HOMAG GROUP

Interim Report Q2/2011

HOMAG Group – Success through partnership and strategy

KEY GROUP FIGURES

		6 months 2011	6 months 2010	Variance as %
Total sales revenue	EUR m	374.3	346.2	8.1
Sales revenue Germany	EUR m	86.3	69.7	23.8
Sales revenue outside Germany	EUR m	288.0	276.5	4.2
thereof Europe	EUR m	180.4	165.5	9.0
North America	EUR m	27.3	21.1	29.4
South America	EUR m	17.9	18.0	-0.6
Asia/Pacific	EUR m	60.9	71.1	-14.3
Foreign share	as %	76.9	79.9	-3.8
EBITDA[1]	EUR m	25.4	26.7	-4.9
EBITDA adjusted[2] before employee participation	EUR m	28.6	27.7	3.2
EBITDA adjusted[2] after employee participation	EUR m	26.9	26.0	3.5
EBITDA[1]	as % of sales revenue	6.8	7.7	-11.7
EBITDA[1]	as % of total operating performance	6.5	7.4	-12.2
EBIT[1]	EUR m	11.2	12.5	-10.4
EBIT adjusted[2] before employee participation	EUR m	14.4	13.4	7.5
EBIT adjusted[2] after employee participation	EUR m	12.7	11.8	7.6
EBIT[1]	as % of sales revenue	3.0	3.6	-16.7
EBIT[1]	as % of total operating performance	2.9	3.5	-17.1
Net profit (before non-controlling interests)	EUR m	1.8	3.4	-47.1
Earnings per share[3]	EUR	0.10	0.18	-44.4
ROCE [4] after taxes	as %	6.4	6.0	6.7
ROCE [5] before taxes	as %	9.1	8.5	7.1
Equity as of the reporting date	EUR m	164.3	166.0	-1.0
Own funds as of the reporting date[6]	EUR m	196.5	207.5	-5.3
Own funds ratio	as %	34.3	36.0	-4.7
Capital expenditures on property, plant and equipment[7]	EUR m	5.3	3.3	60.6
Depreciation of property, plant and equipment[7]	EUR m	7.0	7.2	-2.8
Employees	average of the period	5,077	4,958	2.4
thereof trainees	average of the period	364	377	-3.4
Personnel expenses adjusted[2]	EUR m	137.4	126.0	9.0
Order intake accumulated[8]	EUR m	339.1	300.1	13.0
Order backlog as of reporting date[8]	EUR m	231.3	199.9	15.7

[1] Before taking into account expenses from employee participation

[2] Before restructuring/non-recurring expenses

[3] Net profit after non-controlling 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) / capital employed (non-current assets + net working capital)

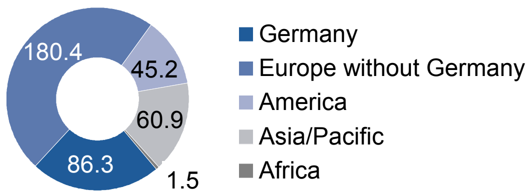
[6] Equity plus profit participation rights and obligation from employee participation

[7] Excluding leases

[8] Order intake and order backlog only contain own machines without merchandise, spare parts and service

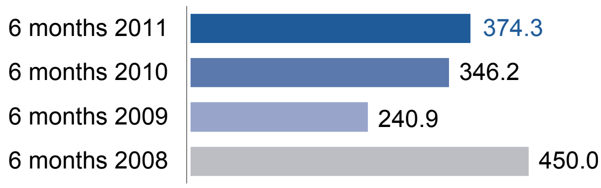
SALES REVENUE BY REGION 6 months 2011

EUR million



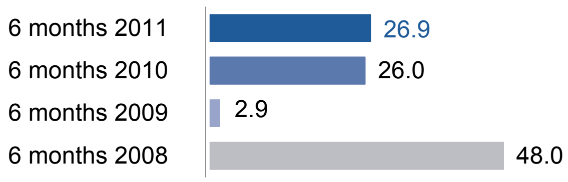
SALES REVENUE

EUR million



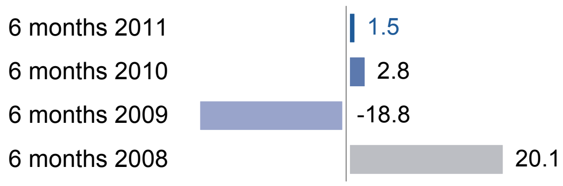
EBITDA adjusted[2)] after employee participation

EUR million



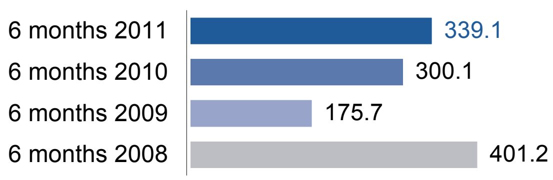
NET PROFIT/LOSS (after non-controlling interests)

EUR million



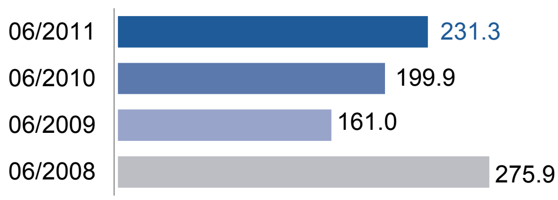
ORDER INTAKE [8)]

EUR million



ORDER BACKLOG [8)]

EUR million



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FOREWORD BY THE MANAGEMENT BOARD



From left to right:
Dr. Markus Flik
Achim Gauß
Herbert Högemann

DEAR SHAREHOLDERS,

Every two years, the industry's leading trade fair, Ligna, is held in Hanover and serves us and the industry as a whole as a mood barometer. Running from the end of May to early June, the trade fair took place again this year and we can report on a very pleasing event that was extremely successful for the HOMAG Group in particular. Once again, we were the largest exhibitor at the fair. We welcomed visitors from more than 90 countries at our two trade fair stands and the number of serious customer contacts increased significantly compared to 2009. This is directly reflected in the high order intake that we generated at Ligna. We were able to significantly top our benchmark from 2007 and grow order intake almost 50 percent compared to the crisis year 2009.

Our order intake increased about 12 percent in the second quarter of 2011 compared to the prior-year quarter, although individual markets developed along different paths. Germany and eastern Europe were significantly above the prior-year level, while western Europe suffered under the weight of the financial crisis. China was also significantly down on the prior year, as the economic measures adopted by the government to cool down the economy took effect. We are extremely successful in the project business, where we have already recorded order intake of more than 100 million after only five months. As regards these complex large-scale production lines, the HOMAG Group’s advantage lies in its ability to offer perfectly aligned products from a single source – and more and more customers value our competence in this field.

As forecast, we have increased our sales revenue in the quarter under review, both on the first three months of 2011 and on the prior year. However, we are dissatisfied with the earnings situation in the second quarter, which was burdened by unplanned, high personnel costs in connection with customer projects. Our earnings before interest, taxes, depreciation and amortization (EBITDA) and before employee participation and non-recurring expenses for restructuring measures thus failed to meet our expectations and fell short of the prior-year figure. A provision for restructuring measures at our subsidiary BÜTFERING also made an impact. This triggered an unusually high effective tax rate, which bore down on the net profit.

