Interim Report Q2/2009

SUCCESS WITH A SYSTEM

KEY GROUP FIGURES*

		6 months 2009	6 months 2008	Variance as %
Total sales revenue	EUR m	240.9	450.0	-46.5
Sales revenue Germany	EUR m	58.1	84.2	-31.0
Sales revenue outside Germany	EUR m	182.8	365.8	-50.0
thereof Europe	EUR m	128.8	268.1	-52.0
North America	EUR m	12.3	40.0	-69.3
Asia/Pacific	EUR m	29.4	39.9	-26.3
Foreign share	as %	75.9	81.3	-6.7
EBITDA[1]	EUR m	-8.5	53.0	-116.0
EBITDA adjusted[2] before employee participation	EUR m	-0.5	53.0	-100.9
EBITDA adjusted[2] after employee participation	EUR m	2.9	48.0	-94.0
EBITDA	as % of sales revenue	-3.5	11.8	-129.7
EBITDA	as % of total operating performance	-3.5	11.1	-131.5
EBIT[1]	EUR m	-20.7	42.4	-148.8
EBIT adjusted[2] before employee participation	EUR m	-12.8	42.4	-130.2
EBIT adjusted[2] after employee participation	EUR m	-9.4	37.4	-125.1
EBIT	as % of sales revenue	-8.6	9.4	-191.5
EBIT	as % of total operating performance	-8.6	8.9	-196.6
Net profit (before minority interests)	EUR m	-19.3	21.9	-188.1
Earnings per share[3]	EUR	-1.20	1.28	-193.8
ROCE[4] after taxes	as %	-5.5	18.9	-129.1
ROCE [5] before taxes	as %	-8.0	27.5	-129.1
Equity as of reporting date	EUR m	158.5	171.2	-7.4
Own funds as of reporting date[6]	EUR m	199.4	212.9	-6.4
Own funds ratio	as %	37.3	36.0	3.6
Capital expenditures on property, plant and equipment	EUR m	7.5	9.1	-17.6
Depreciation on property, plant and equipment	EUR m	8.8	8.2	7.3
Employees[7]	Average of the period	5,281	5,176	2.0
thereof trainees	Average of the period	365	331	10.3
Personnel expenses adjusted[2]	EUR m	110.1	136.4	-19.3
Order intake accumulated[8]	EUR m	175.7	401.2	-56.2
Order backlog as of reporting date[8]	EUR m	161.0	275.9	-41.6

* IFRS

1) Before taking into account employee participation

2) Before restructuring/non-recurring expenses

3) Net profit after minority interests, based on 15,688,000 shares (prior year: 15,688,000)

4) (EBIT adjusted for the first half-year x 2 x 69%) / capital employed (non-current assets + net working capital) (tax rate 31%)

5) (EBIT adjusted for the first half-year x 2) / capital employed (non-current assets + net working capital)

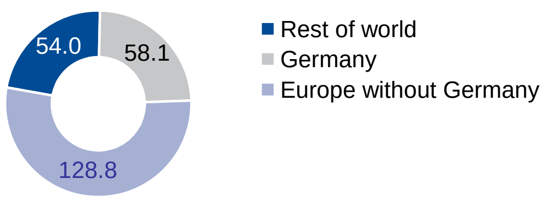
6) Equity plus profit participation rights and silent participation

7) As of January 1, 2009, including employees of BENZ (first half of 2009: 233 employees)

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

SALES REVENUE BY REGION 1st half-year 2009

EUR million

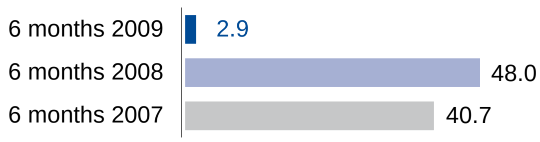


SALES REVENUE

EUR million

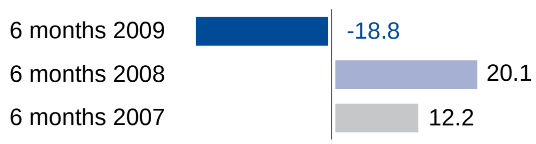
EBITDA adjusted[2)] after employee participation

EUR million



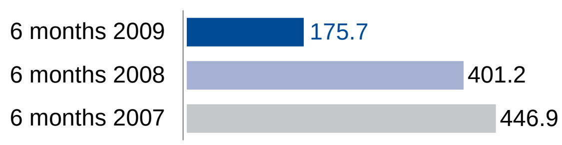
NET PROFIT (after minority interests)

EUR million



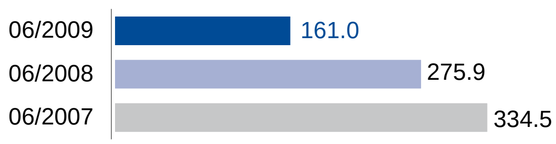
ORDER INTAKE [8)]

EUR million



ORDER BACKLOG [8)]

EUR million



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FOREWORD BY THE MANAGEMENT BOARD

From left to right:
Dr. Joachim Brenk
Achim Gauss
Andreas Hermann

DEAR SHAREHOLDERS,

Even in a major crisis, technical innovations can convince customers to make investments. We proved this fact in May at the Ligna, the industry’s leading trade fair, and were very pleased with the results. Not least thanks to our new developments did we see better than expected order intake and successful follow-up business to the trade fair. This resulted in significant improvements on the first three months in the second quarter in which our order intake increased once again.

The current figures do, of course, have to be seen in light of the economic crisis which has not by any means been overcome. In other words, even this improved quarter is still a far cry from the positive prior-year figures. Consequently, our main focus remains on adjusting the HOMAG Group’s capacities to the smaller order backlog. We reacted quickly and thoroughly at the first sign of the crisis and initiated a number of cost-saving measures. We are on schedule with implementation of these measures, already enabling us to reduce costs for personnel, contract workers and other operating expenses in the first half of 2009 (incl. costs in proportion to sales revenue) by more than EUR 56 million.

Thanks to these great efforts, which make great demands of our employees in particular, we have succeeded in generating a positive EBITDA prior to restructuring costs once again in the reporting period, as announced – despite the significant fall in sales revenue of more than 45 percent in comparison to the second quarter of 2008.

In this difficult market situation, we are nevertheless not limiting ourselves to making savings, but are making every effort to capture new market shares with our highly effective sales team. In some markets such as Spain or Canada we succeeded in winning the few large-scale projects that were tendered for the HOMAG Group. And even more importantly: we are currently very much present on location at our customers’ with a large number of events, are intensifying our customer relationships and will therefore be in a very good starting position when willingness to invest picks up again.

