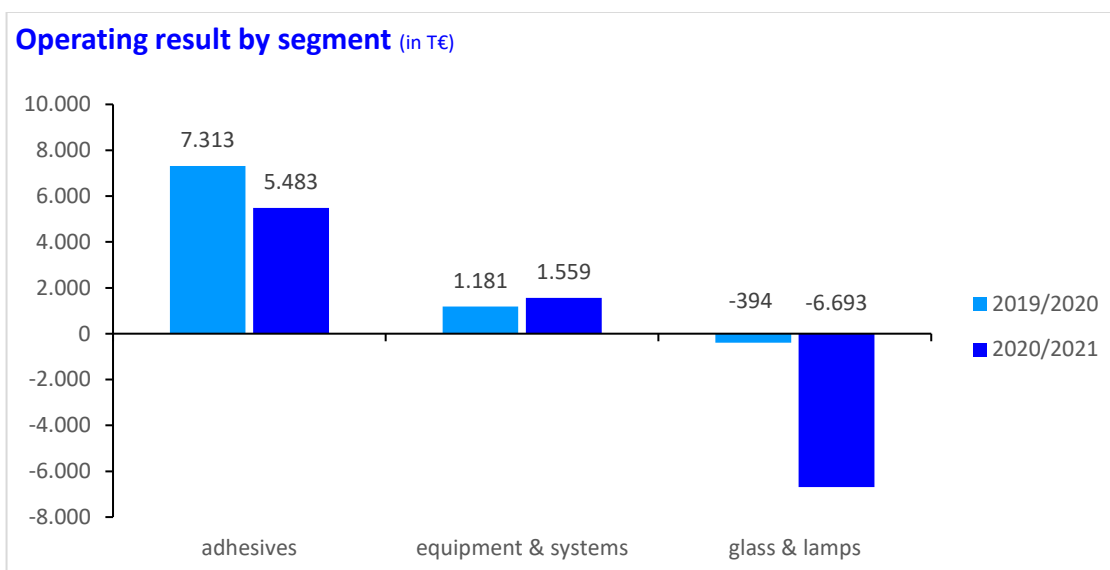
uv-technik Speziallampen GmbH sold significantly more lamps in the areas of air disinfection and water treatment than in the previous year and reported a strong surge in sales and earnings. uv-technik meyer GmbH, which sells medium pressure lamps, electronic power supplies and sensor technology, and has been part of the Hönlé Group since the beginning of the reporting year, also contributed to the rise in sales and earnings. The company moved its registered office to uv-technik Speziallampen GmbH and was merged with the latter with effect as of 1 October 2020.

Raesch Quarz (Germany) GmbH also increased its sales revenues as revenues were higher than in the same period of the previous year in all important sales markets. The most important strategic sales market, which also showed the highest growth rate, was the semi-conductor industry. The high order backlog at the end of the financial year shows that the current demand in the quartz glass market is very high.

Business Development by Region

The first-time consolidation of new companies contributed significantly to the rise in sales revenues in all sales regions. At T€ 43,059, sales revenues achieved in Germany were up 24.8% on the previous year's figure. Sales revenues generated in Europe outside Germany climbed by 35.6% to T€ 32,807. Despite the coronavirus pandemic, which led to considerable travel restrictions and weaker business development with a major customer in the consumer electronics segment, sales revenues generated in Asia also rose by 5.3% to T€ 25,401. Sales revenues achieved in North America increased by 10.1% to T€ 8,545 and sales revenues generated in the rest of the world soared by 63.1% to T€ 5,358.





The Hönle Group's Results of Operations

As already explained in the 'Course of Business' section, financial year 2020/2021 was influenced by several one-off factors that impacted on the Hönle Group's results of operations. The Group's sales revenues came to T€ 115,170, which exceeds the previous year's figure by 22.7%. The proportion of adhesives revenues relative to total sales declined and this, together with a changed product mix in the Equipment & Systems segment, contributed to a rise in the cost of materials ratio from 35.1% in the previous year to 41.4% in the financial year under review. The personnel expense ratio fell from 35.6% to 33.6%. Other operating expenses advanced from T€ 13,660 in the previous year to T€ 17,445 in the reporting year while their ratio edged up from 14.6% to 14.8%.

As expected, the Hönle Group's adjusted operating result (EBIT adjusted) came to T€ 7,871 in the 2020/2021 financial year, which is almost unchanged from the previous year's figure of T€ 8,099. As already communicated in the ad hoc notification dated 24 November 2021, the assumptions made within the scope of previous planning and meanwhile adjusted concerning the business development of Raesch Quarz (Germany) GmbH in financial year 2020/2021 led to non-cash impairment losses at Group level. The impairment losses relate to goodwill of T€ 3,388 and further items in the amount of T€ 4,134 on the assets side of the statement of financial position. The impairment losses mainly result from the assumption that sales of Raesch Quarz (Germany) GmbH will grow more slowly than originally

planned. The impairment test carried out indicated a need for recognising an impairment loss as the future recoverable amounts are below the carrying amount of the cash-generating unit.

The operating result (EBIT) decreased by -95.7% to T€ 349 year-on-year mainly as a result of the impairment. This translates into an EBIT margin of 0.3% (PY: 8.7%). At T€ -608, earnings before taxes (EBT) were 107.8% below the previous year's value and the consolidated loss for the period of T€ -4,860 meant a deterioration of 186.7% on the previous year's figure. The net return on sales thus stood at -4.2% (PY: 6.0%). Earnings per share fell from € 1.02 to € -0.80.

The Höhle Group's Earnings Development

| in T€ | 2020/2021 | 2019/2020 | +/- % |
|---|---------------|--------------|---------------|
| Revenue | 115,170 | 93,876 | 22.7 |
| Gross profit | 70,944 | 61,750 | 14.9 |
| Operating result (EBIT) | 349 | 8,099 | -95.7 |
| EBIT margin as a % | 0.3 | 8.7 | -96.6 |
| Earnings before tax (EBT) | -608 | 7,846 | -107.8 |
| Consolidated profit for the year | -4,860 | 5,605 | -186.7 |
| Earnings per share in € | -0.80 | 1.02 | -178.4 |

The Höhle Group's Financial Position

The Höhle Group's operative cash flow amounted to T€ 6,142 (PY: T€ 16,608). The decrease is largely due to the rise in inventories of T€ 12,548, which, in turn, is attributable to the expansion of the air disinfection business line. After payment of interest in the amount of T€ 1,064 and income taxes of T€ 3,948, the cash flow provided by operating activity stood at T€ 1,130 (PY: T€ 7,234).

The investments mainly comprise payments made for corporate acquisitions and for new company premises at Dr. Höhle AG and Panacol Elosol GmbH. In addition, the investments were attributable to production plants at Raesch Quarz (Germany) GmbH and uv-Technik Speziallampen GmbH. The investments totalled T€ 24,497, which is below the previous year's figure of T€ 30,740.

At T€ 1,247, the cash flow from financing activities was significantly below the previous year's figure of T€ 43,253 due to lower borrowings. In addition to the taking out of bank loans for financing construction projects, the cash flow from financing activities is mainly attributable to lease liabilities pursuant to IFRS 16 in the amount of T€ 3,756 and the distribution of dividends in the amount of T€ 3,031. In the previous year, the cash flow from financing activities also included cash inflows in the amount of T€ 25,741 attributable to a capital increase.

In all, liquid assets dropped by T€ 22,100.

Liquidity Development

| in T€ | 2020/2021 | 2019/2020 | +/- % |
|-------------------------------------|--------------|-----------|--------|
| Cash generated | | | |
| from operations | 6,142 | 16,608 | -63.0 |
| Cash flow from operating activities | 1,130 | 7,234 | -84.4 |
| Cash flow from investing activities | -24,497 | -30,740 | -20.3 |
| Cash flow from financing activities | 1,247 | 43,253 | -97.1 |
| Change in cash and cash equivalents | -22,100 | 19,598 | -212.8 |

The Hönle Group's Net Assets

The first-time consolidation of several companies largely contributed to the increase of non-current and current assets on the assets side of the statement of financial position. Sterilsystems GmbH, UMEX GmbH, Technigraf GmbH and uv-technik meyer GmbH (the latter was merged with uv-technik Speziallampen GmbH) have been part of the Hönle Group since the beginning of the reporting year. An impairment loss was recognised on Raesch Quarz (Germany) GmbH's goodwill, property, plant and equipment and inventories in the amount of T€ 7.522. In all, goodwill as of 30 September rose from T€ 18,849 to T€ 21,119. Intangible assets advanced from T€ 2,178 to T€ 2,889 and the value of inventories increased from T€ 35,246 to T€ 46,725. In addition to the consolidation of the new companies, the main reason for the increase in inventories was Dr. Hönle AG's entry into the air disinfection business. Property, plant and equipment climbed from T€ 76,809 to T€ 87,801 in the course of the construction projects and due to other factors. Liquid assets fell from T€ 34,175 to T€ 12,073, which is mainly due to the financing of corporate acquisitions, inventories and construction projects.

On the liabilities side of the statement of financial position, non-current loans swelled from T€ 37,594 to T€ 45,520 largely due to real estate financing. Other non-current liabilities decreased from T€ 9,392 in the previous year to T€ 6,667 in the reporting year.

Trade accounts payable amounted to T€ 9,431 at the end of the financial year, up from T€ 6,487 reported in the previous year. Current bank liabilities increased only marginally from T€ 3,474 to T€ 3,890. In all, current liabilities came to T€ 27,652 (PY: T€ 21,069).

With an equity ratio of 54.8% and sufficient liquid assets, the Hönle Group's financing continues to be on solid ground. Total assets rose from T€ 196,196 as at 30.09.2020 to T€ 202,905 as at 30.09.2021.

Statement of Financial Position

| in T€ | 30.09.2021 | 30.09.2020 | +/- % |
|-------------------------|------------|------------|-------|
| Non-current assets | 120,350 | 107,226 | 12.2 |
| Current assets | 81,605 | 88,020 | -7.3 |
| Equity | 111,122 | 116,685 | -4.8 |
| Non-current liabilities | 64,131 | 58,442 | 9.7 |
| Current liabilities | 27,652 | 21,069 | 31.2 |
| Total assets | 202,905 | 196,196 | 3.4 |

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 AG develops, produces and sells UV- and infrared equipment and systems. The equipment is used for drying inks and coatings, for curing adhesives and plastics and for disinfecting surfaces. The product range also comprises sun-light simulation and illumination systems for industrial applications. New in the product range is UV air disinfection equipment used to inactivate coronaviruses and other germs.

The sales activities are carried out by the Company's own staff and subsidiaries as well as 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 dropped from 207 in the previous year to 202 in the reporting year.

Dr. Hönle AG reported the highest number of incoming orders in the Company's history in financial year 2020/2021 and, at the same time, the highest order backlog at the end of the financial year. This positive business development was attributable to both the existing product segments which reported an increase in order intake, and to the newly created air disinfection business line.

Production activities and delivery rates in the fourth quarter dropped below the budgeted figures due to Dr. Hönle AG's relocation to the new business premises. In addition, long delivery times for electronic and mechanical components and in some cases also for raw materials led to sourcing bottlenecks at the Hönle Group. This largely resulted in the postponement of delivery dates from the past financial year to the new financial year.

Sales revenues climbed by 11.1% to T€ 39,553. Dr. Hönle AG's personnel expenses increased by 10.2% to T€ 14,507 year-on-year, mainly as a result of the reimbursement of short-time working allowances in the previous year. In addition, the expansion of the Management Board also led to a rise in personnel expenses in the reporting year. The personnel expense ratio in the 2020/2021 financial year stood at 33.4% (PY: 37.4%). The average number of staff employed by the Hönle Group decreased from 207 to 202. At 53.8%, the cost of materials ratio was above the previous year's figure of 46.3%. The higher cost of materials ratio is attributable to a changed product mix.

Other operating expenses incurred in the 2020/2021 financial year include marketing expenses and purchased air disinfection services as well as expenses associated with the relocation to the new business premises. Other operating expenses advanced from T€ 8,431 to T€ 8,766. The other operating expenses ratio rose from 23.9% in the previous year to 20.2% in the reporting year. Dr. Hönle AG reported amortisation and depreciation in the amount of T€ 10,161 in the 2020/2021 financial year (PY: T€ 842). Depreciation also includes value adjustments to receivables from Raesch Quartz (Germany) GmbH, which exceed normal business depreciation due to the necessary adjustment to this company's sales expectations. This translated into an operating result of T€ -12,907 (PY: T€ -2,699). Dr. Hönle AG posted a financial result of T€ -6,447 (PY: T€ 2,692) largely due to the equity investment write-down concerning Raesch Quarz (Germany) and the write-off of loans to Raesch Quartz (Germany) GmbH. After taxes, the net loss for the year amounted to T€ -18,161 (PY: T€ 615).

To expand its business activities, Dr. Hönle AG built a new production and administration building in Gilching near Munich, and this, in particular, contributed to the T€ 8,879 rise in property, plant and equipment to T€ 41,639.

As at 30.09.2021, the value of inventories was T€ 26,591, significantly higher than the previous year's figure of T€ 14,738. The increase in inventories is largely due to the production of a larger number of air disinfection devices. Receivables and other assets dropped from T€ 33,560 to T€ 26,902 and mainly contain receivables from affiliated companies. Liquid assets at the end of the financial year stood at T€ 4,480 (PY: T€ 27,111).

Dr. Höhle AG's equity amounted to T€ 58,307 (PY: T€ 79,499) as at 30.09.2021. In connection with the construction of the new corporate building in Gilching, in particular, Höhle increased liabilities to banks from T€ 27,686 to T€ 30,889. The liabilities to affiliated companies, primarily concerning liabilities to Panacol-Elosol GmbH, rose from T€ 25,019 in the previous year to T€ 30,753 in the year under review.

The average number of R&D staff increased to 29 (PY: 28). Consequently, 14.4% of Höhle's employees worked in the Research and Development department. The expenses for Dr. Höhle AG's research and development activities rose from T€ 2,218 in the previous year to T€ 2,408 in the reporting year.

The economic downturn caused by the coronavirus pandemic seems to have been overcome. The decline in production activity caused by the lockdown led to supply bottlenecks at the global markets with a time lag. This also impacted on Dr. Höhle AG. However, given the very high order backlog and the good prospects for the air disinfection business line, the Management Board feels positive about the future, expecting a sharp increase in sales revenues and a return to a clearly positive operating result in the 2021/2022 financial year.

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

| in T€ | 2020/2021 | 2019/2020 | +/- % |
|-------------------------------------|----------------|---------------|-----------------|
| Revenue | 39,553 | 35,609 | 11.1 |
| Change in inventory | 3,776 | -417 | -1,005.5 |
| Other operating income | 470 | 816 | -42.4 |
| Cost of materials | 23,319 | 16,301 | 43.1 |
| Gross profit | 20,527 | 19,734 | 4.0 |
| Personnel expenses | 14,507 | 13,159 | 10.2 |
| Amortisation/depreciation | 10,161 | 842 | 1,106.8 |
| Other operating expenses | 8,766 | 8,431 | 4.0 |
| Operating result/EBIT | -12,907 | -2,699 | 378.1 |
| Financial result | -6,447 | 2,692 | -339.5 |
| Taxes | 1,193 | 623 | 91.6 |
| Net income/loss for the year | -18,161 | 615 | -3,053.1 |
| Earnings per share € | -3.00 | 0.11 | -2,827.3 |

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

| in T€ | 30.09.2021 | 30.09.2020 | +/- % |
|--|----------------|----------------|--------------|
| Intangible assets | 520 | 557 | -6.6 |
| Property, plant and equipment | 41,639 | 32,760 | 27.1 |
| Financial assets | 33,056 | 34,854 | -5.2 |
| Non-current assets | 75,216 | 68,171 | 10.3 |
| Inventories | 26,591 | 14,738 | 80.4 |
| Receivables and other assets | 26,902 | 33,560 | -19.8 |
| Cash on hand, bank balances | 4,480 | 27,111 | -83.5 |
| Current assets | 57,973 | 75,409 | -23.1 |
| Prepaid expenses | 371 | 298 | 24.4 |
| Deferred tax assets | 2,104 | 970 | 117.0 |
| 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 | 5,262 | 26,454 | -80.1 |
| Equity | 58,307 | 79,499 | -26.7 |
| Provisions | 8,827 | 7,027 | 25.6 |
| Liabilities to banks | 30,889 | 27,686 | 11.6 |
| Prepayments received on account of orders | 1,380 | 824 | 67.4 |
| Trade accounts payable | 5,052 | 4,364 | 15.7 |
| Liabilities to affiliated companies | 30,753 | 25,019 | 22.9 |
| Liabilities to companies in which an equity investment is held | 0 | 34 | -100.0 |
| Other liabilities incl. deferred income | 457 | 396 | 15.4 |
| Liabilities incl. Deferred income | 68,530 | 58,323 | 17.5 |
| Total assets | 135,664 | 144,848 | -6.3 |

Overall Statement on the Höhle Group's Economic Situation

After the previous year, which was dominated by the coronavirus crisis and lockdowns, economic activity experienced a strong upturn in 2021. However, in the course of the year, supply bottlenecks on the global markets increasingly curbed the economic upswing which would otherwise have been much stronger.

In the management report for financial year 2019/2020, Management Board had reported that, although business development for the reporting year was difficult to predict due to the impact of the coronavirus pandemic, it expected sales and operating result to clearly exceed the previous year's level. In actual fact, sales generated in financial year 2020/2021 rose by 22.7% to 115.2 Mio. € and the operating result dropped by 95.7% to 0.3 Mio. €. The weaker business performance was caused by the following events: Dr. Höhle AG's relocation to the new business premises led to lower than planned production activities and deliveries in the fourth quarter. Moreover, long delivery times for electronic and mechanical components and in some cases also for raw materials contributed to a large extent to sourcing bottlenecks at the Höhle Group and thus to the postponement of delivery dates from the past financial year to the new financial year. In addition, several special effects, in particular impairments at the level of Raesch Quartz (Germany) GmbH, burdened the result in the reporting year.

The Hönle Group is solidly financed with liquid assets in the amount of 12.1 Mio. € (PY: 34.2 Mio. €) and unused credit lines of € 4.8 million. Liabilities to banks increased from € 41.1 million to € 49.5 million, in particular as a result of the construction projects. In order to accommodate the growth planned, the Hönle Group invested in new commercial real estate such as the construction of new business premises for Dr. Hönle AG (Equipment & Systems segment), PANACOL-ELOSOL GmbH (Adhesives segment) and uv-technik Speziallampen GmbH (Glass & Lamps segment). The total capital expenditure mainly covered the period from 2018 to 2021 and amounted to approximately € 55 million. The investments were largely financed on the basis of long-term real estate loans with an average residual term of 16.5 years. The variable-interest bearing loans are hedged against interest rate fluctuations by means of corresponding interest rate swaps.

The Management Board expects business to develop well in financial year 2021/2022. This view is supported by the high order backlog in all business segments at the end of the reporting year.

Management also assumes strong business development in the coming years. The prerequisites are good for a significant expansion of the Hönle Group's sales and earnings level.

The life science market will play a significant role in the Hönle Group's future business development. Hönle is developing UV air disinfection equipment for the inactivation of SARS-CoV-2 viruses. Other pathogens, such as cold viruses, bacteria and fungal spores, can also be safely and efficiently killed off or inactivated using this equipment. In addition, new environmentally friendly technologies will complement the existing product range and provide for additional growth opportunities in water and surface disinfection

Both the Equipment & Systems segment and the Glass & Lamps segment will benefit from the planned increase in sales in the life science market.

