Interim Report Q3/2008

Homag Group AG

SECURING SUCCESS THROUGH **PARTNERSHIP**

Key Group Figures*

		9 months 2008	9 months 2007	Variance in %
Total sales revenue	EUR m	**660.9**	**607.4**	**8.8%**
Domestic sales revenue	EUR m	**128.8**	**119.9**	**7.4%**
Export sales revenue	EUR m	**532.1**	**487.5**	**9.1%**
of which Europe	EUR m	**393.7**	**330.0**	**19.3%**
North America	EUR m	**50.2**	**71.7**	**-30.0%**
Asia/Pacific	EUR m	**65.4**	**65.5**	**-0.2%**
Export share	as %	**80.5%**	**80.3%**	**0.2%**
EBITDA [1]	EUR m	**78.3**	**74.1**	**5.7%**
EBITDA	as % of sales revenue	**11.8%**	**12.2%**	**-3.3%**
EBITDA	as % of total operating performance	**11.4%**	**11.6%**	**-1.7%**
EBIT [1]	EUR m	**62.1**	**58.5**	**6.2%**
EBIT	as % of sales revenue	**9.4%**	**9.6%**	**-2.1%**
EBIT	as % of total operating performance	**9.0%**	**9.2%**	**-2.2%**
Profit (before minority interests)	EUR m	**32.1**	**22.2**	**44.6%**
Earnings per share [2]	EUR	**1.91**	**1.38**	**38.4%**
ROCE after taxes	as %	**17.2%** [3]	**15.8%** [4]	**8.9%**
ROCE [5] before taxes	as %	**25.0%**	**26.0%**	**-3.8%**
Equity as of cut-off date	EUR m	**183.5**	**153.7**	**19.4%**
Own funds as of cut-off date [6]	EUR m	**225.0**	**195.6**	**15.0%**
Own funds ratio	as %	**38.6%**	**34.5%**	**11.9%**
Investment in property, plant and equipment	EUR m	**14.4**	**12.4**	**16.1%**
Depreciation of property, plant and equipment	EUR m	**12.3**	**12.4**	**-0.8%**
Number of employees	Average of the period	**5,262**	**4,879**	**7.8%**
Of which trainees	Average of the period	**330**	**319**	**3.4%**
Personnel expenses	EUR m	**199.9**	**185.4**	**7.8%**
Accumulated order intake [7]	EUR m	**541.0**	**605.2**	**-10.6%**
Order backlog as of cut-off date [7]	EUR m	**245.3**	**321.4**	**-23.7%**

* IFRS

[1] After deducting "other taxes", before taking into account employee profit participation expense and in the prior year IPO expenses

[2] Profit for the period after minority interests, based on 15,688,000 shares (prior year: 14,895,627)

[3] (EBIT for the first nine months / 3 x 4 x 69%) / Capital Employed (Non-current assets + Net Working Capital) (Tax rate 31%)

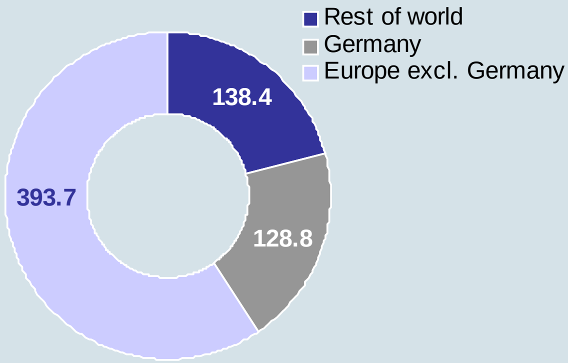
[4] (EBIT for the first nine months / 3 x 4 x 61%) / Capital Employed (Non-current assets + Net Working Capital) (Tax rate 39%)

[5] (EBIT for the first nine months / 3 x 4) / Capital Employed (Non-current assets + Net Working Capital)

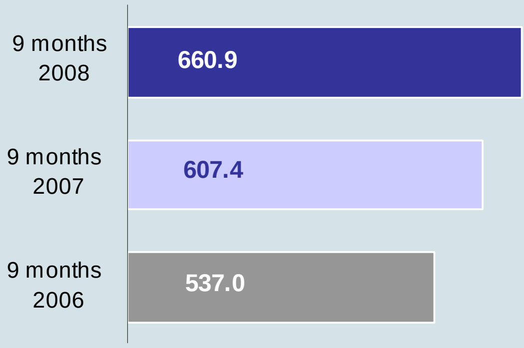
[6] Equity plus profit participation rights and silent participation

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

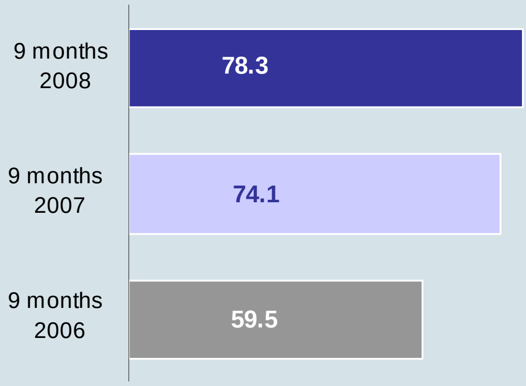
SALES REVENUE BY REGION in euro millions



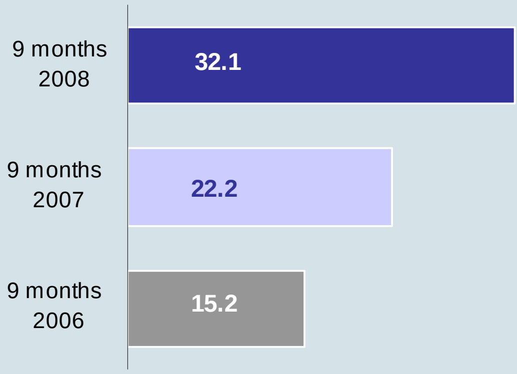
SALES REVENUE in euro millions



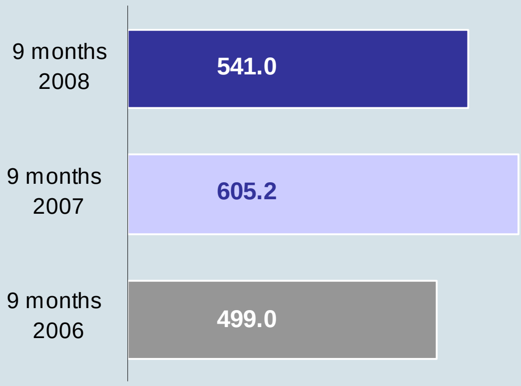
EBITDA[1] in euro millions



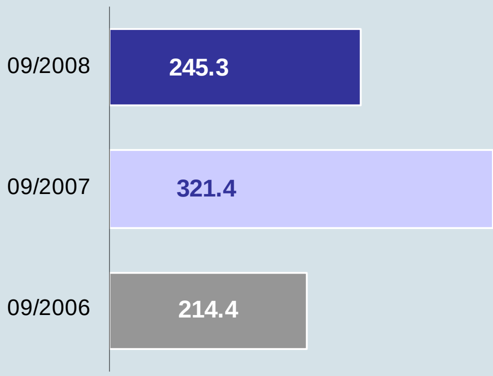
PROFIT FOR THE PERIOD (before minority interests) in euro millions



ORDER INTAKE[7] in euro millions



ORDER BACKLOG[7] in euro millions



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Foreword by the Management Board

Dr. Joachim Brenk
(Spokesman)

Andreas Hermann

Achim Gauß

Dear Shareholders,

The capital goods industry and, in turn, the mechanical engineering industry are used to thinking and acting based on medium and long-term perspectives. However, we are currently experiencing a phase in which, fueled by the financial crisis, our business is heavily influenced by current events beyond our sphere of influence. It is therefore difficult at present to offer forecasts beyond the current year since nobody is currently in a position to make sound conjectures concerning the future development of the economy.

