Interim Report Q3/2010

Success through
partnership and strategy

KEY GROUP FIGURES

		9 months 2010	9 months 2009	Variance as %
Total sales revenue	EUR m	517.1	376.1	37.5
Sales revenue Germany	EUR m	109.8	99.7	10.1
Sales revenue outside Germany	EUR m	407.3	276.4	47.4
thereof Europe	EUR m	249.4	182.5	36.7
North America	EUR m	24.3	18.0	35.0
Asia/Pacific	EUR m	101.5	56.7	79.0
Foreign share	as %	78.8	73.5	7.2
EBITDA[1]	EUR m	39.6	-4.4	1000.0
EBITDA adjusted[2] before employee participation	EUR m	41.4	5.0	728.0
EBITDA adjusted[2] after employee participation	EUR m	38.5	8.7	342.5
EBITDA[1]	as % of sales revenue	7.7	-1.2	741.7
EBITDA[1]	as % of total operating performance	7.3	-1.2	708.3
EBIT[1]	EUR m	18.2	-23.2	178.4
EBIT adjusted[2] before employee participation	EUR m	19.9	-13.7	245.3
EBIT adjusted[2] after employee participation	EUR m	17.0	-10.1	268.3
EBIT[1]	as % of sales revenue	3.5	-6.2	156.5
EBIT[1]	as % of total operating performance	3.4	-6.2	154.8
Net profit/loss (before non-controlling interests)	EUR m	4.2	-22.2	118.9
Earnings per share[3]	EUR	0.20	-1.38	114.5
ROCE after taxes	as %	6.2 [4]	-3.8 [5]	263.2
ROCE [6] before taxes	as %	8.9	-5.6	258.9
Equity as of reporting date	EUR m	164.4	155.6	5.7
Own funds as of reporting date[7]	EUR m	205.9	196.2	4.9
Own funds ratio	as %	35.6	37.9	-6.1
Capital expenditures on property, plant and equipment	EUR m	6.9	10.2	-32.4
Depreciation of property, plant and equipment	EUR m	13.4	13.5	-0.7
Employees	average of the period	4,965	5,189	-4.3
thereof trainees	average of the period	373	368	1.4
Personnel expenses adjusted[2]	EUR m	188.6	160.5	17.5
Order intake accumulated[8]	EUR m	436.1	282.5	54.4
Order backlog as of reporting date[8]	EUR m	202.6	172.8	17.2

[1] Before taking into account employee participation

[2] Before restructuring/non-recurring expenses

[3] Net profit/loss after non-controlling interests, based on 15,688,000 shares

[4] (EBIT adjusted[2] for the first nine months / 3 x 4 x 70%) / capital employed (non-current assets + net working capital) (tax rate 30%)

[5] (EBIT adjusted[2] for the first nine months / 3 x 4 x 69%) / capital employed (non-current assets + net working capital) (tax rate 31%)

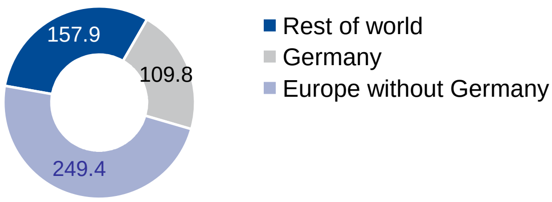
[6] (EBIT adjusted[2] for the first nine months / 3 x 4) / capital employed (non-current assets + net working capital)

[7] Equity plus profit participation rights and employee participation

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

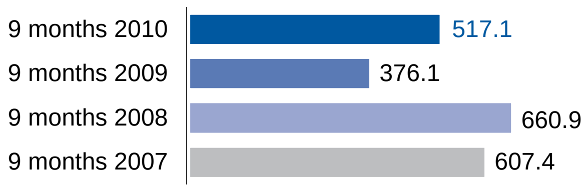
SALES REVENUE BY REGION 9 months 2010

EUR million



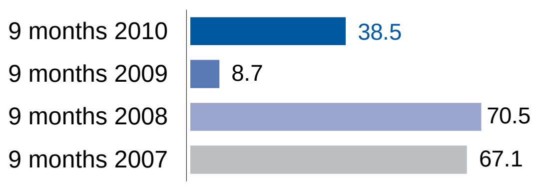
SALES REVENUE

EUR million



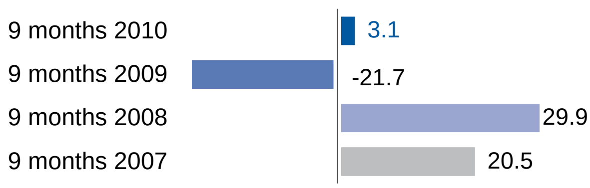
EBITDA adjusted[2)] after employee participation

EUR million



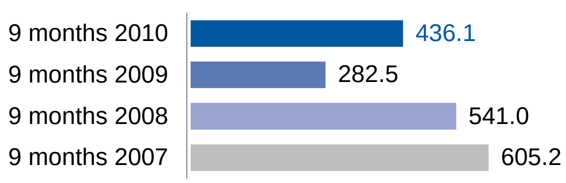
NET PROFIT/LOSS (after non-controlling interests)

EUR million



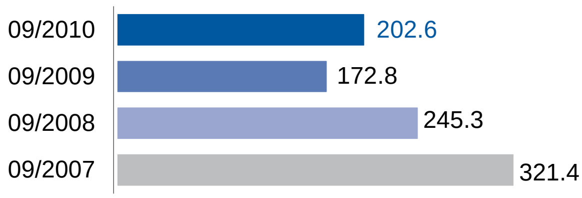
ORDER INTAKE[8)]

EUR million



ORDER BACKLOG[8)]

EUR million



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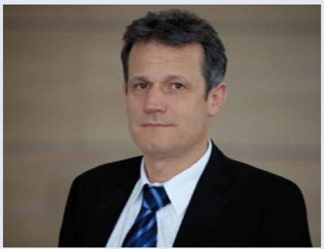
FOREWORD BY THE MANAGEMENT BOARD

From left to right:
Rolf Knoll
Achim Gauss
Jürgen Köppel


DEAR SHAREHOLDERS,

The third quarter of 2010 was successful for the HOMAG Group, allowing us to clearly exceed our prior-year figures with respect to order intake, sales revenue and earnings. This shows that the recovery from the crisis is now more secure, and we have developed above the industry trend. Apart from the successfully implemented restructuring and cost improvement program, we mainly attribute this to two factors. On the one hand, our broad and innovative portfolio of products allows us to directly benefit from the industry recovery, irrespective of any differences in progress between individual segments. On the other, our global presence allows us to benefit from positive economic developments anywhere in the world. For instance, we are currently seeing a healthy order situation in what is referred to as the BRIC countries (Brazil, Russia, India and China), particularly in China and Brazil, which together contributed more than 24 percent of the Group's order intake in the third quarter of 2010. We intend to continue growing in these promising regions, which is why we are making extensive investments, especially in China and India.