The Adhesives segment also offers favourable growth prospects. The basis for this is provided by a number of products that have already been qualified by customers. Moreover, the pipeline is well filled with promising, high-potential projects. In addition to consumer electronics, the renewable energies and the automotive sectors, among others, offer growth prospects.

Although the Hönle Group's development in financial year 2020/2021 was not satisfactory, given the growth prospects described above, the Management Board is satisfied with the Group's situation.

Research & Development

The Hönle Group's research and development expenses amounted to T€ 6,518 in the reporting year after T€ 5,969 in the preceding year. The average number of R&D staff increased quite perceptibly from 86 to 95 year-on-year. New employees were recruited, in particular, in the development and application engineering departments at PANACOL-ELOSOL GmbH and Raesch Quarz (Germany) in the reporting year. In all, 14.5% (PY: 14.7%) of Hönle's employees are engaged in research and development activities. A selection of R&D activities in the past financial year is presented below:

Adhesives Segment

PANACOL-ELOSOL GmbH has developed an adhesives system for the bonding of magnets in electric motors. Owing to its high bond strength and impact resistance, the one-component epoxy resin system ensures reliable bonding even if exposed to strong vibration forces. The adhesive cures either thermally or by induction. Its metal adhesion after curing is excellent just as its high elongation at break and impact strength even at temperatures above 100°C Celsius. The special adhesive adheres to steel and aluminium and is suitable for both half-shell magnets in stators and for permanent magnets in rotors.

Equipment & Systems Segment

The SteriWhite Air UVC air sterilizers were developed for indoor operation to inactivate viruses, bacteria and spores in the room air quickly and reliably and thus protect people's health. In the development phase utmost emphasis was placed on the following three factors: safety, highest possible effectiveness and user-friendliness. The air is fed into the inside of the housing and then irradiated by UVC lamps. This reliably and definitively inactivates germs in the air, whether it's the SARS-CoV-2 virus, its

mutants or flu viruses. This makes UVC disinfection an important component in the prevention of infectious diseases.

The innovative air purifier has been awarded the Red Dot Design Award based on the jury's opinion: "With its unmistakable design and innovative disinfection technology which does without any chemicals and which does not produce ozone or other harmful substances, SteriWhite Air Q115 fulfils all the requirements placed on a contemporary air steriliser."

Glass & Lamps Segment

At this year's pro.vention trade fair in Erfurt, uv-technik Speziallampen GmbH presented pioneering UV components for comprehensive infection protection. The powerful UV lamps are precisely specified for the respective application in use such as the disinfection of air and surfaces in order to successfully inactivate bacteria and viruses. The UV system components are also used in plants for the treatment of drinking water, highly purified water or waste water. At the pro.vention trade fair, the UV specialist presented its broad portfolio and explained new areas of application in the disinfection market. In addition to air-optimised UVC disinfection lamps, the focus was on the company's electronic power supplies which enable energy-efficient operation of the lamps.

Selection of Memberships

Permanent exchange of experience with customers and interested parties is crucial to the success of the Hönlle Group. Furthermore, Hönlle is working closely with universities, research institutions and leading companies in the development of new processes and products. In addition, the Hönlle Group is member of several interest groups and organisations (excerpt in alphabetical sequence).



DECHEMA Gesellschaft für Chemische Technik und Biotechnologie e. V.



Der FlexoDruck.

DFTA Flexodruck Fachverband e. V.



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



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.



Sächsisches Institut für die Druckindustrie

POLYGRAPH Leipzig e. V.



VCI Verband der Chemischen Industrie e. V.

Environmental Aspects

Environmental Policy

In order to protect the environment, to meet its social and legal obligations and to cooperate in actively shaping a sustainable future, Dr. Hönle AG has defined the following guiding principles:

“Creating awareness to protect the environment and the careful use of resources are integrated in our daily processes to ensure the Company's active and comprehensive contribution along our value creation.

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 it afterwards. To accomplish this, we work closely with our partners, 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 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 plant at 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 176 tonnes per year¹.

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 will soon be installed on the roof of the logistics building. The system has an output of 200 kWp and will make it possible to save 154 tonnes¹ 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 the development and production staff for innovative UV LED systems.

The coronavirus pandemic has led to significant changes in professional and also in private life. With this in mind, Hönle developed high-performance air disinfection systems. The SARS-CoV-2 viruses and other pathogens contained in aerosols 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. Hönle has built up a product range of air disinfection systems that is constantly being expanded to include new and highly effective products.

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 Convention came into force in 2017 and is implemented into national laws such as the Ballast Water Act in Germany, which governs the ballast water management of ships and vessels. 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. In accordance with the most recent resolution of the Maritime Environment Protection Committee (MEPC) and the International Maritime Organization (IMO), all ships and vessels concerned must be equipped with systems for the treatment of ballast water by 2023 at the latest. This is to stop the world-wide migration of alien species through the intake and discharge of ballast water in the shipping sector.

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 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 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.

Raesch Quarz (Germany) GmbH manufactures high-quality quartz glass products for industrial applications. Products for the processing industry are made from various quartz sand mixtures using melting furnaces. The customers come from various branches of industry, such as the lighting, semiconductor, fibre cable, and water treatment industries. High temperatures are required for melting the sand. The energy required for this melting process is correspondingly high.

The company implemented a certified energy management system (EnMS) in compliance with its principle of sustainability and best environmental practice. The energy management system uses a systematic approach based on the DIN EN ISO 50001 standard. The system aims at improving energy efficiency and, consequently, the company's competitiveness. This provides not only economic benefits but also makes an important contribution to climate protection. High-quality insulation granules are used in the energy-intensive melting furnaces of Raesch Quarz (Germany) GmbH with a view to reducing energy consumption.

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. Dr. Hönle AG is not aware of any shareholders with participating interests in Dr. Hönle AG of more than 10%.

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 section 31 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 315 (4) Nos. 8 and 9 HGB are provided in the remuneration report presented below.

Employees

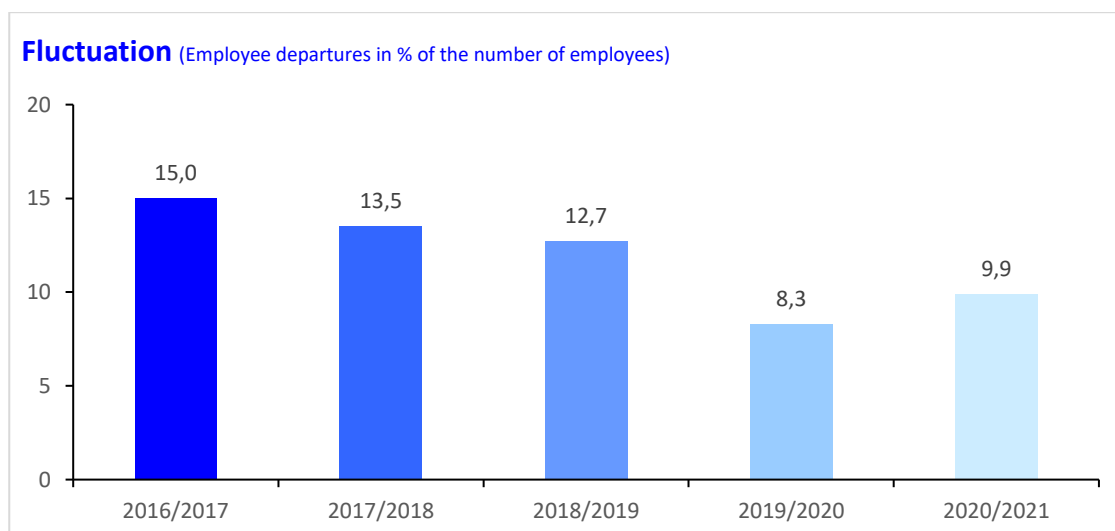
As at 30.09.2021, the number of Hönle Group employees was 667, which is significantly higher than the previous year's figure of 582. 60 employees worked part-time, which corresponds to a ratio of 10.3% of the total workforce. The fluctuation rate increased from 8.3% in the previous year to 9.9% in the reporting year.

Personnel expenses rose from T€ 33,219 in the previous year to T€ 39,676 in the reporting year largely in the context of the increase of the workforce.

Personnel Development

With a view to ensuring a high qualification level among its employees, Hönle regularly invests in employee qualification and training measures. In this context, the Company uses the services of both internal experts from the respective departments as well as external institutions. In financial year 2020/2021, expenses for staff training and qualification amounted to T€ 569 (PY: T€ 581).

Hönle invests in vocational training with a view to covering the future demand for qualified personnel: 33 young people were undergoing training in the Group as at 30.09.2021 (PY: 35). At present, the Hönle Group trains chemical laboratory assistants, electricians, IT specialists, warehouse logistics specialists, glass appliance builders, industrial clerks, industrial mechanics and others.



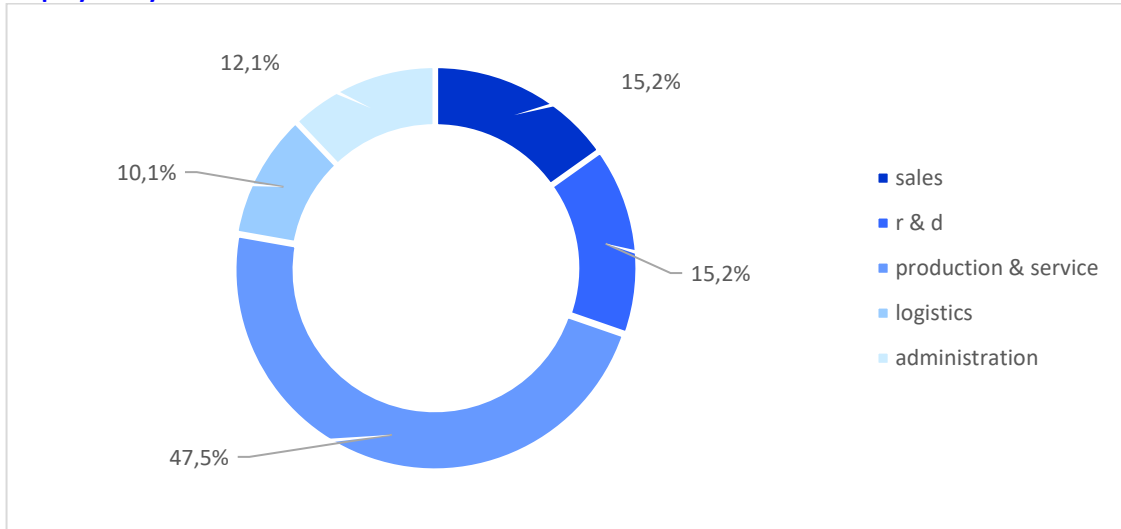
Employees by segments

| | 30.09.2021 | 30.09.2020 | +/- % |
|---------------------|------------|------------|-------|
| Adhesives | 139 | 130 | 6.9 |
| Equipment & Systems | 299 | 257 | 16.3 |
| Glass & Lamps | 229 | 195 | 17.4 |
| | 667 | 582 | 14.6 |

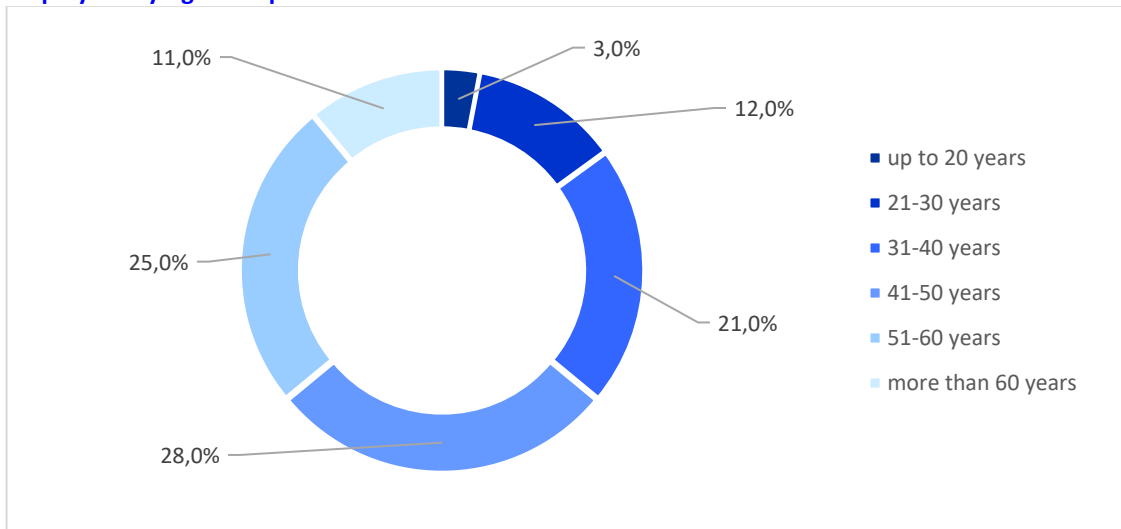
Personal expenses

| in T€ | 2020/2021 | 2019/2020 | +/- % |
|-----------------------------------|-----------|-----------|-------|
| Wages and salaries | 32,110 | 26,694 | 20.3 |
| Social security and pension costs | 7,566 | 6,525 | 15.9 |
| | 39,676 | 33,219 | 19.4 |

Employees by Functional Areas



Employees by Age Group



Opportunities and Risk Report

Risk Management Objective

As a leading technology company, the Höhle Group is exposed to numerous regulatory, technological and market-related changes. Recognising and exploiting the opportunities resulting from these changes is essential for Höhle's entrepreneurial success.

Dr. Höhle 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.

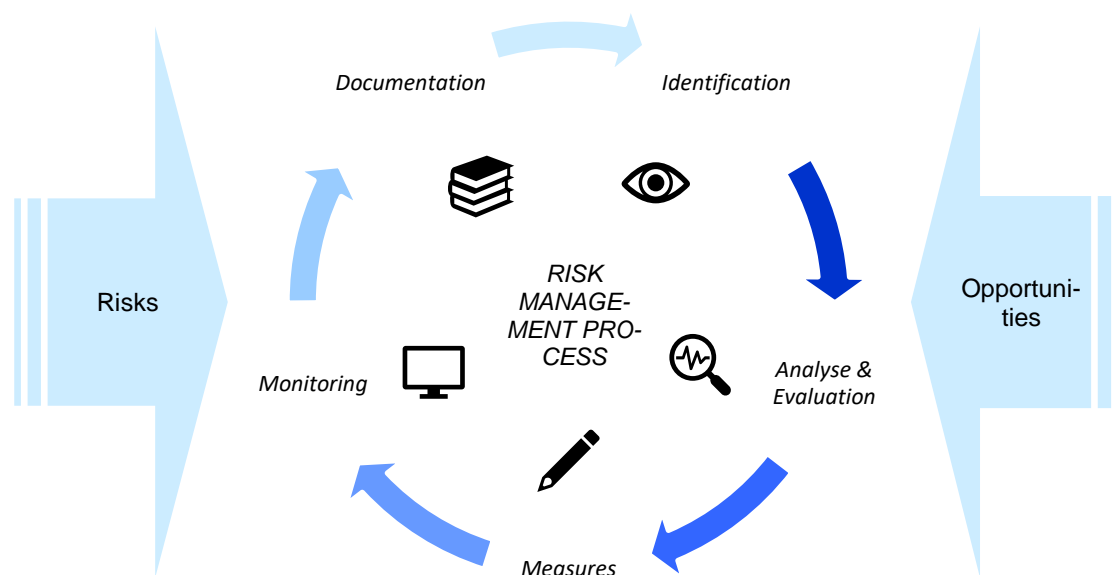
Risk Management Structure

For purposes of risk monitoring, Dr. Höhle 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 applies.

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. Höhle 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. The risk of a further economic slowdown due to the coronavirus pandemic is difficult to assess at this time. Supply bottlenecks on the global procurement markets currently represent the greatest risk for the Hönle Group. 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 to us at present or risks that we currently classify as insignificant may also impact adversely on our 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

After the sharp downturn in the economy in 2020 as a result of the coronavirus pandemic, the global economy recovered quickly. The decline in production activity caused by the lockdown led to considerable supply bottlenecks respecting raw materials and primary products after the restart. This increasingly slowed down industrial production in the course of 2021 and is expected to be a major drag on further development in 2022 as well.

The supply bottlenecks impacted adversely on the Hönle Group's revenue and earnings development in the year under review and are likely to do so in financial year 2020/2021. Hönle is meeting this challenge by increasing inventories and intensifying the analysis of supplier markets. At the same time, the the Hönle Group's high order backlog will positively influence the development of sales and earnings. In addition, the coronavirus pandemic also offers interesting opportunities for the Hönle Group. Hönle develops and markets UV air disinfection equipment that kills SARS-CoV-2 viruses and other germs in room air safely and efficiently. The air disinfection market offers considerable growth potential for the Hönle Group.

Market risks also arise from changes in general market data such as raw materials prices. The year 2021 saw some significant price increases for energy, raw materials and primary products, and rising energy and raw material prices can also be expected for 2022. 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 tensions 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 may arise from changed economic conditions - for example as a result of agreements on trade treaties or due to the Ballast Water Convention, which may 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 coronavirus pandemic or 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. In the past, the Hönle Group succeeded in recognising market developments at an early stage and making use of them to the Company's advantage.

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.

A brief grid-side power failure at Raesch Quarz (Germany) GmbH led to an unscheduled shutdown of several furnaces and interruption in production in the 2020/2021 financial year. Although a longer-term power failure has not occurred to date, it can never be ruled out completely. A power failure at the Raesch Group for a longer period of time would lead to considerable damage to technical equipment and prolonged interruption of production processes. Should the risks/costs ratio stay within a reasonable scope, the Raesch Group will initiate further hedging measures. In addition to the existing insurance coverage.

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 additional 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. Several indications suggest that the historically low interest rates could rise again in the future. In order to finance the acquisition of commercial real estate and to finance the acquisition of corporate shares, 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. At the same time, the current low level of interest rates enables favourable financing.

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 12.1 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.

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 includes 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 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 have been agreed with some financial institutions for certain loans, the liquidity risk could increase if the credit conditions are not met and the bank has the opportunity to call long-term debt due in the short term.

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. On the other hand, favourable market development could have a positive impact on the Company'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 represent a significant risk. Continuing supply bottlenecks may lead to delays in delivery dates at several Hönle Group companies. Furthermore, a budget deviation at Raesch Quarz (Germany) GmbH led to an impairment loss of € 7.5 million in the reporting year. Budget deviations at subsidiaries could also have a negative impact on the companies' and the group's net assets, financial position and results of operations in the future.

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, semiconductors and life science - are strategically important growth areas for the Hönle Group's future development. Due to the coronavirus pandemic, the UV air disinfection and UV surface disinfection business areas, in particular, will benefit from the increasing demand for room air purifying products.

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.

Remuneration Report

Remuneration of Management Board Members

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.

