Interim Report Q2/2010

Success through
partnership and strategy

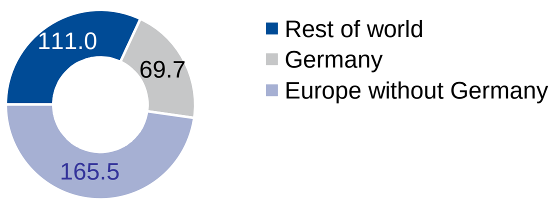
KEY GROUP FIGURES

		6 months 2010	6 months 2009	Variance as %
Total sales revenue	EUR m	346.2	240.9	43.7
Sales revenue Germany	EUR m	69.7	58.1	20.0
Sales revenue outside Germany	EUR m	276.5	182.8	51.3
thereof Europe	EUR m	165.5	128.8	28.5
North America	EUR m	21.1	12.3	71.5
Asia/Pacific	EUR m	71.1	29.4	141.8
Foreign share	as %	79.9	75.9	5.3
EBITDA[1)]	EUR m	26.7	-8.5	414.1
EBITDA adjusted[2)] before employee participation	EUR m	27.7	-0.5	5,640.0
EBITDA adjusted[2)] after employee participation	EUR m	26.0	2.9	796.6
EBITDA[1)]	as % of sales revenue	7.7	-3.5	320.0
EBITDA[1)]	as % of total operating performance	7.4	-3.5	311.4
EBIT[1)]	EUR m	12.5	-20.7	160.4
EBIT adjusted[2)] before employee participation	EUR m	13.4	-12.8	204.7
EBIT adjusted[2)] after employee participation	EUR m	11.8	-9.4	225.5
EBIT[1)]	as % of sales revenue	3.6	-8.6	141.9
EBIT[1)]	as % of total operating performance	3.5	-8.6	140.7
Net profit/loss (before minority interests)	EUR m	3.4	-19.3	117.6
Earnings per share[3)]	EUR	0.18	-1.20	115.0
ROCE after taxes	as %	6.0 [4]	-5.5 [5]	209.1
ROCE [6)] before taxes	as %	8.5	-8.0	206.3
Equity as of reporting date	EUR m	166.0	158.5	4.7
Own funds as of reporting date[7)]	EUR m	207.5	199.4	4.1
Own funds ratio	as %	36.0	37.3	-3.5
Capital expenditures on property, plant and equipment	EUR m	3.3	7.5	-56.0
Depreciation of property, plant and equipment	EUR m	9.0	8.8	2.3
Employees	Average of the period	4,958	5,281	-6.1
thereof trainees	Average of the period	377	365	3.3
Personnel expenses adjusted[2)]	EUR m	126.0	110.1	14.4
Order intake accumulated[8)]	EUR m	300.1	175.7	70.8
Order backlog as of reporting date[8)]	EUR m	199.9	161.0	24.2

[1)] Before taking into account employee participation
[2)] Before restructuring/non-recurring expenses
[3)] Net profit/loss after minority interests, based on 15,688,000 shares
[4)] (EBIT adjusted[2)] for the first six months x 2 x 70%) / capital employed (non-current assets + net working capital) (tax rate 30%)
[5)] (EBIT adjusted[2)] for the first six months x 2 x 69%) / capital employed (non-current assets + net working capital) (tax rate 31%)
[6)] (EBIT adjusted[2)] for the first six months x 2) / capital employed (non-current assets + net working capital)
[7)] Equity plus profit participation rights and employee participation
[8)] Order intake and order backlog only contain own machines without merchandise, spare parts and service

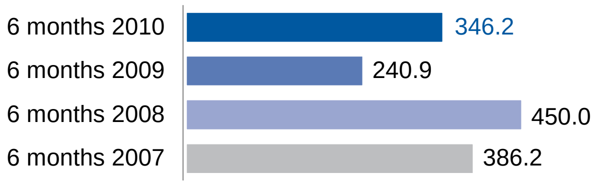
SALES REVENUE BY REGION 6 months 2010

EUR million



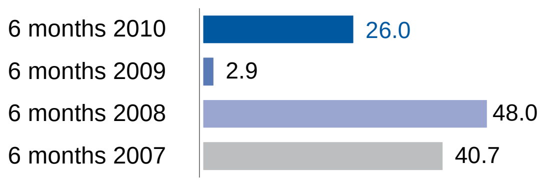
SALES REVENUE

EUR million



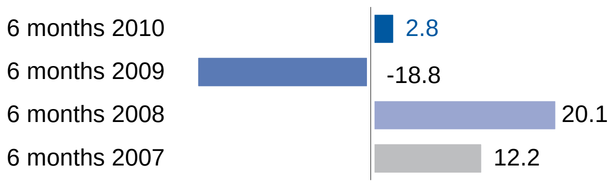
EBITDA adjusted[2)] after employee participation

EUR million



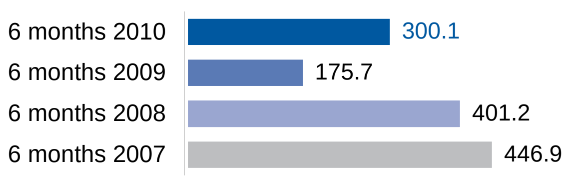
NET PROFIT/LOSS (after minority interests)

EUR million



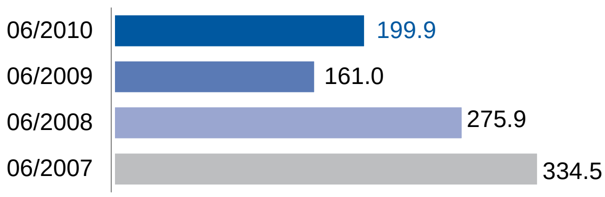
ORDER INTAKE[8)]

EUR million



ORDER BACKLOG[8)]

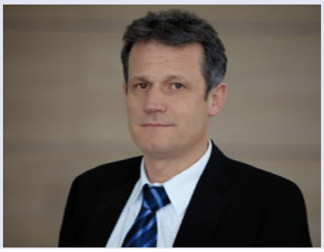
EUR million



CONTENTS

FOREWORD BY THE MANAGEMENT BOARD

From left to right:
Rolf Knoll
Achim Gauss
Jürgen Köppel



DEAR SHAREHOLDERS,

Following the good first three months of the year, the positive business development of the HOMAG Group continued in the second quarter of 2010. Once again, order intake for our own machines and modifications remained in excess of our budgeted figures, even if we have returned to the usual seasonal patterns with declining order intake in the course of the year, as we predicted. The factors contributing to the good order volume include the global presence of the HOMAG Group, especially in the important growth markets in Asia and South America as well as demand for flexible, high-performance production systems increasing again. This means that our capacity utilization has continued to improve throughout the group and we have already returned to full capacity at some group companies.

The slight increase in the number of employees in comparison to the end of 2009 also underlines the overall clearly positive trend. We have cautiously increased headcount at strategically important points at some subsidiaries. In order to maintain flexibility in our capacity planning, however, we are increasingly making use of temping agencies. As of the end of the second quarter, we employed 95 temporary workers.

The good business development also impacted our earnings – EBT consequently remained positive in the second quarter, contrary to our forecast and despite considerable price pressure, even beating the earnings of the first quarter of 2010. We have therefore continually improved our earnings since the first quarter of 2009. Accordingly, we consider this sustainable return to positive operating results to be much more significant than the comparison to the prior-year quarter, which reveals a clear increase. The foundation for this are the restructuring measures implemented in 2009, which have a long-term positive impact in conjunction with the higher volume of business.

A comparison of the first half of the year with the first six months of 2009 reveals how quickly and sustainably we have recovered from the massive setback and returned to the course for success, bearing in mind the 71 percent increase in order intake and an improvement in sales revenue of more than 40 percent.

