Interim Report Q3/2009

SUCCESS WITH A SYSTEM

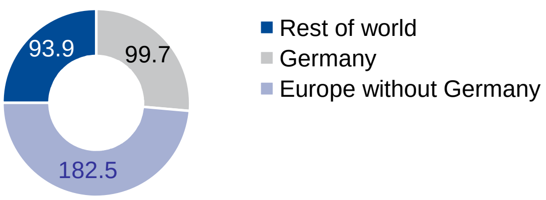
KEY GROUP FIGURES

		9 months 2009	9 months 2008	Variance as %
Total sales revenue	EUR m	376.1	660.9	-43.1
Sales revenue Germany	EUR m	99.7	128.8	-22.6
Sales revenue outside Germany	EUR m	276.4	532.1	-48.1
thereof Europe	EUR m	182.5	393.7	-53.6
North America	EUR m	18.0	50.2	-64.1
Asia/Pacific	EUR m	56.7	65.4	-13.3
Foreign share	as %	73.5	80.5	-8.7
EBITDA[1)]	EUR m	-4.4	78.3	-105.6
EBITDA adjusted[2)] before employee participation	EUR m	5.0	78.3	-93.6
EBITDA adjusted[2)] after employee participation	EUR m	8.7	70.5	-87.7
EBITDA[1)]	as % of sales revenue	-1.2	11.8	-110.2
EBITDA[1)]	as % of total operating performance	-1.2	11.4	-110.5
EBIT[1)]	EUR m	-23.2	62.1	-137.4
EBIT adjusted[2)] before employee participation	EUR m	-13.7	62.1	-122.1
EBIT adjusted[2)] after employee participation	EUR m	-10.1	54.3	-118.6
EBIT[1)]	as % of sales revenue	-6.2	9.4	-166.0
EBIT[1)]	as % of total operating performance	-6.2	9.0	-168.9
Net profit/loss (before minority interests)	EUR m	-22.2	32.1	-169.2
Earnings per share[3)]	EUR	-1.38	1.91	-172.3
ROCE[4)] after taxes	as %	-3.8	17.2	-122.1
ROCE [5)] before taxes	as %	-5.6	25.0	-122.4
Equity as of reporting date	EUR m	155.6	183.5	-15.2
Own funds as of reporting date[6)]	EUR m	196.2	225.0	-12.8
Own funds ratio	as %	37.9	38.6	-1.8
Capital expenditures on property, plant and equipment	EUR m	10.2	14.4	-29.2
Depreciation of property, plant and equipment	EUR m	13.5	12.3	9.8
Employees[7)]	Average of the period	5,189	5,262	-1.4
thereof trainees	Average of the period	368	330	11.5
Personnel expenses adjusted[2)]	EUR m	160.1	199.9	-19.9
Order intake accumulated[8)]	EUR m	282.5	541.0	-47.8
Order backlog as of reporting date[8)]	EUR m	172.8	245.3	-29.6

1) Before taking into account employee participation
2) Before restructuring/non-recurring expenses
3) Net profit/loss after minority interests, based on 15,688,000 shares (prior year: 15,688,000)
4) (EBIT adjusted for the first three months / 3 x 4 x 69%) / capital employed (non-current assets + net working capital) (tax rate 31%)
5) (EBIT adjusted for the first three months / 3 x 4) / capital employed (non-current assets + net working capital)
6) Equity plus profit participation rights and silent participation
7) As of January 1, 2009, including employees of BENZ (first nine months of 2009: 230 employees)
8) Order intake and order backlog only contain own machines without merchandise, spare parts and service

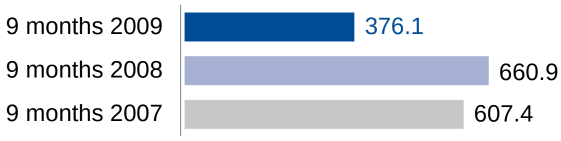
SALES REVENUE BY REGION 9 months 2009

EUR million



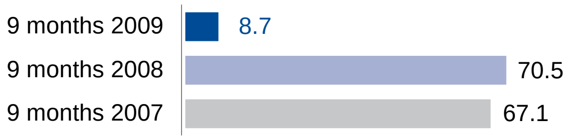
SALES REVENUE

EUR million



EBITDA adjusted[2)] **after employee participation**

EUR million

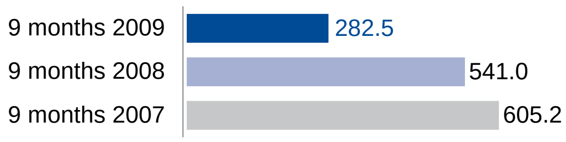


NET PROFIT/LOSS (after minority interests)

EUR million

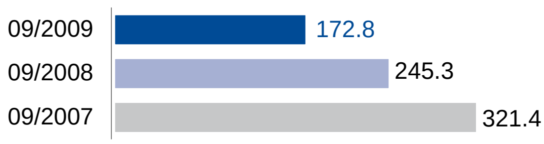
ORDER INTAKE[8)]

EUR million



ORDER BACKLOG[8)]

EUR million



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FOREWORD BY THE MANAGEMENT BOARD

From left to right:
Rolf Knoll
Achim Gauss
Andreas Hermann



DEAR SHAREHOLDERS,

Although there are some indications that the severe global economic crisis has bottomed out and that the economy may slowly start picking up again, it cannot be ignored that a large number of industries are still suffering acutely from the economic slump. In addition, a potential recovery usually implies a much lower level of market activity and sales revenue than before the crisis.

The same applies to the HOMAG Group for the past third quarter of 2009 and is illustrated even better by a comparison of the nine-month figures for 2008 and 2009. It is a comparison between a boom phase with no sign of an economic crisis and record results in terms of order intake, sales revenue and earnings on the one hand and a phase marked by the hardest recession in the history of the Federal Republic of Germany on the other. As a cyclical industry, mechanical engineering is always especially hard hit by such extremes – whether positive or negative – and this applies to our segment even more so. That is why it is important to make a clear distinction between the time before and the time after the crisis when analyzing the development of business. It is no surprise that the relevant performance indicators are poorer than in 2008. The countermeasures we have taken since the beginning of the crisis and how the action we have taken is working is therefore all the more important. In this respect, we have some good news to report despite the overall still difficult situation.

The third quarter of 2009 saw the best order intake since the onset of the economic crisis, overall even slightly exceeding our expectations. We are particularly pleased with the business following the industry's leading trade fair Ligna in May, which proves that the innovations presented there were well received by the market. This was again confirmed by our in-house trade shows held in late September at HOMAG, HOLZMA and FRIZ, which were a success in terms of visitor numbers and orders. At the same time, our extensive measures to cut costs and adjust capacities are taking effect and have led to a positive EBITDA, even after the restructuring costs incurred.

As already reported, there were some changes on the management board of HOMAG Group AG in the third quarter. They were triggered when the former CEO Dr. Joachim Brenk expressed the wish to take up a new position and leave the company as of the end of September. A good solution for the vacancy was soon found, with Rolf Knoll as a long-standing member of the management board taking over the position of CEO and Jürgen Köppel, the previous general manager of our successful production company BRANDT, assuming responsibility for sales, service and marketing.

OUTLOOK

For the last quarter of the year, we expect sales revenue and earnings to improve further compared to the third quarter and, thanks to the massive cost reductions we have achieved, we still anticipate a profit for the period before restructuring/non-recurring expenses. Nevertheless, the economic crisis will continue to shape the year 2009 as a whole, and we are therefore still anticipating a decline in sales revenue of up to 40 percent and negative EBIT, even before restructuring/non-recurring expenses. Most of the measures designed to adjust capacity have already been implemented and we will continue our efforts in this direction.

