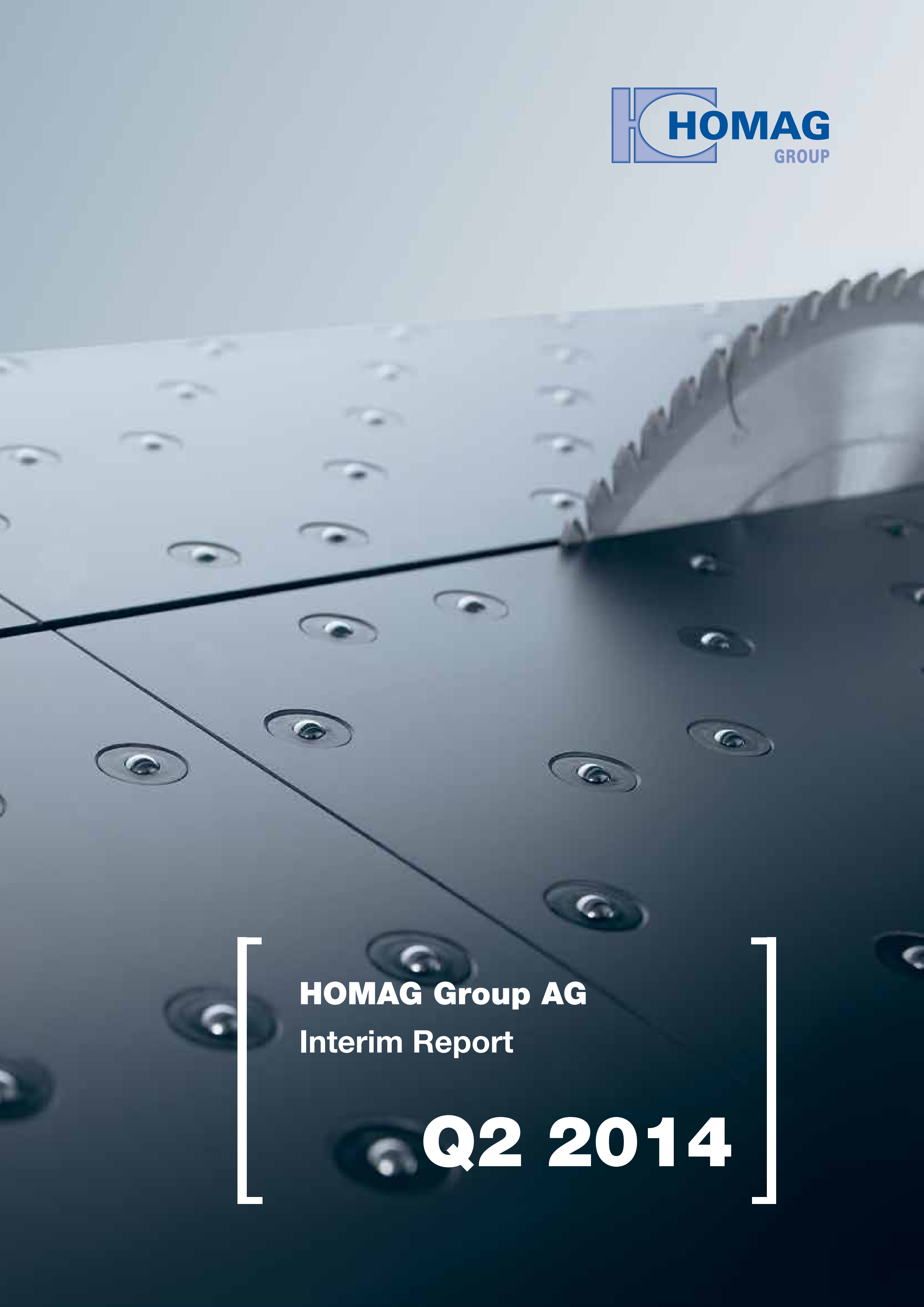


HOMAG Group AG

Interim Report

Q2 2014

HOMAG Group
Key Figures

FIGURES IN EUR MILLION	H1 2014	H1 2013	H1 2012	H1 2011
Total sales revenue	430.5	372.0	376.0	374.3
Central Europe [1]	96.4	133.2	141.7	113.4
Western Europe [1]	75.6	49.8	56.3	75.5
Eastern Europe [1]	101.4	67.4	71.8	71.0
North America [1]	70.4	33.1	25.6	30.9
South America [1]	10.3	20.3	17.2	19.2
Asia/Pacific [1]	71.4	63.8	56.7	59.2
Africa [1]	5.0	4.4	6.7	5.1
Operative EBITDA [2 3]	38.3	27.1	30.9	28.6
Operative EBITDA [2 3] as % of sales revenue	8.9	7.3	8.2	7.6
EBIT [2]	18.3	10.9	16.0	11.2
EBIT [2] as % of sales revenue	4.3	2.9	4.2	3.0
EBT	12.2	7.4	8.3	5.0
EBT as % of sales revenue	2.8	2.0	2.2	1.3
Net profit after non-controlling interests	7.4	4.1	3.0	1.5
Earnings per share in EUR [4]	0.47	0.26	0.19	0.10
ROCE [5] after taxes as %	11.4	5.6	8.3	6.4
HVA [6] as %	1.4	-3.8	-1.2	-2.7
Free cash flow [7]	3.3	-6.8	0.0	-18.3
Equity as of the reporting date	179.3	165.1	164.3	164.3
Equity ratio as %	29.9	29.4	28.3	28.7
Net liabilities to banks	74.2	103.2	83.0	91.6
Net debt to EBITDA ratio [8]	0.9	1.5	1.1	1.4
Investments / capitalized intangible assets [9]	5.5	8.1	8.7	8.0
Investments in property, plant and equipment [9]	5.4	2.8	9.4	5.3
Amortization of intangible assets [9]	7.3	7.3	5.7	5.7
Depreciation of property, plant and equipment [9]	6.7	6.7	6.8	7.0
Employees (average in period)	5,427	5,030	5,073	5,077
of which trainees	313	328	336	364
Order intake [10]	443.8	395.5	390.3	420.9
Order backlog as of the reporting date [10]	288.0	261.3	234.5	252.0

1 Conversion to allocation of sales revenue by geographical segment similar to order intake
2 Before taking into account employee participation
3 Before restructuring/non-recurring expenses
4 Net profit/loss after non-controlling interests, based on 15,688,000 shares
5 (Adjusted EBIT[1 2] for the first six months x 2 x 70%) / capital employed (non-current assets + net working capital)
6 ROCE after taxes less weighted average cost of capital employed
7 Cash flow from operating activities plus cash flow from investing activities
8 Net liabilities to banks / (operative EBITDA[1 2] for the last 4 quarters accumulated)
9 Excluding leases
10 Order intake and order backlog contain own machines, merchandise of production companies and the after-sales segment

HOMAG Group
Company Profile