We were also able to convey a clear message at the trade fairs in São Paulo and Shanghai, where our products featuring new and innovative process technology were very well received – from entry-level to made-to-order high-end solutions. The same holds true of our successful in-house trade fairs held at four German subsidiaries of the HOMAG Group at the end of September. With more than 2,400 visitors from Germany and abroad attending the event held by our subsidiary HOMAG Holzbearbeitungssysteme GmbH alone, we were again able to set a record and inspire the varied public with our innovations and the advanced capabilities of our technologies and services.

In the third quarter of 2010, we further stabilized our earnings and generated a slender net profit for the period, despite some special factors. The EBITDA margin before profit participation and restructuring/non-recurring expenses based on sales revenue remained at the exact same level in the third quarter as in the first six months of 2010.

Our liquidity situation developed very favorably. Indeed, we have substantially reduced our net liabilities to banks within a year by more than EUR 45 million to some EUR 67 million as of September 30, 2010. Our cash flow has increased considerably, first and foremost due to the fact that we were able to maintain receivables at the prior-year level despite the strong rise in sales revenue, and that we have received a very high level of payments on account.

A comparison between the first nine months of 2009 and 2010 serves to confirm the swift recovery. Indeed, we drove up our sales revenue in this period by 37 percent and our order intake by more than 54 percent. At the end of September 2010, we had thus already practically matched the sales revenue figures and exceeded the order intake for the full year 2009.

OUTLOOK

Given the successful first nine months of 2010, we now expect sales revenue for the full year to rise by as much as 30 percent, in which case we would easily exceed our original forecast of EUR 650 million. As regards fourth quarter order intake, we anticipate the usual seasonal downward trend toward the end of the year, despite the good opportunities in the production line business. As a result, we expect for the last quarter an order intake significantly below the prior-year figure, as the fourth quarter of 2009 was marked by substantial recovery effects after the crisis. Nevertheless, we anticipate for the full year 2010 a significant increase in order intake in excess of 25 percent compared to 2009.

From left to right:
Andreas Hermann
Herbert Högemann

For the second half of 2010, we still forecast EBIT before extraordinary expenses and the result from employee profit participation close to the level in the first six months of the year, which leads us to anticipate a slight net profit for 2010. The high pressure on prices continues to have a dampening effect in the fourth quarter of 2010; although we have been better able to set prices in the current order intake, this will have a delayed impact on earnings.

As recommended by the management board, the supervisory board approved an extensive investment budget in October earmarked to continue building up operations in high-growth and promising regions. We have already started to implement this program in the current fourth quarter to continue building on the strong market position that we already have in these markets, particularly in China and India.

Based on the positive feedback obtained at our trade fair appearances, we expect positive impetus, especially at the start of 2011, which we presently look upon with optimism. In the next fiscal year we target a large single-digit percentage increase in sales revenue, raising it above the EUR 700 million mark again. And we aim to grow our earnings faster than this.

The management board

Schopfloch, November 2010

ROLF KNOLL

ACHIM GAUSS

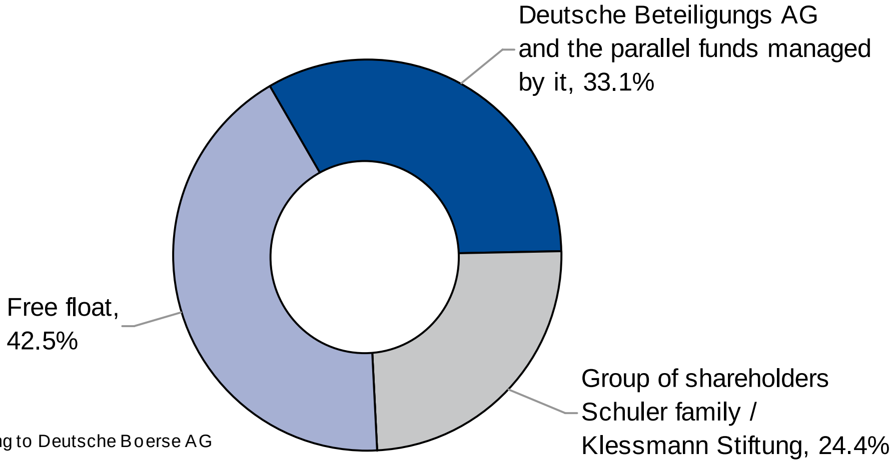
ANDREAS HERMANN

HERBERT HÖGEMANN

JÜRGEN KÖPPEL

THE HOMAG GROUP AG SHARE

SHAREHOLDER STRUCTURE AS OF OKTOBER 31, 2010*



*Method of calculation according to Deutsche Boerse AG

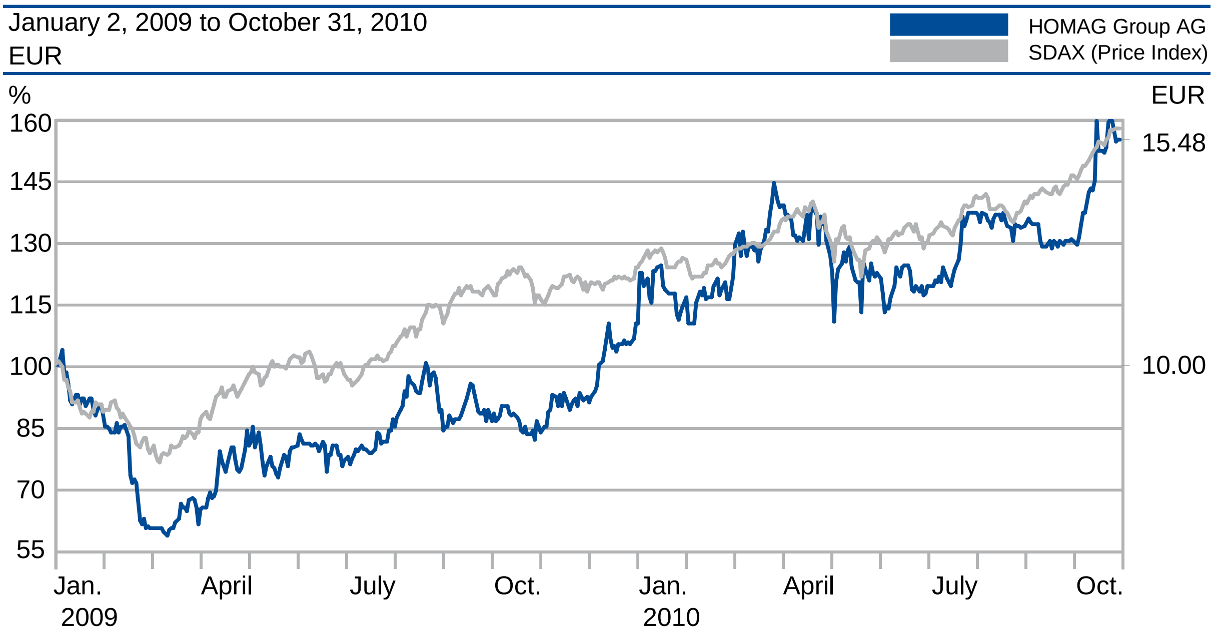
Overall, German stock markets performed well in the third quarter of 2010, gaining ground particularly in the first weeks and again toward the end of the quarter. Indeed, the DAX climbed a solid 4 percent and the MDAX more than 9 percent in the reporting period. Our benchmark index SDAX developed even better, rising about 12 percent to reach 4,370 points at the end of the quarter, the highest level in over two years.