From left to right:
Herbert Högemann
Jürgen Köppel

In the first two quarters of the next fiscal year, we expect significant growth in sales revenue and earnings compared to the first quarters of 2009. However, we will by no means reach the business volume that we had before the start of the economic crisis. As we will have implemented all cost-cutting measures by the end of the first half of 2010, we expect to return a positive EBIT and to break even for the year as a whole.

The management board

Schopfloch, November 2009

ROLF KNOLL

ANDREAS HERMANN

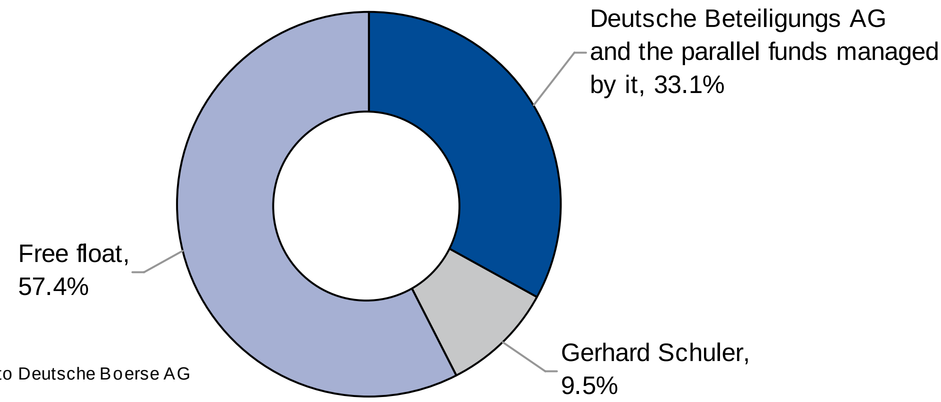
ACHIM GAUSS

HERBERT HÖGEMANN

JÜRGEN KÖPPEL

THE HOMAG GROUP AG SHARE

SHAREHOLDER STRUCTURE AS OF OCTOBER 31, 2009*



*Method of calculation according to Deutsche Boerse AG

In the third quarter of 2009, the upwards trend on the stock markets that had emerged in the second quarter continued. Although many companies are still reporting weak figures, the markets seem to trust future-oriented indicators and forecasts. There are some first signs that the downturn will not be quite as dramatic as expected and also that it is slowly coming to an end. With these forecasts, the German stock exchange index DAX rose by 18 percent between July and September – and the mid-cap MDAX index by as much as 28 percent. Despite some minor weak phases, the SDAX small cap index also displays a continuous upwards trend, increasing by 20 percent by the end of the quarter compared to June 30, 2009.

The HOMAG Group AG share displayed a very positive development from the beginning of the quarter until well into August, outperformed the SDAX, increasing 28 percent from EUR 7.81 to EUR 10.04. By the end of the quarter, our share had lost some ground again, reaching EUR 8.90 as of September 30, 2009, up 14 percent on the end of the second quarter.

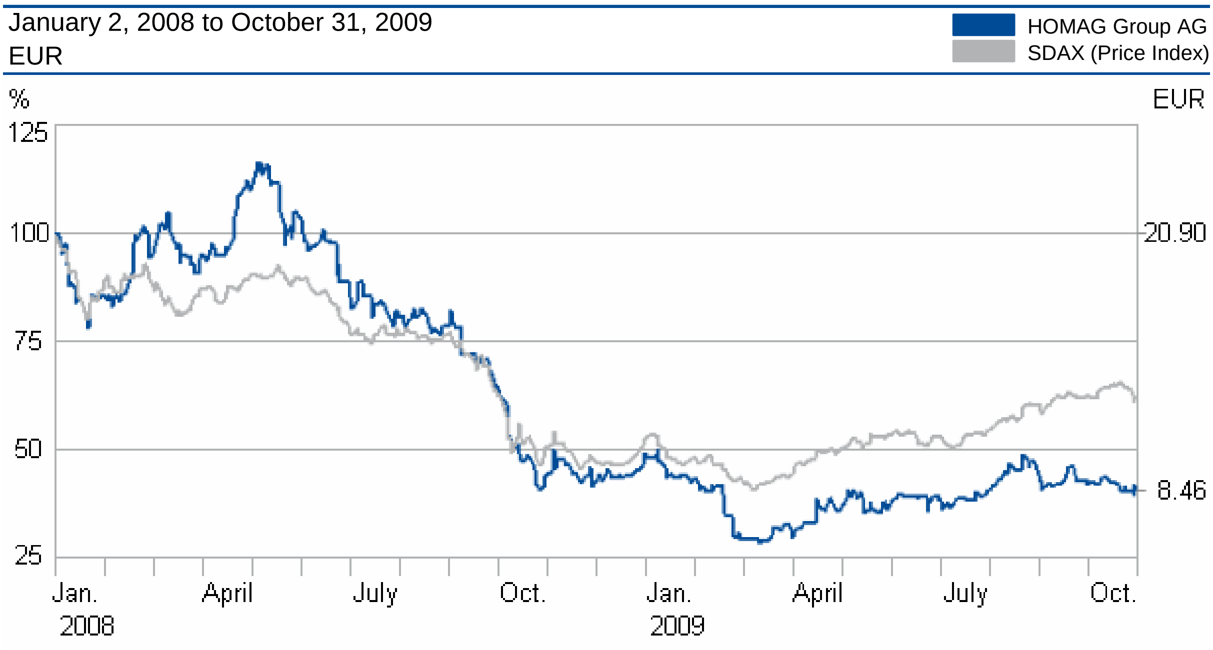
In October, the German stock exchange indexes forfeited some of their growth from the third quarter of 2009. The DAX stood just over 4 percent below its September 30 level on October 31, 2009, the MDAX more than 8 percent and the SDAX around 2 percent below those levels. Our share also lost some ground, closing October with a price of EUR 8.46.

We maintained close contact with the capital market in the third quarter as in the past. In addition to our conference call upon publication of the interim report for the second quarter, we had several one-to-one meetings with analysts and investors and staged road shows in Zurich. Moreover, we presented HOMAG Group AG at the Capital Goods & Steel Conference held by Commerzbank in Frankfurt and organized the second open day for investors and analysts during our in-house trade fair in Schopfloch in September.

We kept the general public informed on a timely basis of all key developments at our company via an ad hoc announcement on the reorganization of the management board, three press releases, interviews and our investor newsletter. Naturally, we were also on hand to answer questions of analysts and investors as well as private investors and members of the press in numerous phone calls.

PERFORMANCE OF THE HOMAG GROUP SHARE IN COMPARISON WITH SDAX

January 2, 2008 to October 31, 2009
EUR



Source: XETRA, stock performance indexed (January 2, 2008 = 100)

SHARE PERFORMANCE INDICATORS

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
Index		SDAX
IPO	July 13, 2007	
Number of shares	until July 11, 2007	14,561,345
(according to commercial register entry)	since July 12, 2007	15,688,000
	no-par value ordinary bearer shares	
Price high* January 2, 2008-September 30, 2009	May 6, 2008	EUR 24.50
Price low* January 2, 2008-September 30, 2009	March 12, 2009	EUR 5.80
Price* as at September 30, 2009		EUR 8.90
Market capitalization (September 30, 2009)		EUR 139.6 million

* XETRA closing quote

INTERIM MANAGEMENT REPORT AS OF SEPTEMBER 30, 2009

ECONOMIC ENVIRONMENT

In their autumn economic expert report, the leading economic research institutes come to the conclusion that the most severe global recession since World War II has bottomed out and that many signs are pointing towards a recovery. World trade, as one indicator, increased again considerably in the summer and industrial countries have experienced strong growth in production in the third quarter of 2009. According to the export report, global production and trade are however still on a low level despite this positive development, and order intake in the industry is still far below the pre-crisis level. In the European Union and the euro area, the economic downturn has come to an end and economic activity picked up noticeably in the third quarter, although the recovery overall remains sluggish.