The formula for the success of the HOMAG Group has been based for more than 50 years on the work of visionaries with innovative power. With passion and dedication, they have taken the Group to the summit. Today, the HOMAG Group is the global leader in the manufacture of plant and machinery for wood processing, with more than 5,400 employees and an estimated market share of 28 percent. Many groundbreaking developments have grown from our employees' ideas that have changed the world of wood processing and have made the HOMAG Group the global innovation and market leader in the industry.

On the HOMAG Group's high-tech plant and machinery, customers produce home and office furniture, kitchens, parquet and laminate flooring, windows, doors, stairs and also complete wooden house construction systems. The offering ranges from entry-level machines for cabinet shops to complete production lines for highly industrialized series production or even highly flexible production lines for the manufacture of individual furniture items. Add to this a comprehensive range of services that is perfectly tailored to all plant and machinery produced by the Group. The HOMAG Group sells its plant and machinery in more than 90 countries and is represented in all key and growing regions with sales and service companies as well as production facilities.

Content

Letter to the Shareholders

Dear shareholders,

We can report on a successful second quarter of 2014, in which we were able to continue our course of profitable growth. An increase in order intake of nearly 20 percent compared to the prior year, which was also shaped by a very strong project business, is an impressive testament to the fact that we have the right products for our customers. This was also evident at the Xylexpo trade fair in Milan in May. We were very satisfied with the results of this trade fair and that we were able to win an important innovation price at the event. We were able to raise our already good order backlog further thanks to strong order intake and have surpassed the figure from year-end 2013 by around EUR 80 million. Order backlog has thus reached the highest level since 2008.

We are progressing as planned with the integration of Stiles Machinery, Inc., which was fully taken over in February 2014. Thanks to the acquisition, we have been able to fully participate in the current extremely positive development of the US market, as we had expected. Stiles was responsible for almost half of the 16 percent increase in sales revenue between April and June.