OUTLOOK

As already reported, we do not expect business developments to improve decisively before the end of 2009. As a consequence of the vacation season in many countries, we initially expect a slightly weaker order intake in the third quarter, but anticipate slightly greater demand in the fourth quarter – not least because this is the time of year when orders have to be placed for the large-scale systems that are to be installed in the 2010 summer vacation.

The change in the situation since 2008, a year that still saw very good results in particular in terms of sales revenue, leads us to expect sales revenue to drop by up to 40 percent in the current fiscal year. For this reason, we intend to consistently pursue the measures already initiated and will have reduced our total capacity by around 1,400 jobs, including contract workers and subsidized temporary layoffs, by the beginning of 2010. As the related cost-savings are increasingly making themselves felt, we expect a positive EBIT before restructuring/non-recurring expenses for the second half of 2009 and plan to generate a net profit before restructuring/non-recurring expenses by the fourth quarter of 2009. Due to the negative EBIT of the first half of the year, we expect a slightly negative EBIT before restructuring/non-recurring expenses for 2009 seen as a whole.

From left to right:
Herbert Högemann
Rolf Knoll

In the medium term, we are budgeting for a sales revenue of around EUR 600 million and are gearing our capacities to attaining this figure. Assuming that the domestic market – which has still been quite positive so far - remains relatively stable, we plan to come close to this figure before the end of 2010, as we are convinced that our innovative products make us the market leader and will put us in a very good starting position as soon as investments take off again.

The Management Board

Schopfloch, August 2009

DR. JOACHIM BRENK

ANDREAS HERMANN

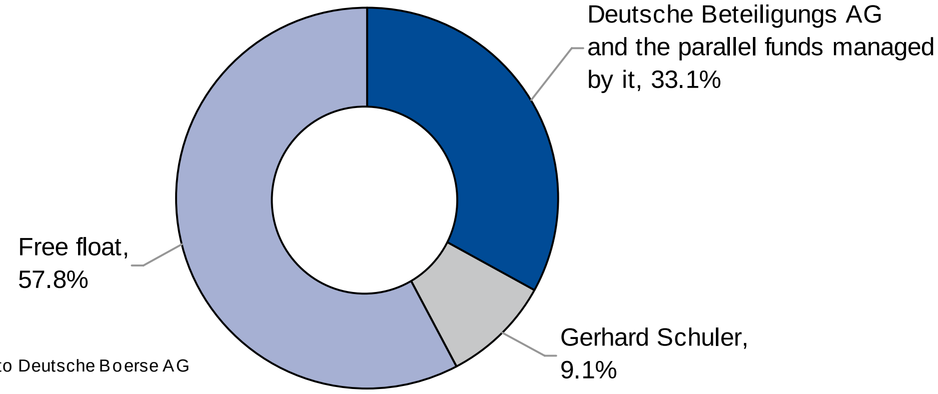
ACHIM GAUSS

HERBERT HÖGEMANN

ROLF KNOLL

THE HOMAG GROUP AG SHARE

SHAREHOLDER STRUCTURE AS OF JULY 31, 2009*



*Method of calculation according to Deutsche Boerse AG

Although the end of the economic and financial crisis was not in sight in the second quarter of 2009 and there had been no improvement in the underlying economic data, the share markets recovered somewhat between April and June. For instance, the DAX index rose by 18 percent, returning to the level seen at the beginning of the year 2009. The MDAX and TecDAX each rose by as much as around 30 percent. Our benchmark index SDAX similarly saw a positive development and by the end of the quarter it stood at 22 percent above the level as of March 31, 2009.

Well into May, the shares of HOMAG Group AG clearly rallied from EUR 6.50 at the beginning of the quarter to their peak of EUR 8.47 in the second quarter of 2009. As of June 30, the share price stood at EUR 7.81 – a gain of 20 percent in the second quarter of 2009.

The upswing on the German share markets continued in July. The DAX increased by 11 percent and the MDAX 8 percent. The performance of the SDAX was somewhat weaker with a gain of 4 percent. Our share also profited from the upward trend and stood at EUR 8.39 on July 31.

The second annual general meeting since our IPO was held at the Kurhaus in Freudenstadt on May 27, 2009. Some 300 shareholders were present, representing 74.7 percent of the share capital. The proposal by the management and supervisory boards to distribute a dividend of EUR 0.30 per share was passed by the annual general meeting with a clear majority of more than 99 percent. The other agenda items – including exoneration of the management and supervisory boards and authorization to acquire treasury shares – met the approval of the shareholder meeting with large majorities between 89 and 99 percent.

As a supplement to our annual general meeting, we maintained the intense lines of communication with our shareholders, investors and analysts in the second quarter of 2009. In addition to a conference call on our interim report on the first quarter of 2009, we held numerous telephone conversations with analysts and put on a road show in Frankfurt. With three press releases between April and June, we kept our shareholders, and any interested members of the public, informed of important new developments at the HOMAG Group.

PERFORMANCE OF THE HOMAG GROUP SHARE IN COMPARISON WITH SDAX

January 2, 2008 to July 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 (according to commercial register entry)	until July 11, 2007 since July 12, 2007 no-par value ordinary bearer shares	14,561,345 15,688,000
Price high* January 2, 2008-June 30, 2009	May 6, 2008	EUR 24.50
Price low* January 2, 2008-June 30, 2009	March 12, 2009	EUR 5.80
Price* as of June 30, 2009		EUR 7.81
Market capitalization (June 30, 2009)		EUR 122.5 million

* XETRA closing quote

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2009

ECONOMIC ENVIRONMENT

As of mid-2009, the world economy is still in deep recession and, according to the ifo Institute for Economic Research, recovery is not to be expected in the near future. Nevertheless, the economic analysts at ifo, the IfW Institute for the World Economy and the International Monetary Fund (IMF) agree that there are positive signals and the decline in global economic activity has slowed considerably since spring. While industrial production continued to contract, the rate of decline has dropped perceptibly since February 2009. In addition, the slump in world trade has apparently bottomed out, and according to the survey conducted by ifo, the global economic climate improved slightly in the second quarter of 2009 for the first time since autumn 2007.

In Germany, aggregate production continued to decline in the second quarter following the dramatic drop in the winter half year of 2008/2009, albeit at a much slower rate. Even if the recession has by no means been overcome, economic analysts are of the opinion that the economy is slowly stabilizing. This trend is also confirmed by the ifo business climate index, which rose in July for the fourth time in succession. The companies surveyed assessed both their business situation and the prospects for the next half year as having improved.