Another Record Year 2008

However, we are in a position to present a reliable analysis of the past. And in this regard, we can tell you that the third quarter of 2008 was a success for the HOMAG Group overall. Sales revenue and pre-tax profits in the third quarter did not quite match the outstanding, record figures achieved in the prior year (2007), but we were able to increase earnings after tax and generate a 19 percent rise in net profit for the period after minority interests. Our order intake has not been immune to the cooling global economy and our results in the period July to September 2008 were below the comparable prior-year figures, although they exceeded the value attributable to the last non-LIGNA year (2006). Our in-house trade shows held at the end of September at HOMAG, HOLZMA and FRIZ, were also a success and revealed that interest in our machines and equipment is still keen. This is documented by the slight increase in the number of visitors compared to the prior year as well as the good order intake.

It is also possible to have a relatively reliable look at the near future, i.e. the full 2008 fiscal year. Despite a challenging environment, we are confident that we will achieve our forecasts for the most part and expect to close another record year for the HOMAG Group. We still expect a rise in sales revenue of about six percent. Excluding special effects, EBITDA would thus rise at the same rate (as had been announced). However, as had already been discussed in the interim report for the second quarter of 2008, the share in sales revenue contributed by low-margin merchandise has increased year on year. Due to targeted restructuring measures scheduled at some locations in the fourth quarter, for which costs of between EUR 3 million and EUR 4 million will be

Rolf Knoll

Herbert Högemann

incurred, EBITDA will be comparable to the prior year. Adjusting for both of these special factors, we still aim to generate an increase of 30 percent in net profit after minority interests. Taking special influences into account the increase will still exceed 20 percent. As regards order intake, the development of the last few months will continue into the fourth quarter of 2008. We therefore expect a decrease compared to the fourth quarter of 2007, a period that still reflected the effects of LIGNA, but anticipate an increase compared to the period October to December 2006.

Market Leadership to be Expanded Further in 2009

It is far more difficult to venture forecasts concerning 2009. We perceive rising uncertainty at our industry customers, some of which are faced with financing problems, due to the financial crisis, the severity of which has increased considerably again since mid-September. The decisive questions in this context are whether and to what extent the crisis management that has been set in motion worldwide will be effective and how the financial crisis will impact on the real economy over the coming months.

As the global leader in our industry, it is our ongoing goal to expand our market shares. This is especially true during phases of weak market demand, since our position as a strong group with worldwide operations affords us a competitive edge over smaller market players. We are also very well prepared: In the last few years, we have implemented leaner structures in the Group, raised the efficiency of our processes, significantly increased our ability to act flexibly, strengthened our global sales and distribution activities, expanded our network of distributors and developed new entry-level products. To this extent, we interpret the weaker market environment as an opportunity for the HOMAG Group. Indeed, opportunities for making interesting acquisitions are emerging and we are equipped with the financial resources to act quickly.

As a result, we intend to pursue ambitious goals in 2009, although we will only achieve them if economic conditions do not deteriorate further, leading to an extensive halt in capital expenditures by our customers. Based on this premise, we want to generate sales revenue of roughly EUR 800 million even in a weaker market environment – i.e. no dramatic downswing – although the first half of 2009 in particular will lag behind the record sales revenue generated in the first six months of 2008. As regards order intake, we will do everything within our power to match the figure achieved in 2008. Our aim is to maintain the EBITDA margin before employee participation at about 10 percent in 2009, irrespective of the expenses of LIGNA and the expected collectively bargained pay rises. Next year, we hope to draw impetus from the LIGNA trade show in May 2009, as well as an assembly plant in the US at which we will manufacture entry-level CNC machines as of March 2009 to tap additional potential.

We are confident that our medium- to long-term growth corridor will remain intact with an average rate of increase ranging between six percent and seven percent, even if 2009 turns out to be a weaker year. Our conviction as to the growth potential in our market and of the HOMAG Group in the coming years is unwavering. Furthermore, we have set the prerequisites for future profitable growth backed in particular by our new HOMAG GAP profitability improvement program, which has a five-year planning horizon.

The Management Board
Schopfloch, November 2008

Dr. Joachim Brenk

Andreas Hermann

Achim Gauß

Herbert Högemann

Rolf Knoll

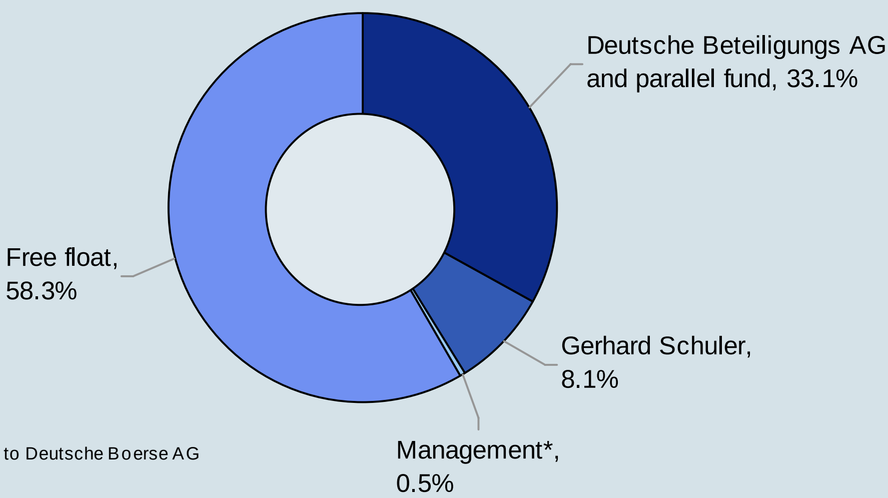
The HOMAG Group AG Share

In the third quarter of 2008, capital markets were shaped by the persisting financial crisis, which took a significant turn for the worse in mid-September when the US investment bank Lehmann Brothers filed for insolvency. All of the other investment banks in the US encountered severe turbulence, were sold or restructured their business model. The US crisis has long since turned into a global banking and financial crisis that is burdening global growth forecasts and continues to spread uncertainty on capital markets. The German share market is also affected of course, suffering some significant losses in the third quarter. The DAX faired relatively well, exhibiting a loss of nine percent, but the MDAX and SDAX each dropped 20 percent.

The HOMAG Group AG's share price was caught in the general undercurrent. Despite the positive development of business in the first half of 2008 during which our forecasts were widely confirmed, our share price suffered a further decrease compared to the quotation of EUR 18.65 at the end of the second quarter. The decrease was most pronounced in September, and the share price reached EUR 13.43 on September 30, 2008.

Due to the global financial crisis, which is since having an impact on the real economy, the heavy turbulence on capital markets has not only continued in October but has actually worsened. As a result, the DAX, MDAX and SDAX dropped by between 25 percent and 30 percent, before recovering slightly towards the end of the month. Indeed, the DAX lost some 15 percentage points in October, while the MDAX and SDAX were down some 20 percent each at month-end. Our share also saw a further loss in value and was quoted at EUR 9.07 as of October 31. The fact that our equity stands at about EUR 11 per share and thus exceeds our share price is in our point of view an indication that the HOMAG share price is undervalued.