Our earnings indicators improved faster than sales revenue in the second quarter of 2014, which meant we were also able to improve all earnings margins. In this context, operative EBITDA rose by around 53 percent and we more than doubled the profit for the period, despite the fact that the Stiles acquisition still slightly burdened the operative EBITDA in the second quarter. The good results show that our measures to optimize earnings are taking effect. We further increased our productivity and are continuing on this path. In addition, we extended our syndicated loan agreement early at further improved conditions in the second quarter of 2014. Our plans for growth thus continue to be backed by sound financing.

We are currently paying very close attention to developments in Russia. Despite the political tensions between the Ukraine and Russia, currency fluctuations and the associated high level of uncertainty, we currently only register a slight decrease in business development in Russia. In the first half of the year, we were able to more than compensate for this decline in eastern Europe as a whole with strong revenue in certain markets such as Poland. Once the political situation stabilizes, we anticipate the Russian market to see further growth in the medium term and we will expand our sales organization.

On July 15, 2014, Dürr AG announced that it intends to acquire a majority shareholding in HOMAG Group AG. We see the planned acquisition as a sign of appreciation of our HOMAG Group, our employees and management as well as our products and services. It also demonstrates faith in our course of profitable growth and provides encouragement to continue along this path.

Outlook

Following a successful first half of the year, we confirm our forecasts for 2014 and still aim to further increase our order intake and achieve a level of between EUR 760 million and EUR 780 million based on the new calculation method (fiscal 2013 restated: EUR 734 million). The acquisition of the sales company, Stiles, does not have any effect on the amount of order intake based on our method of calculation. With regard to the Group's sales revenue, we intend to generate between EUR 860 million and EUR 880 million in 2014 (fiscal 2013: EUR 789 million). About half of sales revenue growth is expected to result from the Stiles acquisition.

We expect our operative EBITDA before employee profit participation expenses and before extraordinary expenses to range between EUR 82 million and EUR 84 million in 2014 (fiscal 2013: EUR 75.8 million) and the Group to return a net profit for the year ranging between EUR 20 million and EUR 22 million (fiscal 2013: EUR 18.4 million). The full consolidation of Stiles will have a slightly negative impact on these two earnings figures in 2014 as the consolidation and purchase price allocation effects together with the acquisition-related costs at Stiles are expected to slightly exceed the additional contribution to profit. We anticipate a positive contribution to earnings from the acquisition as of 2015.

Schopfloch, August 2014

The management board

Dr. Markus Flik

Harald Becker-Ehmck

Jürgen Köppel

Hans-Dieter Schumacher

Share Report

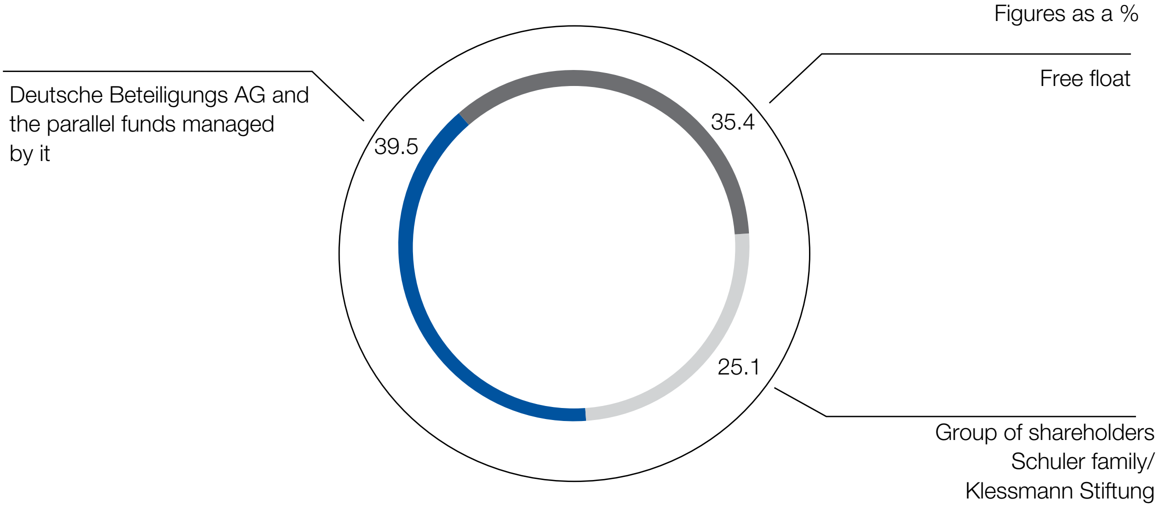
In the second quarter of 2014, stock markets reached a new all-time high after gaining some ground on top of what was already a high level. Further measures of the European Central Bank with an expansionary monetary policy, an improvement in US economic data, lively M&A activities as well as convincing figures reported by companies in some instances contributed to this development. These positive factors more than compensated for negative effects such as the crises in the Ukraine and Iraq, weaker economic figures in the eurozone as well as slightly weaker growth in China. DAX, MDAX and SDAX rose accordingly by between 2 percent and 3 percent from April to June; TecDAX improved by nearly 5 percent.