In addition to the company’s return to upward development, we had another reason to celebrate in the second quarter: the official ceremony to mark the 50th anniversary of HOMAG Holzbearbeitungssysteme AG was held in April. Our guests included the prime minister of Baden-Württemberg, Stefan Mappus. The 50-year success story – developing from a little workshop to world market leader – received positive mention at other events and functions as well as in marketing campaigns.

OUTLOOK

The first half of the year, which exceeded our expectations and produced high order backlog as of mid-year, allows us to increase our sales revenue forecast for 2010. Although we still anticipated sales revenue of EUR 600 million at the beginning of the year and of EUR 620 million after the first quarter, we now aim to achieve annual sales revenue in excess of EUR 650 million. We continue to reckon with a double-digit percentage growth in order intake and base our planning on growth of somewhere around 20 percent. It should be noted in this context, however, that order intake will decline in the course of the year, as was the case in the past (apart from in 2009). As a consequence, we are working on the assumption that order intake will be lower in the third quarter of 2010 in comparison to the second quarter but will be higher than the prior-year figure of EUR 107 million, nevertheless.

From left to right:
Andreas Hermann
Herbert Högemann

For the second half of 2010, we anticipate comparable operating results to the first six months and expect positive pre-tax results in each of the last two quarters. With regard to special effects, we make no changes to our previous earnings forecast despite expectations of higher revenue and continue to anticipate only a small profit for the year. The special effects include in particular higher interest rates and tax disadvantages in connection with anticipated losses at some subsidiaries and on account of the interest limitation issues.

The management board

Schopfloch, August 2010

ROLF KNOLL

ACHIM GAUSS

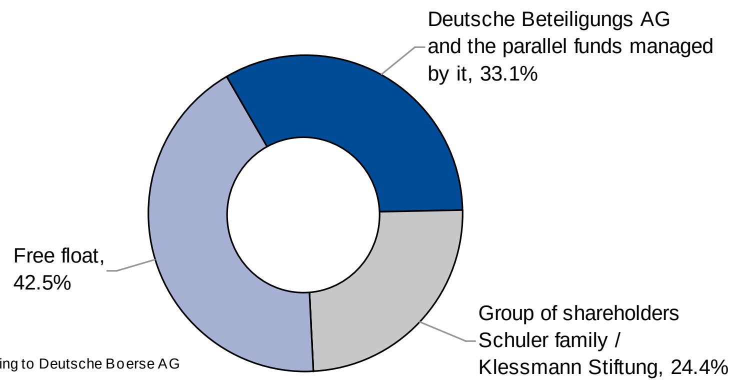
ANDREAS HERMANN

HERBERT HÖGEMANN

JÜRGEN KÖPPEL

THE HOMAG GROUP AG SHARE

SHAREHOLDER STRUCTURE AS OF JULY 31, 2010*



*Method of calculation according to Deutsche Boerse AG

On the whole, the stock markets saw a general sideward movement in the second quarter of 2010 with a slightly negative trend that was a little more pronounced in May. The uncertainty about the future of the euro can still be seen. Between April and June the DAX fell by some three percent and the MDAX by two percent, while the SDAX remained stable. On the other hand, the DAX remained stable in comparison to the beginning of the year, while the MDAX and SDAX increased by seven and ten percent, respectively.

After the significant rise in share prices seen in the first quarter of 2010, HOMAG Group AG's shares fell to around EUR 11 by the beginning of May and closed the second quarter at EUR 11.90. This still constitutes a rise of just under 12 percent on the price seen at the beginning of the year, however.

Overall, the German share markets returned to growth in July. DAX and MDAX rose by three and four percent, respectively, while the SDAX increased by as much as six percent. The HOMAG share enjoyed a very positive development, gaining 15 percent and standing at EUR 13.70 at the end of the month.

The six shareholder representatives on the supervisory board were elected as scheduled at our annual general meeting held on May 28, 2010. The existing member Torsten Grede was reappointed. Dr. Horst Heidsieck, Hans Fahr, Gerhard Federer, Dr. Dieter Japs and Thomas Keller were elected for the first time. The six employee representatives nominated for the supervisory board, namely Reiner Neumeister, Reinhard Seiler, Ernst Esslinger, Hannelore Knowles, Jochen Meyer and Carmen Hettich-Günther, were reappointed by the register court. At the constituent meeting of the supervisory board following the annual general meeting, Torsten Grede was confirmed as chairman and Reiner Neumeister as his deputy. The annual general meeting also followed the proposal of the management board and supervisory board to carry forward the net retained profit in full to new account.

Since our IPO in July 2007 it has been our aim to gain the confidence of the capital market. For this reason, we attach great importance to open, fair and comprehensive investor relations activities. This has now been honored with the 2010 Capital Investor Relations Award. We made third place of all 50 companies listed on the SDAX index. This is the fourteenth time that the business magazine "Capital" and the DVFA ["Deutsche Vereinigung für Finanzanalyse und Asset Management": the Society of Investment Professionals in Germany] have evaluated the IR activities of the most important companies in Germany and Europe. The survey included just under 400 analysts and fund managers who provided around 14,000 individual judgments on 198 companies.

We see this award as an incentive to continue our active capital market communication. We held face-to-face talks with a number of investors in the second quarter of 2010, several of which from other countries. These measures were supplemented by a conference call on the results of the first quarter of 2010 and a road show in Zurich. We also participated in a capital market conference held by Bankhaus Lampe in Baden-Baden and presented the HOMAG Group at an investor conference hosted in Frankfurt by Deutsche Beteiligungs AG. We kept the public informed about important events with a total of four press releases between April and June.

PERFORMANCE OF THE HOMAG GROUP SHARE IN COMPARISON WITH SDAX

Source: XETRA, stock performance indexed (January 2, 2009 = 100)

SHARE PERFORMANCE INDICATORS

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
Index		SDAX
IPO	July 13, 2007	
Number of shares	until July 11, 2007	14,561,345
(according to commercial register entry)	since July 12, 2007	15,688,000
	no-par value ordinary bearer shares	
Price high* January 2, 2009-June 30, 2010	March 30, 2010	EUR 14.45
Price low* January 2, 2009-June 30, 2010	March 12, 2009	EUR 5.80
Price* as at June 30, 2010		EUR 11.90
Market capitalization (June 30, 2010)		EUR 186.7 million

* XETRA closing quote

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2010

ECONOMIC ENVIRONMENT

In their most recent publications, both the IfW [“Institut für Weltwirtschaft”: World Economics Institute] and DIW [“Deutsches Institut für Wirtschaftsforschung”: German Institute of Economic Research] come to the conclusion that the global economy is recovering more rapidly than expected. The driving force behind the upswing remain the emerging economies in particular, but some industrialized countries are also expanding more strongly again in the meantime. For this reason, economists have so far predicted a strong rise in global production in the second quarter of 2010 although the general economic environment deteriorated a little by the end of June 2010 and full capacity utilization has still not been reached.

One of the causes of this development is the lack of confidence in the euro area, which is a reason for the slow recovery in the European economic area. The government austerity programs, which are quite dramatic in some cases, also act as an impediment to growth. Economic growth in Germany in the first half of the year was significantly stronger than anticipated even at the beginning of the year. Foreign demand was once again the decisive factor. Consequently, July witnessed the largest rise in the ifo business climate index since German reunification. For example, companies are more optimistic in their assessment of the current business climate and the outlook for the next six months than in the previous month.

Order intake in the mechanical engineering industry developed very positively in the second quarter of 2010 and, according to the VDMA [“Verband Deutscher Maschinen- und Anlagenbau e.V.”: German Engineering Federation], grew by 53 percent on the comparable prior-year figure. The industry association responsible for the wood processing machinery segment within the VDMA reports growth of as much as 83 percent, which is primarily attributable to the excellent development of foreign orders.