According to the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], the rapid decline in order intake in the mechanical engineering industry continued in the second quarter of 2009. Between April and June, the decline totaled 51 percent – the strongest contraction in new business since the statistics were first collected in 1958. Capacity utilization has in the meantime fallen as low as 69 percent. The industry association responsible for the segment of wood processing machines likewise does not report any recovery. In the first half of 2009, order intake fell by 63 percent. The decline in orders from Germany amounted to 32 percent and orders from abroad fell by 69 percent.

BUSINESS DEVELOPMENT

The global economic crisis and the ongoing poor economic climate in the mechanical engineering industry continued to impact the business development of the HOMAG Group in the second quarter of 2009. This becomes particularly apparent from a comparison with the prior year, as market activities between April and June 2008 took place in light of the completely different market situation prevailing at that time. If, however, one examines the quarters since the beginning of the financial and economic crisis, i.e. the fourth quarter of 2008 and the first quarter of 2009, business development within our group has improved somewhat again in the second quarter of 2009. The increase in order intake is primarily attributable to the success of the Ligna, the industry's leading trade fair, held in Hanover in May. Visitors expressed great interest in our new developments and the most recent additions to our range of services, which led to quite positive follow-up business to the trade fair.

The newly developed "lifeline Navigator" provides the global sales and service network with a "multiplier tool" for efficient marketing of the entire range of service. Following entry of a customer code or machine serial number, the program calculates which possibilities for improvement or optimization are available to increase the efficiency of the respective system. This enables dealers and sales employees to offer customers training, modifications, upgrades or new performance-boosting units, etc., tailored precisely to their existing machinery.

The trade fair also provided a boost to our project business, but volume is still a far cry from that seen over the last few years. We have implemented a new project organization to improve project handling and realize higher margins. This is ensured by, among other things, "Quality gates" that have to be passed already in the offer phase and later in the course of project implementation. This has already been used to bring the first projects to a successful conclusion; the group-wide rollout has been completed which means that all future projects will be implemented employing the new form of organization.

We are on schedule with implementation of all the capacity adjustment measures initiated quickly and consistently when the first signs of the crisis appeared. In this respect, one initial success is the positive EBITDA before the extraordinary expense for restructuring measures/non-recurring effects already seen again in the second quarter of 2009.

Similarly, the sales revenue of EUR 122 million revealed a slight upward trend between April and June 2009 in comparison to the first quarter of the year, which reported sales revenue of EUR 119 million – the sales revenue of EUR 223 million reported in the comparable prior-year period is of limited use as the general economic climate has changed completely since then. Total operating performance declined to EUR 112 million (prior year: EUR 238 million) as a consequence of a corresponding reduction in inventories, following the EUR 128 million seen in the first quarter of 2009.

In comparison to the first quarter of 2009, order intake improved by 35 percent between April and June, from EUR 75 million to EUR 101 million (prior year: EUR 169 million). This increase also exceeded budget thanks to the Ligna. Order backlog has likewise recovered again somewhat and at EUR 161 million as of June 30, 2009 has virtually returned to the level seen at the end of 2008 (EUR 164 million) following the EUR 144 million as of March 31, 2009 and EUR 276 million at the end of the second quarter of 2008.

In the sales regions worldwide, the development seen in the first three months essentially continued in the second quarter of 2009. The most serious factor in this respect is that two of our most important growth markets, the USA and eastern Europe, have to all intents and purposes ceased to exist for us. In the USA, this is attributable to weak consumption and in eastern Europe to the fact that it is currently impossible to obtain financing. In western Europe the picture is somewhat less homogenous, with the markets in France, Scandinavia and the Benelux countries developing quite nicely, while the large markets of Spain and the UK are very weak. Apart from southeast Asia, we are once again seeing a somewhat improved order situation in Asia, including China and India; the Middle East has already recovered from a brief period of weakness. We are still satisfied with the development seen in Germany, Switzerland and Austria, where the downturn in comparison to the prior year is still quite moderate.

The dramatic changes to the market situation and the related investment behavior of our customers will have to be taken into consideration in any comparison of the first half of the year to the prior year. In the first six months of the current fiscal year, our sales revenue stood at EUR 241 million (prior year: EUR 450 million) and total operating performance stood at EUR 240 million (prior year: EUR 477 million). In the first half of 2009, the order intake dropped to EUR 176 million (prior year: EUR 401 million).

EARNINGS SITUATION

The main focus in the second quarter of 2009 remained on cost savings and calibration of capacity to the changed market situation. The measures we implemented at an early stage ensured our success in this respect and allowed us to proceed as planned. In this way, we once again succeeded in reducing the costs for personnel, contract workers and other operating expenses (including costs in proportion to sales revenue) approximately by a further EUR 32 million and have thus already achieved total savings of more than EUR 56 million in these items in the first half of the fiscal year. We expect these cost-saving measures to have a greater impact in the third and fourth quarters, as soon as all measures have come into effect.

The total extraordinary expense for the restructuring/non-recurring expenses (extraordinary expense), most of which was incurred for possible severance payments and for the job creation company, amounts to EUR 7.3 million in the second quarter of 2009 compared to EUR 0.7 million in the first quarter of 2009. One other special item in the second quarter of 2009 are the costs relating to the Ligna, the industry's leading trade fair in May, in excess of EUR 3 million, which were not incurred in this form last year as the trade fair only takes place every two years. Nevertheless, an intelligent trade fair concept permitted us to lower these costs by EUR 1.5 million in comparison to 2007, without compromising the optimum level of support to visitors.

Despite the significant fall in costs following the steep decline in total operating performance in the second quarter, the ratio of personnel expenses to total operating performance has nevertheless risen to 52.6 percent after restructuring costs and 46.3 percent before restructuring costs (prior year: 28.7 percent). In contrast, we managed to lower the ratio of costs of materials to total operating performance to 39.6 percent (prior year: 46.7 percent) – primarily thanks to the reduction in the number of contract workers, purchasing synergies and a decline in intercompany profits. As was the case in the first quarter of 2009, employee participation did not cause an expense but generated income. This comes to a total of EUR 1.7 million (first quarter of 2009: EUR 1.6 million).