Dr. Markus Flik, who has been a member of the management board since April 1, 2011, took the chair on July 1, 2011. The supervisory and management boards extend their gratitude to the previous CEO, Rolf Knoll, for his unwavering commitment to the HOMAG Group and are pleased that Rolf Knoll will continue to serve the Company in an advisory capacity.

OUTLOOK

There is substantially greater uncertainty again at the moment as to how the global economy will develop going forward as a result of the financial crisis. We therefore point out that our forecasts are subject to the condition that there are no major setbacks to the global economy.

For the full year 2011, we are leaving our revenue and order intake projections unchanged. Our sights are thus still firmly set on a revenue increase in the order of a mid-single-digit percent or more compared to 2010 and we also aim to grow order intake slightly.

From left to right:
Jürgen Köppel
Hans-Dieter Schumacher

We have to realign our projected results in light of the unplanned high personnel costs, the foreseeable effects of increases in the price of materials, the restructuring expenses, which will likely be higher than originally expected, and the higher effective tax rate as a result. We now anticipate EBITDA before employee participation and before extraordinary expenses for restructuring measures that approximates the prior-year level and a net profit below the prior-year figure. On the cost side, we have introduced measures aimed at maneuvering the Company back to the earnings course set out in our medium-term planning.

Schopfloch, August 2011

The management board

DR. MARKUS FLIK

ACHIM GAUSS

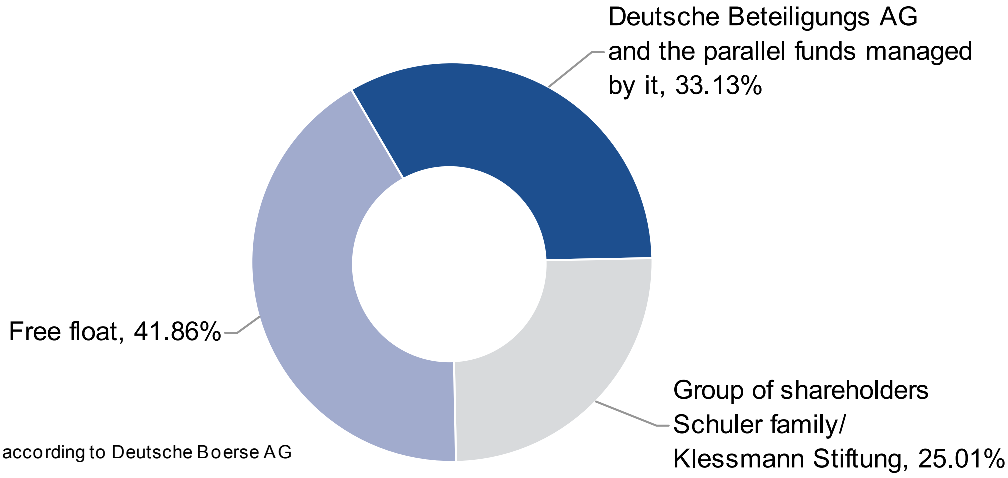
HERBERT HÖGEMANN

JÜRGEN KÖPPEL

HANS-DIETER SCHUMACHER

THE HOMAG GROUP AG SHARE

SHAREHOLDER STRUCTURE AS OF JULY 31, 2011*



*Method of calculation according to Deutsche Boerse AG

Despite the uncertainty still prevailing in financial markets owing to the ongoing euro crisis, German stock markets developed positively overall in the second quarter of 2011. This is without question partly a result of the economic situation, which is still healthy, and the generally favorable figures reported by companies. This can be seen in a 5 percent rise in the DAX and a 6 percent increase in the MDAX between April and June. Only the TecDAX fell slightly by about 4 percent following its first-quarter gains in 2011. The SDAX gained a healthy 5 percent.

The HOMAG share had to endure slight losses at the beginning of the second quarter, before a very favorable trend emerged at the end of April. Our share then returned to the levels prior to the disaster in Japan, fluctuating at around EUR 16. The share was able to maintain this price level up to the end of the quarter and stood at EUR 15.97 as of June 30. Our share price thus rose 9.7 percent between April and June.

On June 20, 2011, Deutsche Börse delisted the HOMAG share from the SDAX. This was for the most part motivated by our share's low trading volume and the small free float in our shareholder structure following the pooling in March 2010 of shares of the Schuler family and the Klessmann Foundation, which meanwhile have a combined shareholding of more than 25 percent. Our talks to date with analysts and investors have revealed that the delisting from the SDAX is of little consequence to them, as they assess the Company itself, its market position and its KPIs, rather than its listing in an index.

In July 2011, the German stock market reflected continuing uncertainty regarding the euro crisis and a lack of clarity over how the USA would solve the debt ceiling issue. As a result, all German stock indices dropped by a single-digit percent. The HOMAG Group's share mirrored this development and endured a 7.5 percent fall in July, closing the month at EUR 14.77. After publishing our ad hoc announcement on August 1, 2011, in which we revised our 2011 results forecast downward, our share endured significant losses.

On May 25, 2011, this year's annual general meeting in Freudenstadt was attended by about 260 shareholders. The shareholders present agreed to the proposal by the management and supervisory boards to distribute a dividend for fiscal 2010 of EUR 0.30. This marked our return to dividend payments after last year's interruption on account of the difficult business conditions in 2009. The annual general meeting agreed to the proposed dividend and the other items of the agenda with a clear majority of over 98 percent in each case.

As part of our capital market communication efforts, we again held phone calls and personal talks with many investors and analysts in the second quarter of 2011 and informed them in detail about the HOMAG Group AG's current situation and future plans. We also staged two roadshows in Zürich and London and held a conference call dealing with our report for the first quarter of 2011. We kept the general public informed with a total of four press releases, an investor newsletter and numerous phone calls concerning current events at the HOMAG Group. At the start of April, we also published the annual document on our website. Despite having been delisted from the SDAX, we will maintain our intensive capital market communication policy both in terms of scope and content.

PERFORMANCE OF THE HOMAG GROUP SHARE IN COMPARISON WITH SDAX

January 4, 2010 to August 2, 2011

Source: XETRA, stock performance indexed (January 4, 2010 = 100)

SHARE PERFORMANCE INDICATORS

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
XETRA code		HG1
IPO	July 13, 2007	
Number of shares	no-par value ordinary bearer shares	15,688,000
Price high* January 4, 2010-June 30, 2011	December 14, 2010	EUR 18.20
Price low* January 4, 2010-June 30, 2011	January 5, February 4, February 8, 2010	EUR 11.00
Price* as at June 30, 2011		EUR 15.97
Earnings per share	January 1-June 30, 2011	EUR 0.10
Market capitalization (June 30, 2011)		EUR 250.5 million

* XETRA closing quote

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2011

ECONOMIC ENVIRONMENT

The IfW ["Institut für Weltwirtschaft": World Economics Institute] and DIW ["Deutsches Institut für Wirtschaftsforschung": German Institute of Economic Research] report in their current economic forecasts that the global economic upswing has continued in the first months of 2011 and that the global economy is still growing at a healthy pace. Having said that, the economic expansion has slowed somewhat. For the most part, the positive development to date has been fueled by developing and emerging countries, mainly in Asia and Latin America, while the economic recovery in advanced or industrial economies still progresses at a modest tempo. Europe continues to develop positively overall, although there are large differences between individual countries. For instance, economic output in France, Sweden and the Netherlands as well as in most eastern European countries expanded quite notably, while GDP stagnated in several countries including Italy, Spain and the UK.