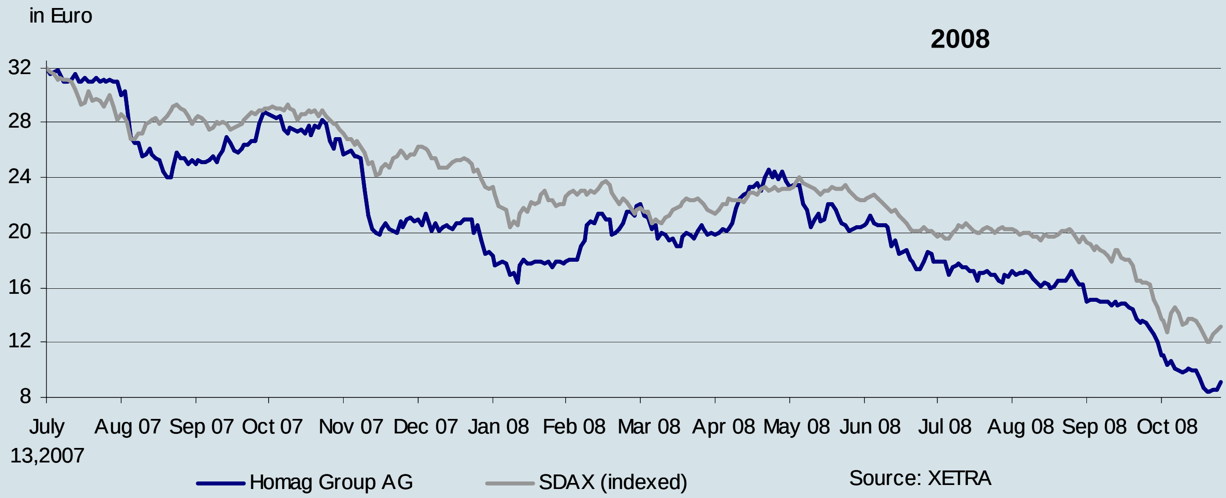
Shareholder structure as of October 31, 2008[1)]



[1)] Method of calculation according to Deutsche Boerse AG
* Lock-up ends January 12, 2009

Since we remain convinced of the enormous potential of the HOMAG Group and, in turn, of our share, we maintained intensive lines of communication with the investors and analysts again in the third quarter. This included personal talks and phone calls and guided tours of our production facilities. These measures were supplemented by a conference call to publish our Q2 figures and a regional road show in Stuttgart. We also participated in an information event for investors in Stuttgart and a seminar for institutional investors in Munich, and organized an open day for investors and analysts at our headquarters in Schopfloch. Finally, we informed interested members of the general public about important events affecting the Group through the second issue of investor newsletter. We were also available to discuss issues and answer questions in the course of several interviews with members of the press and stock market journals.

Performance of the Homag Group share from first day of listing July 13, 2007 to October 31, 2008



Share performance indicators

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
Index	since Oct. 1, 2007	SDAX
Number of shares (according to commercial register entry)	until Jul. 11, 2007 since Jul. 12, 2007	14,561,345 15,688,000 no par value ordinary bearer shares
First day of trading		Jul. 13, 2007
Price high Jul. 13, 2007–Sep. 30, 2008	Jul. 13, 2007	EUR 31.89
Price low Jul. 13, 2007–Sep. 30, 2008	Sep. 30, 2008	EUR 13.43
Price as at Sep. 30, 2008		EUR 13.43
Market capitalization (Sep. 30, 2008)		EUR 210.7 million

Interim Management Report as of September 30, 2008

Economic Background

Fall 2008 has seen a cooling global economy with growth decelerating considerably since spring. In their fall forecasts, the leading economic research institutes continued to point the finger at the drastic increase in oil prices through to the third quarter of 2008 and the crisis prevailing on international financial markets. Indeed, the economic conditions in the US and Japan are extremely bad. Momentum has also weakened significantly in Western Europe and aggregate production stagnated. Only emerging economies continued to display strong economic growth. Although this is supporting the global economy somewhat, it is insufficient to compensate the weakness of industrialized nations.

Economic analysts see the German economy on the verge of recession since demand and production have decreased in the course of 2008. Indeed, aggregate production stagnated in the third quarter. Consequently, ifo business climate index decreased in October 2008 for the fifth consecutive time, mainly dragged down by a further significant deterioration of companies' expectations.

The German mechanical engineering industry experienced a real increase in the production of machines and equipment of eight percent in the first eight months of 2008. By contrast, order intake fell perceptibly in the last few months according to VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], decreasing by five percent in the third quarter of 2008. Export orders decreased by nine percent. The wood processing machines segment of the VDMA sustained a 12-percent decrease in orders in the first nine months of 2008 on the comparable prior-year period.

Business Development

Overall, we recorded a successful third quarter 2008 in the HOMAG Group at a good level. Although we were not quite able to match the excellent, record figures achieved in 2007 as regard sales revenue and pre-tax earnings, we were able to increase net profit further. We have also felt the impact of the weakening global economy and see increasing uncertainty, particularly among industry customers, some of which are facing financing difficulties on account of the financing crisis. Nevertheless, we recorded a satisfactory level of orders in the third quarter, although this is a period that is also influenced by the vacation season.

Between July and September 2008, our order intake decreased on the comparable prior-year period, although it improved on the level recorded in the third quarter of 2006. Due to the world's most important trade show in the industry, LIGNA, which is only held every two years and has a direct effect on order intake, 2008 is best compared with 2006, also a non-LIGNA year. Our in-house trade shows held at the end of September at HOMAG, HOLZMA and FRIZ, also confirmed that interest in our machines and equipment is still keen. This is documented by the slight increase in the number of visitors compared to the prior year as well as the good order intake.

The HOMAG Group's sales revenue decreased slightly to EUR 211 million in the third quarter compared to the prior year (EUR 221 million), while total operating performance came to EUR 210 million (prior year: EUR 223 million). The share of sales revenue generated abroad increased to 81 percent, after 79 percent in the full year 2007.

As expected, order intake decreased year-on-year to EUR 140 million between July and September 2008 (prior year: EUR 158 million). Compared to the third quarter of the last non-LIGNA year 2006, the order intake thus increased by some 12 percent (2006: EUR 125 million). The same holds true of the order backlog which stood at EUR 245 million as of September 30, 2008 compared to EUR 321 million the prior year and EUR 214 million at the end of the third quarter of 2006.

The markets on which we are active worldwide have exhibited diverse developments. As anticipated, we saw business decline in the US. Western Europe, including Germany, developed somewhat below the budgeted level. Although the order situation was good in France, the Benelux countries, Austria ddddddddddand Switzerland, this failed to compensate for the weak market conditions in Spain, the UK and Turkey. Eastern European markets and Russia as well the Middle East and China remained stable, while the mood in the rest of Asia was more subdued.

Our sales revenue in the first nine months of 2008 increased by 9 percent to EUR 661 million (prior year: EUR 607 million) and total operating performance rose to EUR 687 million (prior year: EUR 638 million). At EUR 541 million, the accumulated order intake of the first three quarters remains on a high level compared to EUR 605 million in 2007 and EUR 499 million in 2006.