Due to implementation of the extensive package of cost-saving measures, which has been successful so far, we have already generated a positive EBITDA before extraordinary expense in the second quarter of 2009, as announced; EBITDA after income from employee participation comes to EUR 4.9 million (prior year: EUR 22.5 million). After extraordinary expense and before the income from employee participation, EBITDA stands at EUR -4.1 million (prior year: EUR 25.2 million). After the income from employee participation and before the extraordinary expense, EBIT comes to EUR -1.3 million (prior year: EUR 17.2 million). The financial result of EUR -2.0 million (prior year: EUR -2.4 million) results in EBT of EUR -3.3 million after income from employee participation and before the extraordinary expense and EBT of EUR -10.6 million after the extraordinary expense (prior year: EUR 14.7 million). The net profit for the period before minority interests declined to EUR -8.2 million (prior year: EUR 9.8 million) and after minority interests to EUR -7.7 million (prior year: EUR 8.8 million) and gives rise to earnings per share of EUR -0.50 (prior year: EUR 0.56 million).

EBITDA for the first half of the year before extraordinary expense and after income from employee participation comes to EUR 2.9 million (prior year: EUR 48.0 million); after extraordinary expense and before income from employee participation EBITDA is reported at EUR -8.5 million (prior year: EUR 53.0 million). EBIT after income from employee participation and before extraordinary expense comes to EUR -9.4 million (prior year: EUR 37.4 million). After income from employee participation and before extraordinary expense EBT comes to EUR -14.2 million and after extraordinary expense to EUR -22.2 million (prior year: EUR 31.8 million). The net profit for the period before minority interests declined to EUR -19.3 million (prior year: EUR 21.9 million) and after minority interests to EUR -18.8 million (prior year: EUR 20.1 million) and gives rise to earnings per share of EUR -1.20 (prior year: EUR 1.28).

NET ASSETS AND FINANCIAL POSITION

Despite the first-time consolidation of BENZ GmbH Werkzeugsysteme in 2009 and the associated increase in non-current and current assets, our total assets as of June 30, 2009 fell in comparison to the end of 2008 from EUR 551 million to EUR 534 million. This can be attributed to our successful net working capital management system which enabled us to significantly reduce our inventories and, in particular, our receivables on the assets side. On account of a high level incoming payments received, we held a considerable amount of cash and cash equivalents as of the balance sheet date.

Although we distributed around EUR 4.7 million to our shareholders in the second quarter of 2009, we had, as of June 30, 2009, an equity ratio of 30 percent (December 31, 2008: 33 percent) and an equity ratio, taking into consideration the profit participation capital and the obligation arising from employee participation, of 37 percent (December 31, 2008: 41 percent).

As forecast, our net liabilities to banks as of the end of the second quarter have clearly fallen in comparison to March 31, 2009 from EUR 117.8 million to EUR 96.8 million (December 31, 2008: EUR 78.5 million), although the dividend distribution was made in May and the result was negative. As already mentioned, this was achieved primarily through successful management of current assets expressed in much lower inventory and receivable levels. We do, however, expect a material seasonal increase in net liabilities to banks in the third quarter as this is when payment of the employee participation for 2008 is made, the first severance payments are due and incoming payments will be lower than in the period under review.

Our syndicated loan agreement used to secure a major portion of our liquidity, depending on our meeting certain covenants, matures in July 2010. Our aim is to obtain substitute financing before the end of 2009/the beginning of 2010. We have already started talks with the syndicate of banks.

Return on capital employed (ROCE) before taxes on the basis of EBIT before employee participation income and before the extraordinary expense was negative in the first half of 2009 and came to -8.0 percent (prior year: 27.5 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 the extraordinary expense came to -5.5 percent (prior year: 18.9 percent).

The cash flow from operating activities remained constant at EUR 16.1 million in the first half of 2009 due to the significant drop in receivables and inventories (prior year: EUR 16.4 million). After deducting cash paid for investments, the free cash flow amounts to EUR -10.3 million (prior year: EUR 3.3 million). Cash flow from financing activities totaled EUR 11.9 million (prior year: EUR -19.4 million). Cash and cash equivalents amounted to EUR 39.8 million as of June 30, 2009 (prior year: EUR 31.2 million).

EMPLOYEES

Our measures to calibrate personnel capacity to the lower order and production volume, that we have been consistently implementing since the beginning of the economic crisis, are running according to plan and are have begun to take effect. For example, headcount fell by around 250 employees alone in the second quarter of 2009 and – excluding the employees of BENZ who recently joined the Group – has fallen from its peak in the third quarter of 2008 from 5,404 to 4,905 employees as of June 30, 2009. 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 5,136 employees as of June 30, 2009. In addition, around 330 contract workers have been laid off since September 2008.

As announced we took the first steps towards laying off a further 400 employees in the second quarter, which we are implementing in part in the form of subsidized temporary layoffs and in part by means of compulsory redundancies. Once all the measures initiated have taken full effect and the temporary contracts have expired – most of which we will not renew – we expect to have a reduced personnel capacity, including contract workers and subsidized temporary layoffs, of around 1,400 jobs by the beginning of 2010. We maintain a high level of flexibility through reducing accrued overtime, vacation and non-working shift accounts and utilizing short-time work.

CAPITAL EXPENDITURE

In the second quarter of 2009, our capital expenditure came to EUR 8.9 million (prior year: EUR 7.1 million). This figure includes development work capitalized of EUR 2.3 million (prior year: EUR 1.4 million). The main item within property, plant and equipment remained the HOMAG Center in Schopfloch, which is still under construction. In the first half of the year 2009, the Group's volume of capital expenditure reached EUR 16.9 million (prior year: EUR 13.6 million). However, the significantly increased volume of development work capitalized of EUR 4.6 million (prior year: EUR 2.6 million) and the high level of investment in the HOMAG Center needs to be considered here. Investment in property, plant and equipment has in fact fallen in the first half of 2009 in comparison to the first six months of the prior year from EUR 9.1 million to EUR 7.5 million.

RESEARCH AND DEVELOPMENT

In the second quarter of 2009, the company's appearance at the Ligna, the industry's leading trade fair, continued to dominate the area of research and development. Intense work continued on the new developments presented there right up until the last minute. The highlights we presented in our innovation center include the new laserTec edge banding technology, the SORB TECH construction material for virtually vibration-free working, new developments in the field of five-axis technology, our new programming systems and a full range of edge banding machines for all sizes of operations.

In particular, the innovative laserTec technology, which won the prize for innovation at the symposium for new developments at the Ligna 2009, tied up the corresponding development resources in order to provide all versions and options ranging from entry-level to industrial-scale machines. As HOMAG has employed this technology since 1999, it succeeded in revealing a mature development for which patents have been applied for worldwide. We have in the meantime convinced a large number of customers of the advantages of this revolution in the field of edge banding, as it achieves a new level of final product quality and increases production efficiency.