HOMAG Group AG's shares rose considerably at the start of the quarter, hitting a quarterly peak of EUR 13.70 at the end of July. At the end of September, our shares stood at EUR 13.05, corresponding to an increase of just under 10 percent in the reporting period.

In October, the stock markets developed very well. The DAX, MDAX and TecDAX increased about 6 percent, while the SDAX rose as much as 8 percent. The HOMAG share rose even more, with its share price improving particularly in the first half of the month, reaching EUR 15.48 on October 29 (an increase of more than 18 percent for October).

As part of our intensive capital market communication policy, we conducted many talks with investors and analysts in the third quarter of 2010, and we held three roadshows in London, Dusseldorf/Cologne and Paris. These efforts were supplemented by our conference call on the interim report for the second quarter and the 3rd Investor and Analyst Day in Schopfloch as part of our in-house trade fair. In September, we launched HOMAG Group AG's new website, a tool we are using to enhance transparency and provide detailed information on pertinent matters concerning the HOMAG Group to professional and private investors as well as to anybody else interested in the Company. In addition, we have released another issue of our investor newsletter, two press releases and an ad hoc notification concerning our CFO Andreas Hermann, who will leave the Company at the end of March 2011.

PERFORMANCE OF THE HOMAG GROUP SHARE IN COMPARISON WITH SDAX



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

SHARE PERFORMANCE INDICATORS

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
Index		SDAX
IPO		July 13, 2007
Number of shares (no-par value ordinary bearer shares)		15,688,000
Price high* January 2, 2009-September 30, 2010	March 30, 2010	EUR 14.45
Price low* January 2, 2009-September 30, 2010	March 12, 2009	EUR 5.80
Price* as at September 30, 2010		EUR 13.05
Market capitalization (September 30, 2010)		EUR 204.6 million

* XETRA closing quote

INTERIM MANAGEMENT REPORT AS OF SEPTEMBER 30, 2010

ECONOMIC ENVIRONMENT

In their autumn reports, the leading German economic research institutes have concluded that the global economy's recovery has slowed in the second half of 2010. For instance, the US and Japanese economies had already lost momentum in spring, and the forecast predicts that growth in production output in the euro zone will also taper in the second half of the year. In the emerging economies, the expansion has also weakened somewhat, although industrial output in Asia has already returned to its longer-term growth trend. The International Monetary Fund (IMF) has a more optimistic view of the economic environment, and predicts a sustained recovery. According to the IMF, emerging and developing countries are the main drivers of economic growth.

The German economy is still on a recovery path and, according to the fall report, is well on the way to compensating for the production slowdown that had been triggered by the crisis. Since the expansion is no longer driven by exports alone as domestic demand has also picked up, Germany has become the euro zone's engine of growth. Accordingly, the ifo business climate index rose in October for the fifth consecutive time. The assessment of current business conditions and expectations has improved again.

According to the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], order intake in the German mechanical engineering industry slowed in the third quarter of 2010 compared to the first six months of the year, although the industry reported a significant increase of 40 percent compared to the prior year. Based on information from our competent professional association, the subsegments standard machines and tailored machines within the wood processing machines segment reported an increase in order intake of 28 percent and 31 percent respectively, although growth in Germany lagged behind growth abroad. In the third quarter of 2010, sales revenue climbed 36 percent and 26 percent respectively compared to the comparable prior-year period.

BUSINESS DEVELOPMENT

The positive business development of the first half of 2010 at the HOMAG Group continued unabated in the third quarter of 2010. Between July and September, we were thus able to clearly exceed the prior-year figures for order intake, sales revenue and earnings. We are particularly satisfied with the continued good order situation. Despite the seasonal pattern customary in the industry with figures tending to decline as the year progresses, we were able to improve in the reporting period on the second quarter's good performance. Our presence at trade fairs worldwide, including in Brazil and China, and the good performance of the project business with our large-scale production lines and cells contributed to this development. And our in-house trade fairs held at some subsidiaries at the end of the quarter greeted large numbers of visitors and confirmed the positive mood in the industry.

Compared to the industry, which is picking up again overall as we leave the crisis behind us, we have developed above trend in the first nine months. In general, we attribute the speed with which we have made it through the crisis to two factors, which have long-since been the HOMAG group's greatest strengths: our broad portfolio of products and our global presence. This allows us to benefit directly from the various segments within our industry and those regions at the forefront of the global recovery.

In Germany, we reported a very good order intake in the third quarter of 2010; and in western Europe the growth of order intake has improved again compared to the second quarter. This is due to the positive development on the high-volume markets France, Belgium and Italy. We are also satisfied with the order situation in Spain and the UK. The eastern European market developed well, mainly driven by Poland and Russia, although the third quarter failed to match the performance of the prior quarter.

The Americas benefited from the positive development in South America in the third quarter. Here, we were able to significantly grow again and record healthy growth, particularly in Brazil following the trade fair there. Customers showed a keen interest both for the locally produced stand-alone machines and for imports. The development in North America was still at a critical level in the third quarter, even though order intake has improved again. Although the Asian markets were unable to quite match the outstanding development of the prior quarter, order intake exceeded our high targets for the third quarter nonetheless. In China, it was possible to realize a good order intake, both for stand-alone machines from our production facilities in Shanghai and for machines, cells and production lines sourced from our German factories.

With order intake of EUR 136 million between July and September, we have not only exceeded our expectations and the prior-year figure (EUR 107 million), but also the figure for the second quarter (EUR 134 million), despite the industry's usual seasonality. Accordingly, we were able to slightly improve again on the good level of order backlog seen at the end of the second quarter and reach EUR 203 million as of September 30, 2010 (prior year: EUR 173 million). Our sales revenue rose to EUR 171 million in the third quarter of 2010 (prior year: EUR 135 million) and total operating performance to EUR 181 million (prior year: EUR 133 million).

The severe economic crisis of 2009 and the HOMAG Group's rapid recovery in the current fiscal year are manifested in the comparison between the first nine months of each year. For example, our sales revenue grew by 37 percent between January and September 2010 to EUR 517 million (prior year: EUR 376 million) and total operating performance increased to EUR 540 million (prior year: EUR 373 million). The increase in order intake is even more pronounced, rising a solid 54 percent from EUR 283 million to EUR 436 million. We have thus already almost reached the sales revenue figures and exceeded the order intake figures of the full year 2009 after only three quarters.

EARNINGS SITUATION

The earnings situation continued to stabilize in the third quarter of 2010. This is a consequence of the sustained healthy order situation as well as our long-term cost improvements. Compared to the second quarter of 2010, EBITDA before extraordinary expenses and before the result from employee profit participation decreased marginally as a result of the substantial negative impact from applying the PoC method and the significantly greater amount of intercompany profits eliminated. However, the adjusted EBITDA margin before employee profit participation in relation to sales revenue remained stable in the third quarter at 8.0 percent (first half of 2010: 8.0 percent). Despite the higher interest expense, the increased impairment losses recognized on goodwill on account of changes to IAS 36 and a very high tax rate, we generated slightly positive earnings for the period in the third quarter of 2010. This is also attributable to the fact that we have captured additional synergies in our procurement activities and that our efforts to reduce discounts started to bear fruit.