The upswing in Germany remains intact and the German economy is still exhibiting strong growth. Investment in capital goods and the export sector as well as private consumption are showing a clearly upward trend at present. Although the ifo business climate index saw an unexpectedly sharp fall in July to the weakest value since October 2010, it is still at a high level.

In the mechanical engineering sector, the rate of growth slowed between April and June 2011, although order intake (unadjusted for price effects) rose 16 percent according to the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], which mainly reflects the good demand abroad. In the wood processing machines segment, order intake decreased by 3 percent in the second quarter of 2011 owing to weak export demand, despite the fact that domestic demand rose 50 percent. However, suppliers of the saw and timber industry, a field in which the HOMAG Group is not active, reported very weak order intake.

BUSINESS DEVELOPMENT

The favorable sales revenue and order intake trends seen at the HOMAG Group in the first three months essentially continued in the second quarter of 2011. For instance, our order intake with own products had already reached the EUR 100 million mark in the project business by the end of May – and thus significantly earlier than in the prior year – and the standalone machine business is also steadily gaining in momentum. This led to an order intake in the second quarter of 2011 of EUR 151.3 million, which is thus about 12 percent above the prior-year level (EUR 134.5 million). This therefore confirms the previously announced seasonality of order intake common in our industry, which is marked by declining figures as the year progresses.

Held at the beginning of June in Hanover, the industry's leading trade fair, Ligna, proved extremely successful for us as the largest exhibitor and left a positive mark on the order situation. The response to our products was extremely positive and we recorded significantly more qualified customer contacts than at the last trade fair in 2009. We were also able to establish a new order record in our Ligna history and substantially raise the benchmark set back in 2007. Indeed, compared to the last trade fair in the crisis year 2009 our order intake increased by just under 50 percent. We were also present at other trade fairs, including in China and Brazil, where we saw a keen interest in our products.

As a result of the good demand, our order backlog increased further, reaching EUR 231.3 million as of June 30, 2011. This allowed us to improve on the prior-year figure (EUR 199.9 million) by 16 percent and also improve on our good figure as of the end of the first quarter of 2011 (EUR 218.5 million).

The positive development in order intake at the beginning of the 2011 is also reflected in the sales revenue for the second quarter of 2011, which reached EUR 198.7 million as expected, up about 10 percent on the prior-year figure (EUR 181.1 million). This contains EUR 9.0 million from a large-scale project totaling about EUR 58 million with our Russian customer Mekran. This large-scale project has yet to lead to sales revenue from the HOMAG Group’s products, which is set to total about EUR 8 million. Total operating performance rose to EUR 201.7 million between April and June 2011 (prior year: EUR 184.3 million).

Individual markets and regions developed along different paths in the second quarter of 2011 as was already the case in the first three months of the year. For instance, order intake in central Europe (Germany, Austria, Switzerland) – particularly Germany – and in eastern Europe was extremely good and was well above the prior-year level. Our activities in the Russian market are currently dominated by the Mekran project, although we are seeing stronger demand in that region in general. Western Europe suffered under the consequences of the financial crisis and was unable to reach the excellent prior-year figure for the first six months, despite a strong French market.

The economies in South America, and Brazil in particular, cooled down to a level that remains positive. In North America, the first and second quarters were substantially better than in the prior year, and a moderate yet steady upward trend was evident in the USA. By contrast, Canada fell just short of the 2010 figures. In Asia, we are also down on the excellent level seen in the first two quarters of the prior year, which is primarily a manifestation of the cooling down in China at present. Here, the government’s measures aimed at cooling the economy and targeting the residential building sector in particular, the end of the economic stimulus package and the high interest rates are a drag on demand. Japan was the only country in the region capable of exceeding the prior-year figures in both quarters, mainly as a result of the measures adopted by the Japanese government in the wake of the devastating natural disaster.

The HOMAG Group's revenue rose 8 percent to EUR 374.3 million in the first half of 2011 (prior year: EUR 346.2 million) and total operating performance increased to EUR 389.1 million (prior year: EUR 359.6 million). The rise in order intake was more pronounced, up 13 percent to EUR 339.1 million in the first six months of 2011 (prior year: EUR 300.1 million).

EARNINGS SITUATION

EBITDA before employee participation expenses and before extraordinary expenses from restructuring measures (hereinafter “extraordinary expenses”) decreased to EUR 14.0 million in the second quarter of 2011 mainly on account of unplanned, high personnel expenses incurred in connection with customer projects (prior year: EUR 15.0 million).

The ratio of cost of materials to total operating performance increased from 44.0 percent in the prior year to 45.1 percent in the quarter under review, mainly due to an increase in the share of merchandise in connection with the start of work on the Mekran project. Adjusted for this share of merchandise, the ratio of cost of merchandise to total operating performance decreases to 42.7 percent and is thus below the prior-year figure. A gradual easing can be seen as regards the reliability of supply. We therefore aim to reduce our stocks again by year-end 2011; although we expect materials prices to continue increasing. Consequently, the ratio of cost of materials to total operating performance is expected to settle in the third and fourth quarters of 2011 at the higher level seen in the second quarter of 2011 – additionally influenced by further deliveries to our customer Mekran.

Significantly higher personnel expenses of EUR 71.3 million (prior year: EUR 64.3 million; first quarter of 2011: EUR 68.6 million) burden the second quarter results in 2011. This is due to the unexpectedly high work burden in the healthy project business, which is tying up a lot of personnel resources, and a provision for restructuring measures at our subsidiary BÜTFERING, which makes up EUR 2.0 million of the personnel expenses. Also making an impact is the increased number of employees, wage and salary increases, partly as a result of the new collectively bargained wage agreements, as well as the decreased use of reduced working hours schemes, an instrument that we had still used in the prior-year quarter to some extent and which is now only used in very isolated cases. Combined, these factors have led to a slightly higher ratio of personnel expenses to total operating performance of 35.4 percent (prior year: 34.9 percent).

In addition, we have also posted in the quarter under review the cost of participating in Ligna of more than EUR 3 million, a cost that was not incurred in the prior year as the trade fair is only held every second year.

Extraordinary expenses came to EUR 2.7 million between April and June 2011 (prior year: EUR 0.6 million), of which EUR 2.3 million is attributable to the restructuring of our subsidiary BÜTFERING. To continue leveraging growth opportunities in the key strategic field of sanding technology in the future, BÜTFERING Schleiftechnik GmbH will be integrated at the end of 2012 in the nearby WEEKE Bohrsysteme GmbH. The competitiveness of the wood sanding machines business unit will be sustainably raised by capturing the synergies available in the sales, administration, development and production functions.