Two further revolutionary new developments reached market maturity in the second quarter. On the one hand, a saw/milling combination that constitutes a milestone in cutting for industrial production of batch size 1. On the other, an entry-level drilling machine for the trades which has sold well so far.

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.

We do not consider the current economic and market crisis to be a reason to downscale R&D activity. Quite on the contrary: All research and development departments in the HOMAG Group are currently working at full capacity to ensure that we, the innovation leader in the industry, remain at the service of our customers in future.

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 essentially still valid. There are no discernable risks at present that could jeopardize the continuation of the HOMAG Group as a going concern.

SUBSEQUENT EVENTS

After the end of the reporting period, in July 2009, we 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. This merger is a further step towards streamlining the Group's structure.

At a meeting on July 28, 2009, the supervisory board appointed Rolf Knoll CEO effective as of September 1, 2009. Mr. Knoll had already been a member of the management board for a number of years. Jürgen Köppel, since 2004 general manager of the successful HOMAG production company BRANDT Kantentechnik GmbH, will become the new Head of Sales, no later than January 1, 2009. Dr. Joachim Brenk, the current CEO and responsible for sales, service and marketing, is leaving the company of his own volition at the end of the year to take up a new challenge.

OUTLOOK

Economists from the IfW and ifo-Institut expect the world economy to bottom out in the summer months, before slowly recovering. However, this does not change the fact that the recession will reduce global economic output by 1.5 percent in 2009. In the industrialized world, gross domestic product is even expected to fall by just under 4 percent, and in the euro zone by more than 4 percent. Only the previously strong growth markets such as China and India can still expect economic output to increase in 2009. According to the IMF, global trade will fall by 12 percent.

Even though the economy stabilized somewhat mid-2009, Germany has seen the worst collapse in growth of all the major European economies as a result of the current crisis. This is due to the simultaneous collapse in global demand for capital goods and long-lived assets, which has severely impacted the German economy in particular on account of its dependence on exports. Economic research institutes expect GDP to fall dramatically by at least six percent in 2009.

The VDMA sees potential signs of the crisis bottoming out with regard to mechanical engineering orders, but will not make any predictions about how long it will be until the recovery kicks in. The association anticipates a drop in total German mechanical engineering output of up to 20 percent for 2009.

Making a reliable forecast for the HOMAG Group remains difficult in light of the instability of the market. We continue to predict a generally poor fiscal year, with a drop in sales revenue of up to 40 percent. Following a second quarter that slightly exceeded expectations, and our massive cost-relieving measures, we anticipate a positive EBIT for the second half of the year before restructuring/non-recurring expenses. However, this will not be sufficient to compensate for the negative EBIT of the first half of the year, which leads us to expect a slightly negative EBIT before restructuring/non-recurring expenses for 2009 as a whole. We continue to anticipate a net profit before restructuring/non-recurring expenses in the fourth quarter of 2009.

Due to it being the vacation period in many countries, we expect a seasonally influenced slowdown in orders for the third quarter, particularly in the project business. Orders are expected to pick up in the fourth quarter as this is when large-scale plants must be ordered in order for them to be installed during the summer vacation in 2010.

The main objective for fiscal 2009 is to adjust capacity in response to changes in the market and the volume of orders. In this respect, we decided on an extensive package of measures at an early stage, which we consistently implemented, and the effects of which are bringing about increasingly palpable cost savings. For instance, we will have reduced personnel capacity by around 1,400 jobs including contract workers and subsidized temporary layoffs by the beginning of 2010. The restructuring/non-recurring expenses arising in connection with these measures totaled EUR 8.0 million already in the first half of the year, around a further EUR 4 million (in terms of the measures initiated to date) will be incurred in the second half of the year.

With regard to the developments in regional markets we do not expect any major changes for the year 2009 as a whole in comparison to the first half of the year. In other words, the USA and eastern Europe will not recover from the crisis and will remain very weak and the heterogeneous situation in western Europe with stronger and weaker markets will continue. We consider the markets in Germany, Austria and Switzerland as well as Asia to be quite stable, remaining at a good level, and anticipate slight upward trends.

We work on the assumption that the volume of business will return to growth in the medium term and have calibrated our capacities to a sales revenue of around EUR 600 million. Assuming that the domestic market – which has still been quite positive so far – remains relatively stable, we plan to come close to this figure already before the end of 2010, and also achieve adequate EBITDA as we remain convinced that as market leader with our innovative machines and systems, we will profit disproportionately in the future as well. One example of great market potential is eastern Europe, where the market has virtually come to a standstill as it is impossible to obtain financing. However, there is an enormous need to catch up, for example in the area of new flats, which of course also have to be equipped with construction components and furniture. This demand will come. The HOMAG Group will profit most from the upswing thanks to its closely meshed sales and service network in addition to its innovative products.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR k	2009 04/01-06/30	2008 04/01-06/30	2009 01/01-06/30	2008 01/01-06/30
SALES REVENUE	**121,904**	**223,176**	**240,931**	**450,049**
Increase or decrease in inventories of finished goods and work in progress	-12,380	13,089	-5,712	24,698
Own work capitalized	2,383	1,386	4,801	2,586
	-9,997	14,475	-911	27,284
TOTAL OPERATING PERFORMANCE	**111,907**	**237,651**	**240,020**	**477,333**
Other operating income	10,586	3,534	15,821	8,019
	122,493	**241,185**	**255,841**	**485,352**
Cost of materials	44,337	111,025	100,182	225,062
Personnel expenses before employee participation	58,892	68,159	117,317	136,446
Amortization of intangible assets	1,851	1,299	3,505	2,450
Depreciation of property, plant and equipment	4,389	4,060	8,777	8,192
Other operating expenses	23,339	36,763	46,794	70,824
	132,808	**221,306**	**276,575**	**442,974**
OPERATING RESULT BEFORE EMPLOYEE PARTICIPATION	**-10,315**	**19,879**	**-20,734**	**42,378**
Result from employee particpation	1,735	-2,725	3,380	-5,000
NET OPERATING PROFIT/LOSS	**-8,580**	**17,154**	**-17,354**	**37,378**
Profit/loss from associates	-113	282	-611	-17
Interest income	344	357	772	839
Interest expenses	2,270	3,070	5,024	6,366
EARNINGS BEFORE TAXES	**-10,619**	**14,723**	**-22,217**	**31,834**
Income taxes	2,463	-4,935	2,895	-9,914
NET PROFIT/LOSS FOR THE PERIOD	**-8,156**	**9,788**	**-19,322**	**21,920**
Profit/loss attributable to minority interests	-416	1,019	-525	1,867
Profit/loss attributable to equity holders of Homag Group AG	**-7,740**	**8,769**	**-18,797**	**20,053**
Earnings per share attributable to the equity holders of Homag Group AG in EUR (basic and diluted)	-0.50	0.56	-1.20	1.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR k	2009 04/01-06/30	2008 04/01-06/30	2009 01/01-06/30	2008 01/01-06/30
GROUP NET PROFIT/LOSS FOR THE PERIOD	**-8,156**	**9,788**	**-19,322**	**21,920**
Currency effects	-685	468	-283	-1,266
Actuarial gains and losses	-149	105	-139	105
Income taxes on income and expenses recognized directly in equity	37	-33	34	-33
OTHER COMPREHENSIVE INCOME	**-797**	**540**	**-388**	**-1,194**
TOTAL COMPREHENSIVE INCOME	**-8,953**	**10,328**	**-19,710**	**20,726**
Profit/loss attributable to minority interests	-649	1,093	-541	1,783
Profit/loss attributable to equity holders of Homag Group AG	**-8,304**	**9,235**	**-19,169**	**18,943**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR k		Jun. 30, 2009	Dec. 31, 2008
NON-CURRENT ASSETS			
I.	Intangible assets	50,736	33,802
II.	Property, plant and equipment	145,517	141,994
III.	Investments in associates	5,371	6,046
IV.	Other investments	824	834
V.	Other financial assets	2,956	3,214
VI.	Other assets and prepaid expenses	142	855
VII.	Income tax receivables	3,317	3,250
VIII.	Deferred taxes	15,291	12,404
		224,154	**202,399**
CURRENT ASSETS			
I.	Inventories	125,753	134,794
II.	Receivables and other assets		
	Trade receivables	91,649	121,186
	Receivables from long-term construction contracts	17,593	25,170
	Receivables due from associates	3,767	6,986
	Other assets and prepaid expenses	25,043	16,768
	Income tax receivables	6,250	5,450
III.	Cash and cash equivalents	39,843	38,588
		309,898	**348,942**
TOTAL ASSETS		**534,052**	**551,341**