In some cases, pension commitments have been made to Management Board members. 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 based on performance

| in T€ | Salary | | Other Remuneration | | Total | |
|---------------------------------------|-----------|-----------|--------------------|-----------|-----------|-----------|
| | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 282 | 282 | 11 | 13 | 293 | 294 |
| Rainer Pumpe (since 01/01/2021) | 183 | 0 | 14 | 0 | 197 | 0 |
| Heiko Runge | 282 | 281 | 10 | 19 | 292 | 300 |
| | 748 | 563 | 35 | 32 | 783 | 594 |

Remuneration based on performance

| in T€ | Profit sharing bonuses | |
|---------------------------------|------------------------|-----------|
| | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 128 | 137 |
| Rainer Pumpe (since 01.01.2021) | 74 | 0 |
| Heiko Runge | 128 | 137 |
| | 329 | 275 |

Pension

| in T€ | Pension expenses pursuant to IAS 19 | |
|-----------------|-------------------------------------|-----------|
| | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 276 | 288 |
| Rainer Pumpe | 0 | 0 |
| Heiko Runge | 242 | 255 |
| | 517 | 544 |

Pension

| in T€ | Present value of defined benefit obligations | |
|-----------------|--|-----------|
| | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 3,237 | 3,126 |
| Rainer Pumpe | 0 | 0 |
| Heiko Runge | 2,905 | 2,833 |
| | 6,142 | 5,959 |

In addition, benefits amounting to T€ 4 (PY: T€ 12) were paid to surviving dependents of former Management Board members.

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 members Mr. Haimerl and Mr. Runge are 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 settlement of their remuneration and fringe benefits at the time of the premature termination up to the maturity date of their service agreements. 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 put in a position as though the Company had fulfilled the respective pension commitments up to the termination date stipulated in the service agreement.

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€ | 2020/2021 | 2019/2020 |
|---|-----------|-----------|
| Prof. Dr. Karl Höhle | 60 | 60 |
| Günther Henrich | 45 | 45 |
| Dr. Bernhard Gimple | 30 | 30 |
| Prof. Dr. Imke Libon (since 20.05.2021) | 18 | 0 |
| | 153 | 135 |

Forecast Report

Market Outlook

Extensive fiscal policy measures in many industrialised countries and the still expansionary monetary policy will ensure continuation of the global upswing with the USA as the main growth driver. Economic momentum has slowed in China. In the Eurozone, economic conditions have improved significantly since spring 2021, especially in those countries where the service sector plays an important economic role. The high order backlog ensures that the economic outlook remains positive. Vaccination rates are still very low in many emerging markets. In addition, many industrialised countries are suffering from the slow vaccination pace and a renewed sharp rise in the number of coronavirus infections. For 2022, the IMF (International Monetary Fund) predicts economic growth of 4.9%. Supply bottlenecks as well as insufficient transport capacities and a renewed increase in new coronavirus infections are the main risk factors endangering a strong economic development. The coronavirus crisis has turned into a resource scarcity crisis. The shortage of many raw materials is weighing heavily on the industry. The situation is exacerbated by drastic price fluctuations on the energy markets. The sharp rise in energy prices is also turning into an economic risk.

Outlook for the Höhle Group

The Höhle 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 within the three existing business segments.

Adhesives Segment

The new head office for the development, production and distribution of high-tech industrial adhesives was built in Steinbach near Frankfurt in the immediate vicinity of the previous location. The considerably enlarged laboratory areas for research & development, application technology and quality assurance were equipped with state-of-the-art analysis and testing equipment. The new production areas make it possible to optimise workflows and also allow for a perceptible increase in production capacity. The new location, which was occupied in spring 2021, has more than 6,000 square metres of floor space.

In the Adhesives segment, strong business development is expected in the new financial year, especially in the second half of the year. Ongoing customer projects and the enlarged customer base will contribute to this. In order to accommodate the planned growth, both the development and the sales

capacities in the Adhesives segment will be increased once again. In addition, another managing director will be recruited who will be responsible for international adhesive sales.

Equipment & Systems Segment

The Hönle Group significantly expanded its position in the life science market in the reporting year. To this end, the Company expanded its product range of high-performance devices for disinfecting air, water and surfaces. In addition, Hönle has acquired several technology companies with good expertise in the life science market.

The Management Board sees very good growth opportunities in the UVC air disinfection segment. The extremely tense pandemic situation coupled with public subsidy programmes will contribute to good business development in the Equipment & Systems segment. In the medium to long term, the Management Board expects air purification systems to become the standard solution for reducing the risk of infection with SARS-CoV-2 viruses, other cold viruses, bacteria and fungi in schools and child-care centres as well as in many other institutions. Very good sales development is thus expected in this business line in the 2021/2022 financial year. The Management Board expects that an additional annual sales volume of 15 to 40 million euros will be achieved with UV air sterilisation equipment and that the air disinfection business line will make a significant contribution to the Hönle Group's earnings in the future.

Furthermore, the Management Board predicts a positive development of the business with drying systems for the printing and coating market as well as with drying equipment for adhesives. This is also underpinned by the high order backlog in those fields of application.

Glass & Lamps Segment

Sales of UV lamps already rose sharply in the financial year under review. Sales of lamps and components will also contribute to very good business development at uv-technik Speziallampen GmbH in financial year 2021/2022. As in the previous year, life science will be the growth driver. The prospects for the air and water disinfection business lines are extremely good so that further increases in sales and earnings contributions are expected here.

As expected, the quartz glass market staged a recovery in the reporting year. Sales revenues generated at Raesch Quarz (Germany) GmbH and Raesch Quarz (Malta) Ltd. rose considerably. The expansion of capacities in development and sales is also expected to contribute to an increase in sales in the strategically important semiconductor and fibre optics markets at Raesch Quarz (Germany) GmbH in the new financial year. At € -6.5 million, Raesch Quarz (Germany) GmbH's operating result was clearly negative in the reporting year. The negative result was due to maintenance work, which led to increased furnace downtimes, as well as depreciation and amortisation on property, plant and equipment and current assets resulting from the impairment test.

The company's operating result is expected to improve considerably in financial year 2021/2022 in year-on-year terms and thus be nearly balanced.

Overall Assessment of Future Business Development

Despite the current supply bottlenecks on the world markets, the International Monetary Fund expects strong economic growth in 2022.

The Hönle Group's business development for the year 2021/2022 is difficult to forecast given the unforeseeable direct and indirect impact of the coronavirus pandemic on individual business segments.

The Hönle Group's order portfolio at the end of the financial year was about 80% above the previous year's level, which represents an excellent starting point for the new financial year.

In view of the high order backlog and the good business prospects, the Management Board expects a significant improvement in sales revenues and earnings for the Hönle Group in financial year 2021/2022 compared to the previous year's sales revenues and adjusted operating result.

The life science market will play a significant role in the Hönle Group's future business development. Hönle is developing UV air disinfection equipment for the inactivation of SARS-CoV-2 viruses. Other

pathogens, such as cold viruses, bacteria and fungal spores, can also be safely and efficiently inactivated or killed off using this equipment. Hönle is significantly expanding its internal and external manufacturing capacities with a view to meeting the high demand for air disinfection systems.

Other areas of application in the Life Science segment are the food industry, which is increasingly relying on UVC disinfection, and the shipping industry, which uses environmentally friendly UV technology to disinfect ballast water.

The business prospects in the printing and coating market, which Hönle supplies with UV drying systems, are also positive. Increased incoming orders and a high order backlog demonstrate a high willingness to invest on the part of customers.

Rising sales of lamps and devices for disinfection solutions will contribute to good business development in the Equipment & Systems and Glass & Lamps segments in the 2021/2022 financial year.

Strong business development is also expected again in the Adhesives segment in the new financial year. The broader customer base and a well-stocked project pipeline, combined with expanded sales and development capacities will contribute to this development.

Capital Expenditure

The amount of new and replacement investments for production facilities is expected to range between one and two million euros in financial year 2021/2022.

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 Sciences segments, in particular.

Gräfelfing, 30 December 2021

Norbert Haimerl
Management Board

Rainer Pumpe
Management Board

Heiko Runge
Management Board

Corporate Governance Statement

according to § 289f HGB und § 315d HGB

Declaration of compliance with the German Corporate Governance Code (DCGK) in accordance with Section 161 AktG of January 26, 2022

According to Section 161 (1) AktG, the executive board and Supervisory Board of a stock corporation listed in Germany are obliged to issue a declaration at least once a year on the extent to which the recommendations of the DCGK have been followed 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 board of directors and the Supervisory Board of Dr. Hönle AG published the following declaration of compliance on January 26, 2022.

The board of directors and the Supervisory Board of Dr. Hönle AG declare in accordance with Section 161 AktG that the recommendations of the Government Commission on the German Corporate Governance Code in the version of December 16, 2019 (DCGK 2019) published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been complied with the following exceptions and will:

Management tasks of the board of directors; Consideration of diversity when filling management positions

The German Corporate Governance Code recommends that the Management Board should pay attention to diversity when filling management positions (recommendation A.1). In accordance with the provisions of the Act on equal participation of women and men in management positions in the private and public sector of April 24, 2015, the Management Board has set targets for the proportion of women in the two management levels below the Management Board. The Executive Board set a target of at least 25% for the proportion of women in the first management level below the Executive Board, to be achieved by June 30, 2022. This corresponded to the proportion of women at this level at the time. Since June 23, 2021, the proportion of women in the first management level below the Management Board has been 0%. The Executive Board has also set a target of at least 0% for the proportion of women in the second management level below the Executive Board. It is therefore not possible to define a deadline for implementation. The Management Board is of the opinion that other aspects of diversity should not play a role when filling management positions, but rather that the personal qualifications and individual skills of the manager concerned should be the focus.

Management tasks of the board of directors; Establishment of a compliance management system and disclosure of its basic features; Protected whistleblower system

The German Corporate Governance Code recommends that the board of directors should disclose the main features of the compliance management system (recommendation A.2, sentence 1, 2nd clause). Dr. Hönle AG is not of the opinion that the publication of the compliance management system is necessary for adhering to compliance regulations. The Dr. Hönle AG therefore refrains from disclosing the main features of the compliance management system. Furthermore, the Code recommends that employees should be given the opportunity in a suitable manner to report violations of the law in the company in a protected manner (recommendation A.2, sentence 2, 1st half-sentence). Executive Board and Supervisory Board of Dr. Hönle AG are of the opinion that the establishment of a protected whistleblower system for compliance with the applicable laws and regulations by the Management Board, Supervisory Board and employees of Dr. Hönle AG is not required.

Composition of the board of directors; Attention to diversity

The German Corporate Governance Code recommends that the Supervisory Board pay attention to diversity when appointing the executive board (recommendation B.1). In accordance with the provisions of the law on the equal participation of women and men in management positions in the private sector and in the public sector of April 24, 2015, the Supervisory Board of Dr. Hönle AG set a target to be achieved for the proportion of women on the Management Board of Dr. Hönle AG of at least 0%. It is

therefore not possible to define a deadline for implementation. The board members of the Dr. Höhle AG successfully manage the group. The management of the Dr. Höhle AG is secured. When selecting Management Board members, the Supervisory Board will generally base its selection on the qualifications and individual skills of the candidate. In the opinion of the Supervisory Board, gender, age or other aspects of diversity are not decisive when filling the Management Board; the only decisive factor is finding the most suitable person for the Management Board position to be filled. There are currently no plans to raise the existing target for the proportion of women on the Executive Board from at least 0% or to take other aspects of diversity into account when making appointments.

Composition of the board of directors; Re-appointment before one year before the end of the appointment period

The German Corporate Governance Code recommends that a member of the Board of Management should only be reappointed within one year before the end of the term of office while the current appointment is canceled at the same time only in special circumstances (recommendation B.4). According to company law, neither a special nor an important reason is required for a premature reappointment before the end of one year before the end of the appointment period with a simultaneous cancellation of the current appointment. The Supervisory Board adheres to the requirements of stock corporation law for the reappointment of Management Board members. At the same time, however, the Supervisory Board would like to be able to react as flexibly as possible to what the Supervisory Board believes is necessary for the reappointment of a member of the Management Board, without the need for "special circumstances" in the sense of the Code recommendation.

Composition of the board of directors; Determination of an age limit for members of the Management Board

The German Corporate Governance Code recommends that an age limit be set for board members and stated in the corporate governance statement (recommendation B.5). The Supervisory Board is of the opinion that the personal qualifications and individual abilities of a member of the Management Board, but not their age, are decisive when making appointments to the Management Board. Therefore, the Supervisory Board of Dr. Höhle AG has not set any fixed age limits for the members of the Management Board. Since there is no age limit, one is consequently not specified in the corporate governance declaration.

Composition of the Supervisory Board; Naming concrete goals

The German Corporate Governance Code recommends that the Supervisory Board should specify concrete goals for its composition and develop a competence profile for the entire Board (recommendation C.1). The Supervisory Board should pay attention to diversity. Proposals by the Supervisory Board to the Annual General Meeting should take these goals into account and at the same time strive to fill out the competence profile for the entire Board. The status of implementation is to be published in the corporate governance statement. This should also provide information on the number of independent shareholder representatives and the names of these members, which the shareholder representatives on the Supervisory Board believe is appropriate.

The Supervisory Board of Dr. Höhle AG consisted of three members and since 23 March 2021 of has consisted of four members. Dr. Höhle AG is of the opinion that personal qualifications and individual abilities, but not, for example, gender or age or other aspects of diversity or the ownership structure of the company are decisive when filling the Supervisory Board. The Dr. Höhle AG sees such a stipulation as an unreasonable restriction of the shareholders' right to elect the members of the Supervisory Board. Therefore, the Supervisory Board has not formulated any concrete goals or competence profiles in terms of the Code for its composition. Dr. Höhle AG therefore will not publish the objectives of the composition of the Supervisory Board or the fulfillment of the competence profile and the status of implementation in the declaration on corporate governance. The same applies to the number of independent members and their names. The Supervisory Board of Dr. Höhle AG however has formulated a target for the proportion of women on the Supervisory Board in accordance with the provisions of the law on the equal participation of women and men in management positions in the private sector and in the public sector of April 24, 2015. Since the Dr. Höhle AG is not subject to the Codetermination Act, its Supervisory Board does not have to be made up of at least 30% women and at least 30% men. The Supervisory Board of Dr. Höhle AG has set a target of at least 0% for the proportion of women on the

Supervisory Board. It is therefore not possible to define a deadline for achieving the target. At the Annual General Meeting on March 23, 2021, Prof. Libon was elected to the Supervisory Board of Dr. Hönle AG. The Supervisory Board was thus expanded by one more member to four members. Since Prof. Libon was entered in the commercial register on May 20, 2021, the proportion of women on the Supervisory Board has been 25%. At the Annual General Meeting on March 24, 2022, the Supervisory Board is to be expanded by one more member to five members. The Supervisory Board will set the target for the proportion of women on the Supervisory Board and the target achievement period after the Annual General Meeting.

Composition of the Supervisory Board; Age limit to be specified for members of the Supervisory Board

The German Corporate Governance Code recommends that an age limit be set for members of the Supervisory Board and stated in the corporate governance statement (recommendation C.2). The Supervisory Board of Dr. Hönle AG has not set any fixed age or other affiliation limits for its members. Dr. Hönle AG sees such a stipulation as an unreasonable restriction of the shareholders' right to elect the members of the Supervisory Board.

Independence of the Supervisory Board members; Length of membership on the Supervisory Board

The German Corporate Governance Code recommends that the shareholder side, when assessing the independence of their members from the company and the Management Board, should in particular take into account whether the Supervisory Board member himself or a close family member of the Supervisory Board member has been a member of the Supervisory Board for more than 12 years (recommendation C.7 paragraph 2 last indent). Prof. Dr. Hönle has been a member of the Supervisory Board of Dr. Hönle AG. Due to his many years of expertise in the company's business, Prof. Dr. Hönle excellently suited to monitor the management. Limiting the Supervisory Board mandate to 12 years would be disadvantageous for the company. Although Prof. Dr. Hönle has long been a member of the Supervisory Board of Dr. Hönle AG, he is to be regarded as independent.

Independence of the Supervisory Board members; Chairman of the Supervisory Board

The German Corporate Governance Code recommends that the chairman of the Supervisory Board should be independent of the company and the management board (recommendation C.10). Prof. Dr. Hönle has been a member of the Supervisory Board of Dr. Hönle AG and has been Chairman of the Supervisory Board since 2015. Due to his many years of expertise in the field of optics and laser technology as well as his experience in the management of companies, Prof. Dr. Hönle excellently suited to monitor the management. Limiting the Supervisory Board mandate to 12 years would be disadvantageous for the company. Even if Prof. Dr. Hönle has been a member of the Supervisory Board of Dr. Hönle AG for a long time, he is to be regarded as independent.

Working methods of the Supervisory Board; Committees of the Supervisory Board

The German Corporate Governance Code recommends that the Supervisory Board form professionally qualified committees, regardless of the specific circumstances of the company and the number of its members. This recommendation D.2 and the other recommendations D.3, D.4 and D.5 deal with the requirements for the composition and chairing of the relevant committees. The Supervisory Board of Dr. Hönle AG previously consisted of three members and has consisted of four members since March 23, 2021. Since January 2022, the Supervisory Board of Dr. Hönle AG has an audit committee.

Transparency and external reporting; Dates for financial information

The German Corporate Governance Code recommends that the consolidated financial statements and the group management report should be made publicly accessible within 90 days after the end of the financial year and the mandatory interim financial information should be made publicly accessible within 45 days after the end of the reporting period (recommendation F.2). As before, Dr. Hönle AG will continue to provide preliminary figures for the financial year within 90 days. However, the annual report is published within four months of the end of the reporting period in accordance with the stock exchange regulations of the Frankfurt Stock Exchange for Prime Standard stocks. Half-yearly reports and quarterly statements are published within two months after the end of the reporting period in accordance with the stock exchange regulations of the Frankfurt Stock Exchange. Shortening publication

times would increase administrative costs disproportionately. The publication deadlines will therefore remain unchanged until further notice.

Compensation of the board of directors; Ratio of long-term goals to short-term goals in variable remuneration

The German Corporate Governance Code recommends (recommendation G.6) that the variable remuneration resulting from the achievement of long-term goals should exceed the proportion of short-term goals. 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 resulting from the achievement of long-term goals does not exceed the proportion of short-term goals.

Compensation of the board of directors; Performance Criteria for Variable Compensation Components

The German Corporate Governance Code recommends that the Supervisory Board should determine the performance criteria for the forthcoming financial year for each individual member of the Management Board for all variable remuneration components, which should be based primarily on strategic objectives in addition to operational ones (recommendation G.7). The Supervisory Board should also determine to what extent individual targets of the individual members of the Board of Management or targets for all members of the Board of Management together are decisive. The Supervisory Board of Dr. Hönle AG is of the opinion that the Management Board of Dr. Hönle AG operational performance criteria should be used for the majority of the variable remuneration components, behind which there is also a strategic objective. The Supervisory Board believes that the definition of the individual goals of the members of the Management Board should not be decisive. A remuneration system based on setting individual targets would be too complicated and possibly open to too much room for interpretation.

Compensation of the board of directors; Variable remuneration in company shares

The German Corporate Governance Code recommends that the variable remuneration amounts granted to the Management Board be invested primarily in shares in the company or granted on a share-based basis, taking into account the respective tax burden (recommendation G.10 S. 1). The Management Board member should only be able to dispose of the long-term variable amounts granted after four years (recommendation G.10 p. 2). The compensation system of Dr. Hönle AG does not provide for variable remuneration in the form of company shares or corresponding share-based remuneration. The variable remuneration system has proven over a long period of time at Dr. Hönle AG. A conversion is therefore not planned.