Following sideward movement in the first quarter of 2014, the HOMAG Group share was able to rise considerably in the second quarter. The share rose in particular starting in the middle of May and stood at EUR 24.01 on June 30, 2014. This represents a gain of more than 26 percent in the reporting quarter.

The continued Ukraine crisis and the associated conflict with Russia in particular had a negative impact on stock markets in July. DAX, MDAX, TecDAX and SDAX each lost between 4 percent and 7 percent. The HOMAG share had reached nearly EUR 25 before the announcement of Dürr AG's planned acquisition of the majority shareholding in HOMAG Group AG. Following the ad hoc announcement on July 15, 2014, our share temporarily rose to more than EUR 27 and closed the month at EUR 26.69.

Around 270 shareholders attended our annual general meeting on June 3, 2014 in Freudenstadt. The management board informed shareholders on the development of business in 2013, on the start to the current fiscal year as well as further prospects and our strategy. Shareholders' questions were then answered and those present then agreed to the proposal by the management and supervisory boards to distribute a dividend for fiscal 2013 of EUR 0.35. This represents a 40 percent increase on the prior year (EUR 0.25). The annual general meeting also approved to conclude a domination and profit and loss transfer agreement between HOMAG Group AG and HOMAG Holzbearbeitungssysteme GmbH. The management board and the supervisory board were exonerated.

Shareholder Structure as of July 31, 2014[1]



1 Method of calculation according to Deutsche Börse AG

As part of our active capital market communication, we again informed investors and analysts as well as interested members of the general public in detail about the HOMAG Group in the second quarter of 2014. We presented our company at roadshows in London, Frankfurt and Paris, held several talks and phone calls with investors and analysts and presented the results of the first quarter of 2014 in a conference call for analysts. We also kept the general public informed with three press releases concerning the key developments at the HOMAG Group.

Share Performance Indicators

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
XETRA code		HG1
IPO	July 13, 2007	
Number of shares	no-par value ordinary bearer shares	15,688,000
Price high* (January 2, 2014 – June 30, 2014)	July 15, 2014	EUR 27.21
Price low* (January 2, 2014 – June 30, 2014)	March 14, 2014	EUR 18.27
Price* as at June 30, 2014		EUR 26.85
Earnings per share	January 1, 2014 – June 30, 2014	EUR 0.47
Market capitalization (June 30, 2014)		EUR 421.2 million