EQUITY AND LIABILITIES

EUR k		Jun. 30, 2009	Dec. 31, 2008
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	114,192	87,664
IV.	Net profit/loss for the period	-18,797	31,944
	Equity attributable to equity holders	144,059	168,272
V.	Minority interests	14,484	15,674
		158,543	**183,946**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	112,292	116,560
II.	Other non-current liabilities	11,902	2,569
III.	Pensions and other post employment benefits	2,327	2,243
IV.	Obligations from employee participation	10,989	10,597
V.	Other non-current provisions	4,775	5,016
VI.	Deferred taxes	14,134	15,455
		156,419	**152,440**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	61,536	39,580
II.	Trade payables	47,773	55,603
III.	Payments on account	15,066	26,616
IV.	Liabilities from long-term construction contracts	2,587	1,931
V.	Liabilities to associates	1,255	1,466
VI.	Other financial liabilities	370	556
VII.	Other current liabilities and deferred income	72,273	68,743
VIII.	Tax liabilities	6,304	5,565
IX.	Pensions and other post employment benefits	49	38
X.	Other current provisions	11,877	14,857
		219,090	**214,955**
TOTAL LIABILITIES		**375,509**	**367,395**
TOTAL EQUITY AND LIABILITIES		**534,052**	**551,341**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR k	**2009 01/01-06/30**	2008 01/01-06/30
1. CASH FLOW FROM OPERATING ACTIVITIES		
Profit or loss before taxes	-22,217	31,834
Income tax paid (-)	-2,164	-7,088
Interest result	4,252	5,527
Interest paid (-)	-4,813	-6,111
Interest received (+)	745	825
Write-downs (+)/write-ups (-) of non-current assets (netted)	12,263	10,540
Increase (+)/decrease (-) in provisions	-3,683	3,943
Other non-cash expenses (+)/income (-)	0	104
Share of profit or loss of associates	611	17
Gain (-)/loss (+) on disposals of non-current assets	26	10
Increase (-)/decrease (+) in inventories, trade receivables and other assets	57,559	-38,278
Increase (+)/decrease (-) in trade receivables and other liabilities	-26,458	15,121
CASH FLOW FROM OPERATING ACTIVITIES	**16,121**	**16,444**
2. CASH FLOW FROM INVESTING ACTIVITIES		
Cash received (+) from disposals of property, plant and equipment	1,023	653
Cash paid (-) for investments in property, plant and equipment	-6,609	-8,966
Cash paid (-) for investments in intangible assets	-8,360	-4,796
Cash paid (-) for the acquisition of consolidated companies	-12,496	0
CASH FLOW FROM INVESTING ACTIVITIES	**-26,442**	**-13,109**

EUR k	2009 01/01-06/30	2008 01/01-06/30
3. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends	-4,706	-14,119
Cash paid (-) to minority interests	-1,700	-1,595
Cash received (+) from the issue of (financial) liabilities	33,839	1,775
Cash repayment (-) of bonds and (financial) liabilities	-15,557	-5,484
CASH FLOW FROM FINANCING ACTIVITIES	**11,876**	**-19,423**
4. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Change in cash and cash equivalents (subtotal 1 - 3)	1,555	-16,088
Net foreign exchange rate related changes in cash and cash equivalents	-300	-307
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**38,588**	**47,613**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**39,843**	**31,218**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR k	Issued capital	Capital reserves	Revenue reserves
			Revenue
Jan. 01, 2008	**15,688**	**32,976**	**69,820**
Other changes			136
Dividends paid			-14,119
Changes from minority interests			164
Transactions with shareholders			**-13,955**
Reclassification to revenue reserves			32,030
Total comprehensive income			
Jun. 30, 2008	**15,688**	**32,976**	**88,031**
Jan. 01, 2009	**15,688**	**32,976**	**87,746**
Other changes			-464
Dividends paid			-4,706
Minority interests from aquisitions			
Changes from minority interests			126
Transactions with shareholders			**-4,580**
Reclassification to revenue reserves			31,944
Total comprehensive income			
Jun. 30, 2009	**15,688**	**32,976**	**114,646**

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**
			136	-40	96
			-14,119	-1,595	-15,714
			164	-164	
			-13,955	**-1,759**	**-15,714**
		-32,030			
66	-1,176	20,053	18,943	1,783	20,726
213	**-1,609**	**20,053**	**155,352**	**15,891**	**171,243**
244	**-326**	**31,944**	**168,272**	**15,674**	**183,946**
			-464		-464
			-4,706	-1,700	-6,406
				1,540	1,540
			126	-489	-363
			-4,580	**-649**	**-5,229**
		-31,944			
-105	-267	-18,797	-19,169	-541	-19,710
139	**-593**	**-18,797**	**144,059**	**14,484**	**158,543**

SELECTED EXPLANATORY NOTES

GENERAL

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

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim condensed consolidated financial statements of Homag Group AG (the HOMAG Group) as of June 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 (IASs) 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 financial statements. In addition, the amendments to IFRSs and the new policies mandatory as of June 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 financial statements.