EBIT before employee participation expenses and after extraordinary expenses has decreased to EUR 4.3 million in the second quarter of 2011 (prior year: EUR 7.3 million). In the quarter under review, the employee participation program resulted in an expense of EUR 0.5 million (prior year: EUR 1.2 million).

Our interest result has improved, since we have borrowed less funds due to our good liquidity position and we have benefited from our improved contractually fixed borrowing conditions on the one hand, while on the other hand we repaid the first tranche of the profit participation rights amounting to EUR 10 million out of our cash and cash equivalents in May 2011. In addition, our result from associates exceeds the prior-year figure, such that our financial result has improved to EUR -2.2 million (prior year: EUR -2.8 million).

In the second quarter of 2011, earnings before taxes (EBT) after employee participation expenses and after extraordinary expenses were lower than anticipated at EUR 1.6 million as explained above, and were thus below EBT for the first quarter of 2011 (EUR 3.4 million) and the comparable prior-year quarter (EUR 3.3 million).

Our effective tax rate worsened compared to the first quarter of 2011 from 50 to 96 percent; at this unusually high level, it likewise exceeded the prior-year figure (36 percent). This again reflects the interest limitation regulations and losses incurred at some subsidiaries for which no deferred tax assets could be recognized. Extraordinary expenses had a negative impact on the restructuring measures at BÜTFERING, as it was also not possible to recognize deferred tax assets due to the subsidiary’s track record of losses. Adjusted for these restructuring effects, the Group’s effective tax rate would have come to 39 percent. Owing to the high effective interest rate in the second quarter of 2011, the net profit for the period before non-controlling interests stands at EUR 0.1 million (prior year: EUR 2.1 million) and after non-controlling interests at EUR 0.0 million (prior year: EUR 1.6 million) and gives rise to earnings per share of EUR 0.00 (prior year: EUR 0.10).

The negative effects of the second quarter of 2011 are reflected in the results for the first half of the year. Nevertheless, we were able to increase EBITDA before employee participation expenses and before extraordinary expenses to EUR 28.6 million in the first six months of 2011 (prior year:

EUR 27.7 million). EBIT before employee participation expenses and after extraordinary expenses came to EUR 11.2 million (prior year: EUR 12.5 million); EBT after employee participation expenses and after extraordinary expenses amounts to EUR 5.0 million (prior year: EUR 6.2 million). The high effective tax rate of 65 percent for the first half of the year (prior year: 45 percent) is attributable to the aforementioned special effects of the restructuring measures at BÜTFERING in the second quarter. Adjusted for these effects, the Group's effective tax rate would have stood at 44 percent and thus slightly below the prior-year level. The net profit for the first half of 2011 before non-controlling interests stands at EUR 1.8 million (prior year: EUR 3.4 million) and after non-controlling interests at EUR 1.5 million (prior year: EUR 2.8 million) and gives rise to earnings per share of EUR 0.10 (prior year: EUR 0.18).

NET ASSETS AND FINANCIAL POSITION

At EUR 573 million, our total assets as of June 30, 2011 approximated the level at the end of 2010 (EUR 570 million). On the assets side, inventories increased owing to emergency stocks built up to avoid supply bottlenecks. Nevertheless, total assets have only increased marginally due to the significant decrease in cash and cash equivalents. We drew on these in the second quarter of 2011 to repay the first tranche of the profit participation rights totaling EUR 10 million and to pay out dividends for 2010 totaling EUR 4.7 million as well as the portion of the employee profit participation of about EUR 3 million that had an effect on cash and cash equivalents.

On the equity and liabilities, trade payables increased while financial liabilities decreased owing to the aforementioned repayment.

As of June 30, 2011, both our equity ratio of 29 percent (December 31, 2010: 30 percent) and our own funds ratio, which takes into account participating capital and obligations from employee participation, of 34 percent (December 31, 2010: 37 percent) were slightly under the level as of year-end 2010.

Compared to the extremely low level as of year-end 2010 (EUR 55.8 million), net liabilities to banks increased significantly as expected due to the aforementioned high level of payments and stood at EUR 91.6 million as of June 30, 2011 (prior year: EUR 83.9 million).

The return on capital employed (ROCE) before taxes on the basis of EBIT before the employee participation expenses and before extraordinary expenses stood at 9.1 percent in the first half of 2011 (prior year: 8.5 percent). This improvement, which we have achieved despite the negative special effect in the second quarter of 2011, is attributable to our management of net working capital, which increased below trend. After taxes (effective tax rate used in calculation: 30 percent), ROCE on the basis of EBIT before employee participation expenses and before extraordinary expenses came to 6.4 percent (prior year: 6.0 percent).

Cash flow from operating activities decreased in the first six months of 2011 to EUR -5.3 million (prior year: EUR 22.1 million). In the first half of the year, the increase in inventories in particular had a negative impact. Cash flow from investing activities came to EUR -13.0 million (prior year: EUR -8.6 million), resulting in free cash flow (cash flow from operating activities less cash flow from investing activities) of EUR -18.3 million (prior year: EUR 13.6 million). Cash flow from financing activities decreased to EUR -15.4 million between January and June 2011 (prior year: EUR 4.9 million). This was mainly attributable to the repayment of the first tranche of the profit participation rights totaling EUR 10 million and the dividend paid out for 2010 amounting to EUR 4.7 million. Cash and cash equivalents amounted to EUR 36.1 million as of June 30, 2011 (prior year: EUR 51.1 million).

EMPLOYEES

Between April and June 2011, the slightly upward trend in headcount continued and the HOMAG Group had 5,075 employees as of June 30, 2011 (December 31, 2010: 5,051 employees). Compared to the headcount as of June 30, 2010 (4,963), the workforce has increased by 112 employees – the new jobs were primarily created at production and sales companies in growth markets abroad. We had 104 temps working for us and 22 employees were on subsidized temporary layoff as of the end of the second quarter.

CAPITAL EXPENDITURE

The announced increase in capital expenditure compared to 2010 continued into the second quarter of 2011, constituting a return to the average investment volumes of prior years. Indeed, capital expenditure excluding leases rose to EUR 7.3 million between April and June (prior year: EUR 4.2 million). The focus of investment was on modernizing plant and machinery at our production facilities HOMAG, WEEKE, LIGMATECH and HOMAG Machinery São Paulo. Capital expenditure includes capitalized development work of EUR 2.8 million (prior year: EUR 2.4 million). This mainly concerns enhancements made to various machine lines and machine control systems such as the **power**Control concept featuring group-wide standardization. The investment volume for the first half of the year comes to EUR 13.3 million (prior year: EUR 9.3 million).

RESEARCH AND DEVELOPMENT

At Ligna 2011, we confirmed our innovation leadership yet again and demonstrated that our perfectly aligned product portfolio for all price and performance classes is unique in the market. Visitors were particularly enthusiastic about our new profile trimming unit for edge processing featuring high feed rate, small gaps between parts and maximum flexibility and edge accuracy. This allows us to offer 30 percent more performance than comparable systems available in the market. We also unveiled laser technology for machining centers in the area of edge banding as well as a new machining concept for machining centers based on moving gantries.