Extraordinary restructuring/non-recurring expenses came to EUR 0.8 million (prior year: EUR 1.5 million) in the third quarter of 2010; these were incurred in the course of additional structural streamlining achieved at some locations and other measures.

In line with the significantly better order situation in the current fiscal year compared to 2009, our personnel expenses also increased in the third quarter of 2010 to EUR 62.8 million (prior year: EUR 51.1 million). However, the ratio of personnel expenses to total operating performance has decreased to 34.7 percent (prior year: 38.5 percent) due to the increase in volume of business. At 43.9 percent, the ratio of cost of materials to total operating performance was virtually unchanged compared with the prior-year figure (43.8 percent). The negative impact from the number of temporary staff (which rose again), the increase in the share of sales revenue earned with merchandise owing to the improved project business and the significantly larger amount of intercompany profits eliminated was offset by capturing synergies in procurement and optimizing the product portfolio. In the reporting period, the employee profit participation program resulted in an expense of EUR 1.2 million, compared to income of EUR 0.3 million in the prior year.

For the third quarter, this results in EBITDA before extraordinary expenses and before the result from employee profit participation of EUR 13.7 million (prior year: EUR 5.5 million); after extraordinary expenses and before the result from employee profit participation EBITDA is reported at EUR 12.9 million (prior year: EUR 4.0 million). EBIT before extraordinary expenses and before the result from employee profit participation improved to EUR 6.5 million (prior year: EUR -1.0 million), while it came to EUR 5.6 million (prior year: EUR -2.5 million) after extraordinary expenses and before the result from employee profit participation. Owing to our new syndicated loan agreement, the interest expense has risen, leading to a deterioration in our financial result to EUR -3.1 million (prior year: EUR -1.7 million). This results in EBT before extraordinary expenses and before the result from employee profit participation of EUR 3.4 million (prior year: EUR -2.7 million); after extraordinary expenses and after the result from employee profit participation EBT is reported at EUR 1.3 million (prior year: EUR -3.9 million). The ratio of tax expenses to EBT was very high at 38.5 percent for several reasons, including interest limitation regulations. As a result, net profit for the third quarter before non-controlling interests came to EUR 0.8 million (prior year: EUR -2.9 million) and to EUR 0.3 million (prior year: EUR -2.9 million) after non-controlling interests. This results in earnings per share of EUR 0.02 (prior year: EUR -0.18).

Our improved earnings situation is evident from a comparison of the first three quarters of 2010 and 2009. In this period, EBITDA before extraordinary expenses and before the result from employee profit participation rose to EUR 41.4 million (prior year: EUR 5.0 million); after extraordinary expenses and before the result from employee profit participation EBITDA was reported at EUR 39.6 million (prior year: EUR -4.4 million). EBIT before extraordinary expenses and before the result from employee profit participation came to EUR 19.9 million (prior year: EUR -13.7 million); after extraordinary expenses and before the result from employee profit participation it was reported at EUR 18.2 million (prior year: EUR -23.2 million). Before extraordinary expenses and before the result from employee profit participation, EBT comes to EUR 12.1 million (prior year: EUR -20.3 million); after extraordinary expenses and after the result from employee profit participation it was reported at EUR 7.5 million (prior year: EUR -26.1 million). The net profit for the period before non-controlling interests increased to EUR 4.2 million (prior year: net loss of EUR 22.2 million) and after non-controlling interests to EUR 3.1 million (prior year: net loss of EUR 21.7 million) and translates into earnings per share of EUR 0.20 (prior year: EUR -1.38).

NET ASSETS AND FINANCIAL POSITION

Due to the increased volume of business, total assets rose from EUR 519 million as of December 31, 2009 to EUR 578 million as of September 30, 2010. On the assets side, the increase was mainly due to increases in inventories and cash and cash equivalents, while on the equity and liabilities side it is mainly payments on account, trade payables and other liabilities that have risen.

Despite the increase in equity, our equity ratio decreased slightly owing to the increase in total assets compared to year-end 2009, and stood at 28 percent at the end of the third quarter of 2010 (December 31, 2009: 30 percent). Taking participating capital and the obligations from employee profit participation into account, the own funds ratio amounts to 36 percent (December 31, 2009: 38 percent).

We were also able to very significantly cut our net liabilities to banks again in the third quarter from EUR 94.6 million as of December 31, 2009 and EUR 83.9 million as of the end of the second quarter to EUR 67.1 million as of September 30, 2010. This very positive development is mainly attributable to the lower investments and the lower ratio of net working capital to sales revenue as a result of the excellent receivables management and in particular due to the huge volume of payments on account as a result of the cut-off date. Compared to the third quarter of the prior year, we were thus able to cut our net liabilities to banks within one year by more than EUR 45 million from EUR 112.3 million at the time. Despite the expected increase in the fourth quarter of 2010, our aim is to perceptibly reduce net liabilities to banks at year-end 2010 compared to December 31, 2009. The good liquidity situation, means that it may be possible to pay out a dividend again in 2010. However, the decision will ultimately hinge on the net profit for the year.

Our syndicated loan agreement concluded in February 2010 for EUR 198 million with a term until in February 2013 together with other short- and long-term lines of credit provide us with ample financing facilities. In this context, we currently deem compliance with the covenants agreed in connection with the syndicated loan agreement to be fully secure.

Return on capital employed (ROCE) before taxes on the basis of EBIT before the result of employee profit participation and before extraordinary expenses was positive in the first three quarters of 2010 and came to 8.9 percent (prior year: -5.6 percent). After taxes (tax rate used in calculation: 30 percent, 31 percent in the prior year), ROCE on the basis of EBIT before result from employee participation and before extraordinary expenses came to 6.2 percent (prior year: -3.8 percent).

Due to the excellent receivables management and the significant increase in payments on account, the cash flow from operating activities increased significantly in the first three quarters of 2010, and amounted to an excellent EUR 36.9 million (prior year: EUR 11.0 million). After deducting cash paid for investments, the free cash flow amounts to EUR 22.3 million (prior year: EUR -19.0 million). Cash flow from financing activities totaled EUR 10.4 million (prior year: EUR 8.2 million). Cash and cash equivalents amounted to EUR 64.6 million as of September 30, 2010 (prior year: EUR 27.4 million).

EMPLOYEES

A key objective of our personnel policy is to keep our capacity as flexible as possible. That is why we have only recruited new employees to occupy positions of strategic importance in response to the significant increase in production volume. We are mostly tackling the volume increase by relying on temporary workers. As of 30 September 2010, we had 128 temporary workers again deployed in the Group. The headcount rose from 4,954 employees as of year-end 2009 to 5,040 employees as of September 30, 2010 (September 30, 2009: 5,017 employees). The current figures still include 46 employees on subsidized temporary layoffs as well as more than 50 new trainees for the Group as a whole.