With the revised version of IAS 1 “Presentation of Financial Statements”, from 2009 onwards the consolidated interim financial statements have received a separate statement of comprehensive income in addition to the income statement. The statement of comprehensive income discloses both the profit/loss for the period and all changes in equity in the period without an effect on income 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 purchase 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 company has been fully consolidated as of the date of acquisition and has made a small positive contribution to the earnings of the Group.

The cost of acquisition amounted to EUR 12,146 k, paid in cash. Of this amount, EUR 145 k constitutes costs directly attributable to the acquisition. In addition, 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 purchase
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 the expected synergies and other benefits from the merger of the activities of BENZ GmbH Werkzeugsysteme into the group of 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 purchase consideration	**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 of companies 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 Group's net assets, financial position and results of operations.

EXPLANATIONS TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUE

In the first half of 2009, the Homag Group generated sales revenue of EUR 240.9 million, down 46.5 percent on the same period of the prior year.

EUR k	2009 04/01-06/30	2008 04/01-06/30	2009 01/01-06/30	%	2008 01/01-06/30	%
Germany	**27,963**	**43,161**	**58,166**	**24.1%**	**84,243**	**18.7%**
Other EU countries	49,490	103,193	102,311	42.5%	202,872	45.1%
Rest of Europe	12,806	28,258	26,447	11.0%	65,181	14.4%
North America	9,087	17,936	12,265	5.1%	39,950	8.9%
South America	6,473	8,867	9,991	4.1%	15,323	3.4%
Asia/Pacific	15,010	19,409	29,441	12.2%	39,863	8.9%
Africa	1,075	2,352	2,310	1.0%	2,617	0.6%
Other countries	**93,941**	**180,015**	**182,765**	**75.9%**	**365,806**	**81.3%**
TOTAL	**121,904**	**223,176**	**240,931**	**100.0%**	**450,049**	**100.0%**

The regions of North America and Rest of Europe saw the greatest percentage fall in sales in comparison to the same period of the prior year. While North America saw a decrease of almost 70 percent, the Rest of Europe suffered a drop of 60 percent.

COST OF MATERIALS

EUR k	**2009 04/01-06/30**	2008 04/01-06/30	**2009 01/01-06/30**	2008 01/01-06/30
Cost of raw materials, consumables and supplies and purchased goods	41,943	102,177	95,773	207,390
Cost of purchased services	2,394	8,848	4,409	17,672
	44,337	**111,025**	**100,182**	**225,062**

In the first half of 2009, the ratio of cost of materials to total operating performance fell to 41.7 percent (prior year: 47.1 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 04/01-06/30**	2008 04/01-06/30	**2009 01/01-06/30**	2008 01/01-06/30
Wages and salaries	49,326	58,019	97,290	115,667
Social security, pension and other benefit costs	9,566	10,140	20,027	20,779
thereof pension benefits	*4,438*	*4,472*	*8,918*	*8,477*
	58,892	**68,159**	**117,317**	**136,446**

EUR k	**2009 04/01-06/30**	2008 04/01-06/30	**2009 01/01-06/30**	2008 01/01-06/30
Result from employee participation	1,735	-2,725	3,380	-5,000

After having 5,404 employees as of September 30, 2008, 5,330 employees as of year end 2008 and 5,152 employees as of March 31, 2009 (after eliminating the 235 BENZ employees), on June 30, 2009 the HOMAG Group still had 4,905 employees (without the 231 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 June 30, 2009 was 5,136.

Following the corresponding collective bargaining agreement concluded in the metal and electrical industry becoming 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 consistent implementation of reduction in capacity in the form of reducing accrued overtime and forced leave permitting personnel expenses to be lowered by EUR 19.1 million between January and June 2009 in comparison to the first half of 2008 (or EUR 26 million excluding the restructuring expense). 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 48.9 percent (prior year: 28.6 percent).

NET PROFIT/LOSS FOR THE PERIOD

Adjusted EBITDA before employee participation income and restructuring/non-recurring expenses comes to EUR -0.5 million in the first half of 2009 (prior year: EUR 53.0 million) and after employee participation to EUR 2.9 million (prior year: EUR 48.0 million). After the income from employee participation and before restructuring/non-recurring expenses, EBIT came to EUR -9.4 million (prior year: EUR 37.4 million). With an expense of EUR 4.9 million (prior year: EUR 5.5 million), the financial result has improved slightly in comparison to the prior-year period. After employee participation income and after restructuring/non-recurring expenses, EBT decreased to EUR -22.2 million (prior year: EUR 31.8 million). The net result for the period comes to EUR -19.3 million (prior year: EUR 21.9 million) which leads after minority interests to earnings per share of EUR -1.20 (prior year: EUR 1.28).

EXPLANATIONS TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Inventories decreased by EUR 9.0 million compared to December 31, 2008, despite the EUR 9.3 million contribution to inventories by the BENZ companies that were consolidated for the first time in 2009.

Trade receivables decreased by EUR 29.5 million compared to the level as of December 31, 2008. This is drop of 24.4 percent. Trade receivables from long-term construction contracts were down EUR 7.6 million or 30.1 percent. Deferred tax assets rose by EUR 2.9 million.

Cash and cash equivalents increased by EUR 1.3 million compared to December 31, 2008 and compared to March 31, 2009 by EUR 12.4 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 half of 2009 and due to the dividend distribution the equity ratio declined compared to December 31, 2008 from 33.4 to 29.7 percent.

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

	2009 **01/01-06/30**	2008 01/01-06/30
Profit/loss for the period attributable to equity holders of Homag Group AG for the calculation of the undiluted earnings in EUR k	-18,797	20,053
UNDILUTED EARNINGS PER SHARE ACCORDING TO IAS 33 IN EUR	**-1.20**	**1.28**
Weighted average number of shares (basis for the calculation of the earnings per share)	15,688	15,688

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 reported an increase of EUR 4.0 million in comparison to December 31, 2008. Current liabilities increased by EUR 4.1 million in comparison to fiscal year 2008. Trade payables dropped EUR 7.8 million and payments on account dropped EUR 11.6 million.