To satisfy the ever more stringent demands on furniture finishing and product properties – such as thermal resistance – we have developed **reac**Tec, a new and revolutionary surfacing technique. This makes it possible to improve the quality that can be achieved with laminating technology.

We also presented at Ligna a full product range for 5-axis processing units, from an exchangeable 5-axis unit to a solid wood routing spindle capable of maximum machining performance and, for processing centers, an exchangeable edge banding unit available on the tool changer. Also new is a drill for batch-independent high-speed drilling on all six sides of a work piece and products in the field of packaging technology including cardboard cutting, folding and closing machines. In the area of smart logistics, we have developed a new suction and sensor technology for transport and handling.

With **eco**Plus we are taking environmental responsibility for valuable resources such as energy, time and materials. With as much as 30 percent less energy consumption, the HOMAG Group's machines are making a valuable contribution to the environment that also makes business sense.

As regards software, we have set ourselves the objective of offering the market an end-to-end data model from the point of sale to the programs of individual machines. We have already realized this vision with HOMAG eSOLUTION's new product woodCAD|CAM.

Our new developments also made a good impression on the jury at Ligna, where we received three innovation awards. Apart from obtaining third place for the most innovative Ligna exhibit, the VDMA awarded two ProWood Foundation prizes to our career starters for the innovative engineering work.

RISK REPORT

The risk management system in place and the individual business risks are described in the annual report 2010, pages 73 to 77. The comments made there are still essentially valid. There are no discernable risks at present that could jeopardize the continuation of HOMAG Group as a going concern.

SUBSEQUENT EVENTS

After the end of the reporting period, Dr. Markus Flik, who has been a member of the management board since April 1, 2011, took the chair on July 1, 2011. The former CEO Rolf Knoll stepped down from the management board on June 30, 2011 but will remain associated with the Company in an advisory capacity until December 31, 2012.

On July 20, 2011, we also established the company Homag Machinery Bangalore Private Limited, which will start up its production activities in October 2011 and exclusively serve the Indian market.

OUTLOOK

The IfW and DIW experts expect the global economy to continue on its clear growth path overall in the coming months and thus also in 2011, albeit at a slightly slower pace. They anticipate that the economy will grow by a comfortable 4 percent in 2011 and that global trade will climb about 9 percent. According to the forecasts, the largest growth rates will be seen in developing and emerging economies. For instance, DIW projects GDP growth in China and India of about 9 percent in each case, and in Russia and Brazil of about 5 percent.

The IfW forecasts average growth of 2.4 percent in developed economies, with increases in the USA and the European Union of 2.7 and 2.0 percent respectively. Poland, Sweden, Austria, Belgium and Slovakia are expected to develop above trend, while Italy, Spain, the UK, Ireland or Romania will only grow marginally. In Germany, GDP 2011 is forecast to grow more than 3 percent, as both exports and the domestic economy continue to develop favorably.

In its most recent projections from April 2011, the VDMA expects production in the mechanical engineering sector to rise by 14 percent in the course of the year. For the wood processing machines sector, which is traditionally one of the first mechanical engineering sectors to respond to changes in the business cycle, the competent association within the VDMA still anticipates revenue growth of 7 percent for 2011, which would mean that the industry would return to 2005 levels. Positive impetus is still expected from Asia and South America in the current year.

In light of the good sales revenue, the satisfactory order intake and the high order backlog in the first half of 2011, we are confirming our prior forecasts in these areas and continue to project an increase in sales revenue for 2010 of a mid-single-digit percent or more and we still aim generate a slight increase in order intake.

Our expectations have changed as regards the development of the results of operations in 2011.

As negotiations are still ongoing with employee representatives concerning the restructuring measures at the three subsidiaries BÜTFERING, FRIZ and TORWEGGE, it is still not possible to predict the results of these negotiations or put an exact figure on the additional restructuring cost going forward. It is however certain that personnel expenses in fiscal 2011, as was also the case in the first half of 2011, will turn out higher than originally planned due to the unexpected, higher cost incurred in connection with customer projects. We additionally expect a higher burden from rising materials prices. To maneuver the Company back to the earnings course set out in our medium-term planning, we have adopted measures on the cost side.

Based on current conditions, we expect that EBITDA before employee participation expenses and before extraordinary expenses will roughly be at the prior-year level (EUR 65.1 million). The companies undergoing restructuring are currently in the red and their losses will additionally have a sustained negative impact on the effective tax rate. The net profit for the current fiscal year attributable to the shareholders of the HOMAG Group AG will be below the prior-year figure (EUR 6.7 million).

There is substantially greater uncertainty again at the moment as to how the global economy will develop going forward as a result of the financial crisis. We therefore point out that our forecasts are subject to the condition that there are no major setbacks to the global economy.

Our aim is still to gradually approach the business volume that we had seen in the record years 2007 and 2008 before the crisis. We still think it is possible to reach sales revenue of EUR 800 million by 2012 and from 2013 onwards to match the record figures seen in the past. On the back of the expected sales revenue growth and the effect of the restructuring measures, we project a double-digit EBITDA margin before employee participation expenses and extraordinary expenses again as of 2013.

Assuming that the global economy develops as forecast by the economic experts, we assume that the trends seen in our sales markets worldwide in the first half of the year will continue into the second half of the year. The domestic market is thus expected to remain stable in the prevailing economic environment and order intake will, as far as we can tell today, exceed the good level of the prior year. Order intake in western Europe will continue to be marked or indeed overshadowed by the situation in Greece, Spain, Portugal and Italy, and we therefore do not expect to match in 2011 the excellent figure of the prior year in western Europe. By contrast, eastern Europe is certain to surpass the prior-year figure in the current fiscal year driven by Russia but also supported by Poland together with small- and medium-sized markets.