Results of Operations

The lower total operating performance in the third quarter of 2008 – which was due to a large extent to the application of the percentage-of-completion (PoC) method – resulted in a drop of some EUR 2.5 million in earnings. Under the PoC method, the contribution to earnings from large-scale projects is recognized based on the stage of production. The share of plant projects that had to be recognized in accordance with the PoC method decreased by almost 20 percent in the third quarter of 2008 compared to the end of the third quarter of 2007. A significantly larger number of standard machines were in the production process as of September 30, 2008. These are measured at cost. The contribution to earnings of standard machines is not recognized by the Company until the machines are delivered to customers. In addition, own work capitalized decreased by EUR 0.7 million on the comparable prior-year period.

Despite these effects, we have maintained the high earnings level achieved by the HOMAG Group in the first six months of the year into the third quarter of 2008. In this context, our uncompromising cost management has paid off, largely compensating for the rise in the price of raw materials in the third quarter, which generated an additional negative effect of EUR 1.1 million. This rise is reflected in the increased ratio of cost of materials to sales revenue, which stands at 45.6 percent (prior year: 45.1 percent). We have already responded to this increased cost of materials by successfully implementing a price increase throughout the Group as of October 1, 2008, although the effects will not translate into higher margins until 2009. Owing to the decrease in overhead costs, we were able to significantly reduce our other operating expenses and improve their ratio to sales revenue to 13.6 percent (prior year: 15.2 percent) (excluding IPO expenses in the prior-year figures). The ratio of personnel expenses to sales revenue increased to 30.2 percent (prior year: 27.9 percent) due to the lower total operating performance.

To improve comparability, we have adjusted the prior-year year figures by eliminating the IPO expenses of EUR 2.1 million which were incurred in the third quarter of 2007. Prior to expenses from employee participation, EBITDA, which was influenced by the application of the PoC method and the decrease in own work capitalized, amounted to EUR 25.3 million for the period between July and September 2008 (prior year: EUR 29.6 million), while EBIT came to EUR 19.7 million (prior year: EUR 24.0 million). After employee participation expenses, EBIT came to EUR 16.9 million (prior year: EUR 20.9 million). The financial result has improved to EUR -2.7 million (prior year: EUR -3.1 million), resulting in EBT before employees participation expenses of EUR 17.0 million (prior year: EUR 20.9 million).

Due to the decrease in the tax rate from just under 44 percent to 28 percent (including special effects) and in this case the inclusion of the IPO expenses in the prior year, the net profit for the period before minority interests improved by 16 percent to EUR 10.2 million (prior year: EUR 8.8 million) and after minority interests by 19 percent to EUR 9.9 million (prior year: EUR 8.3 million). This results in earnings per share of EUR 0.63 (prior year: EUR 0.53).

After deducting the IPO expenses of EUR 3.1 million from the prior-year figures, we were able to increase EBITDA before employee participation expenses for the first nine months of 2008 by six percent to EUR 78.3 million (prior year: EUR 74.1 million). When considering the nine-month profit, the increase of about EUR 8 million in sales revenue with low-margin merchandise should be taken into account. EBIT climbed 6 percent to EUR 62.1 million (prior year: EUR 58.5 million) before employee participation expenses and amounted to EUR 54.3 million (prior year: EUR 51.6 million) after employee participation. EBT before employee participation expenses rose 8 percent to EUR 53.9 million in the first three quarters of 2008 (prior year: EUR 49.8 million). Taking the IPO expenses of the prior year into account, the net profit for the period increased 45 percent to EUR 32.1 million (prior year: EUR 22.2 million) and after minority interests to EUR 29.9 million (prior year: EUR 20.5 million). This results in significantly higher earnings per share of EUR 1.91 (prior year: EUR 1.38). The ratio of cost of materials to sales revenue increased slightly to 46.7 percent in the first nine months (prior year: 46.1 percent) due to an increase in the price of raw materials and an increase in sales revenue from merchandise, while the ratio of personnel expenses to sales revenue remained unchanged at 29.1 percent (prior year: 29.0 percent). The ratio of other operating expenses to sales revenue decreased to 14.5 percent (prior year: 14.8 percent excluding IPO expenses).

Net Assets and Financial Position

Compared to year-end 2007, the balance sheet total as of September 30, 2008 increased only slightly from EUR 569 million to EUR 583 million and was thus significantly outpaced by the rise in total operating performance in the first nine months. On the assets side, there is a high level of receivables and inventories have increased. Both of these items are attributable to the good order situation in the first half of 2008 and the related high inventories of finished goods and work in progress as well as the large number of deliveries.

As of September 30, our equity ratio improved further on account of the solid earnings position. Indeed, our equity ratio increased from 29 percent to 32 percent and our own funds ratio, which takes account of participating capital and obligations from employee profit participation, rose from 36 percent to 39 percent. This sound equity gearing affords us sufficient maneuverability to make targeted acquisitions.

Our net bank liabilities increased by the end of the third quarter of 2008 to EUR 94.7 million, following EUR 83.7 million as of June 30, 2008 and EUR 90.4 million as of September 30, 2007. This is attributable to the drop of EUR 13 million in prepayments received compared to the second quarter of 2008 due to the lower order backlog and, on the other hand, an increase in receivables due to numerous deliveries. We expect that net liabilities to banks will drop below EUR 90 million again by year end.

Return on capital employed (ROCE) before taxes and taking EBIT before employee participation expenses into account was at a high level in the first nine months of 2008, decreasing slightly compared to the prior year from 26 percent to 25 percent. After taxes (tax rate used in calculation: 31 percent; prior year: 39 percent), ROCE taking EBIT before expenses from employee participation as a basis improved from 16 percent to 17 percent.

Compared to the high cash flow in the three quarters of 2007, the cash flow from operating activities decreased as expected to EUR 17.1 million in the first nine months of 2008 (prior year: EUR 23.6 million). This is mainly due to the increase in inventories, the drop in prepayments and the increase in receivables. After deducting cash paid for investments, the free cash flow amounts to EUR -4.0 million (prior year: EUR 7.5 million). Cash flow from financing activities totaled EUR -19.1 million (prior year: EUR 5.1 million). Cash and cash equivalents amounted to EUR 23.9 million as of September 30, 2008 (prior year: EUR 30.0 million). We expect cash flow to improve again by year end.

Employees

Compared to number of employees as of September 30, 2007, the HOMAG Group's headcount increased in the first nine months of 2008 from 5,056 to 5,404, proportionately a smaller increase than that in sale revenue. Indeed, the expansion of personnel has slowed substantially overall. In the third quarter of 2007, 166 new employees joined the Company, compared to the 121 that joined the Company between July and September 2008. We hired new staff in particular at the German production companies WEEKE, HOMAG and BRANDT and at our sales and service companies in the growth markets India and CIS.

Capital Expenditures

In the third quarter of 2008, capital expenditures on intangible assets and property, plant and equipment remained constant year-on-year at EUR 8 million. We are thus within our planned corridor ranging between three percent and four percent of total operating performance. This figure includes own work capitalized of EUR 1.2 million (prior year: EUR 1.9 million). The single largest investment project concerns the new HOMAG Center at the Company's headquarters in Schopfloch, which is scheduled for completion by mid-2009 and will offer 3,900 square meters of office space for more than 150 employees.