CAPITAL EXPENDITURE

Again in the third quarter of 2010, our capital expenditure remained low at EUR 6.6 million (prior year: EUR 6.0 million). It includes own work capitalized of EUR 2.3 million (prior year: EUR 1.7 million). Accumulated investments in the first nine months of 2010 came to EUR 15.9 million (prior year: EUR 22.9 million). Own work capitalized of EUR 7.2 million (prior year: EUR 6.3 million) is included in the capital expenditure figure for the first three quarters. Although we are ratcheting up our investment activities again in the fourth quarter and we plan to scale up our capital expenditure in Asian growth markets, our investment volume will not match the level reached in the prior fiscal year as had already been announced. This is partly due to the fact that we are not implementing any special projects in 2010 such as the construction of the HOMAG Center last year.

RESEARCH AND DEVELOPMENT

With regard to product technology, the highlight of HOMAG Group AG's third quarter of 2010 was the four in-house trade fairs at out subsidiaries HOMAG, FRIZ, HOLZMA and WEINMANN. These events provided us an opportunity to present to our customers numerous new and enhanced products – for instance, our laser technique, a technology already firmly established in the market with more than 40 machines sold. To enable laser-capable edges for small individual batches as well, we have developed an edge pre-coating machine which allows edge bands to be prepared for processing with **laser**Tec in line with customer specifications. Until now, the laser technology had only been offered for throughfeed edge banding machines. By LIGNA 2011 at the latest, we also want to offer the technique for CNC machines.

Another innovation is the new banding technique for laminating technology and profile wrapping. These innovative banding techniques afford considerable advantages over conventional gluing techniques available in the market, and involve simpler and consequently more stable processes. Apart from a high surface hardness and temperature resistance, these techniques allow high-speed throughfeed of over 60m/min. We are convinced that this technique will become a real alternative to varnishing techniques or coating techniques using cycle presses.

In the area of batch-1 production, we have presented a new line of machines and a new materials throughfeed system for edge processing. We have developed new banding elements for two other machine lines. These significantly reduce the waiting time for the heating, retooling and cleaning process, thus affording enormous advantages, particularly in the workshop area.

We have introduced our new entry-level product for horizontal drilling and dowelling and for CNC router processing to new CNC machine lines based on the well established development standards SORB TECH and **safe**Scan. These CNC machines offer USPs as regards machine rigidity, processing quality and safety standards. Equipped with wood**WOP** 6.0 software, they additionally have the most advanced control interface and features available. These CNC machines offer USPs as regards machine rigidity, processing quality and safety standards. Equipped with wood**WOP** 6.0 software, they additionally have the most advanced control interface and features available.

We were also able to present to the public a completely new line of panel sizing machines. Striking the right balance between technology and convenience is decisive for success here. The spectrum of new machines lines ranges from compact stand-alone units to professional angular saw systems, allowing is to offer each customer exactly the right machine or processing line they need.

RISK REPORT

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

SUBSEQUENT EVENTS

By the end of the third quarter of 2010, we had set up the contractual frame for a new entity that we intend to establish together with imos AG, Herford. HOMAG eSOLUTION will specialize in software solutions for furniture manufacturing – especially for HOMAG Group's machines and production lines. All conditions are being put in place in the fourth quarter of 2010 so that the new company can start operations in January 2011. Some 20 workers will be employed at HOMAG eSOLUTION initially.

OUTLOOK

For the second half of 2010 and for 2011, economic experts expect a weaker economic development across all regions compared to first six months of 2010. Nevertheless, the global economy will grow again significantly in 2010 after the crisis of the prior year. Indeed, the fall report forecasts growth of 3.7 percent this year followed by 2.8 percent next year. For 2010 and 2011, the IMF anticipates growth of 4.8 and 4.2 percent respectively, while the industrialized nations, and in particular the euro zone, will show a significantly weaker development than emerging countries. Although the high growth rate in Germany to date is forecast to slow down, it is expected to stay at a good level. As a result, Germany is expected to close 2010 with the highest growth among the G7 countries. According to the fall report, Germany's gross domestic product is expected to grow 3.5 percent. The experts anticipate growth of 2.0 percent for 2011.

The VDMA raised again its production forecast for the mechanical engineering industry in September and now anticipate a production increase of 6 percent for 2010 and of 8 percent in 2011. The competent association within the VDMA for the wood processing machines segment has also increased its forecast for 2010 and now anticipates sales revenue growth of 18 percent.

Following the crisis in 2009, HOMAG Group AG recovered swiftly in the current fiscal year, and already had a good order intake by the start of 2010. This development continued as the year progressed, and we now expect growth in order intake for the full year of more than 25 percent compared to the prior year. As budgeted, we will record the lowest order intake in the fourth quarter of 2010 due to the industry's usual seasonal pattern. We will thus close clearly below the atypical prior-year figure, since 2009 went against the grain with orders peaking in the fourth quarter due to the economic crisis.

The sustained good order situation means that we are sure to exceed the sales revenue of EUR 650 million forecast for 2010. From a current perspective, we would thus record sales revenue growth compared to 2009 of as much as 30 percent and growth in total operating performance of more than 35 percent. Consequently, we would fare better than the industry average and gain additional market share in 2010.

Looking at the global sales markets, we are working on the assumption that the distribution of sales seen in the first nine months will remain largely intact, although the order intake in the fourth quarter will be weak as had already been mentioned. The domestic market is expected to remain stable under the prevailing economic environment and order intake will, as far as we can tell today, reach double-digit growth over what was already a good level in the prior year. Assuming the conditions remain unchanged and following the good third quarter, we expect significant double-digit growth in the current fiscal year compared to the prior-year figure in western Europe. Shored up by the positive trends in Poland and Russia, we expect the eastern European markets to close 2010 well above the prior-year level. For the full year 2010, we expect strong growth in the Americas region on the back of South America and Brazil in particular. Signs of a slight recovery can also be seen in North America, albeit at a low level. The Asia/Pacific region will make a very good contribution to the development of our Group, especially on account of the good order intake recorded in China in 2010. Order intake is already well above the prior-year and budget figures.

For the second half of the year, we still forecast an EBIT before extraordinary expenses and before the result from employee profit participation at the level in the first six months of 2010, together with a slight net profit for the full year 2010. The net profit will be burdened by the increase in interest rates in connection with the new syndicated loan agreement. It will also be burdened by special tax effects on account of the interest limitation issues and in connection with losses at some subsidiaries for which no deferred tax assets can be recognized.

Moreover, additional structural realignments are in progress and planed in the Group. These will lead to extraordinary expenses in the fourth quarter of 2010 that will be somewhat above the level of the third quarter of 2010. However, the main impact of these structural adjustments will be seen in 2011 and 2012, although these can lead to annual non-recurring effects up to the amount incurred in the full year 2010.

We look to the coming fiscal year 2011 with optimism. We expect that we can reach large single-digit growth in sales revenue, and thus earn sales revenue above the EUR 700 million mark again. At the same time, we aim to grow earnings faster than sales revenue, and to raise our EBITDA margin a solid percentage point over the 2010 level. To this end, we want to capitalize on the cost improvement measures we have implemented and an improved ability to set prices, despite the tough competition that is still expected. As regards the net profit for 2011, we anticipate an improved interest result on the back of a better rating and a lower tax rate, assuming a constant base interest rate.