There is certainly a good chance that the America region as a whole will at least reach or perhaps even exceed the prior-year figure despite the cooling down in Brazil. This is based on the assumption that the more favorable trend in the USA will hold steady into the second half of the year and that the order intake in Canada will increase again in the second half of the year. The Asia/Pacific region will again play a key role for the HOMAG Group's order intake in the second half of the year, although it will most likely not reach the good prior-year figure owing to an easing in activity, particularly in China.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR k	2011 04/01-06/30	2010 04/01-06/30	2011 01/01-06/30	2010 01/01-06/30
SALES REVENUE	**198,703**	**181,129**	**374,344**	**346,153**
Increase or decrease in inventories of finished goods and work in progress	-117	804	8,847	8,551
Own work capitalized	3,152	2,345	5,897	4,943
	3,035	3,149	14,744	13,494
TOTAL OPERATING PERFORMANCE	**201,738**	**184,278**	**389,088**	**359,647**
Other operating income	3,312	5,751	7,890	11,675
	205,050	**190,029**	**396,978**	**371,322**
Cost of materials	90,938	81,030	171,088	159,952
Personnel expenses before employee participation	71,319	64,313	139,956	126,600
Amortization of intangible assets	2,850	2,557	5,725	5,222
Depreciation of property, plant and equipment	4,082	4,472	8,499	9,012
Other operating expenses	31,564	30,335	60,512	58,028
	200,753	**182,707**	**385,780**	**358,814**
OPERATING RESULT BEFORE EMPLOYEE PARTICIPATION	**4,297**	**7,322**	**11,198**	**12,508**
Expenses from employee participation	-515	-1,207	-1,636	-1,669
NET OPERATING PROFIT	**3,782**	**6,115**	**9,562**	**10,839**
Profit/loss from associates	656	425	566	1,042
Interest income	514	442	1,946	888
Interest expenses	3,353	3,658	7,056	6,603
EARNINGS BEFORE TAXES	**1,599**	**3,324**	**5,018**	**6,166**
Income taxes	-1,535	-1,206	-3,253	-2,762
NET PROFIT FOR THE PERIOD	**64**	**2,118**	**1,765**	**3,404**
Profit attributable to non-controlling interests	48	540	233	646
Profit attributable to owners of Homag Group AG	**16**	**1,578**	**1,532**	**2,758**
Earnings per share attributable to owners of Homag Group AG in EUR (basic and diluted)	0.00	0.10	0.10	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR k	2011 04/01-06/30	2010 04/01-06/30	2011 01/01-06/30	2010 01/01-06/30
NET PROFIT FOR THE PERIOD	**64**	**2,118**	**1,765**	**3,404**
Currency effects	-34	3,699	-1,831	6,429
Actuarial gains and losses	40	-223	40	-223
Income taxes on other comprehensive income	0	77	0	77
OTHER COMPREHENSIVE INCOME	**6**	**3,553**	**-1,791**	**6,283**
TOTAL COMPREHENSIVE INCOME	**70**	**5,671**	**-26**	**9,687**
Total comprehensive income attributable to non-controlling interests	44	892	39	1,208
Total comprehensive income attributable to owners of Homag Group AG	**26**	**4,779**	**-65**	**8,479**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR k		Jun. 30, 2011	Dec. 31, 2010
NON-CURRENT ASSETS			
I.	Intangible assets	60,272	58,071
II.	Property, plant and equipment	135,764	138,647
III.	Investments in associates	7,457	7,519
IV.	Other financial assets	494	493
V.	Receivables and other assets		
	Trade receivables	3,286	4,155
	Other financial assets	2,974	3,155
	Other assets and prepaid expenses	84	133
	Income tax receivables	2,498	2,443
VI.	Deferred taxes	17,480	17,359
		230,309	**231,975**
CURRENT ASSETS			
I.	Inventories	147,993	128,233
II.	Receivables and other assets		
	Trade receivables	94,145	94,810
	Receivables from long-term construction contracts	26,532	15,941
	Receivables due from associates	10,657	8,797
	Other assets and prepaid expenses	24,155	13,945
	Income tax receivables	3,127	6,144
III.	Cash and cash equivalents	36,090	70,286
		342,699	**338,156**
TOTAL ASSETS		**573,008**	**570,131**

EQUITY AND LIABILITIES

EUR k		Jun. 30, 2011	Dec. 31, 2010
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	99,095	98,814
IV.	Net profit for the period	1,532	6,683
	Equity attributable to owners	149,291	154,161
V.	Non-controlling interests	14,998	15,853
		164,289	**170,014**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	107,352	109,827
II.	Other non-current liabilities	11,507	11,546
III.	Pensions and other post employment benefits	3,267	3,260
IV.	Obligations from employee participation	12,295	12,392
V.	Other non-current provisions	5,344	5,357
VI.	Deferred taxes	12,353	10,834
		152,118	**153,216**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	51,526	57,769
II.	Trade payables	74,642	67,002
III.	Payments on account	35,234	39,690
IV.	Liabilities from long-term construction contracts	9,472	865
V.	Liabilities to associates	1,650	4,158
VI.	Other financial liabilities	57	299
VII.	Other current liabilities and deferred income	63,983	54,043
VIII.	Tax liabilities	2,650	5,826
IX.	Pensions and other post employment benefits	50	50
X.	Other current provisions	17,337	17,199
		256,601	**246,901**
TOTAL LIABILITIES		**408,719**	**400,117**
TOTAL EQUITY AND LIABILITIES		**573,008**	**570,131**

CONSOLIDATED CASH FLOW STATEMENT

EUR k	2011 01/01-06/30	2010 01/01-06/30
1. CASH FLOW FROM OPERATING ACTIVITIES		
Profit or loss before taxes	**5,018**	**6,166**
Income tax paid (-)	-4,767	-1,998
Interest result	5,110	5,715
Interest paid (-)	-6,426	-5,873
Interest received (+)	1,921	862
Write-downs (+)/write-ups (-) of non-current assets (netted)	14,224	14,234
Increase (+)/decrease (-) in provisions	-2,806	2,026
Other non-cash expenses (+)/income (-)	-1	94
Share of profit (-) or loss (+) of associates	-566	-1,042
Gain (-)/loss (+) on disposals of non-current assets	30	-1
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-43,684	-26,708
Increase (+)/decrease (-) in trade payables and other liabilities	26,657	28,645 [1)]
CASH FLOW FROM OPERATING ACTIVITIES	**-5,290**	**22,120**
2. CASH FLOW FROM INVESTING ACTIVITIES		
Cash received (+) from disposals of property, plant and equipment	281	475
Cash paid (-) for investments in property, plant and equipment	-5,254	-3,278
Cash paid (-) for investments in intangible assets	-8,048	-6,047
Cash received (+) from disposals of financial assets	0	300
CASH FLOW FROM INVESTING ACTIVITIES	**-13,021**	**-8,550**

EUR k	2011 01/01-06/30	2010 01/01-06/30
3. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends	-4,706	0
Cash paid (-) to non-controlling interests	-913	-570
Cash received (+) from the issue of (financial) liabilities	10,973	81,000
Cash repayment (-) of bonds and (financial) liabilities	-20,775	-75,551 [1]
CASH FLOW FROM FINANCING ACTIVITIES	**-15,421**	**4,879**
4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Change in cash and cash equivalents (subtotal 1-3)	-33,732	18,449
Effect of currency translation adjustments and change in scope of consolidation on cash and cash equivalents	-464	2,821
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**70,286**	**29,823**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [2]	**36,090**	**51,093**

[1] To improve the informative value of the cash flow statement, changes in overdraft liabilities to banks were disclosed in cash flow from financing activities for the first time in the consolidated financial statements for 2010. Previously, payments received and made in connection with changes in overdraft liabilities to banks were reported in “Increase (+)/decrease (-) in trade payables and other liabilities” under cash flow from operating activities. The figures for the comparative period, the first six months of 2010, have been restated accordingly.