The economy also stabilized in Germany in the summer of 2009 following the dramatic decline last winter, albeit with a far lower level of production. Economists do not yet believe that the economic recovery seen in the third quarter is sustainable. Companies are, however, starting to see the future more optimistically as illustrated by the ifo business climate index, which continued to rise in October. Both in terms of the assessment of the current business situation and expectations, the hesitant recovery remains at a low level.

According to the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], the mechanical engineering industry recorded a 40 percent fall in order intake for the period between July and September 2009. As the fall is lower than in prior quarters, the VDMA has identified a trend towards stabilization, albeit at a meager level. In the wood processing machines segment, total order intake fell by 58 percent in the first nine months of 2009, a development that was much more pronounced at an international level than in Germany.

BUSINESS DEVELOPMENT

Analyses of the business performance in the third quarter of 2009 must distinguish between comparisons with the third quarter of the prior year, which had not yet been impacted by the economic crisis, and comparisons with subsequent quarters. As of the fourth quarter of 2008 the crisis started taking its toll, with a fall in order intake affecting the mechanical engineering industry more than most other industries. As expected, the reporting period also compares unfavorably with the third quarter of 2008 in the HOMAG Group because we were hard hit by the economic crisis, which marks a sharp break in our corporate development. Of the three quarters in 2009, however, the past third quarter was the most successful.

On the one hand, this is because we were fast to respond to the crisis by introducing extensive measures to cut costs which are now taking effect and have in particular reduced personnel expenses considerably. This has made it possible for us to report a positive EBITDA again in the third quarter of 2009, even after extraordinary expenses for restructuring measures/non-recurring effects. On the other hand, our order intake has recovered slightly again since the collapse in the fourth quarter of 2008, exceeding that of the second quarter and our expectations in the reporting period.

One reason for the rising order intake is the good follow-up business to the successful Ligna, the industry's leading trade fair, in May. We are also very pleased with the result of our in-house trade shows held at HOMAG, HOLZMA and FRIZ in late September. Visitor numbers and orders received matched, or in some cases even slightly exceeded, the good prior-year figures. Our services campaign is also starting to bear fruit.

At EUR 107 million, order intake between July and September 2009 exceeded our announcements and also the level generated in the second quarter (EUR 101 million), but due to the economic crisis did not reach the prior-year level of EUR 140 million. The order backlog as of September 30, 2009 stood at EUR 173 million (prior year: EUR 245 million), exceeding the level as of year-end 2008 (EUR 164 million). Compared to the first two quarters of 2009, our sales revenue and total operating performance improved by EUR 135 million and EUR 133 million respectively (prior year: EUR 211 million and EUR 210 million respectively).

Regarding our worldwide sales regions, the German market was still in good shape in the third quarter of 2009, albeit at a lower level than before the crisis. We are extremely pleased with the volume of orders in Switzerland, where the order intake for 2009 is likely to be far in excess of the level forecast. The Austrian market is similarly robust, but will not match the prior-year level either. The other western European countries are displaying various trends. In the Benelux countries, in France and in Scandinavia, for example, the market development is satisfactory, whereas Spain and the UK are feeling the effects of the crisis quite acutely. In the third quarter, however, we recorded an increase in demand in both markets and in Spain in particular won major large-scale projects against the competition. In the CIS states the demand situation remains critical due to the ongoing financing problems. However, we believe that sales opportunities are improving in the field of components. In eastern Europe, Poland and the Czech Republic are developing quite nicely and positive trends are emerging in south-eastern Europe where EU funds have benefitted the trades in particular.

North America was still a more difficult market in the third quarter, although our services campaign in Canada is showing remarkably positive effects. Although the US market remains problematic, stocks are starting to run low and orders are consequently being placed again for stand-alone machines. In South and Central America, we have recorded good growth rates at a low level, in Brazil, Columbia and Venezuela in particular. Regarding Asia, China made such a strong recovery in the reporting period after the dramatic downturn seen in the first quarter of 2009 that we are back to the same level as before the crisis and our products made in Shanghai are selling better again. In India, we were able to increase our market presence once again by investing in further branch offices and in south-east Asia we are intensifying our sales and service efforts and starting to reap the rewards of our efforts. We continued to expand our services in Australia during the crisis and are therefore benefiting greatly from government programs at the moment, so that we have been able to extend our existing market lead.

A significant event that took place at the HOMAG Group in the third quarter were the changes on our management board. The CEO Dr. Joachim Brenk left the company of his own volition as of the end of September. Our new CEO since September 1, 2009 is long-standing member of the management board Rolf Knoll, who will remain in charge of group operations on the management board. Jürgen Köppel, since 2004 general manager of the successful HOMAG production company BRANDT Kantentechnik GmbH, has been new Head of Sales since October 1, 2009. In the third quarter of 2009 we increased our share in BÜTFERING Schleiftechnik GmbH from 51 to 80 percent and merged the two wholly owned subsidiaries WEEKE Bohrsysteme GmbH and MAW Montagetechnik GmbH. This means that the profit and loss transfer agreement between HOMAG and WEEKE was terminated with retroactive effect as of January 1, 2009.

A comparison between the first nine months of 2009 and 2008 shows the far-reaching repercussions of the global economic crisis. While the first three quarters of the prior year were still completely unaffected by the crisis, the period from January to September 2009 was dominated by extreme reticence on the part of customers to invest. As a result, our sales revenue fell to EUR 376 million in the first nine months (prior year: EUR 661 million) and total operating performance to EUR 373 million (prior year: EUR 687 million). The cumulative order intake stood at EUR 283 million after EUR 541 million in the first three quarters of the prior year.

EARNINGS SITUATION

We made progress with implementing our capacity adjustment measures to cut costs in the third quarter as planned, realizing further cost savings of EUR 22 million for personnel, contract workers and other operating expenses. For this year, we have thus already reduced our costs in these areas (including costs in proportion to sales revenue) by a total of EUR 78 million. On the other hand, extraordinary expenses of EUR 9.5 million were incurred for these restructuring/non-recurring expenses, EUR 1.5 million of which in the third quarter of 2009.

Although we were able to reduce personnel expenses considerably, the ratio of personnel expenses to total operating performance nevertheless rose to 38.5 percent after restructuring costs and to just under 38 percent before restructuring costs in the third quarter on account of the sharp decline in total operating performance compared to the prior year (prior year: 30.2 percent). Primarily thanks to the reduction in the number of contract workers, purchasing synergies and a slight drop in intercompany profits, we managed to lower the ratio of cost of materials to total operating performance to 43.8 percent (prior year: 45.6 percent), despite the increasing pressure on prices. As in the two prior quarters, employee participation again did not give rise to an expense in the third quarter of 2009, but rather to income of EUR 0.3 million (prior year: expense of EUR 2.8 million).

Our successful cost reduction measures are reflected in the improved earnings figures for the period from July to September compared to the first two quarters of 2009. We have recorded positive EBITDA before extraordinary expense and after income from employee participation amounting to EUR 5.8 million (prior year: EUR 22.5 million) as well as positive EBITDA after extraordinary expense and before income from employee participation of EUR 4.0 million (prior year: EUR 25.3 million). EBIT before extraordinary expense and after income from employee participation comes to EUR -0.7 million (prior year: EUR 16.9 million). The financial result improved to EUR -1.7 million (prior year: EUR -2.7million) and results in EBT of EUR -2.4 million after income from employee participation and before extraordinary expense and of EUR -3.9 million after extraordinary expense (prior year: EUR 14.2 million). The net loss before minority interests totals EUR -2.9 million (prior year: EUR 10.2 million) or EUR -2.9 million after minority interests (prior year: EUR 9.9 million). This results in earnings per share of EUR -0.18 (prior year: EUR 0.63).