With a view to continue developing our operations in the promising markets China and India, the supervisory board approved in October 2010 the proposal by the management board to release an investment budget of EUR 8 million up to year-end 2011. We already started implementing initial measures in the current fourth quarter.

As we had already announced in August, Andreas Hermann, management board member responsible for the Finance, IT and HR functions, will be leaving the Company on his own volition and by mutual agreement as of the end of March 2011. With a view to ensuring a seamless handover, the supervisory board has already started the process of finding a suitable successor.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR k	2010 07/01-09/30	2009 07/01-09/30	2010 01/01-09/30	2009 01/01-09/30
SALES REVENUE	**170,989**	**135,202**	**517,142**	**376,133**
Increase or decrease in inventories of finished goods and work in progress	7,410	-4,401	15,961	-10,113
Own work capitalized	2,292	1,919	7,235	6,720
	9,702	-2,482	23,196	-3,393
TOTAL OPERATING PERFORMANCE	**180,691**	**132,720**	**540,338**	**372,740**
Other operating income	1,985	4,052	13,660	19,873
	182,676	**136,772**	**553,998**	**392,613**
Cost of materials	79,234	58,101	239,186	158,283
Personnel expenses before employee participation	62,774	51,077	189,374	168,394
Amortization of intangible assets	2,854	1,759	8,076	5,264
Depreciation of property, plant and equipment	4,386	4,737	13,398	13,514
Other operating expenses	27,779	23,586	85,807	70,380
	177,027	**139,260**	**535,841**	**415,835**
OPERATING RESULT BEFORE EMPLOYEE PARTICIPATION	**5,649**	**-2,488**	**18,157**	**-23,222**
Result from employee participation	-1,244	274	-2,913	3,654
NET OPERATING PROFIT/LOSS	**4,405**	**-2,214**	**15,244**	**-19,568**
Profit/loss from associates	232	384	1,274	-227
Interest income	548	290	1,436	1,062
Interest expenses	3,885	2,362	10,488	7,386
EARNINGS BEFORE TAXES	**1,300**	**-3,902**	**7,466**	**-26,119**
Income taxes	-501	992	-3,263	3,887
NET PROFIT/LOSS FOR THE PERIOD	**799**	**-2,910**	**4,203**	**-22,232**
Profit/loss attributable to non-controlling interests	492	-44	1,138	-569
Profit/loss attributable to the owners of Homag Group AG	**307**	**-2,866**	**3,065**	**-21,663**
Earnings per share attributable to the owners of Homag Group AG in EUR (basic and diluted)	0.02	-0.18	0.20	-1.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR k	**2010 07/01-09/30**	2009 07/01-09/30	**2010 01/01-09/30**	2009 01/01-09/30
NET PROFIT/LOSS FOR THE PERIOD	**799**	**-2,910**	**4,203**	**-22,232**
Currency effects	-2,354	114	4,075	-169
Actuarial gains and losses	0	0	-223	-139
Income taxes on other comprehensive income	0	0	77	34
OTHER COMPREHENSIVE INCOME	**-2,354**	**114**	**3,929**	**-274**
TOTAL COMPREHENSIVE INCOME	**-1,555**	**-2,796**	**8,132**	**-22,506**
Total comprehensive income attributable to non-controlling interests	216	-106	1,424	-647
Total comprehensive income attributable to the owners of Homag Group AG	**-1,771**	**-2,690**	**6,708**	**-21,859**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR k		Sep. 30, 2010	Dec. 31, 2009
NON-CURRENT ASSETS			
I.	Intangible assets	55,617	54,699
II.	Property, plant and equipment	140,328	144,862
III.	Investments in associates	7,706	5,842
IV.	Other financial assets	486	771
V.	Receivables and other assets		
	Trade receivables	3,687	3,919
	Other financial assets	3,233	4,346
	Other assets and prepaid expenses	70	119
	Income tax receivables	2,802	2,853
VI.	Deferred taxes	16,308	19,710
		230,237	**237,121**
CURRENT ASSETS			
I.	Inventories	136,090	111,826
II.	Receivables and other assets		
	Trade receivables	92,895	91,170
	Receivables from long-term construction contracts	16,702	23,354
	Receivables due from associates	10,849	6,065
	Other assets and prepaid expenses	19,815	13,457
	Income tax receivables	6,781	6,668
III.	Cash and cash equivalents	64,550	29,823
		347,682	**282,363**
TOTAL ASSETS		**577,919**	**519,484**

EQUITY AND LIABILITIES

EUR k		Sep. 30, 2010	Dec. 31, 2009
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	97,538	114,996
IV.	Net profit/loss for the period	3,065	-20,710
	Equity attributable to owners	149,267	142,950
V.	Non-controlling interests	15,159	14,295
		164,426	**157,245**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	125,546	60,829
II.	Other non-current liabilities	10,724	10,840
III.	Pensions and other post-employment benefits	2,920	2,658
IV.	Obligations from employee participation	11,672	11,035
V.	Other non-current provisions	5,223	5,037
VI.	Deferred taxes	9,323	12,292
		165,408	**102,691**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	47,534	104,431
II.	Trade payables	76,573	63,685
III.	Payments on account	43,341	24,821
IV.	Liabilities from long-term construction contracts	2,377	1,654
V.	Liabilities to associates	3,018	2,558
VI.	Other financial liabilities	112	377
VII.	Other current liabilities and deferred income	54,886	44,771
VIII.	Tax liabilities	3,805	3,446
IX.	Pensions and other post-employment benefits	50	50
X.	Other current provisions	16,389	13,755
		248,085	**259,548**
TOTAL LIABILITIES		**413,493**	**362,239**
TOTAL EQUITY AND LIABILITIES		**577,919**	**519,484**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR k	2010 01/01-09/30	2009 01/01-09/30
1. CASH FLOW FROM OPERATING ACTIVITIES		
Profit or loss before taxes	7,466	-26,119
Income tax paid (-)	-2,396	-3,342
Interest result	9,052	6,324
Interest paid (-)	-9,517	-7,369
Interest received (+)	1,395	1,022
Write-downs (+)/write-ups (-) of non-current assets (netted)	21,474	18,759
Increase (+)/decrease (-) in provisions	3,121	-3,176
Other non-cash expenses (+)/income (-)	94	0
Share of profit or loss of associates	-1,274	227
Gain (-)/loss (+) on disposals of non-current assets	-27	-293
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-22,226	55,942
Increase (+)/decrease (-) in trade payables and other liabilities	29,708	-31,019
CASH FLOW FROM OPERATING ACTIVITIES	**36,870**	**10,956**
2. CASH FLOW FROM INVESTING ACTIVITIES		
Cash received (+) from disposals of property, plant and equipment	1,057	3,048
Cash paid (-) for investments in property, plant and equipment	-6,888	-9,200
Cash paid (-) for investments in intangible assets	-8,992	-10,967
Cash received (+) from disposals of financial assets	301	0
Cash paid (-) for the acquisition of consolidated companies	0	-12,832
CASH FLOW FROM INVESTING ACTIVITIES	**-14,522**	**-29,951**