*Xetra closing quote

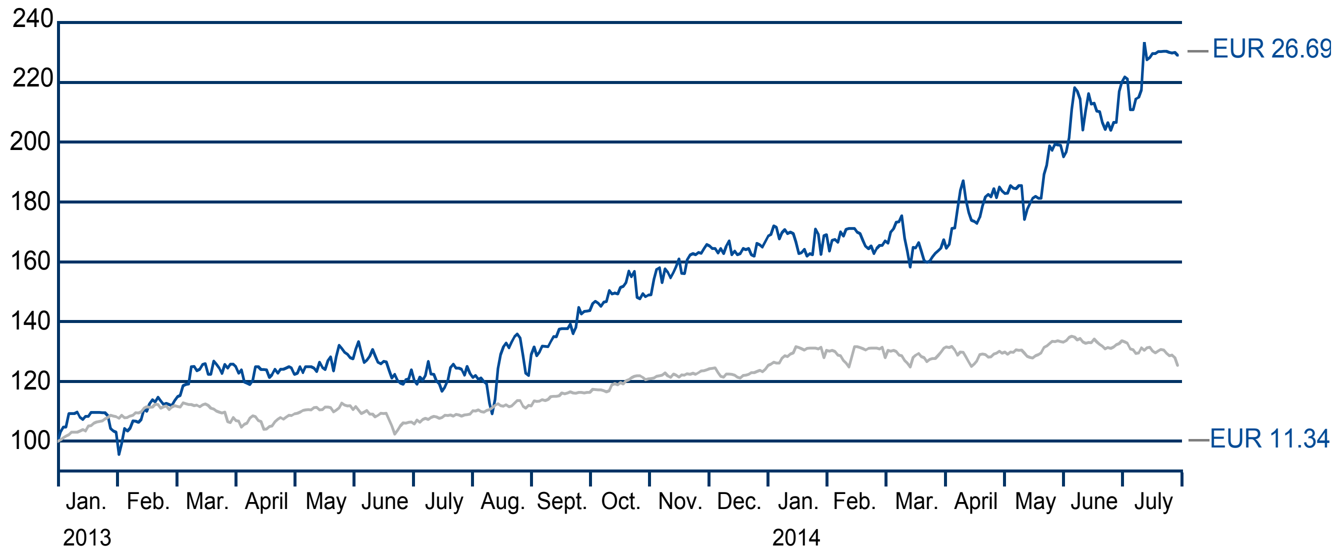
Performance of the HOMAG Group AG Share in comparison with the SDAX

January 2, 2013 to July 31, 2014

FIGURES AS A %

HOMAG Group AG

SDAX indexed



Source: XETRA, stock performance indexed (January 2, 2013 = 100)

Interim Management Report as of June 30, 2014

Economic Environment

In a current forecast, the IfW ["Institut für Weltwirtschaft": World Economics Institute] anticipates faster global economic expansion. The economy is gradually picking up momentum in particular in advanced economies, although the strong growth in demand is counterbalanced by the ongoing consolidation processes in many countries. The economy continues to improve slightly in the eurozone, although developments vary widely among member states. Economic activity in emerging economies remains rather moderate and it will no longer be possible to match the high growth rates of the past. By contrast, key indicators in China recovered again and strong growth was recorded in the second quarter. The IfW expects the global economy to continue to recover in the second half of 2014 and in 2015.

In Germany, the economic situation improved further, even though growth in the second quarter was slightly weaker than in the first three months of 2014. The underlying trend of the economy has improved, which can be seen according to IfW experts in an upswing in investment in capital goods and a significant increase in private consumption. The pace of economic growth is expected to increase over the rest of the year. The ifo business climate index, however, fell for the third consecutive time in July. Geopolitical tensions throughout the world have negatively impacted the German economy as well.

According to the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], order intake in the German mechanical and plant engineering sector rose by 2 percent in the second quarter of 2014. In this respect, domestic orders rose by 3 percent and orders from abroad rose by 1 percent. Based on information from the competent trade association within the VDMA, order intake in the secondary wood processing segment, the segment of relevance to HOMAG, rose by 8 percent between April and June 2014, not taking price adjustments into account. This mainly stems from good domestic demand. Sales revenue rose by 14 percent, with a clear plus seen abroad in this respect, while sales revenue in Germany saw a slight decline.

Business Development

At the HOMAG Group, we look back on a successful second quarter of 2014, in which we significantly improved both order intake and sales revenue as well as all earnings indicators in comparison to the prior-year quarter. We were also very satisfied with the results of the important Xylexpo trade fair in May in Milan. At this trade fair, we were able to welcome a higher number of visitors than in the past and make numerous promising contacts. Integration of Stiles Machinery, Inc., the leading sales and service organization for machines and production lines for the US woodworking industry which we acquired in February 2014, is proceeding as planned. This acquisition still gives rise to non-recurring effects that will impact our statement of financial position and our income statement. We refer to the pertinent sections of this quarterly report for details of these effects.

In the second quarter of 2014, we were able to increase our order intake by almost 20 percent to EUR 214.5 million (prior year restated: EUR 179.2 million). We recorded particularly high demand in the project business which grew considerably in the second quarter. It should be noted that we have changed how order intake is calculated to increase comparability with sales revenue. The merchandise of the production companies, used machines, modifications and the after-sales segment will be included in order intake from now on. The prior-year figure was restated accordingly. The sales company Stiles, which has been fully consolidated since February, does not affect order intake under our calculation method.