In the period January to September 2008, our investment volume increased slightly to EUR 22 million (prior year: EUR 21 million). Apart from the HOMAG Center, we have mainly focused capital expenditures on additional construction measures including the expansion of assembly area at WEINMANN and BARGSTEDT. The capital expenditures in the first nine months of 2008 also include own work capitalized of EUR 3.8 million (prior year: EUR 4.9 million).

Research and Development

We continued our activities centered on platform development and tapping group synergies in the third quarter of 2008. Drive technology and the development of control and software platforms constitute the most important synergy areas.

Since as far back as 2001, we have attached great importance to services related to our manufacturing machines and plants at HOMAG Group and are doubling efforts in this field. Based on the offensive services campaign that we have adopted, we intend to offer our customers our extensive portfolio of services in this segment far more actively and to expand this business area substantially. Indeed, services are no longer restricted to assembly, replacement part and repair services, but also include preventative maintenance of equipment, on-site or online employee training, a 24-hour tele-service, machine upgrades and modifications as well as production support and optimization. The requisite structures have already been put in place. Our aim is develop and maintain new service products, and to train our employees accordingly. Apart from the critical importance for customer satisfaction, we see the services business as a valuable source of revenue and earnings potential that we want to tap in our endeavors to expand the HOMAG Group. The objective is to increase the contribution of services to sales revenue from the current 17 percent to more than 20 percent in the coming years.

At our in-house trade shows in the third quarter, we were once again able to present numerous product innovations to our customers. In the field of call production systems, which are increasingly gaining in importance, we exhibited a number of modular system solutions for instance. Additional product innovations in this area include the world's first saw/milling combination based on a horizontal panel saw and the new profile trimming unit that allows profile switching in less than two seconds or system solutions in the area of quality assurance. The manufacturing segment is rounded off with developments in the upstream fields of manufacturing management control and ERP systems, which ultimately allows us to offer complete system solutions and integration from a single source.

Looking forward to LIGNA 2009 in May of next year, we are doubling our efforts on further new innovations which we intend to showcase at the event. Another focal point of these development activities is on resource and energy efficiency.

Risk Report

The risk management system in place and the individual business risks are described in the annual report 2007, pages 60 to 61. 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

On November 12, 2008, the collective bargaining partners of the metal and electrical industry in the German federal state of Baden-Württemberg agreed on a new collective agreement. Details can be taken out of the published announcements of the two collective bargaining partners.

There were no other significant events after the cut-off date.

Outlook

The leading economic research institutes believe that the world economy will continue to lose momentum. Just how serious the downswing turns out to be depends heavily on how the financial crisis develops. Assuming that the collapse of the international finance system can be avoided, the world economy should start to pick up again from mid-2009. For the worldwide economy, the institutes forecast overall growth of 2.5 percent for 2008 and 1.8 percent for 2009. Industrial countries are expected to grow 1.4 percent in the current year and 0.8 percent the next year. Experts expect the US economy to stagnate in the second half of 2008, and to grow one percent in 2009. The gross domestic product (GDP) in the EU is expected to increase 1.4 percent in the current and 0.5 percent in the coming year while a period of stagnation is forecast for many Western European countries such as Spain, Italy, France, the UK or Portugal. The Eastern European accession countries are in a better position; here economic growth of five percent is anticipated for 2008 and 3.9 percent for 2009. The threshold countries have also been left largely unscathed by the general economic slump and are expected to grow by six percent in 2009. The main drivers of growth here are China, India and Russia.

According to the fall forecasts, a drop in production is to be expected in Germany as the orders placed at home and abroad are showing a downward trend. Because the year started off so well, the orders on hand are still sufficient to allow an increase in GDP of 1.8 percent. Based on forecasts by the International Monetary Fund (IMF), growth is, however, expected to come to a halt in 2009. This means that a gradual recovery is not expected before the second half of 2009.

Due to the high order intake in 2007 and a good start into the current year, the VDMA is still expecting production in the German engineering industry to grow five percent in 2008. After the strong development of recent years, stagnation is expected to set in 2009. The high production level can, according to the VDMA, however only be maintained if the finance markets settle down fairly soon and the collective bargaining partners come to a moderate agreement.

The slowing economy and the resulting reluctance to invest in numerous markets of relevance has not passed the HOMAG Group by completely. Despite a challenging environment, we are nevertheless confident that we will achieve our forecasts for 2008 for the most part and expect to close another record year for the HOMAG Group both in terms of sales revenue and profits. We still expect a rise in sales revenue of about six percent.

The percentage growth in EBITDA that was announced would have been achieved if it had not been for various special factors. As had already been discussed in the interim report for the second quarter of 2008, however, the share in sales revenue contributed by low-margin merchandise has increased year on year. In addition, we carry out targeted restructuring measures at some locations in the fourth quarter, for which costs of between EUR 3 million and EUR 4 million will be incurred, which will mean that EBITDA comparable to the prior-year level will be generated.

The measures at selected plants are designed to improve structures; in some cases personnel will be cut as a precautionary measure in order to be prepared for the future. These downsizing measures by no means conflict with the general personnel increase during 2008 as they consider the diverging development of the various production plants and the regional differences in market development. The objective of the restructuring, which we see as the first step towards an optimization of our business locations, is to make the plants leaner by using synergies.

Adjusting for both of these special factors, we still aim to generate an increase of more than 30 percent in net profit for the year after minority interests due to the improved interest result, the fact that no further IPO expenses were incurred and the positive effect of the business tax reform. Taking special influences into account the increase will still exceed 20 percent.

As regards order intake, the development of the last few months will continue into the fourth quarter of 2008. We therefore expect a decrease compared to the fourth quarter of 2007, a period that still reflected the effects of LIGNA, but anticipate an increase compared to the period October to December 2006. We expect the trends of the first nine months to continue in the development of the individual regions. On the one hand, the weaker US market and the general declining market in Western Europe, on the other the more stable markets in Eastern Europe, Russia and China.

Due to the weaker world economy, we expect market volume to decline overall in 2009. It is not possible to make reliable forecasts about future developments at present. It is not possible to predict how the finance crisis which had deteriorated dramatically since mid-September will continue and what repercussions this will have for the real economy. We assume that we will be able to see how well the crisis management implemented throughout the world is functioning by the end of the year. As a company operating in a cyclical industry, we are used to market fluctuations and know how to deal with them. If the banking system were to destabilize further, this would of course be a new dimension.

Generally speaking, it is our aim as world leader to capture market shares during a weaker market phase to gain an edge on our competitors. The leaner structures and more efficient processes installed in the Group in recent years have paved the way for such measures. We have become much more flexible and we have far greater scope to influence variable costs, allowing us to respond proactively and fast to changing market conditions. Temporary employment arrangements, the use of contract workers, our vacation and non-working shift accounts or, if necessary, occasional short-time work arrangements means that we can adjust our capacities by more than 10 percent. Our worldwide sales organization has also been reinforced, the network of dealers expanded and additional entry-level products have been developed. Our position as a strong group with worldwide operations affords us a competitive edge over many smaller market players.

For 2009, we have set ourselves ambitious targets and want to generate sales revenue of roughly EUR 800 million even in a weaker market environment – i.e. no dramatic downswing – although the first half of 2009 in particular will not match the record sales revenue generated in the first six months of 2008. Despite the LIGNA expenses and collectively bargained pay rises we want to keep our EBITDA margin around the ten-percent mark. As regards order intake, we will use our best efforts to match the figure achieved in 2008. We hope demand will be stimulated by the LIGNA in May 2009, the leading trade show in our industry, where we plan to present numerous technical innovations and energy- and resource-saving technologies. With the entry-level CNC machines to be built in the US assembly plant from March 2009, we will tap into a large, new market segment which will offer us additional potential.