Compensation of the board of directors; Extraordinary Developments

The German Corporate Governance Code recommends that the Supervisory Board should have the opportunity to take extraordinary developments into account (recommendation G.11). In justified cases, variable remuneration should be withheld or reclaimed. According to Section 87 (2) AktG, the Supervisory Board should reduce the remuneration to an appropriate level if the company's situation deteriorates to such an extent that it would be unreasonable for the company to continue to receive the remuneration in accordance with Section 1. According to this, the Supervisory Board already has a legal right to reduce the remuneration. In the opinion of the Supervisory Board of Hönle AG, further contractual rights to take extraordinary developments into account are not required.

Compensation of the board of directors; Severance pay cap and offset against waiting allowance

The German Corporate Governance Code recommends that payments to a member of the Board of Management in the event of early termination of the Board of Management activity should not exceed the value of two annual salaries (severance pay cap) and should not pay more than the remaining term of the employment contract. In the case of a post-contractual non-competition clause, the severance payment should be offset against the waiting allowance (recommendation G.13). From the perspective 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 for waiting due to a post-contractual non-competition clause are two fundamentally different payments. The severance payment for the

remaining contractual term is based on the remaining term in the employment contract. If this is more than two years at the time of early termination, the company feels bound by the contract and accordingly grants the remuneration for the entire remaining term. The post-contractual non-competition clause, on the other hand, aims to ensure that the member of the Management Board does not start working directly for a competitor after completing his/her position on the Management Board. The board member is entitled to compensation for this. In the opinion of the Supervisory Board, however, the waiting allowance has no material connection to the severance payment for the remaining contractual term. Therefore, in the opinion of the Supervisory Board, offsetting the waiting allowance against the severance payment is not convincing.

Compensation of the board of directors; Decision of the Supervisory Board on the crediting of the remuneration of non-Group Supervisory Board mandates to the remuneration of the Management Board members

The German Corporate Governance Code recommends that the Supervisory Board should decide whether and the extent to which the remuneration is to be credited (recommendation G.16). The Supervisory Board is of the opinion that the members of the Board of Management should be able to decide for themselves and on their own responsibility within the scope of their due discretion, within the scope of their managerial competence, whether they can take on other non-Group Supervisory Board mandates in view of the time required for their Board of Management mandate. If the Management Board members agree, the Supervisory Board is of the opinion that the remuneration for external Supervisory Board mandates should not be offset against the Management Board remuneration of the relevant Management Board member, since the Supervisory Board remuneration for external Supervisory Board mandates is intended to compensate for the additional workload of the person concerned associated with the mandate.

Reference to the company's website on which the remuneration report for the last financial year and the auditor's report in accordance with Section 162 AktG, the applicable remuneration system in accordance with Section 87a (1) and (2) sentence 1 AktG and the most recent remuneration resolution in accordance with Section 113 (3) AktG are publicly accessible be made

Section 289f HGB in the version applicable from January 1, 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 December 31, 2020. The information on the remuneration report for the last financial year and the auditor's note in accordance with Section 162 of the German Stock Corporation Act and the last remuneration resolution in accordance with Section 113 (3) of the German Stock Corporation Act are currently not yet to be made public separately on the website of Dr. Hönle AG. The remuneration system resolved by the Supervisory Board in accordance with Section 87a Paragraph 1 and 2 Clause 1 of the German Stock Corporation Act, which was approved by the Annual General Meeting on March 23, 2021, is available on the Dr. Hönle AG's website at <https://www.hoenle.com/investor-relation/corporate-governance>.

Information on corporate governance practices

Responsible action in all areas of the Group is important to Dr. Hönle AG, going beyond the legal regulations and the DCGK. However, this behavior is currently not regulated in a specific code of conduct, but is lived in daily practice.

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

The board of directors and the Supervisory Board of Dr. Hönle AG form the dual management and control structure in accordance with the provisions of German stock corporation law. The Board of Management and the Supervisory Board work closely together for the benefit of the company.

Tasks and working methods of the Management Board

The board of directors of Dr. Hönle AG consisted of two and since January 2021 has consisted of three people. The Executive Board manages the company independently in the interests of the company, develops the company's strategic orientation, coordinates it with the Supervisory Board and ensures that

it is implemented. The Management Board manages the company's business on its own responsibility in accordance with the law, the Articles of Association and the Management Board's rules of procedure, as well as taking into account the resolutions of the Annual General Meeting. The allocation of responsibilities and cooperation within the board of directors are regulated, among other things, in the rules of procedure for the board of directors. There is no CEO or spokesman at Dr. Hoenle AG. The Management Board represents the company in dealings with third parties. Management is based on regular strategic discussions at board level and with the heads of the business units. The Executive Board is informed monthly about the development of key parameters of Dr. Hönle AG and its subsidiaries. The Executive Board takes suitable measures to identify developments that could jeopardize the continued existence of the company at an early stage. This system is continuously being further developed and adapted to changing framework conditions. The risk report contains further information on risk management. The German Corporate Governance Code recommends that an age limit be set for members of the Management Board (recommendation B.5 GCGC 2019). The Supervisory Board is of the opinion that the personal qualifications and individual abilities of a member of the Management Board, but not their age, are decisive when making appointments to the Management Board. Therefore, the Supervisory Board of Dr. Hönle AG has not set any fixed age limits for the members of the Management Board.

Tasks and working methods of the Supervisory Board

The Supervisory Board of Dr. Hönle AG appoints the members of the Management Board, monitors and advises the Management Board on the conduct of business. It is always involved in a timely and appropriate manner in all decisions of fundamental importance. The Executive Board informs him regularly, promptly and comprehensively about the course of business, the earnings and financial situation, the employment situation as well as the planning and projects of the company. In order to prepare for the meetings, the Supervisory Board regularly receives written reports from the Management Board. After careful examination and consultation, the Supervisory Board passes resolutions where necessary. The Supervisory Board currently has four members. It is planned to elect the Supervisory Board of Dr. Hönle AG by one member, so that the Supervisory Board will then consist of five members. Rules of procedure regulate the tasks of the Supervisory Board and the internal organization of the Supervisory Board. The Supervisory Board holds at least two meetings per half calendar year. The meetings of the Supervisory Board are usually held as face-to-face meetings. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board or, if he is unavailable, by his deputy. The resolutions of the Supervisory Board are passed in meetings chaired by the Chairman of the Supervisory Board. The type of voting is determined by the Chairman of the Supervisory Board. Resolutions can also be passed in writing, by telex, telephone, fax or telegram 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 presented in the Report of the Supervisory Board. The German Corporate Governance Code recommends that the Supervisory Board should ensure long-term succession planning together with the management board. The Supervisory Board of Dr. Hönle AG is in constant contact with the Management Board as to whether the current composition of the Management Board corresponds to the strategic goals of the company or whether additional Management Board members should be appointed in order to meet the strategic goals of the company. Employees and executives of the company are individually promoted through training courses and prepared for possible management positions. As a matter of principle, the Supervisory Board initially attempts to recruit executives from the Group for a position on the Management Board. If no suitable candidates are available within the Group, the Supervisory Board uses recruitment agencies to identify and recruit suitable candidates for any Management Board position that may need to be filled. The DCGK gives concrete recommendations for the composition of the Supervisory Board. The GCGC recommends, among other things, that the Supervisory Board should name specific goals for its composition and develop a competence profile for the entire board. The Supervisory Board should pay attention to diversity. Proposals by the Supervisory Board to the Annual General Meeting should take these goals into account and at the same time strive to complete the competence profile for the entire Board (recommendation C.1 DCGK 2019). Dr. Hönle AG is of the opinion that personal qualifications and individual abilities, but not, for example, gender or age or other aspects of diversity or the ownership structure of the company are decisive when filling the Supervisory Board. Dr. Hönle AG sees

such a stipulation as an inappropriate restriction of the shareholders' right to elect the members of the Supervisory Board. Therefore, the Supervisory Board has not formulated any concrete goals or competence profiles within the meaning of the DCGK for its composition. Dr. Hönle AG will therefore not publish the objectives of the composition of the Supervisory Board or the fulfillment of the skills profile and the status of implementation in the declaration on corporate governance. The same applies to the number of independent members and their names. Furthermore, according to recommendation C.2 DCGK 2019, an age limit should be set for members of the Supervisory Board and stated in the corporate governance declaration. The Supervisory Board of Dr. Hönle AG has not set any fixed age or other affiliation limits for its members. Dr. Hönle AG sees such a stipulation as an inappropriate restriction of the shareholders' right to elect the members of the Supervisory Board.

In addition, if one or more of the indicators specified in Recommendation C.7 DCGK 2019 are met and the Supervisory Board member concerned is still considered independent, this should be justified in the corporate governance statement. Prof. Dr. Hönle has been a member of the Supervisory Board of Dr. Hönle AG since 1999. Due to his many years of expertise in the company's business, Prof. Dr. Hönle excellently suited to monitor the management. Limiting the Supervisory Board mandate to 12 years would be disadvantageous for the company. From the point of view of the company, he is therefore to be regarded as independent. According to recommendation D.13 DCGK 2019, the Supervisory Board should regularly assess how effectively the Supervisory Board and its committees as a whole are fulfilling their tasks. At its meetings, the Supervisory Board regularly assesses the efficiency of its activities. This is done every two years. The self-assessment is standardized and essentially includes the areas of session preparation, course, duration, -frequency and documentation as well as the content of the meetings and the cooperation with the board of directors and auditors. The last self-assessment was carried out in the year under review, and the efficiency of the Supervisory Board's work was confirmed.

Committees of the Supervisory Board

The Supervisory Board of Dr. Hönle AG previously consisted of three members and has consisted of four members since March 23, 2021. Since January 2022, the Supervisory Board of Dr. Hönle AG has had an audit committee in accordance with recommendation D.3 DCGK 2019, which deals in particular with auditing the accounting, monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system as well as the audit of the financial statements and compliance. Mr. Günther Henrich is the chairman of the examination board and Ms. Prof. Imke Libon and Mr. Dr. Bernhard Gimpele are members of the Audit Committee.

Target figures for the proportion of women in the two management levels below the Management Board; Target figures for the proportion of women on the Supervisory Board and the Management Board

In accordance with Principle 3 DCGK 2019, the Executive Board sets targets for the proportion of women in the two management levels below the Executive Board. This was done by the board of Dr. Hönle AG also in accordance with the provisions of the law on the equal participation of women and men in management positions in the private sector and in the public sector of April 24, 2015. The Management Board set a target for the proportion of women in the first to be achieved by June 30, 2022 for Management level below the Management Board of at least 25%. This corresponded to the proportion of women at this level at the time. Since June 23, 2021, the proportion of women in the first management level below the Management Board has been 0%. The Executive Board has also set a target of at least 0% for the proportion of women in the second management level below the Executive Board. It is therefore not possible to define a deadline for implementation. The Executive Board is of the opinion that personal qualifications and individual ability, not gender, are decisive when filling management positions.

In accordance with Principle 9 DCGK 2019, the Supervisory Board sets targets for the proportion of women on the Management Board. This was done by the Supervisory Board of Dr. Hönle AG, also in accordance with the provisions of the law on the equal participation of women and men in management positions in the private sector and in the public sector of April 24, 2015. Hönle AG of at least 0%. It is therefore not possible to define a deadline for implementation. The board members of the Dr. Hönle AG, Mr. Haimerl, Mr. Pumpe and Mr. Runge successfully manage the group. For this reason, no

minimum target for the proportion of women on the Board of Management greater than 0% should be set. In general, the Supervisory Board will continue to base its selection of Management Board members on the qualifications and individual skills of the candidate. In the opinion of the Supervisory Board, gender and age are not decisive when filling the Management Board; the only decisive factor is finding the most suitable person for the Management Board position to be filled.

The Supervisory Board has set a target for the proportion of women on the Supervisory Board in accordance with the provisions of the law on equal participation of women and men in management positions in the private sector and in the public sector of April 24, 2015. The Supervisory Board of Dr. Höhle AG has set a target of at least 0% for the proportion of women on the Supervisory Board. It is therefore not possible to define a deadline for achieving the target. At the Annual General Meeting on March 23, 2021, Prof. Libon was elected to the Supervisory Board of Dr. Höhle AG. The Supervisory Board was thus expanded by one more member to four members. Since Prof. Libon was entered in the commercial register on May 20, 2021, the proportion of women on the Supervisory Board has been 25%. At the Annual General Meeting on March 24, 2022, the Supervisory Board is to be expanded by one more member to five members. The Supervisory Board will set the target for the proportion of women on the Supervisory Board and the target achievement period after the Annual General Meeting.

[Information on compliance with the minimum proportions of women and men on the Supervisory Board](#)

In accordance with principle 11 DCGK 2019, the Supervisory Board is to be composed in such a way that statutory gender quota is observed. A fixed gender quota of at least 30 percent women and men for Supervisory Boards is not required at Dr. Höhle AG, as the company is neither subject to the German Codetermination Act nor was it the result of a cross-border merger.

[Description of the diversity concept or explanation of the lack of a diversity concept](#)

Dr. Höhle AG does not pursue a detailed diversity concept for the Supervisory Board, the Management Board or for management functions in the company (Recommendations A.1, B.1, C.1 GCGC 2019). Höhle does not think, that rigid criteria, quotas or skill profiles that restrict flexibility in personnel decisions and the number of possible candidates make sense. Instead, the personal qualifications and individual abilities of a candidate are given priority. When electing the members of the Board of Management and the Supervisory Board, Dr. Höhle AG considers age, gender, cultural background, educational and professional background, among other things, and strives for a diverse composition.

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 (59)

Responsible for Finances and Human Resources

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 and was appointed to the Management Board with effect from 1 January 2000.

Rainer Pumpe

Graduate Engineer (54)

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 (57)

Responsible for Sales and Technology

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. Here, his first position was as marketing manager, and he was appointed to the Management Board with effect from 1 January 2000.

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 Stadtparkasse Munich.

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, 30. December 2021

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 2021 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 2020 to 30 September 2021 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 2020 to 30 September 2021. 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 2021 and its results of operations for the financial year from 1 October 2020 to 30 September 2021 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 2020 to 30 September 2021. 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:

- Value of goodwill
- Value of deferred tax assets

We have structured our presentation of these critical audit matters 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. Höhle AG disclose goodwill in the amount of T€ 21,119 (PY T€ 18,849) under non-current assets. The item accounts for 10.4% of the consolidated balance sheet total (PY 9.6%). 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 a complete impairment of the goodwill of a cash-generating unit in the amount of T€ 3,387.
- 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.
- 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.

Value of deferred tax assets

- 1) The deferred tax assets in the amount of T€ 4,870 (PY T€ 5,867) disclosed in the consolidated statement of financial position include tax losses carried forward in the amount of T€ 1,189 (PY T€ 2,172). In our view, this fact represents a critical audit matter since the multi-year planning as a basis for the value of deferred taxes is highly dependent on the assessment and assumptions of the legal representatives, and is therefore subject to uncertainties.

- 2) We assessed the value of the above-stated deferred tax assets on the basis of the planning prepared by the legal representatives, and the appropriateness of the planning premises used. We have also assessed the correctness of the reconciliation of the planning result with the tax result, the compatibility of methods used for determining deferred taxes with IAS 12 and the arithmetical correctness. In the process, we were able to verify the assumptions made by the legal representatives and the methods applied.
- 3) The company's information on deferred tax assets is included in the sections "5 – Accounting and Valuation Method", "15 – Taxes on Income" and "23 – Deferred Tax Assets and Liabilities" 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 23 March 2021 appointed us as group auditors. The Supervisory Board commissioned us on 21 October 2021. 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, 26 January 2022

SONNTAG GmbH
Wirtschaftsprüfungsgesellschaft

Mairock
Public Auditor

Dr. Burkhardt-Böck
Public Auditor

If the consolidated financial statements and the management report of Dr. Hönle AG and the Group are published, reproduced or forwarded to third parties in a form deviating from the certified version and if our audit opinion is quoted or reference is made to our audit, a renewed statement by us is required beforehand. This also applies to translations of the consolidated financial statements into other languages. In this regard, we refer to Section 328 of the German Commercial Code (HGB).

Consolidated Income Statement

for the period from 1 October 2020 to 30 September 2021 according to IFRS

| in T€ | Notes | 01.10.2020- 30.09.2021 | 01.10.2019- 30.09.2020 |
|--|-------|---------------------------|---------------------------|
| Revenue | (6) | 115,170 | 93,876 |
| Changes in inventories of finished goods and work in progress | | 3,058 | -618 |
| Other work performed by entity and capitalised | | 47 | 26 |
| Other operating income | (7) | 1,601 | 1,213 |
| Cost of purchased materials and services | (8) | 48,932 | 32,747 |
| Personnel expenses | (9) | 39,676 | 33,219 |
| Depreciation and amortisation of property, plant and equipment and intangible assets | (10) | 9,812 | 3,486 |
| Amortisation of rights of use IFRS 16 | (43) | 3,692 | 3,122 |
| Other operating expenses | (11) | 17,445 | 13,660 |
| Impairment pursuant to IFRS 9 | | -30 | 164 |
| Operating result/EBIT | | 349 | 8,099 |
| Profit/loss from investments accounted for using the equity method | (12) | 19 | 11 |
| Financial income | (13) | 144 | 193 |
| Financial expenses | (14) | 1,121 | 457 |
| Financial result | | -958 | -253 |
| Earnings before tax and non-controlling interests/EBT | | -608 | 7,846 |
| Income taxes | (15) | -4,252 | 2,241 |
| Consolidated profit | | -4,860 | 5,605 |
| Share of earnings attributable to non-controlling interests | (16) | -40 | -73 |
| Share of earnings attributable to Dr. Höhle AG shareholders | | -4,820 | 5,678 |
| Earnings per share (basic) in € * | (19) | -0.80 | 1.02 |
| Earnings per share (diluted) in € * | (19) | -0.80 | 1.02 |

Consolidated Statement of Comprehensive Income

for the period from 1 October 2020 to 30 September 2021 according to IFRS

| in T€ | Notes | 01.10.2020- 30.09.2021 | 01.10.2019- 30.09.2020 |
|---|-------|---------------------------|---------------------------|
| Consolidated profit | | -4,860 | 5,605 |
| Other comprehensive income: | | | |
| Positions that may be subsequently reclassified to profit or loss | | | |
| Currency translation differences | (31) | 61 | -241 |
| Other comprehensive income from hedge accounting | (47) | 1,582 | -504 |
| Income tax effects | (23) | -329 | 142 |
| Positions not reclassified to profit or loss | | | |
| Change in actuarial gains/losses from pensions | (35) | 1,072 | -311 |
| Deferred tax from change to actuarial gains/losses from pensions | (23) | -158 | 78 |
| Total other comprehensive income | | 2,228 | -836 |
| Total comprehensive income | | -2,632 | 4,769 |
| Thereof: | | | |
| Comprehensive income attributable to non-controlling interests | | -40 | -73 |
| Comprehensive income of Dr. Hönle AG shareholders | | -2,592 | 4,842 |