[2] Cash and cash equivalents at the end of the period correspond to the line item cash and cash equivalents in the statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR k	Issued capital	Capital reserves	Revenue Revenue reserves
Jan. 1, 2010	**15,688**	**32,976**	**114,449**
Other changes			**-390**
Dividends paid			
Changes from non-controlling interests			25
Transactions with owners			**25**
Reclassification to revenue reserves			**-20,710**
Net result for the period			
Other income and expense			
Total comprehensive income			
Jun. 30, 2010	**15,688**	**32,976**	**93,374**
Jan. 1, 2011	**15,688**	**32,976**	**93,348**
Other changes			**-78**
Dividends paid			-4,706
Changes from non-controlling interests			-21
Transactions with owners			**-4,727**
Reclassification to revenue reserves			**6,683**
Net result for the period			
Other income and expense			
Total comprehensive income			
Jun. 30, 2011	**15,688**	**32,976**	**95,226**

reserves Other comprehensive income	Translation reserve	Group result	Equity before non-controlling interests	Non-controlling interests	Total
57	**490**	**-20,710**	**142,950**	**14,295**	**157,245**
			-390		**-390**
			0	-570	**-570**
			25	-25	**0**
			25	**-595**	**-570**
		20,710	**0**	**0**	**0**
		2,758	2,758	646	**3,404**
-138	5,859		5,721	562	**6,283**
-138	**5,859**	**2,758**	**8,479**	**1,208**	**9,687**
-81	**6,349**	**2,758**	**151,064**	**14,908**	**165,972**
-224	**5,690**	**6,683**	**154,161**	**15,853**	**170,014**
			-78	**-2**	**-80**
			-4,706	-913	**-5,619**
			-21	21	**0**
			-4,727	**-892**	**-5,619**
		-6,683	**0**	**0**	**0**
		1,532	1,532	233	**1,765**
39	-1,636		-1,597	-194	**-1,791**
39	**-1,636**	**1,532**	**-65**	**39**	**-26**
-185	**4,054**	**1,532**	**149,291**	**14,998**	**164,289**

SELECTED EXPLANATORY NOTES

GENERAL

These condensed consolidated financial statements for the first six months of 2011 were released for publication by resolution of the management board on August 10, 2011.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim condensed consolidated financial statements of Homag Group AG (the Homag Group) as of June 30, 2011, like the consolidated financial statements as of December 31, 2010, were prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretations Committee (SIC) and of the IFRS Interpretations Committee (IFRS IC) 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 2010 consolidated financial statements. These policies are explained in detail in the 2010 annual report. In addition, the amendments to IFRSs and the new policies mandatory as of June 30, 2011 have been adopted in the interim financial statements. The amendments to the following IFRSs became applicable for the first time in the reporting period:

IAS 24	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
Improvements to IFRSs 2010	Improvements to IFRSs 2010
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above amendments did not have any significant effect on the quarterly consolidated financial statements.

Further mandatory amendments to IFRSs and new policies were described in detail in the 2010 annual report.

The interim condensed consolidated financial statements as of June 30, 2011 were not subject to a review within the meaning of Sec. 37w (5) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] or an audit within the meaning of Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code].

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 cash flow statement, a statement of changes in equity and a statement of comprehensive income have been presented separately.

The income statement has been prepared using the function of expenses 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, 2010.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUE

In the first half of 2011, the Homag Group generated sales revenue of EUR 374,344 k, up 8.1 percent on the comparable period in 2010.

EUR k	**2011 04/01-06/30**	2010 04/01-06/30	**2011 01/01-06/30**	%	2010 01/01-06/30	%	% change on the prior year
Germany	**49,385**	**37,842**	**86,337**	**23.1%**	**69,714**	**20.1%**	**23.8%**
Other EU countries	74,393	67,422	131,592	35.1%	130,737	37.8%	0.7%
Rest of Europe	25,221	16,393	48,831	13.0%	34,776	10.1%	40.4%
North America	13,759	11,089	27,299	7.3%	21,068	6.1%	29.6%
South America	8,623	7,683	17,926	4.8%	17,963	5.2%	-0.2%
Asia/Pacific	26,610	40,655	60,889	16.3%	71,070	20.5%	-14.3%
Africa	712	45	1,470	0.4%	825	0.2%	78.2%
Other countries	**149,318**	**143,287**	**288,007**	**76.9%**	**276,439**	**79.9%**	**4.2%**
TOTAL	**198,703**	**181,129**	**374,344**	**100.0%**	**346,153**	**100.0%**	**8.1%**

The regions of North America (29.6 percent), rest of Europe (40.4 percent) and Germany (23.8 percent) saw the greatest percentage increase in sales revenue in the first half of 2011 in comparison to the same period of the prior year. Significant growth was also achieved in Africa (78.2 percent). In the other EU countries and South America regions we were able to reach sales revenue on par with the prior-year level. The share of sales revenue earned in Germany increased from 20.1 percent in the first half of 2010 to 23.1 percent in the reporting period.

COST OF MATERIALS

EUR k	2011 04/01-06/30	2010 04/01-06/30	2011 01/01-06/30	2010 01/01-06/30
Cost of raw materials, consumables and supplies and purchased goods	78,935	76,033	154,590	151,134
Cost of purchased services	12,003	4,997	16,498	8,818
	90,938	**81,030**	**171,088**	**159,952**

In the second quarter of 2011, the ratio of cost of materials to total operating performance increased from 44.0 percent in the corresponding prior-year period to 45.1 percent. This increase is due above all to the increased share of merchandise in connection with the start of work on the Mekran project.

PERSONNEL EXPENSES

EUR k	2011 04/01-06/30	2010 04/01-06/30	2011 01/01-06/30	2010 01/01-06/30
Wages and salaries	60,697	53,994	119,012	106,673
Social security, pension and other benefit costs	10,622	10,319	20,944	19,927
thereof pension benefits	*4,561*	*4,183*	*8,774*	*8,170*
	71,319	**64,313**	**139,956**	**126,600**

EUR k	2011 04/01-06/30	2010 04/01-06/30	2011 01/01-06/30	2010 01/01-06/30
Expenses from employee participation	-515	-1,207	-1,636	-1,669

After 4,963 employees as of June 30, 2010, 5,051 as of year-end 2010 and 5,071 employees as of March 31, 2011, the Homag Group employed 5,075 persons as of June 30, 2011.

Personnel expenses have increased in the first half of 2011 by 10.5 percent compared to the comparable prior-year period and thus outpaced the increase in total operating performance, which was up 8.2 percent. This is reflected in an increase in the ratio of personnel expenses to total operating performance from 35.2 percent in the prior year to 36 percent in the first half of 2011. This is due to the unexpectedly high work burden in the healthy project business, which is tying up a lot of personnel resources, and a provision for restructuring measures at our subsidiary Bütfering, to which EUR 2.0 million of the personnel expenses is allocable. Also making an impact are the increased number of employees, wage and salary increases partly as a result of the new collectively bargained wage agreements as well as the decreased used of reduced working hours schemes, an instrument that we had still used in the prior-year quarter to some extent and which is now only used in very isolated cases.

At EUR 1,636 k, employee participation expenses in the first half of 2011 were approximately at the level of the first half of 2010 (EUR 1,669 k).

NET PROFIT FOR THE PERIOD

EBITDA before employee participation expenses and before extraordinary expenses from restructuring measures amounted to EUR 28,575 k in the first half of 2011 (prior year: EUR 27,658 k). EBIT on the same basis came to EUR 14,351 k for the first six months of the year (prior year: EUR 13,424 k).