HOMAG GAP, the name given to the group action program aimed primarily at creating value-driven growth that has already been decided and approved will form an important building block for our continuing success. In the next five years until 2013 we want to develop a sustainable earnings potential of around EUR 40 million. There are two lines of attack. Firstly, we want to enlarge and optimize our product range, ensuring that the individual products are even better aligned, with a view to extending our market coverage and thus increasing our sales volume. We also see additional sales and in particular earnings potential in the expansion and improved marketing of our extensive service offering and in improving the return in our project business. Secondly, we want to cut our costs permanently, for instance by streamlining and optimizing our plants, by initiating joint development projects throughout the Group, by using the same technologies and further standardizing control and software. We also see potential for leveraging synergies in materials management, for example through global sourcing.

Our medium- to long-term growth corridor with an average rate of increase ranging between six percent and seven percent will remain intact, even if 2009 turns out to be a weaker year. We are convinced that our market has further potential for growth and we have set the prerequisites for future profitable growth backed in particular by our new HOMAG GAP.

Consolidated Financial Statement

Consolidated Income Statement

EUR k	2008 07/01-09/30	2007 07/01-09/30	2008 01/01-09/30	2007 01/01-09/30
Sales revenue	**210,896**	**221,202**	**660,945**	**607,385**
Increase or decrease in inventories of finished goods and work in progress	-2,077	-467	22,621	26,227
Own work capitalized	1,171	1,886	3,757	4,871
	-906	1,419	26,378	31,098
Total operating performance	**209,990**	**222,621**	**687,323**	**638,483**
Other operating income	3,238	3,219	11,257	9,782
	213,228	**225,840**	**698,580**	**648,265**
Cost of materials	95,804	100,370	320,867	294,531
Personnel expenses before employee profit participation	63,501	62,036	199,947	185,420
Amortization of intangible assets	1,432	1,379	3,882	3,222
Depreciation of property, plant and equipment	4,127	4,169	12,318	12,363
Other operating expenses	28,635	36,003	99,459	97,291
- thereof IPO costs	*0*	*2,121*	*0*	*3,103*
	193,499	**203,957**	**636,473**	**592,827**
Operating result before employee profit participation	**19,729**	**21,883**	**62,107**	**55,438**
Expenses from employee profit participation	2,800	3,071	7,800	6,987
Net operating profit	**16,929**	**18,812**	**54,307**	**48,451**
Profit / loss from associates	109	17	91	54
Interest income	347	168	1,186	1,513
Interest expenses	3,164	3,312	9,530	10,271
Earnings before taxes	**14,221**	**15,685**	**46,054**	**39,747**
Income taxes	4,050	6,883	13,963	17,565
Result of continuing operations	**10,171**	**8,802**	**32,091**	**22,182**
Attributable to minority interests	318	541	2,185	1,689
Attributable to equity holders of Homag Group AG	**9,853**	**8,261**	**29,906**	**20,493**
Earnings per share of the equity holders of Homag Group AG in EUR (diluted/undiluted)	0.63	0.53	1.91	1.38

Consolidated Balance Sheet

ASSETS

EUR k		**Sep. 30, 2008**	**Dec. 31, 2007**
NON-CURRENT ASSETS			
I.	Intangible assets	28,920	25,050
II.	Property, plant and equipment	140,759	139,867
III.	Investments in associates	6,198	5,960
IV.	Other investments	847	862
V.	Other financial assets	1,899	3,910
VI.	Other assets and prepaid expenses	154	201
VII.	Income tax receivables	3,554	3,053
VIII.	Deferred taxes	13,310	12,691
		195,641	**191,594**
CURRENT ASSETS			
I.	Inventories	157,851	128,124
II.	Receivables and other assets		
	Trade receivables	146,421	138,938
	Receivables from long-term construction contracts	27,928	28,579
	Receivables due from associates	8,095	10,889
	Other assets and prepaid expenses	20,416	20,653
	Income tax receivables	2,520	1,140
III.	Cash and cash equivalents	23,927	47,613
		387,158	**375,936**
ASSETS AVAILABLE-FOR-SALE		**0**	**1,831**
TOTAL ASSETS		**582,799**	**569,361**

EQUITY AND LIABILITIES

EUR k		Sep. 30, 2008	Dec. 31, 2007
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	88,524	69,534
IV.	Net result of the group for the period	29,906	32,030
	Equity attributable to equity holders	167,094	150,228
V.	Minority interests	16,359	15,907
		183,453	**166,135**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	112,753	118,809
II.	Other non-current liabilities	2,130	1,537
III.	Pensions and other post employment benefits	2,369	2,420
IV.	Obligations from employee profit participation	10,258	9,814
V.	Other non-current provisions	5,463	5,354
VI.	Deferred taxes	15,440	13,241
		148,413	**151,175**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	44,801	32,915
II.	Trade payables	72,507	77,764
III.	Payments on account received	34,891	46,053
IV.	Liabilities from construction contracts	2,014	2,562
V.	Liabilities to associates	1,244	2,833
VI.	Other financial liabilities	720	3,036
VII.	Other current liabilities and deferred income	70,243	63,089
VIII.	Tax liabilities	7,433	8,713
IX.	Other current provisions	17,080	15,086
		250,933	**252,051**
TOTAL LIABILITIES		**399,346**	**403,226**
TOTAL EQUITY AND LIABILITIES		**582,799**	**569,361**

Statement of Changes in Group Equity

EUR k	**Issued capital**	**Capital reserves**	**Revenue reserves**
Jan. 01, 2007	**14,561**	**0**	**55,410**
Other changes			153
Reclassification prior-year earnings			20,167
Capital increase due to IPO	1,127	33,800	
Expenses for IPO recognized directly in equity		-1,215	
Incurred taxes thereon		447	
Dividends paid			-5,825
Changes of minority interests			-136
Transactions with shareholders	1,127	33,032	-5,961
Total income and expense for the period recognized directly in equity			
Group result for the period			
Total income recognized for the reporting period	1,127	33,032	
Sep. 30, 2007	**15,688**	**33,032**	**69,769**

Jan. 01, 2008	**15,688**	**32,976**	**69,820**
Other changes			73
Reclassification prior-year earnings			32,030
Dividends paid			-14,119
Changes of minority interests			164
Transactions with shareholders			-13,955
Total income and expense for the period recognized directly in equity			
Group result for the period			
Total income recognized for the reporting period			
Sep. 30, 2008	**15,688**	**32,976**	**87,968**

Revenue reserves					
other comprehensive income	**Translation reserve**	**Group result**	**Equity before minority interests**	**Minority interests**	**Total**
53	**581**	**19,947**	**90,552**	**13,446**	**103,998**
			153		153
		-20,167			
			34,927		34,927
			-1,215		-1,215
			447		447
			-5,825	-720	-6,545
			-136	136	
0	0	0	28,198	-584	27,614
-1	-110		-111	-97	-208
		20,493	20,493	1,689	22,182
-1	-110	20,493	20,382	1,592	21,974
52	**471**	**20,273**	**139,285**	**14,454**	**153,739**
147	**-433**	**32,030**	**150,228**	**15,907**	**166,135**
			73	15	88
		-32,030			
			-14,119	-1,595	-15,714
			164	-164	
			-13,955	-1,759	-15,714
77	765		842	11	853
		29,906	29,906	2,185	32,091
77	765	29,906	30,748	2,196	32,944
224	**332**	**29,906**	**167,094**	**16,359**	**183,453**