Due above all to the acquisition of BENZ GmbH Werkzeugsysteme and the distributed dividends, the net liabilities to banks as of June 30, 2009 increased from EUR 78.5 million as of December 31, 2008 to EUR 96.8 million. Compared with the EUR 117.8 million as of March 31, 2009, this was, however, a decrease in net liabilities to banks, due above all to a reduction in current assets.

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 pays special attention to simple operation and flexible applications combined with 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 all times, from consulting to sales or rapid response 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 Homag Group is subdivided into the segments Industry, Cabinet Shops, Sales & Service and Other.

EUR k	Industry 2009 01/01 -06/30	Industry 2008 01/01 -06/30	Cabinet Shops 2009 01/01 -06/30	Cabinet Shops 2008 01/01 -06/30	Sales & Services 2009 01/01 -06/30	Sales & Services 2008 01/01 -06/30
Third-party sales	99,892	178,786	36,741	53,945	83,406	167,563
Sales with group companies from other segments	27,636	74,115	21,381	60,060	1,149	1,482
Sales with investments recognized at equity	5,104	14,797	1,932	10,306	79	4
TOTAL SALES REVENUE	**132,632**	**267,698**	**60,054**	**124,311**	**84,634**	**169,049**
SEGMENT RESULT[1)]	**1,775**	**28,892**	**-4,053**	**16,029**	**595**	**5,324**
Restructuring/non-recurring expenses	**-5,548**	**0**	**-1,614**	**0**	**-539**	**0**
SEGMENT RESULT[2)]	**-3,773**	**28,892**	**-5,667**	**16,029**	**56**	**5,324**
Depreciation of property, plant and equipment and amortization of intangible assets	-7,736	-6,421	-2,648	-2,471	-974	-844
Result from employee participation	2,361	-3,769	967	-997	0	0
Share in result of associates	-166	-131	-6	0	-439	114
Interest result	-2,545	-1,096	-593	-531	-96	-132
EARNINGS BEFORE TAXES	**-11,859**	**17,475**	**-7,947**	**12,030**	**-1,453**	**4,462**
EMPLOYEES[3)]	**2,858**	**2,710**	**1,113**	**1,136**	**729**	**655**

EUR k	Industry 2009 Jun. 30	Industry 2008 Dec. 31	Cabinet Shops 2009 Jun. 30	Cabinet Shops 2008 Dec. 31	Sales & Services 2009 Jun. 30	Sales & Services 2008 Dec. 31
SEGMENT ASSETS	**378,645**	**387,377**	**127,526**	**144,953**	**150,351**	**179,837**

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

[2)] EBITDA before taking into account employee participation

[3)] Average of the period

Other		Total segments		Consolidation		Group	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
01/01 -06/30	01/01 -06/30	**01/01 -06/30**	01/01 -06/30	**01/01 -06/30**	01/01 -06/30	**01/01 -06/30**	01/01 -06/30
10,695	18,757	230,734	419,051	0	0	230,734	419,051
6,235	16,512	56,401	152,169	-56,401	-152,169	0	0
3,082	5,891	10,197	30,998	0	0	10,197	30,998
20,012	**41,160**	**297,332**	**602,218**	**-56,401**	**-152,169**	**240,931**	**450,049**
-462	**4,307**	**-2,145**	**54,552**	**1,665**	**-1,532**	**-480**	**53,020**
-271	**0**	**-7,972**	**0**	**0**	**0**	**-7,972**	**0**
-733	**4,307**	**-10,117**	**54,552**	**1,665**	**-1,532**	**-8,452**	**53,020**
-924	-906	-12,282	-10,642	0	0	-12,282	-10,642
52	-234	3,380	-5,000	0	0	3,380	-5,000
0	0	-611	-17	0	0	-611	-17
-1,019	1,956	-4,253	197	1	-5,724	-4,252	-5,527
-2,624	**5,123**	**-23,883**	**39,090**	**1,666**	**-7,256**	**-22,217**	**31,834**
581	**675**	**5,281**	**5,176**	**0**	**0**	**5,281**	**5,176**

Other		Total segments		Consolidation		Group	
2009 Jun. 30	2008 Dec. 31	**2009 Jun. 30**	2008 Dec. 31	**2009 Jun. 30**	2008 Dec. 31	**2009 Jun. 30**	2008 Dec. 31
232,153	**240,584**	**888,675**	**952,751**	**-354,623**	**-401,410**	**534,052**	**551,341**

OTHER EXPLANATIONS

LIGITATION RISKS

The Homag Group or its group entities were not involved in any litigation or arbitration proceedings that could have a significant 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 was paid out after the annual general meeting in July 2009.

Trade to the value of EUR 10.3 million was performed with associates in the first six months of the year (prior year: EUR 31.1 million). Goods and services worth EUR 0.5 million were received from associates (prior year: EUR 1.2 million).

EVENTS AFTER THE REPORTING PERIOD

From September 1, 2009, Rolf Knoll will assume the function of CEO in addition to his responsibility for group operations. Jürgen Köppel, since 2004 general manager of the Homag production company Brandt Kantentechnik GmbH, will become the new Head of Sales on the management board from January 1, 2010 at the latest.

Dr. Joachim Brenk, current CEO of Homag Group AG and responsible for sales, service and marketing, is leaving the company of his own volition to take up a new challenge.

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

There were no other significant events after the reporting period.

Schopfloch, August 12, 2009

Homag Group AG,
The Management Board

DECLARATION OF THE LEGAL REPRESENTATIVE

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

Schopfloch, August 2009

Homag Group AG
The Management Board

DR. JOACHIM BRENK

ANDREAS HERMANN

ACHIM GAUSS

HERBERT HÖGEMANN

ROLF KNOLL

REVIEW REPORT

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

TO HOMAG GROUP AG, SCHOPFLOCH

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and selected explanatory notes, together with the interim group management report of Homag Group AG, Schopfloch, for the period from January 1 to June 30, 2009, which are part of the six-monthly financial report pursuant to Sec. 37w German Securities Trading Act (WpHG). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the interim condensed consolidated financial statements and the interim group management report based on our review.

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

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

Stuttgart, August 12, 2009

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Blesch
Wirtschaftsprüfer
[German Public Auditor]

Vögele
Wirtschaftsprüferin
[German Public Auditor]

FINANCIAL CALENDAR, CONTACTS AND DISCLAIMER

FINANCIAL CALENDAR

November 9, 2009	German Equity Forum
November 13, 2009	Interim report Q3/2009

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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 the 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 the 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