The financial result of EUR -4,544 k (prior year: EUR -4,673 k) has improved somewhat compared to the prior-year period. This is attributable to the improved contractually fixed borrowing conditions and the lower level of borrowing. In addition, the first tranche of the profit participation rights of EUR 10 million was repaid out of cash and cash equivalents. However, this is counterbalanced by the investment result from associates, which came to EUR 566 k in the first half of 2011 and was thus below the prior-year period (EUR 1,042 k).

EBT decreased to EUR 5,018 k in the first six months of the year (prior year: EUR 6,166 k). The net profit for the period came to EUR 1,765 k (prior year: EUR 3,404 k). After non-controlling interests, the net profit for the period came to EUR 1,532 k (prior year: EUR 2,758 k) which leads to earnings per share of EUR 0.10 (prior year: EUR 0.18).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Inventories rose by EUR 19,760 k to EUR 147,993 k in comparison to December 31, 2010, an increase of 15.4 percent.

Receivables from long-term construction contracts were up EUR 10,591 k or 66.4 percent. Other current assets and prepaid expenses rose by EUR 10,210 k or 73.2 percent compared to December 31, 2010. The increase in other current assets and prepaid expenses was driven by the annual deferral of vacation pay in the second quarter, which will decrease again by the end of the year.

Trade receivables decreased by EUR 1,534 k compared to December 31, 2010. This corresponds to a fall of 1.6 percent.

Cash and cash equivalents decreased by EUR 34,196 k compared to year-end 2010. This is mainly due to the repayment of profit participation rights (EUR 10 million), employee profit participation payouts, the dividend distribution and the business-related increase in net working capital.

EQUITY

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

In the first three months of the year, the equity ratio decreased due to the increase in total equity and liabilities compared to December 31, 2010 from 29.8 percent to 28.7 percent.

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.

	2011 01/01-06/30	2010 01/01-06/30
Profit for the period attributable to owners of Homag Group AG for the calculation of the basic earnings in EUR k	1,532	2,758
BASIC EARNINGS PER SHARE ACCORDING TO IAS 33 IN EUR	**0.10**	**0.18**
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.

On May 25, 2011, the annual general meeting resolved to pay a dividend of EUR 0.30 per participating no-par value share. The total dividend distributed thus came to EUR 4,706 k.

LIABILITIES

Non-current liabilities and provisions have remained practically unchanged since December 31, 2010. Current liabilities and provisions rose by EUR 9,700 k in comparison to the end of fiscal 2010. Specifically, trade payables increased by EUR 7,640 k (11.4 percent), other current liabilities and deferred income rose by EUR 9,940 k (18.4 percent) and liabilities from long-term construction contracts increased by EUR 8,607 k. By contrast, current financial liabilities decreased by EUR 6,243 k. Prepayments received also decreased by EUR 4,456 k compared to December 31, 2010.

Net liabilities to banks increased from EUR 55,840 k as of December 31, 2010 to EUR 91,600 k as of June 30, 2011. This is due to the repayment of profit participation rights, the dividend distribution and employee profit participation payouts.

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.

	Industry		Cabinet Shops		Sales & Service	
	2011	2010	**2011**	2010	**2011**	2010
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	159,185	120,137	46,585	43,567	120,626	135,525
Sales with group companies from other segments	47,330	63,673	44,128	37,069	1,012	1,201
Sales with investments recognized at equity	25,099	25,325	6,920	6,373	240	53
TOTAL SALES REVENUE	**231,614**	**209,135**	**97,633**	**87,009**	**121,878**	**136,779**
EBITDA[1)]	**22,997**	**16,828**	**5,247**	**3,410**	**2,581**	**6,339**
Restructuring/non-recurring expenses	-256	-228	-2,384	-226	-381	-454
EBITDA[2)]	**22,741**	**16,600**	**2,863**	**3,184**	**2,200**	**5,885**
Depreciation of property, plant and equipment and amortization of intangible assets	-9,711	-9,679	-2,570	-2,544	-1,070	-1,132
Expenses from employee participation	-1,340	-1,379	-482	-348	0	0
Share in result of associates	-60	533	0	0	626	509
Interest result	-1,836	-2,627	-659	-610	-220	-389
SEGMENT RESULT[3)]	**9,794**	**3,448**	**-848**	**-318**	**1,536**	**4,873**
EMPLOYEES[4)]	**2,698**	**2,682**	**1,017**	**1,024**	**721**	**685**

[1)] EBITDA before expenses from employee participation and restructuring/non-recurring expenses

[2)] EBITDA before expenses from employee participation

[3)] The segment result is equivalent to EBT

[4)] Average of the period

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 Consulting GmbH and Homag eSolution GmbH and the timber frame house construction division.

Other		Total segments		Consolidation		Group	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
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
6,537	8,257	332,933	307,486	0	0	332,933	307,486
12,639	10,749	105,109	112,692	-105,109	-112,692	0	0
9,152	6,916	41,411	38,667	0	0	41,411	38,667
28,328	**25,922**	**479,453**	**458,845**	**-105,109**	**-112,692**	**374,344**	**346,153**
-2,056	**354**	**28,769**	**26,931**	**-194**	**727**	**28,575**	**27,658**
-132	-8	-3,153	-916	0	0	-3,153	-916
-2,188	**346**	**25,616**	**26,015**	**-194**	**727**	**25,422**	**26,742**
-873	-879	-14,224	-14,234	0	0	-14,224	-14,234
186	58	-1,636	-1,669	0	0	-1,636	-1,669
0	0	566	1,042	0	0	566	1,042
-2,395	-2,089	-5,110	-5,715	0	0	-5,110	-5,715
-5,270	**-2,564**	**5,212**	**5,439**	**-194**	**727**	**5,018**	**6,166**
641	**567**	**5,077**	**4,958**	**0**	**0**	**5,077**	**4,958**

OTHER NOTES

CONTINGENT LIABILITIES

As had already been reported as of year-end 2010, a German production company has set up a provision of EUR 250 k for litigation risks concerning legal proceedings with a customer. Management aims to settle out of court.

The Homag Group or its group entities were not involved in any other litigation or arbitration proceedings that could have a considerable influence on the economic situation of the entities or the Group in the past two years, nor are they involved in any such proceedings at present. 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 adequate coverage for these items.

RELATED PARTIES

Goods and services with a value of EUR 41,473 k were supplied to associates in the first half of the year (prior year: EUR 38,669 k). Goods and services worth EUR 1,611 k were received from associates (prior year: EUR 769 k).

EVENTS AFTER THE REPORTING PERIOD

Dr. Markus Flik joined the management board on April 1, 2011. As of July 1, 2011, he took over the chairmanship.

On July 20, 2011, the company Homag Machinery Bangalore Private Limited was established, and is scheduled to start up its production activities in October 2011.

Schopfloch, August 10, 2011

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 2011

Homag Group AG
The management board

DR. MARKUS FLIK	ACHIM GAUSS	HERBERT HÖGEMANN
JÜRGEN KÖPPEL	HANS-DIETER SCHUMACHER	

FINANCIAL CALENDAR, CONTACT AND DISCLAIMER

FINANCIAL CALENDAR

November 14, 2011	Nine-month report 2011
November 22, 2011	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