A comparison of the earnings figures for the first nine months of 2008 and 2009 again shows quite clearly that even our extensive cost savings were not enough to make up for the severe decline in sales revenue. EBITDA before extraordinary expense and after income from employee participation comes to EUR 8.7 million (prior year: EUR 70.5 million); after extraordinary expense and before income from employee participation EBITDA is reported at EUR -4.4 million (prior year: EUR 78.3 million). EBIT after income from employee participation and before extraordinary expense comes to EUR -10.1 million (prior year: EUR 54.3 million). After income from employee participation and before extraordinary expense, EBT comes to EUR -16.6 million and after extraordinary expense to EUR -26.1 million (prior year: EUR 46.1 million). The net loss for the period before minority interests declined to EUR -22.2 million (prior year: net profit of EUR 32.1 million) and after minority interests to EUR -21.7 million (prior year: net profit of EUR 29.9 million) and gives rise to earnings per share of EUR -1.38 (prior year: EUR 1.91).

NET ASSETS AND FINANCIAL POSITION

In the third quarter of the current year, we again succeeded in reducing our total assets further despite the increase in total assets as of the beginning of 2009 due to initial consolidation of BENZ GmbH Werkzeugsysteme. We reduced total assets to EUR 518 million as of September 30, 2009 from EUR 551 million as of year-end 2008 primarily by means of a further decrease in inventories and reduced trade receivables.

In spite of the marked decline in business in 2009, the losses incurred and the dividend distribution, HOMAG Group AG still has a sound equity base. The equity ratio as of September 30, 2009 stands at 30 percent (December 31, 2008: 33 percent) and our own funds ratio, which takes account of participating capital and obligations from employee profit participation, is 38 percent (December 31, 2008: 41 percent).

As anticipated and announced, our net liabilities to banks had increased as of the end of the third quarter to EUR 112.3 million following EUR 96.8 million as of the end of the second quarter of 2009 and EUR 78.5 million as of December 31, 2008. The main reasons for the increase are payment of the employee participation for 2008 and vacation pay as well as severance payments and costs for the job creation company in connection with our measures to reduce headcount. We expect net liabilities to banks as of year-end 2009 to remain at a similar level as in the third quarter.

As already mentioned in our six-monthly report, our syndicated loan agreement that we have used to secure a major portion of our liquidity subject to certain covenants expires in July 2010. Our aim is to obtain substitute financing by the beginning of 2010. The negotiations with the syndicate banks are proceeding as planned.

While return on capital employed (ROCE) before taxes on the basis of EBIT before income from employee participation and before the extraordinary expense improved in the first nine months of 2009 compared to the first half of 2009, it was still negative and came to -5.6 percent (prior year: 25.0 percent). After taxes (tax rate used in calculation: 31 percent as in the prior year), ROCE on the basis of EBIT before income from employee participation and before extraordinary expense came to -3.8 percent (prior year: 17.2 percent).

The cash flow from operating activities decreased in the first nine months to EUR 11.0 million (prior year: EUR 17.1 million). After deducting cash paid for investing activities, the free cash flow amounts to EUR -19.0 million (prior year: EUR -4.0 million). Cash flow from financing activities totaled EUR 8.2 million (prior year: EUR -19.1 million). Cash and cash equivalents increased to EUR 27.4 million as of September 30, 2009 (prior year: EUR 23.9 million).

EMPLOYEES

On account of the economic crisis and the associated fall in order and production volume, we introduced an extensive set of measures to adjust personnel capacity before the year 2008 was out. We are planning to reduce personnel capacity by a total of up to 1,400 jobs by the first half of 2010 in relation to the peak headcount as of the end of the third quarter of 2008 – taking into account temporary workers, subsidized reduced working hours, reductions of overtime balances and vacation and non-working shift accounts.

Implementation of the measures continued as planned throughout the third quarter of 2009. This way, we were able to reduce headcount – not including the new BENZ employees – from 5,404 to 4,801 as of September 30, 2009 within just one year. It should be noted that the current figures still include some 140 subsidized temporary layoffs as well as around 80 new trainees for the Group as a whole, as we want to maintain our traditionally high level of trainees despite the present difficult situation. The number of contract workers was also reduced by more than 330. In addition, we adjusted our personnel capacity by means of reduction in accrued overtime and provisions for vacation and non-working shift accounts as mentioned above. This means that we have already to a large extent realized the planned capacity reduction measures. Including the employees of BENZ GmbH Werkzeugsysteme, in which a majority shareholding has been held since the beginning of 2009, the HOMAG Group had a headcount of 5,017 employees as of September 30, 2009.

CAPITAL EXPENDITURE

The HOMAG Center in Schopfloch, inaugurated on October 8, again figured as the largest investment in the third quarter of 2009. At EUR 6.0 million, capital expenditures nevertheless remained below the prior-year level (prior year: EUR 8.0 million). They include own work capitalized of EUR 1.7 million (prior year: EUR 1.2 million). The investment volume for the first nine months thus totals EUR 22.9 million (prior year: EUR 22.3 million), including own work capitalized that has increased to EUR 6.3 million (prior year: EUR 3.8 million). In contrast, capital expenditures on property, plant and equipment dropped from EUR 14.4 million in the prior year to EUR 10.2 million.

RESEARCH AND DEVELOPMENT

One focus of research and development in the third quarter of 2009 was on supporting the market launch of the new technology presented by the HOMAG Group at the successful Ligna trade fair. The laserTec technology, which won the prize for innovation, is meeting with a high level of acceptance on the market, as is the new combiLine saw/milling combination. We can use these new technologies as modules to build custom-tailored solutions and concepts and as key innovation drivers for HOMAG Group products.

A major innovative project with an Italian customer that produces flat-pack furniture parts was completed in the reporting period. We have designed a machine for sizing, four-sided edging, sorting in target order, drilling and packaging. The whole machine is highly flexible and equipped with the HOMAG Group's manufacturing management control system that makes it possible to transfer data from a customer's ERP system, make additions where necessary, and then make it available for use in the stand-alone machines. The customer thus obtains the machines as a package together with the upstream control system and software from a single source. Major innovations of the last two years were incorporated in this large-scale project. With this investment, the customer was able to increase productivity as well as to reduce both the number of parts damaged in the process and the capital tied up in stocks.

The highlight of the Ligna trade fair – SORB TECH – is making excellent progress in industrial use. The inelastic vibration-dampening construction material has gained acceptance in the field of sanding machines as well as CNC machines. Customers have been impressed with the machining performance and the processing qualities that can be achieved. In the meantime, we also successfully employed this material in special machine construction for a CNC production cell for maximum machining performance for fire doors. We are investigating further promising innovative fields of application.

We have developed a saw/milling combination for batch-size-1 production. The first machines have been commissioned for industrial applications. This angular saw allows the manufacture of made-to-measure products in a highly efficient manner with optimized cutting waste.

Under the Domino System brand name, the HOMAG Group offers an automatic labeling system along the cutting line during the cutting process. This new development helps the machine operator and reliably positions the labels in exactly the same place. Combined with other systems solutions such as semi-automatic interim buffers, stacking visualization and stacking carriages, intelligent system solutions can be tailored to customer wishes.

With regard to the process chain for door/frame production, we succeeded in placing an interesting new development on the market in the form of a CNC machine for the complete stationary processing of frames. With one to three machining bridges and a flexible clamping system, it further extends the process chain in the area of components.