Statement of Recognized Income and Expense

EUR k	2008 01/01-09/30	2007 01/01-09/30
Acturial gains and losses	119	-1
Deferred taxes on acturial gains and losses	-36	0
Currency effects	770	-207
Income and expense recorded directly in equity	**853**	**-208**
Net profit /loss of the Group for the period	32,091	22,182
Recognized income and expense	**32,944**	**21,974**
Attributable to minority interests	2,196	1,593
Attributable to equity holders of the parent company	30,748	20,381

Consolidated Cash Flow Statement

EUR k	2008 01/01-09/30	2007 01/01-09/30
1. Cashflow from operating activities	**17,144**	**23,561**
2. Cashflow from investing activities	**-21,178**	**-15,915**
3. Cashflow from financing activities	**-19,091**	**5,055**
4. Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents (subtotal 1-3)	-23,125	12,701
Changes in net foreign exchange rates in cash and cash equivalents	-561	-208
Cash and cash equivalents at the beginning of the period	**47,613**	**17,506**
Cash and cash equivalents at the end of the period *	**23,927**	**29,999**

* Cash and cash equivalents at the end of the period corresponds to the balance sheet item cash and cash equivalents

Segment Reporting

Use was made of the option to adopt IFRS 8 (Operating Segments) early in the presentation of the Homag Group's segments.

The Homag Group is broken down into the following segments Industry, Cabinet Shops, Sales & Service and Other.

EUR k	Industry 2008 01/01-09/30	Industry 2007 01/01-09/30	Cabinet Shops 2008 01/01-09/30	Cabinet Shops 2007 01/01-09/30	Sales & Service 2008 01/01-09/30	Sales & Service 2007 01/01-09/30
Third-party sales	243,843	235,951	92,940	75,553	252,148	212,051
Sales with group companies from other segments	115,997	97,741	84,135	67,880	2,106	899
Sales revenues with associates	22,678	25,315	14,310	24,441	7	-1
Total sales revenue	**382,519**	**359,007**	**191,385**	**167,874**	**254,260**	**212,949**
Segment result[1)]	**44,860**	**45,035**	**24,032**	**20,117**	**7,157**	**6,777**
Depreciation and amortization of property, plant and equip-ment and intangible assets	-9,834	-9,317	-3,757	-3,469	-1,243	-1,223
Expenses from employee profit participation	-6,104	-4,684	-1,481	-1,962	0	0
IPO-costs	0	0	0	0	0	0
Share in profit of associates	-39	14	0	0	130	41
Financial result	-2,794	-3,559	-963	-1,056	-121	-63
Earnings before taxes from continuing operations	**26,089**	**27,489**	**17,831**	**13,630**	**5,923**	**5,532**
Employees[2)]	**2,713**	**2,559**	**1,151**	**1,061**	**715**	**636**

EUR k	Industry 2008 09/30	Industry 2007 12/31	Cabinet Shops 2008 09/30	Cabinet Shops 2007 12/31	Sales & Service 2008 09/30	Sales & Service 2007 12/31
Assets	**394,476**	**403,864**	**152,176**	**139,574**	**198,064**	**173,080**

[1)] EBITDA from continuing operations, before taking into account employee profit participation expenses and in the prior year IPO costs
[2)] Average of the period

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

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 systems 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

Other		Total segments		Consolidation		Group	
2008 01/01-09/30	**2007 01/01-09/30**	**2008 01/01-09/30**	**2007 01/01-09/30**	**2008 01/01-09/30**	**2007 01/01-09/30**	**2008 01/01-09/30**	**2007 01/01-09/30**
26,848	29,803	615,778	553,358	0	0	615,778	553,358
23,959	19,614	226,197	186,134	-226,167	-186,134	30	0
8,141	4,272	45,137	54,027	0	0	45,137	54,027
58,947	**53,689**	**887,112**	**793,519**	**-226,167**	**-186,134**	**660,945**	**607,385**
4,187	**4,554**	**80,236**	**76,483**	**-1,929**	**-2,357**	**78,307**	**74,126**
-1,367	-1,596	-16,201	-15,605	0	20	-16,201	-15,585
-215	-341	-7,800	-6,987	0	0	-7,800	-6,987
0	-3,103	0	-3,103	0	0	0	-3,103
0	0	91	55	0	0	91	55
1,259	-4,183	-2,619	-8,861	-5,724	102	-8,343	-8,759
3,864	**-4,669**	**53,707**	**41,982**	**-7,653**	**-2,235**	**46,054**	**39,747**
683	**623**	**5,262**	**4,879**	**0**	**0**	**5,262**	**4,879**

Other		Total segments		Consolidation		Group	
2008 09/30	**2007 12/31**	**2008 09/30**	**2007 12/31**	**2008 09/30**	**2007 12/31**	**2008 09/30**	**2007 12/31**
238,345	**231,474**	**983,061**	**947,992**	**-400,262**	**-378,631**	**582,799**	**569,361**

offered in the segment centers on simple operation and flexible applications combined with an affordable price.

The Sales & Services segment comprises the business activities of the Homag sales and service entities in Germany and abroad. Our 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 potential in the future, the software and consulting portfolio of Schuler Business Solutions AG and the timber frame house construction division.

Selected Explanatory Notes

Notes to the Interim Condensed Consolidated Financial Statements

General

The interim condensed consolidated financial statements for the first nine months of 2008 were authorized for issue on November 13, 2008 by resolution of the management board.

Application of Requirements

The interim condensed consolidated financial statements of Homag Group AG (the HOMAG Group) as of September 30, 2008, like the consolidated financial statements as of December 31, 2007, were prepared in accordance with the International Financial Reporting Standards (IFRS) 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 balance sheet date. The provisions of IAS 34 on interim financial reporting were applied.

There were no major differences in the accounting policies applied in these interim financial statements for the period ended September 30, 2008 and the consolidated financial statements of Homag Group AG as of December 31, 2007.

The following interpretations of the IASB were applicable for the first time in 2008, although the enforcement procedure for IFRIC 12 and 14 had not yet been completed:

IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

These interpretations were not relevant to the Homag Group.

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 balance sheet, a cash flow statement, a statement of changes in group equity, segment reporting and a statement of recognized income and expense are presented.

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

Basis of Consolidation

The interim consolidated financial statements are based on the annual 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 consolidated financial statements published as of December 31, 2007.

Explanations to the Consolidated Income Statement

Sales Revenue

In the first nine months of 2008, the Homag Group generated sales revenue of EUR 660.9 million, up 8.8 percent on the prior-year figure. Sales revenue of EUR 210.9 million was generated in the third quarter, representing a 4.7 percent decrease on the comparable prior-year period.