Consolidated Statement of Financial Position

as at 30 September 2021 according to IFRS

| in T€ | Notes | 30.09.2021 | 30.09.2020 |
|---|----------|----------------|----------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Goodwill | (20) | 21,119 | 18,849 |
| Intangible assets | (20) | 2,889 | 2,178 |
| Property, plant and equipment | (20) | 87,801 | 76,809 |
| Investment property | (20) | 1,093 | 1,132 |
| Investments accounted for using the equity method | (22) | 282 | 263 |
| Financial assets | (20) | 26 | 26 |
| Other non-current assets | (21) | 2,272 | 2,103 |
| Deferred tax assets | (23) | 4,870 | 5,867 |
| Total non-current assets | | 120,350 | 107,226 |
| CURRENT ASSETS | | | |
| Inventories | (24) | 46,725 | 35,246 |
| Trade accounts receivable | (25) | 17,057 | 14,253 |
| Receivables from companies in which an equity interest is held | (26) | 98 | 117 |
| Finance lease receivables | | 112 | 0 |
| Other current assets | (27) | 3,228 | 3,040 |
| Tax refund claims | (28) | 2,311 | 1,190 |
| Cash and cash equivalents | (29) | 12,073 | 34,175 |
| Total current assets | | 81,605 | 88,020 |
| Non-current assets held for sale | (30) | 950 | 950 |
| TOTAL ASSETS | | 202,905 | 196,196 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Subscribed capital | (31) | 6,063 | 6,063 |
| Own shares | (31) | -8 | -8 |
| Capital reserves | (31) | 41,979 | 41,979 |
| Retained earnings | (31) | 62,683 | 68,307 |
| Equity attributable to Dr. Hönle AG shareholders | | 110,716 | 116,340 |
| Non-controlling interests | (31) | 406 | 345 |
| Total equity | | 111,122 | 116,685 |
| NON-CURRENT LIABILITIES | | | |
| Non-current loans (les current portion) | (32) | 45,520 | 37,594 |
| Non-current finance lease liabilities | (33, 43) | 2,548 | 2,015 |
| Other non-current liabilities | (34) | 6,667 | 9,392 |
| Pension provisions | (35) | 8,603 | 8,820 |
| Accrued public investment grants | (36) | 137 | 200 |
| Deferred income tax liabilities | (23) | 656 | 421 |
| Total non-current liabilities | | 64,131 | 58,442 |
| CURRENT LIABILITIES | | | |
| Trade accounts payable | (37) | 9,431 | 6,487 |
| Liabilities to companies in which an equity investment is held | (26) | -23 | 34 |
| Contract liabilities | (38) | 3,106 | 1,621 |
| Current liabilities from finance leasing | (33, 43) | 1,588 | 3,216 |
| Current liabilities to banks and current portion of non-current loans | (39) | 3,890 | 3,474 |
| Other current liabilities | (40) | 6,645 | 4,363 |
| Other provisions | (41) | 663 | 637 |
| Income tax liabilities | (42) | 2,352 | 1,236 |
| Current liabilities, total | | 27,652 | 21,069 |
| TOTAL EQUITY AND LIABILITIES | | 202,905 | 196,196 |

Consolidated Statement of changes in Equity

for the period from 1 October 2020 to 30 September 2021 according to IFRS

| in T€ | R e t a i n e d e a r n i n g s | | | | | | | | | E q u i t y | | Total |
|---|---------------------------------|---------------|----------------------|--|--|--|---|---|---|--|----------------|-------|
| | Sub- scribed capital | Own shares | Capital- reserves | Legal and other re- serves | Reserve from mea- sures. acc. to IFRS 9 | Reserve for hedging trans- actions | Reserve for actuarial gains/ losses IAS 19 | Reserve for currency- diffe- rences | attri- butable to Dr. Hönle AG share- holders | Non- control- ling - interest | | |
| | | | | | | | | | | | | |
| As at 01.10.2019 | 5,513 | -8 | 16,596 | 73,395 | 341 | -4,276 | -3,630 | 2,044 | 89,976 | 146 | 90,122 | |
| Consolidated net income for the year | - | - | - | 5,678 | - | - | - | - | 5,678 | -73 | 5,605 | |
| Other comprehensive income | - | - | - | - | 1 | -362 | -233 | -241 | -836 | 0 | -836 | |
| Total comprehensive income | - | - | - | 5,678 | 1 | -362 | -233 | -241 | 4,842 | -73 | 4,769 | |
| Equity contribution by non-controlling shareholders | - | - | - | - | - | - | - | - | - | 272 | 272 | |
| Capital increase - issue of new shares | 550 | - | 25,383 | 0 | - | - | - | - | 0 | - | 25,933 | |
| Dividend distribution | - | - | - | -4,409 | - | - | - | - | -4,409 | - | -4,409 | |
| As at 30.09.2020 | 6,063 | -8 | 41,979 | 74,664 | 342 | -4,638 | -3,863 | 1,803 | 116,341 | 345 | 116,686 | |

| in T€ | R e t a i n e d e a r n i n g s | | | | | | | | | E q u i t y | | Total |
|--|---------------------------------|---------------|----------------------|--|--|--|---|---|---|--|----------------|-------|
| | Sub- scribed capital | Own shares | Capital- reserves | Legal and other re- serves | Reserve from mea- sures. acc. to IFRS 9 | Reserve for hedging trans- actions | Reserve for actuarial gains/ losses IAS 19 | Reserve for currency- diffe- rences | attri- butable to Dr. Hönle AG share- holders | Non- control- ling - interest | | |
| | | | | | | | | | | | | |
| 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 | - | - | - | - | - | 1,253 | 914 | 62 | 2,229 | - | 2,229 | |
| Total comprehensive income | - | - | - | -4,820 | - | 1,253 | 914 | 62 | -2,591 | -40 | -2,631 | |
| Changes due to the purchase of non-controlling interests | - | - | - | - | - | - | - | - | - | 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 | |

Statement of Consolidated Cash Flows

for the period from 1 October 2020 to 30 September 2021 according to IFRS

| in T€ | 01.10.2020- 30.09.2021 | 01.10.2019- 30.09.2020 |
|---|---------------------------|---------------------------|
| Cash flow from operating activities | | |
| Consolidated profit before non-controlling interests and taxes | -608 | 7,846 |
| Adjustments for: | | |
| Depreciation of intangible assets, property, plant and equipment and investment property | 13,504 | 6,608 |
| Gains/losses from disposal of intangible assets, property, plant and equipment and investment property | 345 | 288 |
| Financial income | -163 | -204 |
| Financial expenses | 1,121 | 457 |
| Other non-cash expenses and income | 2,718 | 268 |
| Operating result before changes to net current assets | 16,917 | 15,263 |
| Increase/decrease in provision | 406 | 329 |
| Increase/decrease in trade accounts receivable | -1,280 | 2,637 |
| Increase/decrease in receivables from companies in which an equity investment is held | 19 | 33 |
| Increase/decrease in other assets | -646 | 511 |
| Increase/decrease in reinsurance | -245 | -215 |
| Increase/decrease in inventories | -12,548 | 374 |
| Increase/decrease in trade accounts payable | 2,257 | -1,177 |
| Increase/decrease in liabilities to companies in which an equity investment is held | -57 | 31 |
| Increase/decrease in contract liabilities | 1,328 | 211 |
| Increase/decrease in other liabilities | -9 | -1,364 |
| Increase/decrease in accrued public investment grants | 0 | -25 |
| Cash generated from operations | 6,142 | 16,608 |
| Interest paid | -1,064 | -415 |
| Income taxes paid | -3,948 | -8,959 |
| Cash flow from operating activities | 1,130 | 7,234 |
| Cash flow from investing activities | | |
| Payments received from the disposal of intangible assets, property, plant and equipment and investment property | 168 | 5 |
| Acquisition of subsidiaries less acquired net cash | -7,710 | 0 |
| Payments for the acquisition of investments accounted for using the equity method | 0 | -200 |
| Payments for the acquisition of property, plant and equipment and intangible assets | -17,089 | -30,197 |
| Change in financial assets | 1 | 1 |
| Payments received from non-current receivables | 176 | 7 |
| Payments for non-current receivables | -100 | -400 |
| Interest received | 58 | 43 |
| Cash flow from investing activities | -24,497 | -30,740 |
| Cash flow from financing activities | | |
| Payments received from loans and liabilities to banks | 11,594 | 26,799 |
| Payments for loans and liabilities to banks | -3,560 | -1,750 |
| Payments for the repayment portion of leasing liabilities | -3,756 | -3,184 |
| Payments received from liabilities to non-controlling shareholders | 0 | 45 |
| Equity contributions by minority shareholders | 0 | 12 |
| Dividends paid | -3,031 | -4,409 |
| Cash from the issuance of own shares - capital increase (after cost of capital increase) | 0 | 25,741 |
| Cash flow from financing activities | 1,247 | 43,253 |
| Currency differences | -27 | -56 |
| Currency-related change in cash and cash equivalents | 47 | -92 |
| Net change in cash and cash equivalents | -22,100 | 19,598 |
| Cash and cash equivalents at the beginning of the reporting period | 34,175 | 14,577 |
| Cash and cash equivalents at the end of the reporting period | 12,075 | 34,175 |

Notes to the IFRS Consolidated Financial Statements

for the Financial Year 2020/2021 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 30 December 2021.

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 Hönlle 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 2021 the parent company, Dr. Hönlle 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) Hönlle Electronics GmbH, Dornbirn | Austria | 51.00% | 51.00% | |
| (8) Luminez GmbH, Kirchheim b. Arnstadt | Germany | 51.00% | 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% | 0.00% | |
| (13) Technigraf GmbH, Gräfenwiesbach-Hundstadt | Germany | 55.00% | 0.00% | |
| (14) UMEX GmbH, Kirchheim b. Arnstadt | Germany | 60.26% | 0.00% | |
| (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% | 0.00% | (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 Gräfelfing, 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 year 2020/2021 amounts to T€ 9 (PY: T€ 1), the amount of equity as at 30 September 2021 amounts to T€ 54 (PY: T€ 45).

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

The business cooperation with Sterilsystems GmbH, Mauterndorf, Austria, described below is based on a purchase agreement concluded on 1 October 2020. With effect from 1 October 2020, Dr. Hönle AG acquired 95% of the shares and voting rights in the company. The acquisition date (1 October 2020) is the date when control over the acquired entity is transferred to the acquirer, i.e. the acquirer is given the authority to govern the financial and operating policies of the entity acquired. Sterilsystems GmbH was included in the consolidated group on 1 October 2020.

Sterilsystems GmbH develops and sells highly effective UV-C equipment and systems for air, surface and water disinfection and for odour neutralisation. Around 24 employees produce equipment with the highest levels of purity at the production site.

The acquisition of Sterilsystems GmbH generates synergies in several areas. Synergies result in particular, from the worldwide sales network of the Hönle Group, through which the product range of Sterilsystems GmbH can be sold.

Sterilsystems GmbH's was included in the consolidated financial statements of Dr. Hönle AG on 1 October 2020. The fair value of the shares acquired totalled T€ 8,477 as at the acquisition date. The purchase price is paid by means of cash payments in the period from October 2020 to October 2023. Dr. Hönle AG paid T€ 6,175 of the purchase price in cash. The present value of the purchase price liabilities as at the acquisition date amounted to T€ 2,302 of which T€ 1,769 had already been paid in financial year 2020/2021. The remaining purchase price liability as at the reporting date is T€ 533.

The fair values of the acquired assets and the liabilities transferred stated as at the acquisition date as well as the respective book values immediately before the business combination are as follows:

| in T€ | Carrying amounts | Fair Value |
|-------------------------------|---------------------|--------------|
| Non-current assets | | |
| Intangible assets | 12 | 1,632 |
| Property, plant and equipment | 704 | 704 |
| Current assets | | |
| Inventories | 915 | 976 |
| Trade accounts receivables | 919 | 919 |
| Other assets | 99 | 99 |
| Cash and cash equivalents | 834 | 834 |
| Prepaid expenses | 1 | 1 |
| Liabilities | | |
| Provisions | 894 | 894 |
| Trade accounts payable | 304 | 304 |
| Financial liabilities | 64 | 64 |
| Leasing liabilities | 372 | 372 |
| Other liabilities | 45 | 45 |
| Deferred tax liabilities | 0 | 420 |
| Acquired net assets | 1,805 | 3,066 |

The identified customer relationships and the order backlog concerning intangible are valued using the residual value method.

The gross amount of acquired trade accounts receivable is T€ 922 including value adjustments of T€ 3. Acquired cash and cash equivalents amounted to T€ 834, resulting in a total cash outflow of T€ 7,110. A comparison of the purchase price and the assets acquired and liabilities assumed resulted in goodwill of T€ 5,412. The main factors leading to the recognition of goodwill are expected synergies in the areas of development, production and sales.

The following business combinations with UMEX GmbH, Kirchheim, uv-technik Meyer GmbH, Ortenberg-Bleichebach, and Technigraf GmbH, Grävenwiesbach were effected based on purchase agreements concluded on 13 August 2020 (UMEX GmbH), 15 September 2020 (uv-technik meyer GmbH), and 30 September 2020 (Technigraf GmbH).

With effect from 1 October 2020 Dr. Hönle AG acquired

- 60.2% of the shares and voting rights in UMEX GmbH,
- 100.0% of the shares and voting rights in uv-technik meyer GmbH, including its shares (100%) in uv-technik international Ltd.,
- 55.0% of the shares and voting rights in Technigraf GmbH.

At the same time, uv-technik meyer GmbH was merged with uv-technik Speziallampen GmbH with effect as at 1 October 2020.

The acquisition date (1 October 2020) is the date when control over the acquired entity is transferred to the acquirer, i.e. the acquirer is given the authority to govern the financial and operating policies of the entity acquired. UMEX GmbH, uv-technik meyer GmbH and Technigraf GmbH are included in the consolidated group as from 1 October 2020.

UMEX GmbH is a company with a wide range of products in the field of water disinfection. uv-technik meyer GmbH markets and sells medium pressure lamps, electronic ballasts and sensor technology. Technigraf GmbH is a specialist for conveyor belts with UV irradiation modules for production use as well as for test systems in laboratories.

Furthermore, positive effects are expected from the use of the Hönle Group's distribution network in conjunction with the newly acquired companies' sales networks.

UMEX GmbH, uv-technik meyer GmbH (including its shareholding in uv-technik international ltd.) and Technigraf GmbH have been included in the consolidated financial statements of Dr. Hönle AG as from 1 October 2020. The acquisition costs (fair value) of the shares acquired totals T€ 1,580 (thereof uv-technik meyer GmbH T€ 1,300). The purchase prices were settled by cash payments.

The fair values of the assets acquired and liabilities assumed as well as the respective carrying amounts directly prior to the business combination are as follows for uv-technik meyer GmbH and its shareholding in uv-technik international ltd.:

| in T€ | Carrying amounts | Fair value |
|-------------------------------|---------------------|--------------|
| Non-current assets | | |
| Property, plant and equipment | 360 | 360 |
| Current assets | | |
| Inventories | 665 | 665 |
| Trade accounts receivables | 409 | 409 |
| Other assets | 81 | 81 |
| Cash and cash equivalents | 822 | 822 |
| Prepaid expenses | 24 | 24 |
| Deferred tax assets | 123 | 123 |
| Liabilities | | |
| Pension provisions | 440 | 440 |
| Provisions | 225 | 225 |
| Trade accounts payable | 194 | 194 |
| Financial liabilities | 24 | 24 |
| Leasing liabilities | 305 | 305 |
| Other liabilities | 37 | 37 |
| Acquired net assets | 1,260 | 1,260 |

The identified customer relationships and the order backlog relating to intangible assets are valued using the residual value method.

The trade accounts receivable acquired amount to T€ 409. They do not include value adjustments. Acquired cash and cash equivalents amounted to T€ 822 leading to a total outflow of cash in the amount of T€ 478.

A comparison of the purchase price and the assets acquired and liabilities assumed resulted in goodwill of T€ 96.

UMEX GmbH and Technigraf GmbH are considered immaterial and are therefore not presented.

The following merger was decided based on the merger agreement concluded on 18 November 2020 (Registry of Documents: DOC No.: 5786/2020):

uv-technik meyer GmbH, Ortenberg – transferor company – transfers its assets as a whole including all rights and obligations, under exclusion of liquidation, to the transferee company – uv-technik Speziallampen GmbH, Ilmenau, by way of merger at carrying amounts through absorption. The merger takes place pursuant to Section 54 (1) clause 3 UmwG without capital increase at the transferee company. The effective date of the merger was 1 October 2020. The merger was entered in the Commercial Register on 24 November 2020.

Within the scope of the merger with uv-technik meyer GmbH, total assets in the amount of T€ 2,129 and equity in the amount of T€ 1,404 were transferred.

uv-technik meyer GmbH generated revenue of T€ 3,079 and a net loss for the year in the amount of T€ 398 in the financial year from 1 January 2020 to 30 September 2020.

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. Höhle 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.

| in € | | Reporting date rate | | Average rate | |
|--------------------|-----|---------------------|------------|--------------|-----------|
| | | 30.09.2021 | 30.09.2020 | 2020/2021 | 2019/2020 |
| 1 Swiss Franc | CHF | 0.9137 | 0.9162 | 0.9198 | 0.9304 |
| 1 US Dollar | USD | 0.8636 | 0.8541 | 0.8363 | 0.8929 |
| 1 Chinese Renminbi | RMB | 0.1336 | 0.1254 | 0.1285 | 0.1275 |
| 1 British Pound | GBP | 1.1747 | 1.0961 | 1.1444 | n.a. |
| 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 2020/2021 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. Höhle AG.

Amendments to References to the Conceptual Framework in IFRS Standards: The revised framework contains extensive additions, clarifications and updates. In addition, quotations and cross-references have been updated in various standards (effective date: 1 January 2020).

Amendment to IAS 1 and IAS 8 – Definition of Material: The questions of materiality that are frequently addressed in practice are to be answered with these adjustments (effective date: 1 January 2020).

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform: These amendments modify some specific hedge accounting requirements with a view to eliminating the potential effects of uncertainties caused by the IBOR reform. In addition, the amendments require entities to provide investors with additional information about their hedging relationships that are directly affected by these uncertainties (effective date: 1 January 2020).

Amendments to IFRS 3 – Business Combinations: The amendment is intended to resolve ambiguities regarding the identification of business establishments (effective date: 1 January 2020).

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. Höhle AG in the financial year under review. As a general rule, Dr. Höhle 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.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16): The amendments address matters that may impact financial reporting after the reform of a reference interest rate, including its replacement by alternative reference interest rates (effective date: 1 January 2021).

Amendment to IFRS 3 – Business Combinations: The amendments serve to update a reference to the conceptual framework (effective date: 1 January 2022).

Amendment to IFRS 16 – Leases Covid-19-Related Rent Concessions: The amendment is intended to provide lessees with relief from the assessment of whether a lease concession related to the coronavirus pandemic qualifies as a lease modification (effective date: 1 April 2021).

Amendments to IFRS 17 – Insurance Contracts: The subject of the standard is the presentation of assets and liabilities resulting from insurance contracts in IFRS financial statements. The scope of application of IFRS 17 covers all active insurance and reinsurance contracts (effective date: 1 January 2023).

Amendment to IAS 16 – Property, Plant and Equipment: Purpose of the amendments is to prohibit the deduction of revenue arising from the sale of an item of property, plant and equipment, while it is being brought to the location and condition necessary for it to be capable of operating in a manner intended by management (effective date: 1 January 2022).

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: These amendments are intended to include costs incurred when determining whether or not a contract has a detrimental effect (effective date: 1 January 2022).

Annual Improvements to IFRS Standards 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. Affected is the taxation of fair value measurements (effective date: 1 January 2022).