OPPORTUNITY AND RISK REPORT

The risk management system in place and the individual business risks are described in the annual report 2008, pages 68–70. 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

From October 1, 2009, the supervisory board appointed Jürgen Köppel, since 2004 general manager of the successful HOMAG production company BRANDT Kantentechnik GmbH, to the management board. He is responsible for sales, service and marketing. He succeeds Dr. Joachim Brenk, who left the company of his own volition as of the end of September 2009.

OUTLOOK

Even if the severe global economic recession has bottomed out, leading economic research institutes in Germany are still forecasting a sharp decline in production in the current year and only moderate global impetus for 2010. Accordingly, industrial countries' GDP is expected to fall 3.6 percent in 2009 before climbing by 1.1 percent again in 2010. With an anticipated decrease of 3.9 percent this year and an increase of 0.7 percent next year, forecasts for the euro area are slightly lower. In terms of the global economy, the emerging countries are at first glance proving to be the driving force, with growth forecast to reach 0.9 percent this year already and 4.9 percent in 2010. The institutes predict particularly positive developments for China and India.

In Germany, experts expect production to grow only marginally in the fourth quarter of 2009 and GDP to fall by 5.0 percent for the year 2009 as a whole. This would be a little less dramatic than the slump of minus six percent originally forecast. For 2010, the research institutes predict a slow recovery, with German exports rising at a moderate rate only and private consumption suffering from a deterioration on the labor market. The growth rate forecast is 1.2 percent.

The VDMA industry association believes that order intake in the mechanical engineering industry will not pick up just yet despite the end of the recession because of the low levels of utilization of production capacity. The industry association responsible for wood processing machines has reduced its sales revenue forecast for 2009 from minus 20 percent to a corridor of minus 35 to 45 percent, as the segment was hit sooner and in some cases harder by the crisis than the mechanical engineering industry as a whole.

In the HOMAG Group, we anticipate order intake in the fourth quarter of 2009 to average that of the first three quarters, which would be marginally below the order intake of the third quarter. In contrast, we expect sales revenue and total operating performance to rise substantially compared to the third quarter of 2009. As already forecast, we still expect to return a profit for the period before restructuring/non-recurring expenses in the fourth quarter thanks to the extensive cost savings that we have realized, which would mean that net profit has improved from one quarter to the next over the course of the year 2009. The earnings forecast for the fourth quarter will produce positive EBIT before restructuring/non-recurring expenses in the second half of 2009. However, as mentioned above, this will not be quite sufficient to compensate for the negative EBIT of the first half of 2009, which leads us to expect a negative EBIT before restructuring/non-recurring expenses for 2009 as a whole.

For us, the fiscal year 2009 overall was dominated by the economic crisis, as evidenced by our forecast decline in sales revenue of up to 40 percent. That is why we started adjusting capacity to the changed market situation at a very early stage. We have already implemented numerous measures to reduce our personnel capacity in particular and will continue to reduce it over the next few quarters. From today's perspective, the additional restructuring/non-recurring expenses that will be incurred in the fourth quarter in this respect will come to an estimated EUR 2 million.

The demand for large-scale systems seems to be picking up again, although there is also quite considerable pressure on margins as a result of keen competition. In the standard machines segment, distribution channels will need to start replenishing their stocks and we are expecting more machines to be ordered again as a result as of early 2010. With respect to services, we are also confident that many customers will have their equipment and machinery serviced and overhauled, and potentially modernize them, again as production volumes increase. We are planning to focus more on the distribution function ourselves again in future and to optimize and expand our worldwide distribution network. We will present the new products showcased at the Ligna trade fair, such as laserTec, at trade fairs around the world. Initial pilot applications under production conditions have already confirmed our positive expectations regarding the potential of this innovative technology.

We anticipate a better start to the fiscal year for 2010 than we had for 2009 because capacity utilization has improved at most of the group companies. Despite the significant growth expected in sales revenue and earnings in the first two quarters of 2010 compared to 2009, we will by no means reach the business volume that we had before the start of the economic crisis. However, we plan to return a positive EBIT again in the first half of 2010 and anticipate double-digit sales growth. With regard to sales revenue, we want to get relatively close to a volume of EUR 600 million in the fiscal year 2010 as a whole, as already announced in the second quarter – provided the German market, which has been comparatively positive to date, remains stable. We are also aiming to report an acceptable EBITDA and to break even.

In the individual sales regions, we largely expect the trends that were apparent in the third quarter to continue. In some markets such in Canada, Brazil, Australia or in parts of southern, eastern and western Europe, we expect demand to recover at a faster pace. Thanks to our global presence, this would allow us to offset, or at least considerably reduce, any negative effects if the order situation were to be slightly weaker in Germany, Austria and Switzerland, markets which have so far been affected by the crisis to a lesser degree.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR k	2009 07/01-09/30	2008 07/01-09/30	2009 01/01-09/30	2008 01/01-09/30
SALES REVENUE	**135,202**	**210,896**	**376,133**	**660,945**
Increase or decrease in inventories of finished goods and work in progress	-4,401	-2,077	-10,113	22,621
Own work capitalized	1,919	1,171	6,720	3,757
	-2,482	-906	-3,393	26,378
TOTAL OPERATING PERFORMANCE	**132,720**	**209,990**	**372,740**	**687,323**
Other operating income	4,052	3,238	19,873	11,257
	136,772	**213,228**	**392,613**	**698,580**
Cost of materials	58,101	95,804	158,283	320,867
Personnel expenses before employee participation	51,077	63,501	168,394	199,947
Amortization of intangible assets	1,759	1,432	5,264	3,882
Depreciation of property, plant and equipment	4,737	4,127	13,514	12,318
Other operating expenses	23,586	28,635	70,380	99,459
	139,260	**193,499**	**415,835**	**636,473**
OPERATING RESULT BEFORE EMPLOYEE PARTICIPATION	**-2,488**	**19,729**	**-23,222**	**62,107**
Result from employee particpation	274	-2,800	3,654	-7,800
NET OPERATING PROFIT/LOSS	**-2,214**	**16,929**	**-19,568**	**54,307**
Profit/loss from associates	384	109	-227	91
Interest income	290	347	1,062	1,186
Interest expenses	2,362	3,164	7,386	9,530
EARNINGS BEFORE TAXES	**-3,902**	**14,221**	**-26,119**	**46,054**
Income taxes	992	-4,050	3,887	-13,963
NET PROFIT/LOSS FOR THE PERIOD	**-2,910**	**10,171**	**-22,232**	**32,091**
Profit/loss attributable to minority interests	-44	318	-569	2,185
Profit/loss attributable to owners of Homag Group AG	**-2,866**	**9,853**	**-21,663**	**29,906**
Earnings per share attributable to the owners of Homag Group AG in EUR (basic and diluted)	-0.18	0.63	-1.38	1.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR k	2009 07/01-09/30	2008 07/01-09/30	2009 01/01-09/30	2008 01/01-09/30
GROUP NET PROFIT/LOSS FOR THE PERIOD	**-2,910**	**10,171**	**-22,232**	**32,091**
Currency effects	114	2,036	-169	770
Actuarial gains and losses	0	14	-139	119
Income taxes on income and expenses recognized directly in equity	0	-3	34	-36
OTHER COMPREHENSIVE INCOME	**114**	**2,047**	**-274**	**853**
TOTAL COMPREHENSIVE INCOME	**-2,796**	**12,218**	**-22,506**	**32,944**
Profit/loss attributable to minority interests	-106	413	-647	2,196
Profit/loss attributable to owners of Homag Group AG	**-2,690**	**11,805**	**-21,859**	**30,748**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR k		Sep. 30, 2009	Dec. 31, 2008
NON-CURRENT ASSETS			
I.	Intangible assets	51,615	33,802
II.	Property, plant and equipment	141,826	141,994
III.	Investments in associates	5,544	6,046
IV.	Other investments	821	834
V.	Other financial assets	3,123	3,214
VI.	Other assets and prepaid expenses	129	855
VII.	Income tax receivables	2,941	3,250
VIII.	Deferred taxes	11,573	12,404
		217,572	**202,399**
CURRENT ASSETS			
I.	Inventories	118,236	134,794
II.	Receivables and other assets		
	Trade receivables	88,822	121,186
	Receivables from long-term construction contracts	29,277	25,170
	Receivables due from associates	5,057	6,986
	Other assets and prepaid expenses	24,803	16,768
	Income tax receivables	6,898	5,450
III.	Cash and cash equivalents	27,374	38,588
		300,467	**348,942**
TOTAL ASSETS		**518,039**	**551,341**