After having returned our highest order backlog figure since 2008 at EUR 261.3 million as of June 30, 2013, we were able to top this figure once again by just over 10 percent to EUR 288.0 million as of June 30, 2014. Order backlog is also calculated using the new method. The prior-year figure has been restated accordingly. Compared to year-end 2013 (restated: EUR 207.6 million), this represents an increase of around EUR 80 million in order backlog.

We were able to increase our sales revenue by almost 16 percent to EUR 225.8 million (prior year: EUR 195.3 million). In this context, around EUR 15 million stems from the Stiles acquisition. It should be noted in this respect that, apart from sales revenue at Stiles with non-Group products, the additional increase in sales revenue is merely attributable to the gross profit margin on sales revenue with HOMAG Group products. After eliminating effects from the Stiles acquisition, this represents an increase in sales revenue of almost 8 percent. Total operating performance came to EUR 231.0 million (prior year: EUR 194.8 million). In this context, own work capitalized was reduced as planned. By contrast, inventories rose on account of Stiles inventories overcompensating for the actual reduction of inventories.

Within our worldwide sales regions, central Europe (Germany, Austria and Switzerland) developed positively with an order intake in the second quarter significantly above the prior year. After a somewhat slow start in the first quarter, western Europe had a good second quarter, characterized by successful project business as well as a healthy standalone machine business in the region. Both regions therefore exceeded prior-year order intake in the first half of the year.

Due to the difficult situation in Russia, eastern Europe did not quite match the prior-year order intake level in the second quarter. This also applies to the first half of the year.

The Americas region, driven by the US and Canada, returned convincing results in order intake in the second quarter. Thanks to the acquisition of Stiles, we were able to fully participate in the strong market development in the US. As a result, we were able to more than compensate for the weaker trend in South and Central America .

Asia also returned convincing results with a second quarter above the prior year. This meant that order intake over the first half of the year was significantly above the prior year. The good development of order intake is not only attributable to the Chinese market, but rather represents a sound, broad basis in the region as a whole. The structural measures in the service and sales division of the past years are now bearing fruit.

Thanks to the good first quarter of 2014 and the very strong reporting quarter, our order intake rose by more than 12 percent to EUR 443.8 million in the first half of 2014 according to the new calculation method (prior year restated: EUR 395.5 million). Sales revenue rose by almost 16 percent to EUR 430.5 million (prior year: EUR 372.0 million). Approximately EUR 26 million of this amount stems from the Stiles acquisition. Total operating performance came to EUR 451.4 million (prior year: EUR 389.7 million).

Results of Operations

We were able to raise our earnings indicators faster than sales revenue between April and June 2014, thus improving our earnings margins. This was achieved despite the fact that, after balancing up all effects, the Stiles acquisition slightly burdened the operative EBITDA in the second quarter of 2014. This also shows that the measures to optimize earnings are taking effect and that we are continuing to sustainably improve the operating performance.

Primarily on account of positive exchange rate effects our other operating income rose to EUR 6.1 million (prior year: EUR 4.4 million).

Due to the impairing impact on earnings figures of the purchase price allocation and intercompany profits in connection with Stiles, we have now decided to report these effects in extraordinary expenses. This means that, adjusted for the allocable Stiles expense, operative EBITDA before employee profit participation expenses and before extraordinary expenses would have come to EUR 17.4 million in the first quarter of 2014, rather than EUR 15.1 million.

In the second quarter of 2014 our operative EBITDA developed favorably, rising by about 53 percent to EUR 20.9 million (Q2 2013: EUR 13.7 million).

Our personnel expenses rose to EUR 81.8 million in the second quarter of 2014 mainly as a result of our increase in personnel primarily due to the Stiles acquisition (prior year: EUR 71.9 million). The collectively bargained wage increase in Germany is also having an impact. The decrease in the ratio of personnel expenses to total operating performance to 35.4 percent (prior year: 36.9 percent) demonstrates the further increase in our productivity, however.

As a result of the significant increase in sales revenue, our cost of materials also rose to EUR 101.5 million (prior year: EUR 81.7 million). The ratio of cost of materials to total operating performance increased to 44.0 percent (prior year: 41.9 percent). Cost of materials includes the continuing disposal of Stiles' inventories, which should be seen as sales revenue from the sale of merchandise on account of the acquisition until stocks have been fully replaced. The ratio of cost of materials to total operating performance adjusted for the Stiles effects came to 41.8 percent.