BUSINESS DEVELOPMENT

We were satisfied with the business development of the HOMAG Group once again in the second quarter of 2010 as the recovery after the severe economic crisis becomes more and more apparent. For example, the improved mood in the industry continues as does the positive trend seen in the good first quarter. The volume of production was no lower than in the first quarter of the year despite the slightly smaller number of working days.

Order intake between April and June was once again in excess of our budgeted figures, which was due among other things to the good systems business and almost certainly also to the positive follow-up business to the trade fair in Nuremberg in March and the results of the Milan trade fair in May 2010. Our global network allows us, for example, to be present at further trade fairs in India and China and permits us to win customers in the presentations of our products and services. With regard to order intake we can see a return to the seasonal trend of previous years involving declining figures in the course of the year. Only 2009 bucked this trend due to the very poor start to the year.

The export markets continued to grow in the second quarter of 2010 as was already the case in the first three months of the year. While the domestic market did improve in the first half of the year in comparison to the relatively good 2009, growth has slowed here. In comparison to the weak prior-year quarter, western European markets improved significantly once again – in particular the high-volume markets of Benelux, France and Italy and even the UK and Spain. Eastern European markets also saw a satisfactory development, driven primarily by Poland and Russia.

We likewise experienced a return to growth in South America, in particular in Brazil, both with regard to stand-alone machines produced locally and imported equipment. In North America, we are satisfied with developments in Canada, whereas the US market remains at a low level despite an improvement. The order situation on the Asian market is excellent, particularly in China while the other markets in south-east Asia – Thailand, Singapore, Malaysia and Indonesia – are also strong. We have already exceeded the level seen in Asia before the crisis – by a wide margin in China.

Our capacity utilization has also continued to improve, but there were still differences between individual group entities. This enabled us to make less use of reduced working hours within the group. This measure is scheduled to be discontinued completely in the second half of the year. Virtually all of our restructuring measures have been completed. Only with a few of them are the effects occurring with a time delay.

Contrary to our forecast, we once again succeeded in generating positive EBT in the second quarter of 2010. Despite a smaller number of working days, higher interest expenses and the costs for the Xylexpo trade fair, our results even exceed the level of the first quarter of 2010. Our results have therefore continually improved since the first quarter of 2009 and also constitute a clear improvement on the comparable quarter of the prior year.

In comparison to the weak prior-year quarter, we succeeded in considerably boosting the HOMAG Group's sales revenue to EUR 181 million in the second quarter of 2010 (prior year: EUR 122 million) and total operating performance to EUR 184 million (prior year: EUR 112 million). Order intake similarly continued its positive development, standing at EUR 134 million between April and June 2010 (prior year: EUR 101 million). We virtually succeeded in maintaining the good level of order backlog seen at the end of the first quarter at EUR 200 million as of June 30, 2010 (prior year: EUR 161 million).

A comparison of the first half years of 2009 and 2010 shows even more clearly the upward trend of the HOMAG Group – especially as the first six months of 2009 were heavily influenced by the economic crisis. For example, group sales revenue grew by 44 percent between January and June 2010 to EUR 346 million (prior year: EUR 241 million) and total operating performance increased to EUR 360 million (prior year: EUR 240 million). In a comparison of the first half of the year to the first half of the prior year, order intake increased to EUR 300 million (prior year: EUR 176 million).

EARNINGS SITUATION

On account of the order volume being above forecast and the long-term effect of our cost-cutting and restructuring measures, we repeated our positive EBT in the second quarter of 2010, contrary to our previous estimates and despite considerable price pressure, which means we have returned the HOMAG Group to profitability on a sustainable basis. This is mainly due to our comprehensive measures to adjust capacity introduced at the beginning of the economic crisis which significantly reduced our costs. In the meantime, these measures have been virtually completed, which is also reflected in the low level of extraordinary expenses of EUR 0.6 million (prior year: EUR 7.3 million) incurred in the second quarter of 2010 for such restructuring measures/non-recurring expenses.

Our personnel expenses have increased slightly on account of the significant increase in the volume of business and stood at EUR 64.3 million between April and June 2010 (prior year: EUR 58.9 million). The ratio of personnel expenses to total operating performance fell to 34.9 percent (prior year: 52.6 percent). At 44.0 percent, the percentage of cost of materials to total operating performance showed a slight improvement on the first quarter. It has risen in comparison to the prior-year figure of 39.6 percent, however, due to the number of temporary workers increasing again, the rise in the share of sales revenue with merchandise in conjunction with the project business in addition to the prevailing price pressure. The net profit for the period gave rise to expenses relating to employee profit participation in the reporting period amounting to EUR 1.2 million including discounting effects, whereas income of EUR 1.7 million was generated in the prior year.

For the second quarter of 2010, this results in EBITDA before extraordinary expenses and before the result from employee profit participation of EUR 15.0 million (prior year: EUR 3.2 million), while it came to EUR 14.4 million (prior year: EUR -4.1 million) after extraordinary expenses and before the result from employee profit participation. EBIT before extraordinary expenses and before the result from employee profit participation improved to EUR 8.0 million (prior year: EUR -3.0 million), while it came to EUR 7.3 million (prior year: EUR -10.3 million) after extraordinary expenses and before the result from employee profit participation. Due to the increase in interest expenses on account of the new syndicated loan agreement, the financial result deteriorated to EUR -2.8 million (prior year: EUR -2.0 million) resulting in EBT before extraordinary expenses and before the result from employee participation of EUR 5.2 million (prior year: EUR -5.1 million) and EBT after extraordinary expenses and after the result from employee participation of EUR 3.3 million (prior year: EUR -10.6 million). At 36 percent the ratio of tax expenses to total operating performance was higher than average because of the interest limitation issue. The net profit for the period before minority interests therefore amounted to EUR 2.1 million (prior year: net loss of EUR 8.2 million) and after minority interests to EUR 1.6 million (prior year: net loss of EUR 7.7 million) and gives rise to earnings per share of EUR 0.10 (prior year: EUR -0.50).

A comparison of the half-year earnings figures to the prior-year period also reflects the significantly improved situation within the group. For the first half of 2010, EBITDA before extraordinary expenses and before the result from employee profit participation totaled EUR 27.7 million (prior year: EUR -0.5 million), while it came to EUR 26.7 million (prior year: EUR -8.5 million) after extraordinary expenses and before the result from employee profit participation. EBIT before extraordinary expenses and before the result from employee profit participation totaled EUR 13.4 million (prior year: EUR -12.8 million), while it came to EUR 12.5 million (prior year: EUR -20.7 million) after extraordinary expenses and before the result from employee profit participation. Before extraordinary expenses and before the result from employee profit participation, EBT came to EUR 8.8 million (prior year: EUR -17.6 million), while it came to EUR 6.2 million (prior year: EUR -22.2 million) after extraordinary expenses and after the result from employee profit participation. The net profit for the period before minority interests increased to EUR 3.4 million (prior year: net loss of EUR 19.3 million) and after minority interests to EUR 2.8 million (prior year: net loss of EUR 18.8 million) and gives rise to earnings per share of EUR 0.18 (prior year: EUR -1.20).

NET ASSETS AND FINANCIAL POSITION

Our total assets increased from EUR 519 million at the end of 2009 to EUR 577 as of June 30, 2010. This was mainly the result of the increase in the volume of business which, on the assets side of the statement of financial position, caused a rise in trade receivables, inventories and cash and cash equivalents. In contrast, payments on account received, trade payables and other liabilities increased on the equity and liabilities side.