EQUITY AND LIABILITIES

EUR k		Sep. 30, 2009	Dec. 31, 2008
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	114,122	87,664
IV.	Net profit/loss for the period	-21,663	31,944
	Equity attributable to owners	141,123	168,272
V.	Minority interests	14,521	15,674
		155,644	**183,946**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	60,219	116,560
II.	Other non-current liabilities	11,115	2,569
III.	Pensions and other post-employment benefits	2,333	2,243
IV.	Obligations from employee participation	10,822	10,597
V.	Other non-current provisions	4,426	5,016
VI.	Deferred taxes	9,312	15,455
		98,227	**152,440**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	115,781	39,580
II.	Trade payables	55,253	55,603
III.	Payments on account	18,162	26,616
IV.	Liabilities from long-term construction contracts	1,255	1,931
V.	Liabilities to associates	1,327	1,466
VI.	Other financial liabilities	365	556
VII.	Other current liabilities and deferred income	54,321	68,743
VIII.	Tax liabilities	5,529	5,565
IX.	Pensions and other post-employment benefits	49	38
X.	Other current provisions	12,126	14,857
		264,168	**214,955**
TOTAL LIABILITIES		**362,395**	**367,395**
TOTAL EQUITY AND LIABILITIES		**518,039**	**551,341**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR k	**2009 01/01-09/30**	2008 01/01-09/30
1. CASH FLOW FROM OPERATING ACTIVITIES		
Profit or loss before taxes	-26,119	45,965
Income tax paid (-)	-3,342	-14,216
Interest result	6,324	8,344
Interest paid (-)	-7,369	-9,101
Interest received (+)	1,022	1,186
Write-downs (+)/write-ups (-) of non-current assets (netted)	18,759	16,201
Increase (+)/decrease (-) in provisions	-3,176	922
Other non-cash expenses (+)/income (-)	0	32
Share of profit or loss of associates	227	-91
Gain (-)/loss (+) on disposals of non-current assets	-293	187
Increase (-)/decrease (+) in inventories, trade receivables and other assets	55,942	-28,246
Increase (+)/decrease (-) in trade payables and other liabilities	-31,019	-4,039
CASH FLOW FROM OPERATING ACTIVITIES	**10,956**	**17,144**
2. CASH FLOW FROM INVESTING ACTIVITIES		
Cash received (+) from disposals of property, plant and equipment	3,048	486
Cash paid (-) for investments in property, plant and equipment	-9,200	-13,786
Cash received (+) from disposal of intangible assets	0	42
Cash paid (-) for investments in intangible assets	-10,967	-7,920
Cash paid (-) for the acquisition of consolidated companies	-12,832	0
CASH FLOW FROM INVESTING ACTIVITIES	**-29,951**	**-21,178**

EUR k	**2009 01/01-09/30**	2008 01/01-09/30
3. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends	-4,706	-14,119
Cash paid (-) to minority interests	-1,700	-1,595
Cash received (+) from allocations to equity	250	0
Cash received (+) from the issue of (financial) liabilities	36,086	4,289
Cash repayment (-) of bonds and (financial) liabilities	-21,770	-7,666
CASH FLOW FROM FINANCING ACTIVITIES	**8,160**	**-19,091**
4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Change in cash and cash equivalents (subtotal 1-3)	-10,835	-23,125
Net foreign exchange rate related changes and changes in consolidated group in cash and cash equivalents	-379	-561
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**38,588**	**47,613**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**27,374**	**23,927**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Revenue
EUR k	Issued capital	Capital reserves	Revenue reserves
Jan. 01, 2008	**15,688**	**32,976**	**69,820**
Other changes			73
Dividends paid			-14,119
Changes from minority interests			164
Transactions with owners			**-13,955**
Reclassification to revenue reserves			32,030
Total comprehensive income			
Sep. 30, 2008	**15,688**	**32,976**	**87,968**
Jan. 01, 2009	**15,688**	**32,976**	**87,746**
Other changes			-487
Dividends paid			-4,706
Minority interests from aquisitions			
Changes from minority interests			-97
Transactions with owners			**-4,803**
Reclassification to revenue reserves			31,944
Total comprehensive income			
Sep. 30, 2009	**15,688**	**32,976**	**114,400**

reserves					
Other comprehensive income	Translation reserve	Group profit	Equity before minority interests	Minority interests	Total
147	**-433**	**32,030**	**150,228**	**15,907**	**166,135**
			73	15	88
			-14,119	-1,595	-15,714
			164	-164	
			-13,955	**-1,759**	**-15,714**
		-32,030			
77	765	29,906	30,748	2,196	32,944
224	**332**	**29,906**	**167,094**	**16,359**	**183,453**
244	**-326**	**31,944**	**168,272**	**15,674**	**183,946**
			-487	248	-239
			-4,706	-1,700	-6,406
				1,542	1,542
			-97	-596	-693
			-4,803	**-754**	**-5,557**
		-31,944			
-105	-91	-21,663	-21,859	-647	-22,506
139	**-417**	**-21,663**	**141,123**	**14,521**	**155,644**

SELECTED EXPLANATORY NOTES

GENERAL

These condensed consolidated financial statements for the first nine months of 2009 were released for publication by resolution of the management board on November 12, 2009.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim condensed consolidated financial statements of Homag Group AG (the HOMAG Group) as of September 30, 2009, like the consolidated financial statements as of December 31, 2008, were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU and applicable as of the end of the reporting period. The provisions of IAS 34 on interim financial reporting were applied.

The same accounting policies generally apply for this interim report as for the 2008 consolidated financial statements. These policies are explained in detail in the 2008 annual report. In addition, the amendments to IFRSs and the new policies mandatory as of September 30, 2009 have been adopted in the interim financial statements. These mandatory amendments to IFRS and new policies were described in detail in the 2008 annual report.

With the revised version of IAS 1 “Presentation of Financial Statements”, from 2009 onwards the interim consolidated financial statements now contain a separate statement of comprehensive income in addition to the income statement. The statement of comprehensive income discloses both the net profit/loss for the period and all changes in equity in the period that do not result from transactions with the owners in their capacity as owners.

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

The income statement has been prepared using the nature of expense 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 published consolidated financial statements as of December 31, 2008.

CHANGES IN THE CONSOLIDATED GROUP

Effective January 1, 2009, 51 percent of the shares in BENZ GmbH Werkzeugsysteme, with its registered offices in Haslach, were acquired. This company has been a system supplier to the Group for many years and manufactures tools and assemblies for the metal, wood and plastics processing industry. BENZ GmbH Werkzeugsysteme owns all of the shares in the company BENZ Incorporated, with its registered office in Charlotte (USA).

A preliminary purchase price allocation was performed. Final identification and determination of the fair values of the assets and liabilities assumed will be performed pursuant to IFRS 3 “Business Combinations” within twelve months of acquisition.

The acquisition was accounted for using the acquisition method. On this basis, the cost of the acquisition is allocated to the identifiable assets and liabilities as well as any contingent liabilities carried by the investment at their fair values on the date of acquisition. The companies have been fully consolidated as at the date of acquisition and have made a small positive contribution to the earnings of the Group.