Extraordinary expenses within operative EBITDA rose to EUR 2.4 million in the reporting quarter (prior year: EUR 1.0 million). Of this amount, EUR 2.2 million stems from the Stiles acquisition.

Our employee participation expenses increased to EUR 2.0 million (prior year: EUR 0.9 million). This is primarily due to the decline in the interest rate, which has led to a lower discounting effect for non-current obligations. In accordance with International Financial Reporting Standards, this interest rate used is to be determined by reference to market yields as of the reporting date on high-quality fixed interest bearing corporate bonds. In addition, nearly all entities that have employee profit participation programs developed well.

Our EBIT before employee profit participation expenses and after extraordinary expenses more than doubled to EUR 10.9 million in the second quarter of 2014 (prior year: EUR 5.1 million). At EUR -1.2 million, our interest result is roughly at the prior-year level (EUR -1.3 million). Our profit/loss from associates decreased to EUR 0.4 million on account of Stiles' contribution to earnings which is no longer included here (prior year: EUR 0.9 million). This gives rise to a financial result of EUR -0.8 million (prior year: EUR -0.4 million). Nevertheless, EBT after employee participation expenses and after extraordinary expenses likewise rose by more than 100 percent to EUR 8.2 million (prior year: EUR 3.8 million).

We were able to further reduce our tax expense ratio to 35 percent (prior year: 38 percent) which gave rise to a net profit for the period after non-controlling interests of EUR 4.9 million (prior year: EUR 2.2 million). Earnings per share rose to EUR 0.31 (prior year: EUR 0.14).

In the first half of 2014, our operative EBITDA before employee profit participation expenses and before extraordinary expenses increased by 41 percent to EUR 38.3 million (prior year: EUR 27.1 million). Extraordinary expenses within operative EBITDA rose to EUR 4.8 million (prior year: EUR 1.1 million). Of this amount, EUR 4.2 million stems from the Stiles acquisition. EBIT before employee profit participation expenses and after extraordinary expenses rose by 68 percent to EUR 18.3 million (prior year: EUR 10.9 million) and EBT after employee profit participation expenses and after extraordinary expenses to EUR 12.2 million (prior year: EUR 7.4 million). The net profit for the period after non-controlling interests improved by around 82 percent to EUR 7.4 million (prior year: EUR 4.1 million) due to the significantly improved tax ratio of 35 percent (prior year: 42 percent) in the first half of 2014. This resulted in earnings per share of EUR 0.47 (prior year: EUR 0.26).

Net Assets and Financial Position

A significant financial event in the second quarter of 2014 was the early extension of the syndicated loan agreement concluded in 2012, whereby we were once again able to considerably improve the conditions of the agreement. In addition, extensive collateral was released. The new term of the loan is five years and, like the former agreement, is subject to compliance with specific covenants. Both the syndicate of banks led by Commerzbank, Deutsche Bank and UniCredit as well as the volume of EUR 210 million are identical to the former agreement. The former agreement would have expired in September 2016.

Compared to year-end 2013, our consolidated statement of financial position as of June 30, 2014, is still for the most part shaped by the full consolidation of Stiles as of February 3, 2014. Our total assets at the end of the second quarter rose to EUR 599.9 million (December 31, 2013: EUR 543.9 million). Despite a rise in sales revenue, this figure decreased again compared to March 31, 2014 (EUR 616.5 million) above all due to repayments made from cash and cash equivalents.

On the assets side, inventories rose to EUR 182.1 million on account of the Stiles acquisition (around EUR 36 million) and the good order situation (December 31, 2013: EUR 133.5 million). Trade receivables likewise rose above all due to the Stiles acquisition. Receivables due from associates no longer include Stiles, meaning that these receivables decreased to EUR 7.3 million (December 31, 2013: EUR 15.4 million). We took advantage of the rise in cash and cash equivalents to settle liabilities. This resulted in a decrease in cash and cash equivalents to EUR 33.3 million (December 31, 2013: EUR 44.9 million). Furthermore, we distributed dividends and employee profit participation payouts from cash and cash equivalents in the second quarter of 2014.