Sales revenue by region in EUR k	2008 07/01-09/30	2007 07/01-09/30	2008 01/01-09/30	%	2007 01/01-09/30	%
Germany	44,507	46,409	128,750	19.5%	119,857	19.7%
Other EU countries	96,919	87,332	299,792	45.4%	241,390	39.7%
Other European countries	28,765	30,408	93,946	14.2%	88,616	14.6%
North America	10,284	21,950	50,234	7.6%	71,668	11.8%
South America	4,926	5,775	20,249	3.1%	15,718	2.6%
Asia/Pacific	25,508	28,316	65,371	9.9%	65,491	10.8%
Africa	-14	1,012	2,603	0.4%	4,645	0.8%
	210,896	**221,202**	**660,945**	**100.0%**	**607,385**	**100.0%**

The drop in sales revenue in the third quarter relative to the comparable period is mainly due to the weakened market in North America while the other countries in the EU (excluding Germany) achieved an increase in sales revenue in the third quarter.

In the first nine months of 2008, sales revenue growth of 16.1 percent was recorded in Europe compared to the previous period. By contrast, North America sustained a drop in sales revenue of 29.9 percent.

Cost of Materials

EUR k	2008 07/01-09/30	2007 07/01-09/30	2008 01/01-09/30	2007 01/01-09/30
Cost of raw materials, consumables and supplies and purchased goods	88,667	94,130	296,058	275,772
Cost of purchased services	7,137	6,240	24,809	18,759
	95,804	**100,370**	**320,867**	**294,531**

The ratio of cost of materials to total operating performance increased slightly to 46.7 percent in the first nine months of 2008 (prior year: 46.1 percent) due to the increase in the price of raw materials and the rise in sales of merchandise.

Personnel Expenses

EUR k	2008 07/01-09/30	2007 07/01-09/30	2008 01/01-09/30	2007 01/01-09/30
Wages and salaries	52,383	51,818	168,050	155,726
Social security and other benefit costs	11,118	10,218	31,897	29,694
(therof pension benefits)	(3,945)	(4,032)	(12,422)	(11,558)
	63,501	**62,036**	**199,947**	**185,420**

EUR k	2008 07/01-09/30	2007 07/01-09/30	2008 01/01-09/30	2007 01/01-09/30
Cost of employee participation	2,800	3,071	7,800	6,987
	2,800	**3,071**	**7,800**	**6,987**

As of September 30, 2008, the headcount rose by 348 employees to 5,404, an increase compared to September 30, 2007 of 6.9 percent.

The ratio of personnel expenses to sales revenues remained practically unchanged at 29.1 percent in the first nine months (prior year: 29.0 percent). Personnel expenses thus increased in proportion to total operating performance.

Net Profit for the Period

EBITDA before employee participation expenses came to EUR 78.3 million in the first nine months of 2008 (prior year: EUR 74.1 million). After employee participation expenses, EBIT came to EUR 54.3 million (prior year: EUR 51.6 million). The financial result of EUR -8.3 million improved slightly compared to the prior year (EUR -8.7 million). EBT before employee participation expenses improved to EUR 53.9 million (prior year: EUR 49.8 million before IPO expenses and EUR 46.7 million after IPO expenses). Due to the lower tax rate, which decreased to about 30 percent, the net profit for the period before minority interests increased significantly by 45 percent to EUR 32.1 million (prior year: EUR 22.2 million), resulting in basic and diluted earnings per share of EUR 1.91 after minority interests (prior year: EUR 1.38).

Explanations to the Consolidated Balance Sheet

Assets

Inventories rose by EUR 30 million compared to the level as of December 31, 2007 owing to the increase in finished goods and work in progress, i.e. machines in progress.

Intangible assets rose compared to December 31, 2007 by 15.4 percent to EUR 28.9 million. This was essentially due to the development work capitalized in fiscal 2008.

Trade receivables increased by EUR 7.5 million compared to the level as of December 31, 2007 and thus outpaced the rise in sales revenue.

Compared to December 31, 2007, cash and cash equivalents decreased by EUR 23.7 million to EUR 23.9 million.

In total, this resulted in a disproportionately high increase of 2.4 percent in the balance sheet total to EUR 582.8 million.

Equity

The change in equity, including income and expense recognized directly in equity, is presented in the statement of changes in group equity.

Our equity ratio amounts to 31.5 percent, a further significant improvement on the 29.2 percent recorded as of December 31, 2007. Taking participating capital and the obligations from employee profit participation into account, the own funds ratio amounts to 38.6 percent compared to 36.0 percent at year end 2007.

A dividend of EUR 0.90 per share or some EUR 14 million in total was paid out in the second quarter of 2008.

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

	2008 01/01-09/30	2007 01/01-09/30
Profit for the period attributable to equity holders of Homag Group AG for the calculation of the undiluted earnings in EUR k	**29,906**	**20,493**
Undiluted earnings per share according to IAS 33 in EUR	**1.91**	**1.38**
Weighted average number of shares (basis for the calculation of the earnings per share)	**15,688,000**	**14,895,627**

There were no dilutive effects in the reporting period.

Liabilities

The current financial liabilities have increased slightly compared to December 31, 2007 by EUR 11.9 million to EUR 44.8 million. On the other hand, non-current financial liabilities have decreased by EUR 6.1 million to EUR 112.8 million.

Our net bank liabilities increased by the end of the third quarter of 2008 to EUR 94.7 million, following EUR 83.7 million as of June 30, 2008 and EUR 90.4 million as of September 30, 2007. This is attributable to the drop of EUR 13 million in prepayments received compared to the second quarter of 2008 due to the lower order backlog and, on the other hand, an increase in receivables due to numerous deliveries. We expect that net liabilities to banks will drop below EUR 90 million again by year end.

Other Explanations

Litigation Risks

The litigation risks at one of the two foreign sales companies mentioned in the notes to the consolidated financial statements for 2007 and the 2007 annual report were settled. The sales company in question reached an out-of-court agreement was reached with the customer. The resulting expense for the Company amounted to approximately EUR 160 k. A provision was recognized accordingly.

The outcome of the other lawsuit is still unknown.

Related Parties

The remuneration for the 2007 fiscal year of EUR 501 k payable to the supervisory board members of Homag Group AG was paid out after the annual general meeting in June 2008.

Trade to the value of EUR 45.2 million was performed with associates in the period between January and September 2008 (prior year: EUR 54.1 million). Goods and services worth EUR 1.7 million were received from associates (prior year: EUR 2.6 million).

Events After the Cut-off Date September 30, 2008

On November 12, 2008, the collective bargaining partners of the metal and electrical industry in the German federal state of Baden-Württemberg agreed on a new collective agreement. Details can be taken out of the published announcements of the two collective bargaining partners.

There were no other significant events after the cut-off date.

Schopfloch, November 13, 2008

Homag Group AG
The Management Board

Financial Calendar, Contacts and Disclaimer

Financial Calendar

March 31, 2009	Press conference on the financial results 2008 in Stuttgart
March 31, 2009	Analysts conference in Frankfurt am Main
May 15, 2009	Three-month report 2009
May 27, 2009	Annual general meeting in Freudenstadt
August 14, 2009	Six-month report 2009
November 13, 2009	Nine-month report 2009

Contact

Homag Group AG
Homagstrasse 3-5
72296 Schopfloch
GERMANY
Phone +49 (0) 7443 13 0
Fax +49 (0) 7443 2300
E-Mail info@homag-group.com
www.homag-group.com

Investor Relations
Simone Mueller
Phone +49 (0) 7443 13 2034
Fax +49 (0) 7443 13 8 2034
E-Mail simone.mueller@homag-group.com

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This interim report contains certain future-oriented statements. 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 the HOMAG Group 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 the HOMAG Group 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 English. In case of doubt, the German version shall prevail. Minor differences may arise from the use of amounts and percentages rounded to the nearest whole number.

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