The acquisition cost amounted to EUR 12,146 k, paid in cash. Of this amount, EUR 146 k constitutes costs directly attributable to the acquisition. An additional variable purchase price will have to be paid in 2010 depending on the results of operations of BENZ GmbH Werkzeugsysteme. The valuation of this additional variable purchase price resulted in a value of EUR 0.

The fair values of the identifiable assets and liabilities of the acquired company, BENZ GmbH Werkzeugsysteme, as of the date of acquisition can be summarized as follows:

EUR k	Previous carrying value	Preliminary fair value on the date of acquisition
Intangible assets	515	1,560
Property, plant and equipment	5,642	5,509
Other assets	13,880	13,841
Total assets	**20,037**	**20,910**
Financial liabilities	1,275	1,275
Trade payables	2,126	2,126
Other liabilities	14,079	14,452
Total liabilities	**17,480**	**17,853**
Net assets (without goodwill from acquisition)	2,557	3,057
Share attributable to the Homag Group		1,519
Minority interests		1,538
Acquisition cost for 51%		**12,146**
Goodwill from acquisition (preliminary)		**10,627**

The goodwill recognized above is the result of expected synergies and other benefits from the merger of the activities of BENZ GmbH Werkzeugsysteme into the Homag Group. In particular, this is intended to bring about more rapid realization of ideas and developments through simplified procedures.

The cash outflow on account of the business combination breaks down as follows:

EUR k	
Total acquisition cost	**12,146**
thereof discharged by means of cash and cash equivalents	12,146
Cash and cash equivalents acquired	95
Cash paid	-12,146
Cash paid net of cash and cash equivalents acquired	**-12,051**

Weeke North America, Inc., a company formed in November 2008, was similarly included in the consolidated group for the first time. A shareholding of 81 percent is held via the fully consolidated group companies Homag Holzbearbeitungssysteme AG and Weeke Bohrsysteme GmbH. The first-time inclusion of this company in the interim consolidated financial statements did not give rise to any material effect on the Homag Group's net assets, financial position and results of operations.

The two wholly owned subsidiaries MAW Montagetechnik GmbH and Weeke Bohrsysteme GmbH were merged in the third quarter of 2009. As a result, the profit and loss transfer agreement between Homag Holzbearbeitungssysteme AG and Weeke Bohrsysteme GmbH has been cancelled with retroactive effect as of January 1, 2009.

EXPLANATIONS TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUE

In the first nine months of 2009, the Homag Group generated sales revenue of EUR 376.1 million, down 43.1 percent on the comparable prior-year figure.

EUR k	**2009 07/01-09/30**	2008 07/01-09/30	**2009 01/01-09/30**	%	2008 01/01-09/30	%
Germany	**41,542**	**44,507**	**99,708**	**26.5%**	**128,750**	**19.5%**
Other EU countries	44,435	96,920	146,746	39.0%	299,792	45.4%
Rest of Europe	9,288	28,765	35,735	9.5%	93,946	14.2%
North America	5,772	10,284	18,037	4.8%	50,234	7.6%
South America	4,792	4,926	14,783	3.9%	20,249	3.1%
Asia/Pacific	27,307	25,508	56,748	15.1%	65,371	9.9%
Africa	2,066	-14	4,376	1.2%	2,603	0.3%
Other countries	**93,660**	**166,389**	**276,425**	**73.5%**	**532,195**	**80.5%**
TOTAL	**135,202**	**210,896**	**376,133**	**100.0%**	**660,945**	**100.0%**

The regions of North America and Europe (without Germany) saw the greatest percentage fall in sales revenue in comparison to the same period of the prior year. The fall was 64 percent in North America, 62 percent in the rest of Europe and 51 percent in other EU countries.

COST OF MATERIALS

EUR k	**2009 07/01-09/30**	2008 07/01-09/30	**2009 01/01-09/30**	2008 01/01-09/30
Cost of raw materials, consumables and supplies and purchased goods	55,171	88,667	150,944	296,058
Cost of purchased services	2,930	7,137	7,339	24,809
	58,101	**95,804**	**158,283**	**320,867**

In the first nine months of 2009, the ratio of cost of materials to total operating performance fell to 42.5 percent (prior year: 46.7 percent). This effect is attributable to the significant reduction in the costs of contract workers which are included in purchased services. The use of purchasing synergies and the drop in intercompany profits also had a positive impact on the ratio of cost of materials to total operating performance.

PERSONNEL EXPENSES

EUR k	**2009 07/01-09/30**	2008 07/01-09/30	**2009 01/01-09/30**	2008 01/01-09/30
Wages and salaries	42,202	52,383	139,492	168,050
Social security, pension and other benefit costs	8,875	11,118	28,902	31,897
thereof pension benefits	*3,679*	*3,945*	*12,597*	*12,422*
	51,077	**63,501**	**168,394**	**199,947**

EUR k	**2009 07/01-09/30**	2008 07/01-09/30	**2009 01/01-09/30**	2008 01/01-09/30
Result from employee participation	274	-2,800	3,654	-7,800

After having 5,330 employees as of year-end 2008, 5,152 employees as of March 31, 2009 (not including 235 BENZ employees) and 4,905 employees as of June 30, 2009 (not including 231 BENZ employees), on September 30, 2009 the Homag Group still had 4,801 employees (without the 216 employees from the companies BENZ GmbH Werkzeugsysteme and BENZ Incorporated in which majority shareholdings were taken over at the beginning of the year). Including the BENZ employees, the headcount as of September 30, 2009 was 5,017.

After the corresponding collective bargaining agreement concluded in the metal and electrical industry became effective as of February 1, 2009, the wages and salaries of the majority of employees in Germany increased by 2.1 percent. This was offset by redundancies and the strict implementation of measures to cut capacity by reducing accrued overtime, vacation and non-working shift accounts as well as subsidized temporary layoffs. Thanks to these measures personnel expenses were lowered by EUR 31.6 million between January and September 2009 in comparison to the first nine months of 2008 (or by just under EUR 40 million excluding restructuring expenses). Taking into account the sharp drop in total operating performance, this lead to an increase in the ratio of personnel expenses to total operating performance to 43.0 percent before restructuring expense and 45.2 percent after restructuring expense (prior year: 29.1 percent).

NET PROFIT/LOSS FOR THE PERIOD

Adjusted EBITDA before income from employee participation and restructuring/non-recurring expenses comes to EUR 5.0 million in the first nine months of 2009 (prior year: EUR 78.3 million) and after employee participation to EUR 8.7 million (prior year: EUR 70.5 million). After the income from employee participation and before restructuring/non-recurring expenses, EBIT came to EUR -10.1 million (prior year: EUR 54.3 million). With an expense of EUR 6.6 million (prior year: EUR 8.3 million), the financial result has improved slightly in comparison to the prior-year period. After income from employee participation and after restructuring/non-recurring expenses, EBT decreased to EUR -26.1 million (prior year: EUR 46.1 million). The net loss for the period comes to EUR -22.2 million (prior year: net profit of EUR 32.1 million) which, after minority interests, leads to earnings per share of EUR -1.38 (prior year: EUR 1.91).

EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Inventories decreased by EUR 16.6 million compared to December 31, 2008, despite the EUR 8.4 million contribution to inventories by the BENZ companies that were consolidated for the first time in 2009.

Trade receivables decreased by EUR 32.4 million compared to the level as of December 31, 2008. This is a drop of 26.7 percent. Receivables from long-term construction contracts were up EUR 4.1 million or 16.3 percent. Other assets and prepaid expenses rose by EUR 8.0 million or 47.9 percent compared to December 31, 2008.