In addition, the following regulations were issued by IASB and IFRIC which have not yet been endorsed by the European Commission. Early application of these regulations is thus not yet possible; potential effects on future consolidated financial statements are currently being examined. However, the current status of the review does not yet allow a reliable assessment of the effects as of the balance sheet date.

Amendment to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current: The modification relates to the classification of liabilities (effective date: 1 January 2023).

Amendment to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies: The amendment concerns the disclosure of accounting and valuation methods (effective date: 1 January 2023).

Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: The amendments are aimed at defining accounting-related estimates (effective date: 1 January 2023).

Amendment to IAS 12 – Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction: The amendments require entities to recognise deferred taxes on revenues that, upon initial recognition, lead to equal amounts of taxable and deductible temporary differences (effective date: 1 January 2023).

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 cost 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 cost 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€ 115,170 (PY: T€ 93,876) include revenue from the sale of goods in the amount of T€ 111,803 (PY: T€ 90,669) and revenue from services in the amount of T€ 3,367 (PY: T€ 3,207).

The amount of T€ 10 (PY: T€ 1) concerns 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 30.09.2020 | Change | As at 30.09.2021 |
|---------------------------|---------------------|--------|---------------------|
| Trade accounts receivable | 14,253 | 2,804 | 17,057 |
| Contract liabilities | 1,621 | 1,485 | 3,106 |

The contractual liabilities relate to advance payments received from customers for the manufacture of partly customer-specific machines. The amount of T€ 1,621 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€ | 2020/2021 | 2019/2020 |
|---|-----------|-----------|
| Income from exchange rate differences | 480 | 308 |
| Income from the release of provisions | 258 | 282 |
| Income from disposal of property, plant and equipment | 168 | 5 |
| Other income from continuation of wage payments | 92 | 68 |
| Off-period income | 40 | 116 |
| Other Income | 562 | 434 |
| | 1,601 | 1,213 |
| in T€ | 2020/2021 | 2019/2020 |
| Other income | 496 | 368 |
| Public investment grants | 66 | 66 |
| | 562 | 434 |

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€ | 2020/2021 | 2019/2020 |
|---|---------------|-----------|
| Cost of raw materials and supplies and of purchased merchandise | 47,671 | 32,020 |
| Cost of purchased services | 1,261 | 727 |
| | 48,932 | 32,747 |

9. Personnel Expenses

| in T€ | 2020/2021 | 2019/2020 |
|-----------------------------------|---------------|-----------|
| Wages and salaries | 32,110 | 26,694 |
| Social security and pension costs | 7,566 | 6,525 |
| | 39,676 | 33,219 |

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 annual impairment tests led to a need for recording non-scheduled goodwill amortisation in financial year 2020/2021 (not necessary in the previous year). 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€ | 2020/2021 | 2019/2020 |
|---|---------------|-----------|
| Shipment, goods delivery, packaging | 4,634 | 2,842 |
| Cost of office space | 2,092 | 1,456 |
| Advertising and representation | 1,440 | 721 |
| Consulting, bookkeeping, year-end closing costs | 1,184 | 1,402 |
| Insurance, membership fees and charges | 896 | 737 |
| Expenses from exchange rate differences | 455 | 704 |
| Other off-period expenses | 131 | 186 |
| Other expenses | 6,613 | 5,612 |
| | 17,445 | 13,660 |

Other expenses are broken down as follows

| in T€ | 2020/2021 | 2019/2020 |
|--|--------------|-----------|
| Maintenance and repair | 863 | 627 |
| Travel expenses | 758 | 909 |
| Vehicle costs | 639 | 579 |
| <i>thereof leasing</i> | 64 | 37 |
| Postage and telephone | 488 | 365 |
| Office supply and technical literature | 152 | 130 |
| Other expenses | 3,713 | 3,003 |
| | 6,613 | 5,612 |

Expenses from operating leases not covered by IFRS 16 totalled T€ 304 (PY: T€ 260) in financial year 2020/2021. Of this amount, T€ 64 (PY: T€ 37) relates to vehicles and T€ 240 (PY: T€ 223) 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€ 561 (PY: T€ 492). In addition, the item includes expenses relating to equity holdings in the amount of T€ 94 (PY: T€ 16) as well as IT expenses in the amount of T€ 701 (PY: T€ 528). Expenses incurred for Supervisory Board compensation in the amount of T€ 153 (PY: T€ 135) 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€ 28 (PY: T€ 30) and STERIXENE SAS, Les Angles, France, in the amount of T€ -14 (PY: T€ -19) and of TECINVENT GmbH, Schömberg in the amount of T€ 5 (PY: T€ 0). For more information see paragraph 22 "Investments Accounted for using the At Equity Method".

13. Financial Income

| in T€ | 2020/2021 | 2019/2020 |
|-----------------------------------|------------|-----------|
| Other interest and similar income | 144 | 193 |
| | 144 | 193 |

Other interest and similar income includes interest income on loan receivables from Dr. Hönle Medizintechnik GmbH in the amount of T€ 12 (PY T€ 7).

14. Financial Expenses

| in T€ | 2020/2021 | 2019/2020 |
|---|--------------|-----------|
| interest and similar expenses | 1,065 | 413 |
| interest expenses from the discounting of lease liabilities | 55 | 44 |
| | 1,121 | 457 |

Interest and similar expenses include the amount of T€ -50 (PY: T€ -39) 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€ | 2020/2021 | 2019/2020 |
|--|--------------|-----------|
| Actual income tax expense and income | 3,921 | 2,889 |
| Deferred tax expense and income | | |
| from a change in non-current assets | -390 | -24 |
| from a change in current assets | -15 | -182 |
| from a change in provisions | -356 | -106 |
| from a change in liabilities | -92 | -107 |
| from a change in the capital increase | 0 | 191 |
| from a change in losses carried forward | -2,742 | -940 |
| from value adjustments on losses carried forward | 3,725 | 744 |
| from consolidation effects | 194 | -205 |
| from currency differences | 8 | -7 |
| from other valuation differences | 0 | -11 |
| | 332 | -648 |
| | 4,252 | 2,241 |

The following overview reconciles the tax expense that would notionally result when applying the current German tax rate of 25.10% of the group parent (corporation tax, solidarity surcharge, trade tax), with the actual tax expense in the consolidated financial statements.

| in T€ | 2020/2021 | 2019/2020 |
|---|-----------|-----------|
| Earnings before tax | -608 | 7,846 |
| Theoretical tax rate in % | 25.10 | 24.85 |
| Computed tax expense | -153 | 1,950 |
| Change in computed tax expense relative to the actual tax expense due to: | | |
| Use of deferred taxes on loss carryforwards | -160 | 0 |
| Change in the value adjustment of deferred tax assets | 3,725 | 743 |
| Deviating tax base | 1,203 | -190 |
| Distribution-related tax refunds | -88 | -47 |
| Off-period effects | -64 | -439 |
| Deviating local tax rates | 4 | 335 |
| Change in tax rates | -214 | -110 |
| | 4,253 | 2,241 |
| Effective group tax rate in % | -699.51 | 28.56 |

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: 25.10% to 30.53% (PY: 24.85% to 30.53%)
- Group companies in France: 28.00% (PY: 28.00% to 28.53%)
- 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€ 487 (PY: T€ 220) disclosed in the statement of comprehensive income include the amount of T€ -329 (PY: T€ 142) which is attributable to a change in the present value of hedging transactions, and the amount of T€ -158 (PY: T€ 78) 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€ | 2020/2021 | 2019/2020 |
|-----------------------------|-----------|-----------|
| Profit shares | | |
| UMEX GmbH | 11 | 0 |
| Technigraf GmbH | 5 | 0 |
| Hönle Electronics GmbH | 39 | 4 |
| Loss shares | | |
| GEPA Coating Solutions GmbH | -46 | -66 |
| Luminez GmbH | -49 | -11 |
| | -40 | -73 |

17. Off-Period Expenses and Income

The item "Other operating income" includes off-period income in the amount of T€ 40 (PY: T€ 116) and T€ 258 (PY: T€ 282) from the release of provisions.

The position "Other operating expenses" includes off-period expenses in the amount of T€ 131 (PY: T€ 186).

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€ 6,518 (PY: T€ 5,969).

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 | |
| 30.09.2020 | 5,573,466 |
| Shares to be taken into account on a pro rata basis due to the capital increase | 488,388 |
| As at | |
| 30.09.2021 | 6,061,854 |

| | 2020/2021 | 2019/2020 |
|--|------------------|-----------|
| Profit share in T€ attributable to Dr. Höhle AG shareholders | -4,820 | 5,678 |
| Weighted average of ordinary shares in circulation during the period (shares of stock) (undiluted) | 6,061,854 | 5,573,466 |
| Weighted average of ordinary shares in circulation during the period (shares of stock) (diluted) | 6,061,854 | 5,573,466 |
| Undiluted earnings per share in € | -0.80 | 1.02 |
| Diluted earnings per share in € | -0.80 | 1.02 |

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 Höhle Group accounted for goodwill in the amount of T€ 21,119 (PY: T€ 18,849). The values have been allocated to the following cash-generating units:

| in T€ | 2020/2021 | 2019/2020 |
|-------------------------------|-----------|-----------|
| Dr. Höhle AG | 5,850 | 5,850 |
| ELTOSCH GRAFIX GmbH | 2,495 | 2,495 |
| PrintConcept GmbH | 460 | 460 |
| uv-technik Speziallampen GmbH | 464 | 367 |
| Raesch Quarz (Germany) GmbH | 0 | 3,387 |
| Raesch Quarz (Malta) Ltd. | 6,290 | 6,290 |
| STERILSYSTEMS GmbH | 5,412 | 0 |
| Technigraf GmbH | 135 | 0 |
| UMEX GmbH | 14 | 0 |
| | 21,119 | 18,849 |

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

Höhle 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 3.7% and 20.4% 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 9.5%.

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 Höhle Group's goodwill is attributable to the cash-generating unit of Dr. Höhle AG, Raesch Quarz (Malta) Ltd. and to Sterilsystems GmbH.

In the previous year, Raesch Quarz (Germany) GmbH's goodwill amounted to € 3.4 million. In financial year 2021/2022, a 12.0% increase in sales revenue of is expected for financial year 2021/2022. The planned sales increase is mainly based on a very high order backlog and a very strong quartz glass market. An average sales increase of 8.4% is forecast by financial year 2025/2026.

The assumptions made in the planning and now adjusted compared to the previous years regarding the business development of Raesch Quarz (Germany) GmbH lead to non-cash impairment losses. The impairment losses relate to the goodwill of € 3.4 million and the property, plant and equipment position in the amount of € 1,6 million. The impairment losses mainly result from the assumption that sales revenues to be generated by Raesch Quarz (Germany) GmbH in the existing sales markets will grow more slowly than originally planned over the next five years. The impairment test carried out indicated an impairment requirement since the future achievable income will be below the carrying amount of the cash-generating unit. The recoverable amount of the cash-generating unit, which corresponds to the value in use, is € 17,1 million. The impairment loss was recognized in the consolidated income statement under depreciation of property, plant and equipment and intangible assets.

Raesch Quarz (Malta) Ltd. is expected to record a 12.5% rise in sales revenue in financial year 2021/2022. This is explained by expected incoming orders for ongoing projects following the weakening of the coronavirus pandemic. An average sales increase of 7.0% is expected by financial year 2025/2026.

A rise in sales revenue of 55.5% in financial year 2021/2022 is expected for Dr. Höhle AG. The sharp increase in sales is largely based on the very high order backlog of UV systems and on the planned sales revenues to be generated in air disinfection as an additional business area. An average sales increase of 11.0% is expected by financial year 2025/2026.

Largely due to the high order backlog, a rise in sales revenue of 11.7% in financial year 2021/2022 is expected for ELTOSCH GRAFIX GmbH. An average sales increase of 3.7% is expected by financial year 2025/2026.

A rise in sales revenue of 5.7% in financial year 2021/2022 is predicted for Sterilsystems GmbH. The sales increase is mainly based on the assumed market growth in the air disinfection business. An average sales increase of 10.9% is expected by financial year 2025/2026.

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 (12.74%), for PrintConcept GmbH (13.27%), for ELTOSCH GRAFIX GmbH (13.83%), for UMEX GmbH (13.75%), for Sterilsystems GmbH (13.11%), for technigraf GmbH (12.55%), for uv-technik Speziallampen GmbH (13.64%), for Raesch Quarz (Germany) GmbH (8.64%) and for Raesch Quarz (Malta) Ltd. (11.13%). In the previous year, discounting rates of between 8.41% and 10.98% were applied.

With the exception of Raesch Quarz (Germany) GmbH, 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. The calculations would not lead to impairment losses concerning the reported goodwill of the individual cash-generating units (CGUs), neither individually nor as a combination of the disadvantageous development.

Intangible Assets

The development of other intangible assets in financial years 2020/2021 and 2019/2020 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 | | | | | | | |
| 01.10.2020 | 0 | 4,124 | 3,025 | 1,604 | 1,551 | 11 | 10,315 |
| Additions | - | - | 112 | 89 | 1 | 5 | 207 |
| Disposals | - | - | 1 | 13 | - | - | 14 |
| Reclassifications | - | - | - | - | - | - | - |
| Currency parties | - | - | - | - | - | - | - |
| 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 |
| Reclassifications | - | - | - | - | - | - | - |
| Currency parties | - | - | - | - | - | - | - |
| 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 |

| in T€ | 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 | | | | | | |
| 01.10.2019 | 4,124 | 2,789 | 1,436 | 1,551 | 32 | 9,932 |
| Additions | - | 199 | - | - | 93 | 292 |
| Disposals | - | 9 | - | - | - | 9 |
| Reclassifications | - | 47 | 67 | - | -114 | - |
| Currency parties | - | -1 | - | - | - | -1 |
| Consolidated group | - | - | 101 | - | - | 101 |
| as at | | | | | | |
| 30.09.2020 | 4,124 | 3,025 | 1,604 | 1,551 | 11 | 10,315 |
| Depreciation | | | | | | |
| as at | | | | | | |
| 01.10.2019 | 3,295 | 2,626 | 980 | 676 | - | 7,578 |
| Additions | 284 | 155 | 76 | 52 | - | 566 |
| Disposals | - | 6 | - | - | - | 6 |
| Reclassifications | - | - | - | - | - | - |
| Currency parties | - | -1 | - | - | - | -1 |
| as at | | | | | | |
| 30.09.2020 | 3,579 | 2,774 | 1,055 | 728 | - | 8,137 |
| Net carrying amount | | | | | | |
| as at | | | | | | |
| 30.09.2020 | 545 | 251 | 549 | 823 | 11 | 2,178 |

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€ 625 (PY: T€ 676) 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 2020/2021 and 2019/2020:

| in T€ | Land and buildings | Technical equipment and machinery | Other equipment, operating and business equipment | Lease rights of use 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 | 113,339 |
| Additions | 24,574 | 2,102 | 3,253 | 2,635 | -13,059 | 19,506 |
| Additions from initial application | - | - | - | - | - | - |
| Disposals | 0 | 583 | 3,373 | 4,000 | - | 7,956 |
| Reclassifications | 16,255 | 55 | 297 | 0 | -16,607 | - |
| Currency parties | 13 | 11 | 14 | 34 | - | 73 |
| Consolidated group | 379 | 726 | 597 | - | - | 1,703 |
| as at | | | | | | |
| 30.09.2021 | 71,699 | 33,247 | 14,656 | 6,500 | 337 | 126,667 |
| Depreciation and amortization | | | | | | |
| as at | | | | | | |
| 01.10.2020 | 3,158 | 19,805 | 10,585 | 2,759 | - | 36,530 |
| 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 | - | 38,866 |
| Net carrying amount | | | | | | |
| as at | | | | | | |
| 30.09.2021 | 67,618 | 10,075 | 5,724 | 4,042 | 337 | 87,801 |

| 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 | | | | | | |
| 01.10.2019 | 17,865 | 28,598 | 13,429 | 0 | 14,061 | 73,953 |
| Additions | 8,053 | 1,168 | 868 | 2,346 | 22,669 | 35,104 |
| Disposals | 8 | 586 | 662 | 359 | 0 | 1,615 |
| Reclassifications | 4,659 | 1,814 | 254 | 0 | -6,727 | - |
| Currency parties | -91 | -68 | -21 | -10 | - | -190 |
| Consolidated group | - | 10 | 0 | 0 | - | 10 |
| as at | | | | | | |
| 30.09.2020 | 30,478 | 30,936 | 13,868 | 7,833 | 30,003 | 113,118 |
| Depreciation | | | | | | |
| as at | | | | | | |
| 01.10.2019 | 2,840 | 18,654 | 10,217 | 0 | - | 31,712 |
| Additions | 330 | 1,563 | 987 | 3,122 | - | 6,002 |
| Disposals | 0 | 359 | 607 | 359 | - | 1,325 |
| Reclassifications | - | - | - | 0 | - | - |
| Currency parties | -12 | -53 | -12 | -3 | - | -80 |
| as at | | | | | | |
| 30.09.2020 | 3,158 | 19,805 | 10,585 | 2,760 | - | 36,309 |
| Net carrying amount | | | | | | |
| as at | | | | | | |
| 30.09.2020 | 27,320 | 11,131 | 3,283 | 5,073 | 30,003 | 76,809 |

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.

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

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.

Risghts of Use

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

Prepayments Made and Assets under Construction

In the previous year, this item largely included additions concerning the construction projects of Dr. Höhle AG in the amount of T€ 10,690 and of PANACOL-ELOSOL GmbH in the amount of T€ 9,968.

Investment Property

In financial year 2020/2021 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€ 1,093. The investment property generated income of T€ 213 in financial year 2020/2021. 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 01.10.2020 | 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 |

| in T€ | Investment Property |
|---|------------------------|
| Acquisition and production costs | |
| as at | |
| 01.10.2019 | 1,399 |
| Additions | - |
| Disposals | - |
| Reclassifications | - |
| as at | |
| 30.09.2020 | 1,399 |
| Depreciation | |
| as at | |
| 01.10.2019 | 228 |
| Additions | 39 |
| Disposals | - |
| Reclassifications | - |
| as at | |
| 30.09.2020 | 267 |
| Net carrying amount as at | |
| 30.09.2020 | 1,132 |

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€ | 30.09.2021 | 30.09.2020 |
|----------------------------------|--------------|------------|
| Loans granted to related parties | 321 | 396 |
| Asset values conc. reinsurance | 1,918 | 1,673 |
| Other | 33 | 33 |
| | 2,272 | 2,103 |

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€ 282 (PY: T€ 263) as at 30 September 2021. 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€ | First Consolidation | | | | | |
|--|---------------------|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | Asset 30.09.2021 | Liability 30.09.2021 | Asset 30.09.2021 | Liability 30.09.2021 | Asset 30.09.2020 | Liability 30.09.2020 |
| Non-current assets | 120 | 251 | 0 | 405 | 140 | 256 |
| Current assets | 262 | 28 | 0 | 15 | 252 | 18 |
| Provisions | 2,132 | 0 | 0 | 0 | 1,944 | 11 |
| Liabilities | 1,526 | 436 | 0 | 0 | 1,732 | 393 |
| Tax losses carried forward | 1,189 | 0 | 0 | 0 | 2,172 | 0 |
| - deferred taxes on losses | 6,231 | 0 | 0 | 0 | 3,489 | 0 |
| - value adjustments | -5,042 | 0 | 0 | 0 | -1,317 | 0 |
| consolidation effect | 96 | 406 | 0 | 0 | 39 | 155 |
| Netting of deferred tax assets/liabilities | -417 | -417 | 0 | 0 | -412 | -412 |
| | 4,908 | 704 | 0 | 420 | 5,867 | 421 |

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, Luminez GmbH and Raesch Quarz (Germany) GmbH, record tax losses carried forward as at 30. September 2021.