Our equity ratio fell slightly from 30 percent as of December 31, 2009 to 29 percent at the end of the second quarter of 2010, despite an increase in equity. This was caused by the significant increase in total assets. Taking profit participation rights and the obligations from employee profit participation into account, the own funds ratio amounts to 36 percent (December 31, 2009: 38 percent).

Contrary to our forecast, our net liabilities to banks decreased again to EUR 83.9 million as of June 30, 2010 in comparison to EUR 89.6 million as of the end of the first quarter (as of December 31, 2009: EUR 94.6 million). We achieved this thanks to great discipline with regard to net working capital. We succeeded in further reducing the ratio of net working capital to sales revenue despite the increase in our volume of business. However, we now anticipate a slight increase in net liabilities to banks in the second half of 2010.

Our syndicated loan agreement for EUR 198 million with a term until in February 2013, which was concluded in February 2010, as well as other current and non-current lines of credit provide us with ample financing facilities. In this context, we currently do not see any risks to compliance with the covenants agreed in the syndicated loan agreement.

Return on capital employed (ROCE) before taxes on the basis of EBIT before result from employee participation and before extraordinary expenses was positive in the first half of 2010 and came to 8.5 percent (prior year: -8.0 percent). After taxes (tax rate used in calculation: 30 percent, 31 percent in the prior year), ROCE on the basis of EBIT before result from employee participation and before extraordinary expenses came to 6.0 percent (prior year: -5.5 percent).

Due to the improved results and the increase in production volume, the cash flow from operating activities increased in the first six months of 2010 and amounted to EUR 17.4 million (prior year: EUR 16.1 million). After deducting cash paid for investments, the free cash flow amounts to EUR 8.8 million (prior year: EUR -10.3 million). Cash flow from financing activities totaled EUR 9.6 million (prior year: EUR 11.9 million). Cash and cash equivalents amounted to EUR 51.1 million as of June 30, 2010 (prior year: EUR 39.8 million).

EMPLOYEES

The current headcount developments reflect the fact that we have virtually completed our capacity adjustment measures and that business has improved again. For example, while headcount in the HOMAG Group as of June 30, 2010 has fallen in comparison to the end of the second quarter of 2009 from 5,136 to 4,963 employees, the number of staff has increased slightly in comparison to the end of 2009 (4,954 employees). Currently, 64 employees are still on subsidized temporary layoff.

On account of the return to growth in the volume of business, we have cautiously started increasing headcount at some subsidiaries and are hiring new employees at strategically important places. In the meantime, the group is again employing 95 temporary workers to maintain flexibility in our capacity planning.

CAPITAL EXPENDITURE

Our forecast of falling investment volume in 2010 was confirmed again in the second quarter in the course of which capital expenditure fell to EUR 3.8 million (prior year: EUR 8.9 million). This includes own work capitalized of EUR 2.4 million (prior year: EUR 2.3 million). The main reason for the drop is the fact that there are no special measures pending in the current year – such as the HOMAG Center last year – and the largest part is being spent on replacement investment. This means that total investment in the first six months of 2010 came to EUR 9.3 million (prior year: EUR 16.9 million). Own work capitalized of EUR 4.9 million (prior year: EUR 4.6 million) is included in this figure.

RESEARCH AND DEVELOPMENT

It is customary for all entities of the HOMAG Group to draft their development programs for the following year in the second quarter. These take into account market requirements, changes in market conditions and production methods as well as innovations on the group’s own market and markets outside the industry.

In this context, our product management organization, the close cooperation with institutes, universities and colleges, research facilities and, most of all, the close relationship to many customers as equal partners give rise time and time again to very challenging and promising tasks. Before work begins, a feasibility study is performed to review potential developments for market opportunities and potential returns. Only if the results are positive will these be implemented.

The focal point of our development work is currently on refining the revolutionary new developments unveiled in 2009. These include, among other things, customer-specific solutions in the field of surface technology, ongoing optimization of laser technology and improvements in the performance of our software and IT engineering. In the project business, which is of special strategic importance for us, we succeeded in further expanding our market position through targeted employment of our engineering and R&D resources. A wide range of new products are in preparation with a view to Ligna, the industry’s leading trade show, taking place in 2011.

The return to rising order intake after the severe crisis, especially in the project business, confirms that our ongoing product care as well as the development of new products and refinement of existing ones go down well with customers and we are perceived as being an innovative partner, providing consistent high performance. Our system solutions enable us to offer the HOMAG Group's customers a one-stop shop for a wide range of products and services, tailored to their needs in terms of performance and price and with a high degree of standardization.

A consistent control and software concept integrated throughout the group allows us to provide a higher degree of customer benefit and forms an optimum basis for the global after-sales business. More and more customers are identifying the advantages of prompt commissioning, simple diagnostic procedures and operation. These are augmented by our innovative service products such as on-site repairs, spare parts service, training and distance maintenance as well as software products and e-service products.

We will once again present product innovations to our customers at our in-house trade show at the end of September.

RISK REPORT

The risk management system in place and the individual business risks are described in the annual report 2009 on pages 65-69. The comments made there are still essentially valid. There are no discernable risks at present that could jeopardize the continuation of the HOMAG Group as a going concern.

SUBSEQUENT EVENTS

In July 2010, we increased our shareholding in BÜTFERING Schleiftechnik GmbH to more than 96 percent by means of a capital injection, while at the same time diluting minority interests. We had already raised our shareholding to just under 92 percent in February 2010.

In the notes to the financial statements for the first quarter of 2010 report we pointed out existing delays in payment in connection with a major contract. In this context, we came to an arrangement with the customer after the end of the reporting period. The bad debt allowances recognized in the prior period for this outstanding receivable were adequate.

Mr. Andreas Hermann, member of the management board responsible for finance, IT and human resources (CFO), asked the supervisory board to end his contract prematurely for personal reasons and will accordingly leave Homag Group AG of his own volition and by mutual agreement as of March 31, 2011.

The supervisory board has already started looking for a suitable successor. The company will announce on a timely basis when the position has successfully been filled. As Mr. Hermann is not leaving the company until March 31, 2011, this will ensure a seamless handover to the new CFO.

OUTLOOK

After the significant expansion in the global economy in the first half of 2010, IfW and DIW anticipate that world economic growth will slow as the year progresses. For 2010 as a whole, these institutes nevertheless expect a strong rise in global production in excess of four percent on account of the strong growth at the beginning of the year. The emerging economies are making a particular contribution to this growth, for example gross domestic product in China and India is forecast to grown by some ten and eight percent, respectively. Industrialized countries are expected to return moderate growth averaging just over two percent. Growth of around three percent is forecast for both the USA and Japan.

Economists forecast lower than average economic growth in the European Union. The IfW anticipates average growth of 1.3 percent and the Spanish, Greek and Irish economies are even expected to contract. Virtually all economic forecasts for Germany improved as the year progressed. For example, the IfW now anticipates that gross domestic product will grow by 2.1 percent in 2010 and DIW expects growth of 1.9 percent. However, only moderate growth in corporate investment is expected on account of there still being idle capacities.

In July, the VDMA also increased its forecast for growth in the mechanical engineering industry to three percent after previously forecasting that it would stagnate. For the wood processing machinery segment, the industry association within the VDMA assumes that business will improve in 2010 but has maintained its existing forecast of an increase in production of between 10 and 15 percent despite the excellent current figures.

Order intake by the HOMAG Group developed better than expected in the first half of 2010, which led to a correspondingly positive order backlog as of mid-year. This, together with the good development of sales revenue in the first six months of 2010, therefore permits us to raise our previous sales revenue forecast for 2010. After having anticipated sales revenue of EUR 600 million at the beginning of the year and having thought EUR 620 million conceivable at the end of the first quarter, we now anticipate sales revenue for 2010 to exceed EUR 650 million.