Two large-scale orders are subject to payment delays or payment risks. In one case, the delay in payment is due to the fact that the inspection is still outstanding. Negotiations are currently being held about other technical improvements in order to obtain the outstanding payments of EUR 6.0 million.

In the other case, the payment risks pertain, among other things, to performance problems that have occurred. From today's perspective, a valuation allowance has been recorded for an appropriate portion of the total outstanding amount of EUR 3.5 million.

Cash and cash equivalents fell by EUR 11.2 million and by EUR 12.5 million compared to December 31, 2008 and June 30, 2009, respectively, to EUR 27.4 million.

EQUITY

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

Owing to the difficult developments in the first nine months of 2009 and due to the dividend distribution, the equity ratio declined compared to December 31, 2008 from 33.4 to 30.0 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.

	2009 **01/01-09/30**	2008 01/01-09/30
Profit/loss for the period attributable to owners of Homag Group AG for the calculation of the basic earnings in EUR k	-21,663	29,906
BASIC EARNINGS PER SHARE ACCORDING TO IAS 33 IN EUR	**-1.38**	**1.91**
Weighted average number of shares (basis for the calculation of the earnings per share)	15,688,000	15,688,000

There were no dilutive effects in the reporting period.

The annual general meeting on May 27, 2009 approved a dividend of EUR 0.30 per share, compared to EUR 0.90 per share in the prior year. This is equivalent to around EUR 4.7 million.

LIABILITIES

Non-current liabilities were down EUR 54.2 million in comparison to December 31, 2008. Current liabilities increased by EUR 49.2 million in comparison to fiscal year 2008. This shift is essentially attributable to the reclassification of financial liabilities arising from the syndicated loan agreement that expires in July 2010 from non-current to current financial liabilities. This reclassification was necessary because the remaining term to maturity is less than one year. Our aim is to obtain substitute financing before the beginning of 2010. The negotiations with the syndicate banks are proceeding as planned. Trade payables remained roughly at the same level as of December 31, 2008 and payments on account received dropped by EUR 8.5 million.

Due above all to the acquisition of BENZ GmbH Werkzeugsysteme and the distributed dividends, the net liabilities to banks increased from EUR 78.5 million as of December 31, 2008 to EUR 112.3 million as of September 30, 2009. Other reasons for the increase are payment of the employee participation for 2008 and vacation pay as well as severance payments and costs for the job creation company in connection with our measures to reduce headcount.

SEGMENT REPORTING

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

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

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

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

EUR k	Industry		Cabinet Shops		Sales & Services	
	2009	2008	**2009**	2008	**2009**	2008
	01/01 -09/30	01/01 -09/30	**01/01 -09/30**	01/01 -09/30	**01/01 -09/30**	01/01 -09/30
Third-party sales	164,493	243,843	53,061	92,940	121,238	252,148
Sales with group companies from other segments	40,434	115,997	31,840	84,135	1,540	2,106
Sales with investments recognized at equity	11,085	22,678	4,330	14,310	133	7
TOTAL SALES REVENUE	**216,012**	**382,518**	**89,231**	**191,385**	**122,911**	**254,261**
SEGMENT RESULT[1)]	**8,689**	**44,860**	**-4,788**	**24,032**	**-749**	**7,157**
Restructuring/non-recurring expenses	**-5,834**	**0**	**-2,377**	**0**	**-718**	**0**
SEGMENT RESULT[2)]	**2,855**	**44,860**	**-7,165**	**24,032**	**-1,467**	**7,157**
Depreciation of property, plant and equipment and amortization of intangible assets	-11,538	-9,834	-4,441	-3,757	-1,415	-1,243
Result from employee participation	2,439	-6,104	1,139	-1,481	0	0
Share in result of associates	126	-39	-6	0	-348	130
Interest result	-3,762	-2,794	-834	-963	-195	-121
EARNINGS BEFORE TAXES	**-9,880**	**26,089**	**-11,307**	**17,831**	**-3,425**	**5,923**
EMPLOYEES[3)]	**2,815**	**2,713**	**1,088**	**1,151**	**717**	**715**

EUR k	Industry		Cabinet Shops		Sales & Services	
	2009 Sep. 30	2008 Dec. 31	**2009 Sep. 30**	2008 Dec. 31	**2009 Sep. 30**	2008 Dec. 31
SEGMENT ASSETS	**338,959**	**387,377**	**125,733**	**144,953**	**145,345**	**179,837**

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

[2)] EBITDA before employee participation

[3)] Average of the period

Other		Total segments		Consolidation		Group	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
01/01 -09/30	01/01 -09/30	**01/01 -09/30**	01/01 -09/30	**01/01 -09/30**	01/01 -09/30	**01/01 -09/30**	01/01 -09/30
16,248	26,878	355,040	615,809	0	0	355,040	615,809
10,242	23,929	84,056	226,167	-84,056	-226,167	0	0
5,545	8,141	21,093	45,136	0	0	21,093	45,136
32,035	**58,948**	**460,189**	**887,112**	**-84,056**	**-226,167**	**376,133**	**660,945**
-88	**4,187**	**3,064**	**80,236**	**1,971**	**-1,929**	**5,035**	**78,307**
-550	**0**	**-9,479**	**0**	**0**	**0**	**-9,479**	**0**
-638	**4,187**	**-6,415**	**80,236**	**1,971**	**-1,929**	**-4,444**	**78,307**
-1,384	-1,367	-18,778	-16,201	0	0	-18,778	-16,201
76	-215	3,654	-7,800	0	0	3,654	-7,800
1	0	-227	91	0	0	-227	91
-1,534	1,259	-6,325	-2,619	1	-5,724	-6,324	-8,343
-3,479	**3,864**	**-28,091**	**53,707**	**1,972**	**-7,653**	**-26,119**	**46,054**
569	**683**	**5,189**	**5,262**	**0**	**0**	**5,189**	**5,262**

Other		Total segments		Consolidation		Group	
2009 Sep. 30	2008 Dec. 31	**2009 Sep. 30**	2008 Dec. 31	**2009 Sep. 30**	2008 Dec. 31	**2009 Sep. 30**	2008 Dec. 31
244,696	**240,584**	**854,733**	**952,751**	**-336,694**	**-401,410**	**518,039**	**551,341**

OTHER EXPLANATIONS

LITIGATION RISKS

The Homag Group or its group entities were not involved in any 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 coverage for these items.

RELATED PARTIES

The performance-related remuneration components for the fiscal year 2008 of EUR 170 k payable to the supervisory board members of Homag Group AG were paid out after the annual general meeting in July 2009.

Trade to the value of EUR 21.2 million was performed with associates in the first nine months of the year (prior year: EUR 45.2 million). Goods and services worth EUR 0.7 million were received from associates (prior year: EUR 1.7 million).

EVENTS AFTER THE REPORTING PERIOD

Dr. Joachim Brenk, former CEO of Homag Group AG and responsible for sales, service and marketing, left the company of his own volition as of September 30, 2009 to take up a new challenge. Since September 1, 2009, Rolf Knoll has assumed the function of CEO for Homag Group AG in addition to his responsibility for group operations. Jürgen Köppel, since 2004 general manager of Homag Produktionsgesellschaft Brandt Kantentechnik GmbH, was appointed as the new Head of Sales on October 1, 2009.

There were no other significant events after the end of the reporting period.

Schopfloch, November 12, 2009

Homag Group AG,
The management board

FINANCIAL CALENDAR, CONTACTS AND DISCLAIMER

FINANCIAL CALENDAR

March 31, 2010	Press conference on the financial results in Stuttgart
March 31, 2010	Analysts conference in Frankfurt am Main
May 14, 2010	Interim report Q1/2010
May 28, 2010	Annual general meeting in Freudenstadt
August 13, 2010	Interim report Q2/2010
November 12, 2010	Interim report Q3/2010

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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