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.

No deferred tax assets were recognized (nor were specific valuation allowances recognized for them) for corporate income tax losses carried forward in the amount of T€ 12,209 (PY: T€ 4.292) and trade tax losses carried forward in the amount of T€ 12,247 (PY: T€ 4.213) relating to Raesch Quarz (Germany) GmbH due to their unforeseeable usability for tax purposes.

24. Inventories

Inventories are structured as follows:

| in T€ | 30.09.2021 | 30.09.2020 |
|--|------------|------------|
| Raw materials and supplies incl. Descriptive material (at acquisition costs) | 27,112 | 18,711 |
| Work in progress (at acquisition or manufacturing costs) | 564 | 460 |
| Finished goods and merchandise (at acquisition or manufacturing costs) | 17,329 | 15,987 |
| Prepayments made | 1,720 | 89 |
| | 46,725 | 35,246 |

The carrying amount of inventories stated at net sales prices (fair value) amounts to T€ 1,823 (PY: T€ 1,697). In the 2020/2021 reporting period, inventories in the amount of T€ 44,375 (PY: T€ 31,674) were booked under cost of materials and the amount of T€ 3,295 (PY: T€ 538) 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€ | 30.09.2021 | 30.09.2020 |
|-------------------------------|------------|------------|
| Total receivables | 17,165 | 14,451 |
| <i>less value adjustments</i> | -108 | -198 |
| | 17,057 | 14,253 |

Trade accounts receivable as at 30 September 2021 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€ | 2020/2021 | 2019/2020 |
|---|-----------|-----------|
| As of | | |
| 01.10. | 198 | 104 |
| Change in impairment on trade receivables | -90 | 94 |
| As at | | |
| 30.09. | 108 | 198 |

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 T€ 44 (PY: T€ 66) and from TECINVENT GmbH in the amount of T€ 55 (PY: T€ 51). The position also includes liabilities to STERIXENE SAS in the amount of T€ -23 (PY: T€ 34).

27. Other Current Assets

| in T€ | 30.09.2021 | 30.09.2020 |
|----------------------------------|--------------|------------|
| Prepaid expenses | 638 | 548 |
| Other current assets | 2,590 | 2,492 |
| | 3,228 | 3,040 |
| in T€ | 30.09.2021 | 30.09.2020 |
| Receivables from related parties | 192 | 149 |
| Value added tax | 1,870 | 974 |
| Receivables from employees | 95 | 93 |
| Other | 433 | 1,276 |
| | 2,590 | 2,492 |

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 50.

The position "Other" includes creditors with debit balances in the amount of T€ 58 (PY: T€ 27). The disclosed 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€ | 30.09.2021 | 30.09.2020 |
|-------------------------------|--------------|------------|
| Dr. Höhle AG | 1,416 | 848 |
| PrintConcept GmbH | 39 | 27 |
| ELTOSCH GRAFIX GmbH | 62 | 54 |
| Eltosch Grafex America Inc. | 3 | 0 |
| STERILSYSTEMS GmbH | 1 | 0 |
| Technigraf GmbH | 8 | 0 |
| Panacol AG | 20 | 19 |
| PANACOL-ELOSOL GmbH | 645 | 74 |
| uv-technik Speziallampen GmbH | 57 | 90 |
| Höhle Electronics GmbH | 0 | 18 |
| Panacol-USA, Inc. | 60 | 60 |
| | 2,311 | 1,190 |

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.

Bank credit balances are held with various banks at credit interest rates of up to 1.0% per year.

30. Non-Current Assets Held for Sale

In the first quarter of 2020/2021 the group sold a building including land (carrying amount as at 30 September 2021: T€ 950). Both the building and the land are owned by Dr. Hönle AG (Equipment & Systems segment) and were used by the 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. The search for a buyer of the property has already begun. However, there were delays in the marketing of the building during the financial year under review. No impairment losses were recognised either at the time of reclassification as "held for sale" during the past financial year or as at 30 September 2021 since the fair value net of selling costs is higher than the carrying amount. The fair value net of selling costs amounts to € 2.8 million. The above schedule of non-current assets (paragraph 20) therefore does not include said land and building.

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 T€ 5,564 to T€ 111,122 year-on-year. The equity ratio dropped to 54.8% (PY: 59.5%).

With respect to changes in equity capital in financial year 2020/2021 reference is made to the statement of changes in consolidated equity.

The bank loans received are subject to the minimum requirements concerning economic equity capital (bank definition) and net indebtedness (bank definition). All external minimum capital requirements were met in financial year 2020/2021. Compliance was continuously monitored on the basis of actual figures.

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 | 30.09.2021 | 30.09.2020 |
|-------------------------|------------|------------|
| 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. Höhle 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. Höhle AG did not make use of the authorisation in financial year 2020/2021.

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 30.09.2020 | Change | As at 30.09.2021 |
|--|---------------------|--------|---------------------|
| 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 T€ 8. The average share price of all treasury stock held amounts to € 7.77. The stock exchange price amounted to € 40.50 as at the balance sheet date.

Pursuant to Section 71b AktG, Dr. Höhle 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. Due to the issue of new shares in financial 2019/2020, the total value of the capital reserve increased by T€ 25,383 after taking into account the transaction costs offset directly against the capital reserve (T€-769) and deferred taxes (T€ +191).

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 impairment model in accordance with IFRS 9 are recognised in this reserve after taking deferred taxes into account. As at 30 September 2021, the reserve amounted to T€ 342 (PY: T€ 342) after deferred taxes.

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 2021, the reserve amounted to T€ 3,386 (PY: T€ 4,638) 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

Due to the positive business development, the Dr. Höhle AG Management Board and Supervisory Board propose to the Annual General Meeting 2022 that a dividend of € 0.20 per share be paid out for financial year 2020/2021. This translates into the amount of T€ 1,212. In the preceding financial year, an amount of € 0.50 per share was paid out, corresponding to a total amount of T€ 3,031.

Authorised Capital 2020 and 2021

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 | Repayment p. a. | Carrying amount 30.09.2021 |
|-----------------------------|-------------|------------------------------|------------|-----------------|----------------------------|
| Loan Dr. Höhle AG | 494 | 1.65 | 30/01/2025 | 50 | 166 |
| Loan Dr. Höhle AG | 700 | 2.90 | 31/08/2023 | 76 | 151 |
| Loan Dr. Höhle AG | 400 | 1.69 | 30/06/2022 | 50 | 38 |
| Loan Dr. Höhle AG | 350 | 0.85 | 31/05/2022 | 67 | 50 |
| Loan Dr. Höhle AG | 340 | 1.50 | 30/12/2022 | 50 | 63 |
| Loan Dr. Höhle AG | 300 | 0.70 | 31/03/2022 | 60 | 30 |
| Loan Dr. Höhle AG | 1,500 | 0.90 | 30/06/2023 | 222 | 389 |
| Loan Dr. Höhle AG | 1,300 | 0.80 | 31/12/2024 | 208 | 676 |
| Loan Dr. Höhle AG | 30,100 | 2.24 | 30/06/2038 | 1,720 | 28,810 |
| Loan Dr. Höhle AG | 300 | 1.45 | 30/06/2040 | 15 | 281 |
| Loan Dr. Höhle AG | 200 | 1.45 | 30/06/2040 | 10 | 188 |
| Loan PANACOL-ELOSOL GmbH | 15,000 | 2.17 | 29/10/2038 | 841 | 14,369 |
| Loan uv-technik GmbH | 4,200 | 2.14 | 30/09/2037 | 240 | 3,840 |
| Loan Raesch Quarz (G.) GmbH | 1,000 | 1.74 | 30/06/2022 | 192 | 138 |
| Loan Technigraf GmbH | 59 | 1.88 | 30/10/2024 | 10 | 34 |
| Loan UMEX GmbH | 265 | 2.01 | 30/06/2030 | 14 | 122 |
| Loan UMEX GmbH | 50 | 2.75 | 30/04/2023 | 9 | 15 |

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 | 166 | 0 | no | Land charge |
| Loan Dr. Hönle AG | 78 | 73 | no | Land charge |
| Loan Dr. Hönle AG | 38 | 0 | 400 | none |
| Loan Dr. Hönle AG | 50 | 0 | no | none |
| Loan Dr. Hönle AG | 50 | 13 | no | none |
| Loan Dr. Hönle AG | 30 | 0 | no | none |
| Loan Dr. Hönle AG | 222 | 167 | no | none |
| Loan Dr. Hönle AG | 208 | 468 | no | none |
| Loan Dr. Hönle AG | 1,720 | 27,090 | 30,100 | Land charge |
| Loan Dr. Hönle AG | 15 | 266 | no | Land charge |
| Loan Dr. Hönle AG | 10 | 178 | no | Land charge |
| Loan PANACOL-ELO-SOL GmbH | 841 | 13,528 | 15,000 | Land charge |
| Loan uv-technik GmbH | 240 | 3,600 | 4,200 | Land charge |
| Loan Raesch Quarz (G.) GmbH | 138 | 0 | no | Guarantee Dr. Hönle AG |
| Loan Technigraf GmbH | 10 | 25 | no | none |
| Loan UMEX GmbH | 14 | 108 | no | none |
| Loan UMEX GmbH | 9 | 5 | no | none |

33. Non-current and Current Lease Obligations

| in T€ | 30.09.2021 | 30.09.2020 |
|-------------------------------|------------|------------|
| Current lease liabilities | 1,588 | 3,216 |
| Non-current lease liabilities | 2,548 | 2,015 |
| | 4,136 | 5,231 |

With regard to the disclosures on leases as at 30 September 2021, reference is made to section 43.

34. Other Non-current Liabilities

This position includes the market value of derivatives amounting to T€ 4,717 (PY: T€ 6,299) and purchase price liabilities from written put options in the amount of T€ 31 (PY: T€ 80). The position also includes a loan liability in the amount of T€ 95 (PY: T€ 115).

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€ | 30.09.2021 | 30.09.2020 |
|---|------------|------------|
| Present value of pension obligation as at beginning of the year | 12,286 | 11,269 |
| plus new entity | 1,047 | 0 |
| plus pension costs | 773 | 773 |
| plus interest costs | 133 | 112 |
| plus / net of actuarial gains / losses | -1,013 | 305 |
| plus / net of payments fund assets | 0 | -86 |
| net of pension payments | -126 | -87 |
| Value of pension obligation at year-end | 13,099 | 12,286 |

Payments of T€ 147 are expected to be made in the 2021/2022 financial year with respect to the above pension obligations.

The Company assumes that the pension obligation in the amount of T€ 12,952 (PY: T€ 12,189) will be settled after more than twelve months. The average term of the pension obligations is 21.0 years.

Actuarial gains and losses arising in financial year 2020/2021 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:

| | 30.09.2021 | 30.09.2020 | 30.09.2019 |
|--------------------------------------|-------------|-------------|-------------|
| Discounting rate in % | 1.30 | 1.00 | 1.00 |
| Income from fund assets in % | 1.30 | 1.00 | 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 T€ 4,497 (PY: T€ 3,466) by plan assets 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 2021 led to the following results concerning the pension obligations:

| in T€ | | 30.09.2021 |
|---|---------|-------------------|
| Amount of the pension obligation following a change in parameters | | |
| Discounting rate | +0,50% | 11,868 |
| Discounting rate | -0,50% | 14,526 |
| Amount of the pension obligation following a change in parameters | | |
| Growth rate of pension payments | +0,25% | 13,617 |
| Growth rate of pension payments | -0,25% | 12,610 |
| Amount of the pension obligation following a change in parameters | | |
| Life expectancy | +10,00% | 13,486 |

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 2020/2021:

| in T€ | 30.09.2021 | 30.09.2020 |
|--|-------------------|------------|
| Fair value of plan assets at the beginning of the year | 3,466 | 3,005 |
| Expected return on plan assets | 37 | 32 |
| Employer contributions paid | 481 | 521 |
| Benefits paid | 0 | -86 |
| plus/net of actuarial gains/losses | 59 | -6 |
| Other | 454 | 0 |
| Fair value of plan assets at the end of the year | 4,497 | 3,466 |

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 2021/2022 is as follows:

| in T€ | 30.09.2022 |
|--|------------|
| Fair value of plan assets at the beginning of the year | 4,497 |
| Expected return on plan assets | 43 |
| Employer contributions paid | 481 |
| | 5,020 |

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

| in T€ | 2020/2021 | 2019/2020 |
|-----------------------|-----------|-----------|
| Current service costs | 773 | 773 |
| Interest costs | 133 | 112 |
| Return on plan assets | -37 | -32 |
| | 868 | 853 |

Of the interest expense, the amount of T€ 3 (PY: T€ 3) is attributable to pension benefits for surviving dependents of former managing directors.

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

| in T€ | 30.09.2021 | 30.09.2020 |
|---|------------|------------|
| Balance sheet value of pension provision at the beginning of the year | 8,821 | 8,264 |
| plus new company | 1,047 | 0 |
| plus pension cost | 868 | 854 |
| net of contributions paid | -481 | -521 |
| net of payments/pension benefits | -126 | -87 |
| plus payment from fund assets | 0 | 0 |
| Changes with neutral effect on profit/loss | -1,072 | 311 |
| thereof from adjusted historical values | -235 | 310 |
| thereof from biometric assumptions | 0 | 1 |
| thereof from financial assumptions | -837 | 0 |
| Balance sheet value of pension provision at the end of the year | 9,057 | 8,821 |

With respect to pension obligations concerning current or former board members and managing directors, reference is made to paragraph 50.

36. Accrued Public Investment Grants

| in T€ | 2020/2021 | 2019/2020 |
|---|------------|------------|
| As at | | |
| 01.10.2020 | 200 | 266 |
| Applied for in the financial year | 0 | 0 |
| Recognised/released through profit/loss | 63 | 66 |
| As at | | |
| 30.09.2021 | 137 | 200 |

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 T€ 9,431 (PY: T€ 6,487). 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 T€ 3,890 (PY: T€ 3,474) 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 T€ 50 (PY: T€ 52).

As at 30 September 2021, the overdraft facilities granted by banks totalled T€ 4,777 (PY: T€ 4,842) on which interest would have to be paid at market rates if utilised. Of the total, the amount of T€ 50 (PY: T€ 52) is utilised through overdraft facilities.

40. Other Current Liabilities

| in T€ | 30.09.2021 | 30.09.2020 |
|--|------------|------------|
| Wage tax and VAT | 653 | 332 |
| Social security contributions | 482 | 431 |
| Profit sharing bonus and other bonuses | 1,845 | 1,216 |
| Christmas bonus | 1,111 | 989 |
| Holidays not taken | 882 | 625 |
| Flexi-time surpluses | 378 | 217 |
| Other personnel-related liabilities | 423 | 434 |
| Other | 871 | 119 |
| | 6,645 | 4,363 |

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 T€ 153 (PY: T€ 135).

41. Other Provisions

Other provisions developed as follows:

| in T€ | As at 01.10.2020 | Utilisation | Release | Addition | Consolidation | As at 30.09.2021 |
|---|---------------------|-------------|---------|----------|---------------|---------------------|
| Contractual obligations vis à vis third parties: | | | | | | |
| Warranties and guarantees | 350 | 3 | 23 | 70 | 41 | 436 |
| Obligations from rental agreements | 96 | 74 | 31 | 10 | 35 | 37 |
| Other | 190 | 0 | 0 | 0 | 0 | 190 |
| | 637 | 77 | 54 | 80 | 76 | 663 |

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 % | 30.09.2021 | 30.09.2020 |
|--------------------------------|------------|------------|
| In the following year | 97 | 98 |
| In the following 2 to 5 years | 3 | 2 |
| In the following 6 to 10 years | 0 | 0 |
| | 100 | 100 |

The outflow of cash expected for the next two to ten years relates primarily to obligations from rental agreements for rented buildings up to the end of the contract term.

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 equip- ment, ope- rat- ing- 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 fi- nancial 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 | 55 | 4,042 |

| in T€ | Land and buildings | Technical equipment and machinery | Other equip- ment, ope- rat- ing- and business equipment | Total |
|---|--------------------------|--|---|--------------|
| As at | | | | |
| 01.10.2019 | 5,070 | 679 | 107 | 5,856 |
| Additions to rights of use | 1,653 | 686 | 6 | 2,345 |
| Amount of amortisation in the fi- nancial year | 2,554 | 530 | 38 | 3,122 |
| Disposals of rights of use | 245 | 115 | 0 | 360 |
| Disposals of amortisation | -245 | -115 | 0 | -360 |
| Currency differences | -7 | 0 | 0 | -7 |
| As at | | | | |
| 30.09.2020 | 4,162 | 835 | 75 | 5,072 |

Amounts recognised in the income statement:

| in T€ | 2020/2021 | 2019/2020 |
|---|------------------|-----------|
| Amortisation of rights of use | 3,692 | 3,122 |
| Interst expenses for lease liabilities | 55 | 44 |
| Expenses for short-term leases | 0 | 127 |
| Expenses for leases of an asset of low value (excluding short-term leases) | 32 | 262 |

Amounts recognised in the cash flow statement:

| in T€ | 2020/2021 | 2019/2020 |
|-------------------------------------|-----------|-----------|
| Cash flow from operating activities | -32 | -389 |
| Cash flow from financing activities | -3,756 | -3,184 |

Lease Liabilities

Lease liabilities in the amount of T€ 2,548 (PY: T€ 2,015) are included in the balance sheet item "Non-current financial liabilities" and in the amount of T€ 1,588 (PY: T€ 3,216) in "Current financial liabilities". The maturities based on non-discounted cash flows are as follows:

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 |

2019/2020

| 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 | 3,252 | 1,744 | 295 | 5,291 |

OTHER DISCLOSURES

44. Contingent Liabilities

Beyond the existing obligations which are covered by provisions, there is currently one 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€ | | | | 30.09.2021 |
|----------------------------|----------------------|------------------------|-----------------------------|---------------------|
| | due within 1 year | due in 1 to 5 years | due in more than 5 years | Total obligation |
| Equipment lease agreements | 98 | 27 | 0 | 125 |
| Order commitments | 9,365 | 0 | 0 | 9,365 |
| | 9,463 | 27 | 0 | 9,490 |

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€ | | | | 30.09.2020 |
|----------------------------|----------------------|------------------------|-----------------------------|---------------------|
| | due within 1 year | due in 1 to 5 years | due in more than 5 years | Total obligation |
| Equipment lease agreements | 98 | 91 | 0 | 189 |
| Order commitments | 2,966 | 0 | 0 | 2,966 |
| | 3,064 | 91 | 0 | 3,155 |

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 2021/2020

| 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 | 1,054 | 3,773 | 3,528 | 12,228 | 4,496 | 33,409 | 9,078 | 49,410 |
| <i>thereof from loan commitments not yet called in</i> | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade accounts payable | 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 companies in which an equity investment is held | 0 | -23 | 0 | 0 | 0 | 0 | 0 | -23 |
| Other financial liabilities | 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".