EUR k	2010 01/01-09/30	2009 01/01-09/30
3. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends	0	-4,706
Cash paid (-) to non-controlling interests	-570	-1,700
Cash received (+) from allocations to equity	0	250
Cash received (+) from the issue of (financial) liabilities	81,000	36,086
Cash repayment (-) of bonds and (financial) liabilities	-70,079	-21,770
CASH FLOW FROM FINANCING ACTIVITIES	**10,351**	**8,160**
4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Change in cash and cash equivalents (subtotal 1-3)	32,699	-10,835
Effect of changes in foreign exchange rates and the consolidated group on cash and cash equivalents	2,028	-379
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**29,823**	**38,588**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**64,550**	**27,374**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR k	Issued capital	Capital reserves	Revenue reserves
			Revenue
Jan. 01, 2009	**15,688**	**32,976**	**87,746**
Other changes			-487
Dividends paid			-4,706
Non-controlling interests from aquisition			
Changes in non-controlling 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**
Jan. 01, 2010	**15,688**	**32,976**	**114,449**
Other changes			-381
Dividends paid			
Changes in non-controlling interests			-10
Transactions with owners			**-10**
Reclassification to revenue reserves			-20,710
Total comprehensive income			
Sep. 30, 2010	**15,688**	**32,976**	**93,348**

reserves					
Other comprehensive income	Translation reserve	Group result	Equity before non-controlling interests	Non-controlling interests	Total
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**
57	**490**	**-20,710**	**142,950**	**14,295**	**157,245**
			-381		-381
				-570	-570
			-10	10	0
			-10	**-560**	**-570**
		20,710			
-138	3,781	3,065	6,708	1,424	8,132
-81	**4,271**	**3,065**	**149,267**	**15,159**	**164,426**

SELECTED EXPLANATORY NOTES

GENERAL

These condensed consolidated financial statements for the first nine months of 2010 were released for publication by resolution of the management board on November 10, 2010.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

IFRS 3 Business Combinations

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

IAS 27 Consolidated and Separate Financial Statements

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

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

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

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

BASIS OF CONSOLIDATION

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

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

CHANGES IN THE CONSOLIDATED GROUP

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

By means of another capital increase, while at the same time diluting non-controlling interests, we increased our share in Bütfering Schleiftechnik GmbH to over 96 percent in July 2010.

Development of purchase price allocation for BENZ 2009

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

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

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

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

EXPLANATIONS TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUE

In the first nine months of 2010, the Homag Group generated sales revenue of EUR 517.1 million, an increase of 37.5 percent on the comparative period of 2009.

EUR k	2010 07/01-09/30	2009 07/01-09/30	2010 01/01-09/30	%	2009 01/01-09/30	%	% change on the prior year
Germany	**40,085**	**41,542**	**109,799**	**21.2%**	**99,708**	**26.5%**	**10.1%**
Other EU countries	56,745	44,435	187,482	36.3%	146,746	39.0%	27.8%
Rest of Europe	27,146	9,288	61,922	12.0%	35,735	9.5%	73.3%
North America	3,185	5,772	24,253	4.7%	18,037	4.8%	34.5%
South America	12,283	4,792	30,246	5.8%	14,783	3.9%	104.6%
Asia/Pacific	30,409	27,307	101,479	19.6%	56,748	15.1%	78.8%
Africa	1,136	2,066	1,961	0.4%	4,376	1.2%	-55.2%
Other countries	**130,904**	**93,660**	**407,343**	**78.8%**	**276,425**	**73.5%**	**47.4%**
TOTAL	**170,989**	**135,202**	**517,142**	**100.0%**	**376,133**	**100.0%**	**37.5%**

The regions of South America (104.6 percent), Asia-Pacific (78.8 percent) and Rest of Europe (73.3 percent) saw the greatest percentage increase in sales revenue in the first nine months of 2010 in comparison to the same period of the prior year. With the exception of Africa, all the other regions also saw significant increases in comparison to the prior-year period. The increase came to 27.8 percent in other EU countries, the region in which most revenue was generated, and 10.1 percent in Germany.

Looking at the first nine months of 2010 in comparison to the same period in 2008, i.e., before the financial crisis, the region of South America saw sales revenue increase by 49 percent and Asia/ Pacific by 55 percent, while North America saw a drop in sales revenue of more than 50 percent and other EU countries and rest of Europe of more than 30 percent.

COST OF MATERIALS

EUR k	2010 07/01-09/30	2009 07/01-09/30	2010 01/01-09/30	2009 01/01-09/30
Cost of raw materials, consumables and supplies and purchased goods	74,507	55,171	225,641	150,944
Cost of purchased services	4,727	2,930	13,545	7,339
	79,234	**58,101**	**239,186**	**158,283**

In the first nine months of 2010, the ratio of cost of materials to total operating performance increased to 44.3 percent (prior year: 42.5 percent) on account of the increased price pressure in the first half of 2010, the higher number of temporary staff and the rise in the share of sales revenue with merchandise in conjunction with the project business. However, this value still falls significantly short of the 46.7 percent seen in the first nine months of 2008.

PERSONNEL EXPENSES

EUR k	2010 07/01-09/30	2009 07/01-09/30	2010 01/01-09/30	2009 01/01-09/30
Wages and salaries	52,871	42,202	159,544	139,492
Social security, pension and other benefit costs	9,903	8,875	29,830	28,902
thereof pension benefits	*4,085*	3,679	*12,255*	*12,597*
	62,774	51,077	**189,374**	**168,394**

EUR k	2010 07/01-09/30	2009 07/01-09/30	2010 01/01-09/30	2009 01/01-09/30
Result from employee participation	-1,244	274	-2,913	3,654

After 4,954 employees as at year-end 2009 and 4,963 employees as of June 30, 2010, the Homag Group had 5,040 employees as of September 30, 2010. In the reporting period 50 new trainees joined the group.

The 45.0 percent increase in total operating performance resulted in the reduction of the ratio of personnel expenses to total operating performance from 45.2 percent in the same period of the prior year to 35.0 percent in the first nine months of 2010, despite the increase in personnel expenses.

The profit generated in the reporting period and discounting effects resulted in an expense from employee profit participation amounting to EUR 2,913 k, compared with income totaling EUR 3,654 k in the same period of 2009.

NET PROFIT/LOSS FOR THE PERIOD

Adjusted EBITDA before expenses from employee profit participation and before restructuring/non-recurring expenses comes to EUR 41.4 million for the first nine months of 2010 (prior year: EUR 5.0 million) and after employee profit participation to EUR 38.5 million (prior year: EUR 8.7 million). After expenses from employee profit participation and before restructuring/non-recurring expenses, EBIT came to EUR 17.0 million (prior year: EUR -10.1 million). At EUR -7.8 million (prior year: EUR -6.6 million), the financial result deteriorated in comparison to the prior-year period on account of higher interest expenses despite a positive result from investments in associates. After the result from employee profit participation and after restructuring/non-recurring expenses, EBT increased to EUR 7.5 million (prior year: EUR -26.1 million). The net profit for the period comes to EUR 4.2 million (prior year: EUR -22.2 million) which after non-controlling interests leads to earnings per share of EUR 0.20 (prior year: EUR -1.38).

EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Inventories rose by EUR 24.3 million in comparison to December 31, 2009, an increase of 21.7 percent.