We continue to anticipate double-digit percentage growth in order intake and anticipate an increase somewhere around 20 percent for the year seen as a whole, although order intake is once again demonstrating the customary seasonality with figures declining as the year progresses. On this basis, we anticipate order intake in the third quarter of 2010 to be slightly above the prior-year figure of EUR 107 million. We expect new impetus to come from our trade fair presentations in the second half of 2010, for example in Brazil, China, Russia and the UK and our in-house trade shows being held simultaneously at several subsidiaries in September. Over the last few years, these have established themselves as a meeting point for industry between the major trade fairs.

With regard to the sales markets around the world, we are working on the assumption that the trends seen in the first half of the year will essentially continue in the second half of the year. The market in Germany is expected to remain stable under the prevailing economic environment and order intake will, as far as we can tell today, reach the good level of the prior year. After a good first half of the year, we expect the region of western Europe to remain above the prior-year figure, but we anticipate economic growth to slow specifically in the third quarter on account of the vacation period. With regard to the eastern European markets, especially Poland and Russia, we anticipate positive developments to continue in the second half of the year and expect the year to close significantly above the prior-year level. We expect strong growth in the Americas region especially on account of Brazil in 2010. Signs of a slight recovery can also be seen in North America. Driven by China in particular, the Asia-Pacific region is expected to continue to make a significant contribution to the HOMAG Group's order intake in the second half of the year.

In addition to our trade fair presentations, we are focusing on targeted marketing campaigns, for example involving our special edition machinery marking the 50th anniversary of HOMAG Holzbearbeitungssysteme AG. We continue to identify potential in the systems business in which we anticipate still major projects.

At the level of earnings for the second half of 2010, we anticipate comparable operating results to the first six months but are working on the assumption that the pre-tax result will remain positive in the two last quarters of the year. With regard to special effects, we make no changes to our previous earnings forecast despite expectations of higher sales revenue and continue to anticipate only a small profit for the year. The special effects include in particular higher interest rates and tax disadvantages in connection with anticipated losses at some subsidiaries and on account of the interest limitation issues.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR k	2010 04/01-06/30	2009 04/01-06/30	2010 01/01-06/30	2009 01/01-06/30
SALES REVENUE	**181,129**	**121,904**	**346,153**	**240,931**
Increase or decrease in inventories of finished goods and work in progress	804	-12,380	8,551	-5,712
Own work capitalized	2,345	2,383	4,943	4,801
	3,149	-9,997	13,494	-911
TOTAL OPERATING PERFORMANCE	**184,278**	**111,907**	**359,647**	**240,020**
Other operating income	5,751	10,586	11,675	15,821
	190,029	122,493	**371,322**	**255,841**
Cost of materials	81,030	44,337	159,952	100,182
Personnel expenses before employee participation	64,313	58,892	126,600	117,317
Amortization of intangible assets	2,557	1,851	5,222	3,505
Depreciation of property, plant and equipment	4,472	4,389	9,012	8,777
Other operating expenses	30,335	23,339	58,028	46,794
	182,707	132,808	**358,814**	**276,575**
OPERATING RESULT BEFORE EMPLOYEE PARTICIPATION	**7,322**	**-10,315**	**12,508**	**-20,734**
Result from employee particpation	-1,207	1,735	-1,669	3,380
NET OPERATING PROFIT/LOSS	**6,115**	**-8,580**	**10,839**	**-17,354**
Profit/loss from associates	425	-113	1,042	-611
Interest income	442	344	888	772
Interest expenses	3,658	2,270	6,603	5,024
EARNINGS BEFORE TAXES	**3,324**	**-10,619**	**6,166**	**-22,217**
Income taxes	-1,206	2,463	-2,762	2,895
NET PROFIT/LOSS FOR THE PERIOD	**2,118**	**-8,156**	**3,404**	**-19,322**
Profit/loss attributable to minority interests	540	-416	646	-525
Profit/loss attributable to owners of Homag Group AG	**1,578**	-7,740	**2,758**	**-18,797**
Earnings per share attributable to the owners of Homag Group AG in EUR (basic and diluted)	0.10	-0.50	0.18	-1.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR k	2010 04/01-06/30	2009 04/01-06/30	2010 01/01-06/30	2009 01/01-06/30
NET PROFIT/LOSS FOR THE PERIOD	**2,118**	**-8,156**	**3,404**	**-19,322**
Currency effects	3,699	-685	6,429	-283
Actuarial gains and losses	-223	-149	-223	-139
Income taxes on other comprehensive income	77	37	77	34
OTHER COMPREHENSIVE INCOME	**3,553**	**-797**	**6,283**	**-388**
TOTAL COMPREHENSIVE INCOME	**5,671**	**-8,953**	**9,687**	**-19,710**
Profit/loss attributable to minority interests	892	-649	1,208	-541
Profit/loss attributable to owners of Homag Group AG	4,779	-8,304	8,479	**-19,169**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR k		Jun. 30, 2010	Dec. 31, 2009
NON-CURRENT ASSETS			
I.	Intangible assets	55,570	54,699
II.	Property, plant and equipment	142,300	144,862
III.	Investments in associates	8,022	5,842
IV.	Other financial assets	486	771
V.	Receivables and other assets		
	Trade receivables	4,965	3,919
	Other financial assets	3,062	4,346
	Other assets and prepaid expenses	130	119
	Income tax receivables	2,942	2,853
VI.	Deferred taxes	18,295	19,710
		235,772	**237,121**
CURRENT ASSETS			
I.	Inventories	125,685	111,826
II.	Receivables and other assets		
	Trade receivables	103,246	91,170
	Receivables from long-term construction contracts	19,580	23,354
	Receivables due from associates	11,406	6,065
	Other assets and prepaid expenses	22,571	13,457
	Income tax receivables	7,149	6,668
III.	Cash and cash equivalents	51,093	29,823
		340,730	**282,363**
TOTAL ASSETS		**576,502**	**519,484**

EQUITY AND LIABILITIES

EUR k		Jun. 30, 2010	Dec. 31, 2009
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	99,642	114,996
IV.	Net profit/loss for the period	2,758	-20,710
	Equity attributable to owners	151,064	142,950
V.	Minority interests	14,908	14,295
		165,972	**157,245**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	124,046	60,829
II.	Other non-current liabilities	10,827	10,840
III.	Pensions and other post-employment benefits	2,884	2,658
IV.	Obligations from employee participation	11,716	11,035
V.	Other non-current provisions	5,185	5,037
VI.	Deferred taxes	11,372	12,292
		166,030	**102,691**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	51,412	104,431
II.	Trade payables	72,067	63,685
III.	Payments on account	29,642	24,821
IV.	Liabilities from long-term construction contracts	5,786	1,654
V.	Liabilities to associates	3,969	2,558
VI.	Other financial liabilities	192	377
VII.	Other current liabilities and deferred income	62,370	44,771
VIII.	Tax liabilities	3,847	3,446
IX.	Pensions and other post-employment benefits	50	50
X.	Other current provisions	15,165	13,755
		244,500	**259,548**
TOTAL LIABILITIES		**410,530**	**362,239**
TOTAL EQUITY AND LIABILITIES		**576,502**	**519,484**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR k	2010 01/01-06/30	2009 01/01-06/30
1. CASH FLOW FROM OPERATING ACTIVITIES		
Profit or loss before taxes	6,166	-22,217
Income tax paid (-)	-1,998	-2,164
Interest result	5,715	4,252
Interest paid (-)	-5,873	-4,813
Interest received (+)	862	745
Write-downs (+)/write-ups (-) of non-current assets (netted)	14,234	12,263
Increase (+)/decrease (-) in provisions	2,026	-3,683
Other non-cash expenses (+)/income (-)	94	0
Share of profit or loss of associates	-1,042	611
Gain (-)/loss (+) on disposals of non-current assets	-1	26
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-26,708	57,559
Increase (+)/decrease (-) in trade payables and other liabilities	23,923	-26,458
CASH FLOW FROM OPERATING ACTIVITIES	**17,398**	**16,121**
2. CASH FLOW FROM INVESTING ACTIVITIES		
Cash received (+) from disposals of property, plant and equipment	475	1,023
Cash paid (-) for investments in property, plant and equipment	-3,278	-6,609
Cash paid (-) for investments in intangible assets	-6,047	-8,360
Cash received (+) from disposals of financial assets	300	0
Cash paid (-) for the acquisition of consolidated companies	0	-12,496
CASH FLOW FROM INVESTING ACTIVITIES	**-8,550**	**-26,442**