Financial year 2019/2020

| in T€ | Residual term up to 1 year | | Residual term 1 to 5 years | | Residual term more than 5 years | | Total amount | |
|--|----------------------------|------------|----------------------------|------------|---------------------------------|------------|--------------|------------|
| | Interest | Repay-ment | Interest | Repay-ment | Interest | Repay-ment | Interest | Repay-ment |
| Liabilities to bank | 939 | 3,474 | 3,788 | 13,006 | 5,338 | 36,183 | 10,065 | 52,663 |
| <i>thereof from loan commitments not yet called in</i> | 91 | 0 | 0 | 0 | 0 | 11,594 | 91 | 11,594 |
| Trade accounts payable | 0 | 6,487 | 0 | 0 | 0 | 0 | 0 | 6,487 |
| Leasing liabilities | 36 | 3,216 | 22 | 1,722 | 3 | 292 | 61 | 5,230 |
| Liabilities to companies in which an equity investment is held | 0 | 34 | 0 | 0 | 0 | 0 | 0 | 34 |
| Other financial liabilities | 3 | 5,001 | 19 | 8,045 | 0 | 1,347 | 23 | 14,393 |
| | 979 | 18,211 | 3,830 | 22,773 | 5,341 | 37,822 | 10,149 | 78,806 |

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:

| in T€ | Carrying amounts in T€ 30.09.2021 | Default rate in % | Impairment in T€ 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 |
| | Carring amounts in T€ 30.09.2020 | Default rate in % | Impairment in T€ 30.09.2020 |
| Overdue in days | | | |
| Current (not yet due) | 9,708 | 0.05 | 4 |
| 1 to 90 days overdue | 3,064 | 2.25 | 69 |
| 91 to 180 days overdue | 1,133 | 8.09 | 92 |
| more than 180 days overdue | 238 | 13.99 | 33 |
| | 14,143 | | 198 |

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 Höhle 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 Höhle 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 Dollars, Japanese Yen and Chinese Renminbi.

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€ 54 (PY: T€ 45) whereas a respective 10% weakening would have led to an improvement in the consolidated result by T€ 66 (PY: T€ 56).

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€ 54 (PY: T€ 68). A corresponding weakening of the euro in comparison with the Chinese Renminbi would have led to a deterioration in the consolidated result by T€ 66 (PY: T€ 84).

If the Euro had been stronger by 10% relative to the Japanese Yen, the consolidated result would have deteriorated by T€ 53 (PY: T€ 29) whereas a weakening by 10% would have led to an improvement in the consolidated result by T€ 64 (PY: T€ 35).

Fluctuations in other currencies such as the South Korean won, 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 2020/2021 financial year and in prior years, derivative financial instruments were used to hedge against the interest rate risks to which the Höhle 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 30.09.2021 | Reserve for the hedging of cash flows 30.09.2021 |
|-------------------------|--|--|
| Variable-interest loans | -1,582 | -1,582 |

| in T€ | Change in value for calculating the ineffectiveness of the hedging relationship 30.09.2020 | Reserve for the hedging of cash flows 30.09.2020 |
|-------------------------|---|---|
| Variable-interest loans | 504 | 504 |

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

| 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€ | Nominal amount 30.09.2020 | Liabilites 30.09.2020 | Balance sheet items in which the hedging instrument is included |
|-----------------------------------|---------------------------------|--------------------------|---|
| Interest rate swaps with floor | 49,518 | 6,299 | Other non-current liabilities |

| in T€ | 2020/2021 | 2019/2020 |
|--|-----------|-----------|
| Change in value for calculating the ineffectiveness of hedging relationships | -1,582 | 504 |
| Change in value of the hedging instrument recognised in other comprehensive income | -1,582 | 504 |
| Ineffectiveness recognised in profit/loss | 0 | 0 |
| Amount reclassified from the hedging reserve to profit or loss (Position: Interest and other expenses) | 2 | 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€ -1,582 (PY: T€ 504) were recognised directly in equity under the reserve for hedging transactions, taking deferred taxes of T€ 329 (PY: T€ -142) 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€ 1 (PY: T€ 1), assuming that the average negative balance on current accounts corresponds to the value of T€ 50 (PY: T€ 52) at the end of the 2020/2021 financial year. 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 30.09.2021 |
|--|---|--|
| 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 | AC | 1,970 |
| Other current financial liabilities | 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 |
| Futher 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 |

| in T€ | Measure- ment category acc. to IFRS 9 | Carrying amount acc. to IFRS 9 30.09.2020 |
|---|---|--|
| Equity investments | FVthOCI | 26 |
| Other non-current assets | AC | 429 |
| Trade accounts receivable | AC | 14,253 |
| Other current assets | AC | 2,183 |
| Liquid assets | AC | 34,175 |
| | | 51,066 |
| Liabilities to banks | AC | 52,663 |
| Trade accounts payable | AC | 6,520 |
| Other non-current financial liabilities (with- out lease liability) | AC | 3,755 |
| Other current financial liabilities (without lease liability) | AC | 5,067 |
| Derivatives in connection with effective CF- hedge | CF-Hedge | 6,299 |
| | | 74,305 |
| thereof aggregated acc. to IFRS 9 measurement categories | | |
| Amortised Cost (AC) | | |
| Financial assets | | 51,040 |
| Financial liabilities | | 68,005 |
| Financial assets | | |
| Fair Value through other Comprehensive In- come (FVthOCI) | | 26 |
| Futher disclosures regarding financial assets and liabilities | | |
| Amount of impairment losses on financial assets recognised in profit or loss | | 164 |
| Net change in derivatives in connection with effective | | |
| CF-hedge recognised in other comprehensive income | | 504 |
| Total interest expenses (amortised cost) | | 300 |
| Total interest income (amortised cost) | | 16 |

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 2021 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 2021, 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 | | Prices quoted on active markets (Level 1) | Significant observable input parameter (Level 2) | Significant non-observable input parameter (Level 3) |
|-------------------------|-------|---|--|--|
| in T€ | Total | | | |

**As at
30.09.2021**

| | | | | |
|---|-------|--|-------|--|
| Interest rate swaps in connection with effective Cashflow hedge | 4,717 | | 4,717 | |
|---|-------|--|-------|--|

| Category of liabilities | | Prices quoted on active markets (Level 1) | Significant observable input parameter (Level 2) | Significant non-observable input parameter (Level 3) |
|-------------------------|-------|---|--|--|
| in T€ | Total | | | |

**As at
30.09.2020**

| | | | | |
|---|-------|--|-------|--|
| Interest rate swaps in connection with effective Cashflow hedge | 6,299 | | 6,299 | |
|---|-------|--|-------|--|

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 T€ 6,142 (PY: T€ 16,608), resulting from the consolidated net loss/net profit for the year before non-controlling interests and taxes in the amount of T€ -608 (PY: T€ 7,846) and largely from adjustments relating to non-cash effects and financial results in the amount of T€ 17,525 (PY: T€ 7,417) 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 T€ 17,089 (PY: T€ 30,197). In addition, the item includes payments of T€ 7,710 largely for the acquisition of the shareholdings in STERILSYSTEMS GmbH, UMEX GmbH and Technigraf GmbH.

The major outflows of cash used for financing activities comprise the repayment of liabilities to banks in the amount of T€ 3,560 (PY: T€ 1,750) in financial year 2020/2021 and the dividend pay-out for financial year 2019/2020 in the amount of T€ 3,031 (PY: T€ 4,409) as well as the reported repayment portion of lease liabilities of T€ 3,756 (PY: T€ 3,184). The borrowings of T€ 11,594 (PY: T€ 26,799), in particular for financing the construction projects at Dr. Höhle AG and PANACOL-ELOSOL GmbH, represent the main cash flows from financing activities.

Reconciliation acc. to IAS 7

| in T€ | Cash effective change | | Non-cash changes | | | | | As at 30.09.2021 |
|---|-----------------------|--------------|-------------------|---------------------------|------------------|---------------------------------|----------|---------------------|
| | As at 01.10.2020 | | Acquisiti- ons | Currency diffe- rences | New contracts | Changes in market va- lue | Other | |
| Non-current liabilities | 37,594 | 7,847 | 171 | - | - | - | - | 45,612 |
| Current liabilities | 3,474 | 324 | - | - | - | - | - | 3,798 |
| Lease liabilities | 5,230 | -3,756 | 910 | 26 | 1,725 | - | - | 4,136 |
| Liabilities from other financial transactions | 6,436 | -21 | 709 | 1 | - | -1,582 | 0 | 5,543 |
| | 52,734 | 4,394 | 1,790 | 27 | 1,725 | -1,582 | 0 | 59,089 |

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 T€ 34,175 to T€ 12,073 in financial year 2020/2021.

49. Segment Reporting

Segment reporting was prepared in conformity with IFRS 8.

The Höhle 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 Höhle 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 Höhle Group, as described in paragraph 5.

Financial year 2020/2021

| in T€ | Adhesives 2020/2021 | Equipment & Systems 2020/2021 | Glass & Lamps 2020/2021 | Total 2020/2021 | Elimina- tion 2020/2021 | Consoli- dated 2020/2021 |
|---|------------------------|-------------------------------------|-------------------------------|--------------------|-------------------------------|--------------------------------|
| Sales revenues | | | | | | |
| External customers | 27,975 | 59,225 | 27,970 | 115,170 | 0 | 115,170 |
| Sales with other busi- ness 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 (ope- rating result) | 5,483 | 1,559 | -6,693 | 349 | 0 | 349 |
| Interst income | 33 | 489 | 35 | 557 | -413 | 144 |
| Interst expenses | 294 | 793 | 519 | 1,607 | -486 | 1,121 |
| Investments account- ed 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 INFORMA- TION | | | | | | |
| Segment assets | 70,171 | 132,345 | 38,984 | 241,499 | -48,069 | 193,431 |
| Non-allocated assets | | | | | | |
| Investments account- ed for using the equity-method | | | | 282 | | 282 |
| Financial assets | | | | 26 | | 26 |
| Non-current receiva- bles | | | | 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 liabili- ties | | | | | | |
| Deferred tax liabilities | | | | 656 | | 656 |
| Current income tax li- abilities | | | | 2,352 | | 2,352 |
| Non-current loans | | | | 48,068 | | 48,068 |
| Consolidated liabili- ties (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 |

* Deviating from half-year reporting, sales revenues generated by the Adhesives segment in the context of a major order in the amount of T€ 2,070 (PY: T€ 1,051) were allocated to the Equipment & Systems segment, since the sales revenues earned with the external customer were, in economic terms, provided by this segment. In half-year reporting, the sales revenues from the Adhesives segment (the segment handling the order) were reported and explained accordingly.

Financial year 2019/2020

| in T€ | Adhesives 2019/2020 | Equipment & Systems 2019/2020 | Glass & Lamps 2019/2020 | Total 2019/2020 | Elimina- tion 2019/2020 | Consolidated 2019/2020 |
|--|------------------------|-------------------------------------|-------------------------------|--------------------|-------------------------------|---------------------------|
| Sales revenues | | | | | | |
| External customers | 28,573 | 47,910 | 17,393 | 93,876 | 0 | 93,876 |
| Sales with other business units | 370 | 2,219 | 1,634 | 4,223 | -4,223 | 0 |
| Total sales | 28,943 | 50,129 | 19,027 | 98,099 | -4,223 | 93,876 |
| RESULT | | | | | | |
| Segment result (operating result) | 7,313 | 1,181 | -394 | 8,099 | 0 | 8,099 |
| Interst income | 24 | 521 | 60 | 605 | -412 | 193 |
| Interst expenses | 121 | 298 | 505 | 924 | -467 | 457 |
| Investments accounted for using the equity method | | | | 11 | | 11 |
| Earnings before taxes and non-controlling interests | | | | | | 7,846 |
| Income taxes | 2,405 | 555 | -70 | 2,890 | 0 | 2,890 |
| Deferred taxes | -183 | -370 | 108 | -445 | -205 | -649 |
| Earnings before non-controlling interests | | | | | | 5,605 |
| OTHER INFORMATION | | | | | | |
| Segment assets | 60,884 | 127,361 | 38,804 | 227,049 | -40,301 | 186,748 |
| Non-allocated assets | | | | | | |
| Investments accounted for using the equity-method | | | | 263 | | 263 |
| Financial assets | | | | 26 | | 26 |
| Non-current receivables | | | | 2,103 | | 2,103 |
| Current tax assets | | | | 1,190 | | 1,190 |
| Deferred tax assets | | | | 5,867 | | 5,867 |
| Consolidated assets | | | | | | 196,196 |
| Segment liabilities | 10,946 | 53,706 | 31,740 | 96,392 | -58,147 | 38,245 |
| Non-allocated liabilities | | | | | | |
| Deferred tax liabilities | | | | 421 | | 421 |
| Current income tax liabilities | | | | 1,236 | | 1,236 |
| Non-current loans | | | | 39,609 | | 39,609 |
| Consolidated liabilities (current and non-current) | | | | | | 79,511 |
| Investments | 11,379 | 24,939 | 4,933 | 41,251 | 0 | 41,251 |
| Segment write-downs | 1,123 | 3,557 | 1,928 | 6,608 | 0 | 6,608 |
| Non-cash expenses of the segment | -37 | 276 | -19 | 220 | 0 | 220 |

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€ | 2020/2021 | 2019/2020 |
|---------------|-----------|-----------|
| Total revenue | 115,170 | 93,876 |
| Germany | 43,059 | 34,496 |
| RoW | 72,111 | 59,381 |

In financial year 2020/2021, no country accounted for more than 10% of total sales (in the previous financial year, China accounted for more than 10% of total sales). In the current financial year, none of the individual customers accounts for more than 10.0% of total sales.

Non-current assets are allocated as follows:

| in T€ | 30.09.2021 | 30.09.2020 |
|---------|------------|------------|
| Germany | 94,343 | 87,451 |
| RoW | 18,573 | 11,520 |

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, Gräfelfing.

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€ 333 (PY: T€ 405), 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€ 75 (PY: T€ 72) is reported under "Other current assets" (cf. paragraph 27).

The interest income (cf. paragraph 13) in the amount of T€ 12 (PY: T€ 7) results from the agreed annual interest rate of 3%.

In the financial year 2020/2021 a short-term bullet loan in the amount of T€ 100 was granted to Dr. Hönle Medizintechnik GmbH. The loan has a term until 30 September 2021 and bears annual interest at 3%. The claim amounts to T€ 100 as of 30 September 2021. Interest income of T€ 1 was recognised in the income statement.

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" (see paragraph 27). The interest income (see paragraph 13) in the amount of T€ 1 (PY: T€ 1) results from the agreed annual interest rate of 1%.

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), Managing Director
CFO, Investor Relations, Logistics, Quality Management
- Rainer Pumpe, Diplom-Ingenieur, Managing Director
Development and Production
- Heiko Runge, Diplom-Betriebswirt (FH), Managing Director
Sales and Marketing

The Company is represented by the three Management Board members with 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 2020/2021 amounted to:

| | |
|---------------------|---------------------|
| Mr. Norbert Haimerl | T€ 421 (PY: T€ 431) |
| Mr. Heiko Runge | T€ 420 (PY: T€ 437) |
| Mr. Rainer Pumpe | T€ 271 (PY: T€ 0) |

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 remuneration

| in T€ | Salary | | Other Remuneration | | Total | |
|-----------------------------------|-----------|-----------|--------------------|-----------|-----------|-----------|
| | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 282 | 282 | 11 | 13 | 293 | 294 |
| Rainer Pumpe (seit 01.01.2021) | 183 | 0 | 14 | 0 | 197 | 0 |
| Heiko Runge | 282 | 281 | 10 | 19 | 292 | 300 |
| | 748 | 563 | 35 | 32 | 783 | 594 |

Performance based remuneration

| in T€ | Profit sharing bonuses | |
|--------------------------------|------------------------|-----------|
| | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 128 | 137 |
| Rainer Pumpe (seit 01.01.2021) | 74 | 0 |
| Heiko Runge | 128 | 137 |
| | 329 | 275 |

Pension

| in T€ | Pension expenses pursuant to IAS 19 | |
|-----------------|-------------------------------------|-----------|
| | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 276 | 288 |
| Rainer Pumpe | 0 | 0 |
| Heiko Runge | 242 | 255 |
| | 517 | 544 |

Pensionen

| in T€ | Present value of defined benefit obligations | |
|-----------------|--|-----------|
| | 2020/2021 | 2019/2020 |
| Norbert Haimerl | 3,237 | 3,126 |
| Rainer Pumpe | 0 | 0 |
| Heiko Runge | 2,905 | 2,833 |
| | 6,142 | 5,959 |

Benefits Paid in the Event of Termination of Management Board Activity

The Supervisory Board appoints the Dr. Höhle 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. Höhle AG, the Management Board members Mr. Haimerl and Mr. Runge are 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. Höhle 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 settlement of their remuneration and fringe benefits at the time of the premature termination up to the maturity date of their service agreements. 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 put in a position as though the Company had fulfilled the respective pension commitments up to the termination date stipulated in the service agreement.

Pension payments were made to surviving dependants of former managing directors in the amount of T€ 3 (PY: T€ 12). These pension claims are covered by pension provisions in the amount of T€ 0 (PY: T€ 304) (cf. paragraph 35). The interest expense includes a respective proportion of T€ 0 (PY: T€ 3).

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.

Supervisroy Board Compensation

| in T€ | 2020/2021 | 2019/2020 |
|--|-----------|-----------|
| Prof. Dr. Karl Hönle | 60 | 60 |
| Günther Henrich | 45 | 45 |
| Dr. Bernhard Gimple | 30 | 30 |
| Prof. Dr. Imke Libon (seit 26.03.2021) | 18 | 0 |
| | 153 | 135 |

Supervisory Board

- Prof. Dr. Karl Hönle, Dachau – Chairman
Physicist, Professor of Technical Optics and Laser Technology at the Munich University for Applied Sciences (emeritus status), Managing Director of Dr. Hönle Medizintechnik GmbH, Member of the Senate of the Economy
- Günther Henrich, Schäftlarn – Vice Chairman
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

Total compensation for the Supervisory Board amounted to T€ 153 (PY: T€ 135) in financial year 2020/2021.

More detailed information on the compensation of the Management Board and Supervisory Board remuneration/compensation is contained in the Remuneration Report, which is part of the Management Report.

52. Governance-Compliance Declaration pursuant to Section 161 AktG

In January 2021, 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 Fee

The annual auditor, S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, charged the following fees for the services provided in financial year 2020/2021:

| in T€ | 2020/2021 | 2019/2020 |
|--|-----------|-----------|
| Financial statements audit (individual and consolidated) | 194 | 190 |
| Tax consulting services | 39 | 49 |
| Other attestation services | 9 | 3 |
| | 242 | 242 |

54. Employees

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

| in T€ | 2020/2021 | 2019/2020 |
|-----------------------|-----------|-----------|
| Sales & Marketing | 105 | 90 |
| Research, Development | 95 | 86 |
| Production, Service | 308 | 273 |
| Logistics | 71 | 68 |
| Administration | 78 | 68 |
| | 657 | 585 |

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 30 December 2021.

56. Events after the Balance Sheet Date

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, 30 December 2021

Norbert Haimerl
Management Board

Heiko Runge
Management Board

Rainer Pumpe
Management Board

Disclaimer

This annual report contains statements and information concerning Dr. Höhle AG and the Höhle 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

27 January 2022

Present Annual Report 2020/2021

22 February 2022

I. Quartaly Statement 2021/2022

24 March 2022

Virtual Shareholders Meeting

12 May 2022

Half Year Report 2021/2022

5. August 2022

III. Quartaly Statement 2021/2022

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

hönle group

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