Other assets and prepaid expenses were up EUR 6.3 million or 46.5 percent. Receivables from associates rose by EUR 4.8 million or 78.9 percent compared to December 31, 2009. All of these effects are related to the stark increase in business volume. Deferred tax assets fell by EUR 3.4 million or 17.3 percent on account of the use of unused tax losses.

Cash and cash equivalents increased by EUR 34.7 million compared to December 31, 2009 on account of healthy cash inflow for cut-off reasons, above all associated with the high level of payments on account received.

EQUITY

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

The equity ratio has fallen from 30.3 percent as of December 31, 2009 to 28.5 percent on account of the significant increase in total assets in the first nine months, despite the EUR 7.2 million increase in equity. The increase in equity far in excess of the net profit for the first nine months of 2010 is due to positive currency translation effects relating to equity.

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

	2010 **01/01-09/30**	2009 01/01-09/30
Profit/loss for the period attributable to the owners of Homag Group AG for the calculation of the basic earnings in EUR k	3,065	-21,663
BASIC EARNINGS PER SHARE ACCORDING TO IAS 33 IN EUR	**0.20**	**-1.38**
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.

LIABILITIES

Non-current liabilities and provisions reported an increase of EUR 62.7 million in comparison to December 31, 2009. Current liabilities and provisions fell by EUR 11.5 million in comparison to the end of fiscal year 2009. This shift is mainly due to a change in the terms to maturity of financial liabilities as a consequence of the conclusion of a new syndicated loan agreement. After being reclassified as current financial liabilities at the end of 2009 on account of their remaining term to maturity, liabilities arising from the new syndicated loan agreement are now once again reported as non-current financial liabilities.

Trade payables rose by EUR 12.9 million in relation to December 31, 2009, an increase of 20.2 percent. Other current liabilities and deferred income increased by EUR 10.1 million (22.6 percent). These increases are the result of the higher volume of business. Advance payments received were up EUR 18.5 million or 74.6 percent for cut-off reasons.

Net liabilities to banks fell significantly from EUR 94.6 million as of December 31, 2009 to EUR 67.1 million as of September 30, 2010, and are currently at a very encouraging level due to good cash inflow, lower capital expenditures and successful management of net working capital. This is also revealed by a comparison with the net liabilities to banks of EUR 112.3 million as of September 30, 2009, i.e., a reduction of over EUR 45 million was achieved within one year.

SEGMENT REPORTING

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

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

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

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

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

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

	Industry		Cabinet Shops		Sales & Services	
	2010	2009	**2010**	2009	**2010**	2009
EUR k	**01/01-09/30**	01/01-09/30	**01/01-09/30**	01/01-09/30	**01/01-09/30**	01/01-09/30
Third-party sales	195,359	164,493	63,746	53,061	188,316	121,238
Sales with group companies from other segments	85,523	40,434	58,304	31,840	1,896	1,540
Sales with associates	36,750	11,085	10,716	4,330	172	133
TOTAL SALES REVENUE	**317,632**	**216,012**	**132,766**	**89,231**	**190,384**	**122,911**
EBITDA[1)]	**28,222**	**8,689**	**6,170**	**-4,788**	**7,085**	**-749**
Restructuring/non-recurring expenses	**-657**	**-5,834**	**-182**	**-2,377**	**-887**	**-718**
EBITDA[2)]	**27,565**	**2,855**	**5,988**	**-7,165**	**6,198**	**-1,467**
Depreciation of property, plant and equipment and amortization of intangible assets	-14,387	-11,538	-3,817	-4,441	-1,677	-1,415
Result from employee participation	-2,442	2,439	-456	1,139	0	0
Share of profit or loss of associates	548	126	0	-6	726	-348
Interest result	-3,914	-3,762	-997	-834	-479	-195
SEGMENT RESULT[3)]	**7,370**	**-9,880**	**718**	**-11,307**	**4,768**	**-3,425**
EMPLOYEES[4)]	**2,682**	**2,815**	**1,025**	**1,088**	**689**	**717**

	Industry		Cabinet Shops		Sales & Services	
	2010	2009	**2010**	2009	**2010**	2009
EUR k	**Sep. 30**	Dec. 31	**Sep. 30**	Dec. 31	**Sep. 30**	Dec. 31
SEGMENT ASSETS	**372,658**	**341,101**	**134,912**	**123,290**	**165,000**	**157,803**

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

Other		Total segments		Consolidation		Group	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
01/01-09/30	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
10,987	16,248	458,408	355,040	0	0	458,408	355,040
20,028	10,242	165,751	84,056	-165,751	-84,056	0	0
11,096	5,545	58,734	21,093	0	0	58,734	21,093
42,111	**32,035**	**682,893**	**460,189**	**-165,751**	**-84,056**	**517,142**	**376,133**
1,350	**-88**	**42,827**	**3,064**	**-1,442**	**1,971**	**41,385**	**5,035**
-28	**-550**	**-1,754**	**-9,479**	**0**	**0**	**-1,754**	**-9,479**
1,322	**-638**	**41,073**	**-6,415**	**-1,442**	**1,971**	**39,631**	**-4,444**
-1,314	-1,384	-21,195	-18,778	279	0	-21,474	-18,778
-15	76	-2,913	3,654	0	0	-2,913	3,654
0	1	1,274	-227	0	0	1,274	-227
-3,662	-1,534	-9,052	-6,325	0	1	-9,052	-6,324
-3,669	**-3,479**	**9,187**	**-28,091**	**-1,163**	**1,972**	**7,466**	**-26,119**
569	**569**	**4,965**	**5,189**	**0**	**0**	**4,965**	**5,189**

Other		Total segments		Consolidation		Group	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Sep. 30	Dec. 31	**Sep. 30**	Dec. 31	**Sep. 30**	Dec. 31	**Sep. 30**	Dec. 31
228,303	**209,575**	**900,873**	**831,769**	**-322,954**	**-312,285**	**577,919**	**519,484**

OTHER EXPLANATIONS

CONTINGENT LIABILITIES

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

RELATED PARTIES

Trade amounting to EUR 58.8 million was transacted with associates in the first nine months of the year (prior year: EUR 21.2 million). Goods and services worth EUR 1.3 million were received from associates (prior year: EUR 0.7 million).

EVENTS AFTER THE REPORTING PERIOD

As already announced at the end of September, we will found HOMAG eSOLUTION GmbH together with imos AG, Herford, as a provider of software solutions for furniture production – tailored to HOMAG Group machines and equipment. The new company will start business in January 2011 with around 20 employees. All necessary prerequisites will be put in place in the fourth quarter.

Schopfloch, November 10, 2010

Homag Group AG,
The management board

FINANCIAL CALENDAR, CONTACTS AND DISCLAIMER

FINANCIAL CALENDAR

November 23, 2010	German Equity Forum
March 31, 2011	Publication of annual report 2010
March 31, 2011	Press conference on the financial results in Stuttgart
March 31, 2011	Analysts conference in Frankfurt am Main
May 13, 2011	Three-months report 2011
May 25, 2011	Annual general meeting in Freudenstadt
August 12, 2011	Six-months report 2011
November 14, 2011	Nine-months report 2011

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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