EUR k	2010 01/01-06/30	2009 01/01-06/30
3. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends	0	-4,706
Cash paid (-) to minority interests	-570	-1,700
Cash received (+) from the issue of (financial) liabilities	81,000	33,839
Cash repayment (-) of bonds and (financial) liabilities	-70,829	-15,557
CASH FLOW FROM FINANCING ACTIVITIES	**9,601**	**11,876**
4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Change in cash and cash equivalents (subtotal 1-3)	18,449	1,555
Effect of changes in foreign exchange rates and the consolidated group on cash and cash equivalents	2,821	-300
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**29,823**	**38,588**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**51,093**	**39,843**

* Cash and cash equivalents at the end of the period corresponds to the item cash and cash equivalents reported in the statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR k	Issued capital	Capital reserves	Revenue reserves
			Revenue
Jan. 01, 2009	**15,688**	**32,976**	**87,746**
Other changes			-464
Dividends paid			-4,706
Minority interests from aquisition			
Changes in minority interests			126
Transactions with owners			**-4,580**
Reclassification to revenue reserves			31,944
Total comprehensive income			
Jun. 30, 2009	**15,688**	**32,976**	**114,646**
Jan. 01, 2010	**15,688**	**32,976**	**114,449**
Other changes			-390
Dividends paid			
Changes in minority interests			25
Transactions with owners			**25**
Reclassification to revenue reserves			-20,710
Total comprehensive income			
Jun. 30, 2010	**15,688**	**32,976**	**93,374**

reserves					
Other comprehensive income	Translation reserve	Group result	Equity before minority interests	Minority Interests	Total
244	**-326**	**31,944**	**168,272**	**15,674**	**183,946**
			-464		-464
			-4,706	-1,700	-6,406
				1,540	1,540
			126	-489	-363
			-4,580	**-649**	**-5,229**
		-31,944			
-105	-267	-18,797	-19,169	-541	-19,710
139	**-593**	**-18,797**	**144,059**	**14,484**	**158,543**
57	**490**	**-20,710**	**142,950**	**14,295**	**157,245**
			-390		-390
				-570	-570
			25	-25	
			25	**-595**	**-570**
		20,710			
-138	5,859	2,758	8,479	1,208	9,687
-81	**6,349**	**2,758**	**151,064**	**14,908**	**165,972**

SELECTED EXPLANATORY NOTES

GENERAL

These condensed consolidated financial statements for the first six months of 2010 were released for publication by resolution of the management board on August 12, 2010.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim condensed consolidated financial statements of Homag Group AG (the Homag Group) as of June 30, 2010, like the consolidated financial statements as of December 31, 2009, were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU and applicable as of the end of the reporting period. The provisions of IAS 34 on interim financial reporting were applied.

The same accounting policies generally apply for this interim report as for the 2009 consolidated financial statements. These policies are explained in detail in the 2009 annual report. In addition, the amendments to IFRSs and the new policies mandatory as of June 30, 2010 have been adopted in the interim financial statements. The amendments to the following IFRSs became applicable for the first time in the reporting period:

IFRS 3 Business Combinations

The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognized, the profit or loss reported in the period in which a business combination occurs, and future profit or loss. The revised standard has been adopted by the group together with the revised IAS 27 *Consolidated and Separate Financial Statements*, including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.

IAS 27 Consolidated and Separate Financial Statements

The revised IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the way in which losses are attributed to the owners of the parent company and non-controlling interests and the accounting regulations for transactions leading to the loss of control. The amended standard has been adopted by the group together with IFRS 3 (Revised) *Business Combinations*, including consequential amendments to IAS 21, IAS 28, IAS 31 and IAS 39.

Further mandatory amendments to IFRSs and new policies were described in detail in the 2009 annual report.

The interim consolidated financial statements have been prepared in euro (group currency) and presented in thousands of euros (EUR k). Besides the income statement and statement of financial position, a statement of cash flows, a statement of changes in equity and a statement of comprehensive income have been presented separately.

The income statement has been prepared using the cost-summary method.

BASIS OF CONSOLIDATION

The interim consolidated financial statements are based on the separate financial statements of Homag Group AG and the subsidiaries included in consolidation, prepared in accordance with uniform accounting policies.

The interim condensed consolidated financial statements do not contain all of the information required for consolidated financial statements and should therefore be read in conjunction with the published consolidated financial statements as of December 31, 2009.

CHANGES IN THE CONSOLIDATED GROUP

In February 2010 we increased our share in Bütfering Schleiftechnik GmbH from 80 percent to just under 92 percent by means of a capital injection, while at the same time diluting minority interests.

Development of purchase price allocation for BENZ 2009

Effective January 1, 2009, 51 percent of the shares in BENZ GmbH Werkzeugsysteme, with its registered offices in Haslach, were acquired. BENZ GmbH Werkzeugsysteme owns all of the shares in the company BENZ Incorporated, with its registered office in Charlotte (USA).

A provisional purchase price allocation was carried out as of January 1, 2009, and final purchase price allocation on December 31, 2009.

The fair values of the identifiable assets and liabilities of the acquired company, BENZ GmbH Werkzeugsysteme, as of the date of acquisition and following both the provisional and final purchase price allocation can be summarized as follows:

EUR k	Previous carrying value	Preliminary fair value as of the date of acquisition based on preliminary purchase price allocation as of January 01, 2009	Final fair value as of the date of acquisition based on final purchase price allocation as of December 31, 2009
Intangible assets	466	1,560	2,966
Property, plant and equipment	5,697	5,509	5,564
Other assets	13,874	13,841	13,835
Total assets	**20,037**	**20,910**	**22,365**
Financial liabilities	1,275	1,275	1,275
Trade payables	1,913	2,126	1,913
Other liabilities	14,485	14,452	15,275
Total liabilities	**17,673**	**17,853**	**18,463**
Net assets (without goodwill from acquisition)	2,364	3,057	3,902
Share attributable to the Homag Group		1,519	1,856
Minority interests		1,538	2,046
Acquisition cost for 51%		**12,146**	**12,146**
Goodwill from acquisition		**10,627**	**10,290**

EXPLANATIONS TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUE

In the first six months of 2010, the Homag Group generated sales revenue of EUR 346.2 million, an increase of 43.7 percent on the first half of 2009.

EUR k	2010 04/01-06/30	2009 04/01-06/30	2010 01/01-06/30	%	2009 01/01-06/30	%	% change on the prior year
Germany	**37,842**	**27,963**	**69,714**	**20.1%**	**58,166**	**24.1%**	**19.9%**
Other EU countries	67,422	49,490	130,737	37.8%	102,311	42.5%	27.8%
Rest of Europe	16,393	12,806	34,776	10.1%	26,447	11.0%	31.5%
North America	11,089	9,087	21,068	6.1%	12,265	5.1%	71.8%
South America	7,683	6,473	17,963	5.2%	9,991	4.1%	79.8%
Asia/Pacific	40,655	15,010	71,070	20.5%	29,441	12.2%	141.4%
Africa	45	1,075	825	0.2%	2,310	1.0%	-64.3%
Other countries	**143,287**	**93,941**	**276,439**	**79.9%**	**182,765**	**75.9%**	**51.3%**
TOTAL	**181,129**	**121,904**	**346,153**	**100.0%**	**240,931**	**100.0%**	**43.7%**

The regions of North America (71.8 percent), South America (79.8 percent) and Asia-Pacific (141.4 percent) saw the greatest percentage increase in sales revenue in the first half of 2010 in comparison to the same period of the prior year. The other regions also saw significant increases in comparison to the prior-year period. The increase came to 27.8 percent in other EU countries, the region in which most sales revenue was generated, and 19.9 percent in Germany.

Looking at the first half of 2010 in comparison to the same period in 2008, i.e., before the financial crisis, the region of South America saw sales revenue increase by 17 percent and Asia-Pacific by 78 percent, while North America and rest of Europe saw a drop in sales revenue of more than 45 percent and other EU countries one of more than 35 percent.

COST OF MATERIALS

EUR k	2010 04/01-06/30	2009 04/01-06/30	2010 01/01-06/30	2009 01/01-06/30
Cost of raw materials, consumables and supplies and purchased goods	76,033	41,943	151,134	95,773
Cost of purchased services	4,997	2,394	8,818	4,409
	81,030	**44,337**	**159,952**	**100,182**

In the first half of 2010, the ratio of cost of materials to total operating performance increased to 44.5 percent (prior year: 41.7 percent) on account of the increased price pressure, the higher number of temporary staff and the rise in the share of sales revenue with merchandise in conjunction with the project business. However, this value still falls significantly short of the 47.1 percent seen in the first half of 2008.

PERSONNEL EXPENSES

EUR k	2010 04/01-06/30	2009 04/01-06/30	2010 01/01-06/30	2009 01/01-06/30
Wages and salaries	53,994	49,326	106,673	97,290
Social security, pension and other benefit costs	10,319	9,566	19,927	20,027
thereof pension benefits	*4,183*	4,438	*8,170*	*8,918*
	64,313	58,892	**126,600**	**117,317**

EUR k	2010 04/01-06/30	2009 04/01-06/30	2010 01/01-06/30	2009 01/01-06/30
Result from employee participation	-1,207	1,735	-1,669	3,380

After 4,956 employees as of March 31, 2010, 4,954 as of year-end 2009 and 5,136 employees as of June 30, 2009, the Homag Group employed 4,963 persons as of June 30, 2010.

The 49.8 percent increase in total operating performance resulted in a reduction of the ratio of personnel expenses to total operating performance from 48.9 percent in the same period of the prior year to 35.2 percent in the half year under review, despite the increase in personnel expenses.

The profit generated in the reporting period and discounting effects resulted in an expense from employee profit participation amounting to EUR 1,669 k, compared with income totaling EUR 3,380 k in the same period of 2009.

NET PROFIT/LOSS FOR THE PERIOD

Adjusted EBITDA before results from employee participation and before restructuring/non-recurring expenses comes to EUR 27.7 million for the first half of 2010 (prior year: EUR -0.5 million) and after employee participation to EUR 26.0 million (prior year: EUR 2.9 million). After the expenses from employee profit participation and before restructuring/non-recurring expenses, EBIT came to EUR 11.8 million (prior year: EUR -9.4 million). With an amount of EUR -4.7 million (prior year: EUR -4.9 million), the financial result has improved immaterially in comparison to the prior-year period on account of higher interest expenses despite a positive result from investments in associates. After employee profit participation and after restructuring/non-recurring expenses, EBT increased to EUR 6.2 million (prior year: EUR -22.2 million). The net profit for the period comes to EUR 3.4 million (prior year: EUR -19.3 million) which after minority interests leads to earnings per share of EUR 0.18 (prior year: EUR -1.20).

EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Inventories rose by EUR 13.9 million in comparison to December 31, 2009, an increase of 12.4 percent.

Current trade receivables increased by EUR 12.1 million compared to the level as of December 31, 2009. This is an increase of 13.2 percent. Other assets and prepaid expenses were up EUR 9.1 million or 67.2 percent. Receivables from associates rose by EUR 5.3 million or 88.1 percent compared to December 31, 2009. All of these effects are related to the stark increase in business volume.

Cash and cash equivalents increased by EUR 21.3 million compared to December 31, 2009 as of the reporting date, on account of healthy cash inflow.

EQUITY

The change in equity, including other comprehensive income, is presented in the statement of changes in equity.

The equity ratio has fallen from 30.3 percent as of December 31, 2009 to 28.8 percent on account of the significant increase in total assets in the first half of the year, despite the EUR 8.7 million increase in equity. The increase in equity far in excess of the net profit for the first half of 2010 is due to positive currency translation effects relating to equity.

Pursuant to IAS 33, earnings per share are determined by dividing the group's net profit or loss for the period by the average number of shares.

	2010 01/01-06/30	2009 01/01-06/30
Profit/loss for the period attributable to owners of Homag Group AG for the calculation of the basic earnings in EUR k	2,758	-18,797
BASIC EARNINGS PER SHARE ACCORDING TO IAS 33 IN EUR	**0.18**	**-1.20**
Weighted average number of shares (basis for the calculation of the earnings per share)	15,688,000	15,688,000

There were no dilutive effects in the reporting period.

The annual general meeting on May 28, 2010 decided not to distribute a dividend for fiscal 2009.

LIABILITIES

Non-current liabilities reported an increase of EUR 63.3 million in comparison to December 31, 2009. Current liabilities fell by EUR 15.0 million in comparison to the fiscal year 2009. This shift is mainly due to a change in the terms to maturity of financial liabilities as a consequence of the conclusion of a new syndicated loan agreement. After being reclassified as current financial liabilities at the end of 2009 on account of their remaining term to maturity, liabilities arising from the new syndicated loan agreement are now once again reported as non-current financial liabilities. Trade payables rose by EUR 8.4 million in relation to December 31, 2009, an increase of 13.2 percent. Other current liabilities and deferred income increased by EUR 17.6 million (39.3 percent). These increases are the result of the higher volume of business.

Net liabilities to banks fell from EUR 94.6 million as of December 31, 2009 to EUR 83.9 million as of June 30, 2010, and are currently at a very encouraging level due to good cash inflow and successful management of net working capital. This can also be seen in the comparison with net bank liabilities of EUR 96.8 million as of June 30, 2009.

SEGMENT REPORTING

Intersegment transfers are performed at arm's length. Transactions between group segments are eliminated in the consolidation column.

The segments of the Homag Group are Industry, Cabinet Shops, Sales & Service and Other.

The Industry segment comprises those entities whose core business activities center on the provision of system solutions for industrial companies – i.e. a holistic, optimally aligned system comprising machines, handling, data links, information technology and logistics, while covering the main processes of the wood processing workflow.

The Cabinet Shops segment comprises those group entities that offer products tailored to the special requirements of smaller workshops. Apart from high quality and productivity, the portfolio of products offered in the segment centers on simple operation and flexible applications at an affordable price.

The Sales & Service segment comprises the business activities of the Homag sales and service entities in Germany and abroad. The global sales and service network affords customers worldwide competent support at any time, from consulting to sales or on-site servicing.

The Other segment primarily comprises the holding activities of Homag Group AG, foreign production facilities in regions with future potential, the software and consulting portfolio of Schuler Business Solutions AG and the timber frame house construction division.

	Industry		Cabinet Shops		Sales & Services	
	2010	2009	**2010**	2009	**2010**	2009
EUR k	**01/01-06/30**	01/01-06/30	**01/01-06/30**	01/01-06/30	**01/01-06/30**	01/01-06/30
Third-party sales	120,137	99,892	43,567	36,741	135,525	83,406
Sales with group companies from other segments	63,673	27,636	37,069	21,381	1,201	1,149
Sales with associates	25,325	5,104	6,373	1,932	53	79
TOTAL SALES REVENUE	**209,135**	**132,632**	**87,009**	**60,054**	**136,779**	**84,634**
EBITDA[1)]	**16,828**	**1,775**	**3,410**	**-4,053**	**6,339**	**595**
Restructuring/non-recurring expenses	**-228**	**-5,548**	**-226**	**-1,614**	**-454**	**-539**
EBITDA[2)]	**16,600**	**-3,773**	**3,184**	**-5,667**	**5,885**	**56**
Depreciation of property, plant and equipment and amortization of intangible assets	-9,679	-7,736	-2,544	-2,648	-1,132	-974
Result from employee participation	-1,379	2,361	-348	967	0	0
Share of profit or loss of associates	533	-166	0	-6	509	-439
Interest result	-2,627	-2,545	-610	-593	-389	-96
SEGMENT RESULT[3)]	**3,448**	**-11,859**	**-318**	**-7,947**	**4,873**	**-1,453**
EMPLOYEES[4)]	**2,682**	**2,858**	**1,024**	**1,113**	**685**	**729**

	Industry		Cabinet Shops		Sales & Services	
	2010	2009	**2010**	2009	**2010**	2009
EUR k	**Jun. 30**	Dec. 31	**Jun. 30**	Dec. 31	**Jun. 30**	Dec. 31
SEGMENT ASSETS	**360,278**	**341,101**	**128,772**	**123,290**	**167,350**	**157,803**

1) EBITDA before employee participation and restructuring/non-recurring expenses
2) EBITDA before employee participation
3) The segment result is equivalent to EBT
4) Average of the period

Other		Total segments		Consolidation		Group	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
01/01-06/30	01/01-06/30	**01/01-06/30**	01/01-06/30	**01/01-06/30**	01/01-06/30	**01/01-06/30**	01/01-06/30
8,257	10,695	307,486	230,734	0	0	307,486	230,734
10,749	6,235	112,692	56,401	-112,692	-56,401	0	0
6,916	3,082	38,667	10,197	0	0	38,667	10,197
25,922	**20,012**	**458,845**	**297,332**	**-112,692**	**-56,401**	**346,153**	**240,931**
354	**-462**	**26,931**	**-2,145**	**727**	**1,665**	**27,658**	**-480**
-8	**-271**	**-916**	**-7,972**	**0**	**0**	**-916**	**-7,972**
346	**-733**	**26,015**	**-10,117**	**727**	**1,665**	**26,742**	**-8,452**
-879	-924	-14,234	-12,282	0	0	-14,234	-12,282
58	52	-1,669	3,380	0	0	-1,669	3,380
0	0	1,042	-611	0	0	1,042	-611
-2,089	-1,019	-5,715	-4,253	0	1	-5,715	-4,252
-2,564	**-2,624**	**5,439**	**-23,883**	**727**	**1,666**	**6,166**	**-22,217**
567	**581**	**4,958**	**5,281**	**0**	**0**	**4,958**	**5,281**

Other		Total segments		Consolidation		Group	
2010 Jun. 30	2009 Dec. 31	**2010 Jun. 30**	2009 Dec. 31	**2010 Jun. 30**	2009 Dec. 31	**2010 Jun. 30**	2009 Dec. 31
222,242	**209,575**	**878,642**	**831,769**	**-302,140**	**-312,285**	**576,502**	**519,484**

OTHER EXPLANATIONS

CONTINGENT LIABILITIES

The Homag Group or its group entities are not involved in any material litigation or arbitration proceedings that could have a considerable influence on the economic situation of the entities or the group or had such influence in the past two years. The group entities concerned have made adequate provision for any financial burdens from other litigation or arbitration proceedings which do not have a significant influence on the economic situation of the group or there is coverage for these items.

RELATED PARTIES

Trade to the value of EUR 38.7 million was transacted with associates in the first six months of the year (prior year: EUR 10.3 million). Goods and services worth EUR 0.8 million were received from associates (prior year: EUR 0.5 million).

EVENTS AFTER THE REPORTING PERIOD

In July 2010, we increased our shareholding in Bütfering Schleiftechnik GmbH to more than 96 percent by means of a capital injection, while at the same time diluting minority interests. We had already raised our shareholding to just under 92 percent in February 2010.

In the notes to the financial statements for the first quarter of 2010 we pointed out existing delays in payment in connection with a major contract. In this context, we came to an arrangement with the customer after the end of the reporting period. The bad debt allowances recognized in the prior period for this outstanding receivable were adequate.

Mr. Andreas Hermann, member of the management board responsible for finance, IT and human resources (CFO), asked the supervisory board to end his contract prematurely for personal reasons and will accordingly leave Homag Group AG of his own volition and by mutual agreement as of March 31, 2011.

The supervisory board has already started looking for a suitable successor. The company will announce on a timely basis when the position has successfully been filled. As Mr. Hermann is not leaving the company until March 31, 2011, this will ensure a seamless handover to the new CFO.

Schopfloch, August 12, 2010

Homag Group AG
The management board

DECLARATION OF THE LEGAL REPRESENTATIVES

We assure to the best of our knowledge that in accordance with the accounting principles applicable for the interim financial reporting the condensed interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group and that the interim group management report gives a true and fair view of the business development including the result and situation of the group and also describes the significant opportunities and risks relating to the anticipated development of the group for the remaining fiscal year.

Schopfloch, August 2010

Homag Group AG
The management board

ROLF KNOLL

ACHIM GAUSS

ANDREAS HERMANN

HERBERT HÖGEMANN

JÜRGEN KÖPPEL

REVIEW REPORT

Translation of the German review report concerning the review of the interim condensed consolidated financial statements and interim group management report prepared in German

TO HOMAG GROUP AG, SCHOPFLOCH

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, and selected explanatory notes, and the interim group management report of Homag Group AG, Schopfloch, for the period from January 1, 2010 to June 30, 2010, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, August 12, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Blesch
Wirtschaftsprüfer
[German Public Auditor]

Vögele
Wirtschaftsprüferin
[German Public Auditor]

FINANCIAL CALENDAR, CONTACTS AND DISCLAIMER

FINANCIAL CALENDAR

November 12, 2010	Interim report Q3/2010
November 23, 2010	German Equity Forum

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DISCLAIMER

SERVICE

This interim report as well as other up-to-the-minute information about HOMAG Group AG can be downloaded from the internet at: **www.homag-group.com**

FUTURE-ORIENTED STATEMENTS

This interim report contains certain statements relating to the future. Future-oriented statements are all those statements that do not pertain to historical facts and events or expressions pertaining to the future such as “believes”, “estimates”, “assumes”, “forecasts”, “intend”, “may”, “will”, “should” or similar expressions. Such future-oriented statements are subject to risks and uncertainty since they relate to future events and are based on current assumptions of the company, which may not occur in the future or may not occur in the anticipated form. The company points out that such future-oriented statements do not guarantee the future; actual results including the financial position and the profitability of HOMAG Group AG as well as the development of economic and regulatory framework conditions may deviate significantly (and prove unfavorable) from what is expressly or implicitly assumed or described in these statements. Even if the actual results of HOMAG Group AG including the financial position and profitability as well as the economic and regulatory framework conditions should coincide with the future-oriented statements in this interim report, it cannot be guaranteed that the same will hold true in the future.

OTHER INFORMATION

This interim report is published in German and in English. In case of doubt, the German version shall prevail. Minor differences may arise from use of amounts and percentages rounded to the nearest whole number.

www.homag-group.com