Owing to the good business development, on the equity and liabilities side, our equity rose to EUR 179.3 million (December 31, 2013: EUR 177.7 million). On account of the rise in total equity and liabilities, the equity ratio decreased to 29.9 percent as of June 30, 2014 (December 31, 2013: 32.7 percent), although this represents an increase on the end of the first quarter (29.1 percent). On account of repayments made, our current financial liabilities were reduced to EUR 37.7 million (December 31, 2013: EUR 59.2 million), while our non-current liabilities rose to EUR 77.6 million (December 31, 2013: EUR 64.0 million) on account of the Stiles acquisition. In addition to the Stiles acquisition, the significant increase in prepayments received to EUR 68.3 million (December 31, 2013: EUR 39.7 million) also stems from the good order backlog as well as our successful negotiations regarding our customer projects.

Compared to the low level as of year-end 2013 (EUR 69.2 million), our net liabilities to banks rose slightly to EUR 74.2 million as of June 30, 2014, on account of dividend payments and employee profit participation payouts. In addition, we also paid the purchase price for the Stiles acquisition of EUR 14.3 million in the first quarter. We nevertheless have significantly reduced our net liabilities to banks in comparison to the prior-year quarter (EUR 103.2 million).

The return on capital employed (ROCE) before taxes on the basis of EBIT before expenses from employee profit participation and before extraordinary expenses improved to 16.2 percent in the second quarter of 2014 (prior year: 8.0 percent). In addition to the good earnings situation, this is also thanks to the good working capital management. After taxes (tax expense ratio used in calculation: 30 percent), ROCE on the basis of EBIT before the result from employee profit participation and before extraordinary expenses came to 11.4 percent (prior year: 5.6 percent).

Our operating cash flow rose to EUR 28.3 million in the first half of the year (prior year: EUR 1.1 million). In addition to the positive development of earnings, this is attributable in particular to strict working capital management. Cash flow from investing activities increased over the same period from EUR -7.9 million to EUR -24.9 million, which is mainly attributable to the Stiles acquisition. Despite the acquisition performed, this results in positive free cash flow of EUR 3.3 million (prior year: EUR -6.8 million). The cash flow from financing activities came to EUR -14.2 million in the first half of 2014 (prior year: EUR -2.2 million). Within the scope of the existing revolving credit lines under the syndicated loan agreement we primarily made current repayments. Moreover, compared to the prior year, we distributed a higher dividend. Cash and cash equivalents thus amounted to EUR 33.3 million as of June 30, 2014 (prior year: EUR 35.4 million).

Employees

As of June 30, 2014, our headcount stood at 5,450 employees, an increase both on the prior year (5,019 employees) and in comparison to the end of the first quarter of 2014 (5,410 employees). This increase on the prior year is mainly attributable to the additional 324 employees in the first quarter from the Stiles acquisition. As a result of the good development of the US market, we also built up our headcount further here in the second quarter. We also further increased the headcount in China and Poland. At the end of the second quarter of 2014, the HOMAG Group employed 161 contract workers (prior year: 96 contract workers).

Capital expenditure

In the second quarter of 2014, we increased capital expenditure again on intangible assets and property, plant and equipment (without leases) to EUR 6.5 million as announced (prior year: EUR 2.3 million). The focal point of our investment was the extension at our Polish production location as well as the implementation of a modern energy concept at our location in Schopfloch. There we have invested in considerably better insulation of production halls as well as new combined heat and power plants and the modernization of existing combined heat and power plants. Capital expenditure contains own development work capitalized of EUR 1.5 million (prior year: EUR 2.0 million). As in the prior year, we invested EUR 10.9 million in the first half of the year.

Research and Development

In order to accommodate our planned growth in a profitable manner, in 2013 we laid the foundation to generate numerous machine lines on the basis of just a few platforms in the future. This allows us to encompass the greater variety on the market while at the same time reducing our inner complexities. In the reporting quarter, we made good progress in this context and plan on presenting the first machine derived from one of these new platforms in the fall of 2014.

This is supplemented by a modular system with standardized interfaces allowing us to deploy key processing units within and between platforms across a variety of machine lines. This reduces development costs and enhances bundling in procurement. This is another area in which good results were achieved in the second quarter.

In the area of high-performance saws, we made innovative changes that resulted in, for example, improved dust extraction. To this end, we have completely overhauled and improved our extraction technology. Furthermore, various components of the machine were optimized in such a way to allow customers to perform regular maintenance tasks in the shortest amount of time possible.

A new ServiceBoard now enables precise remote diagnosis in real time. Using a specially designed app, machine operators worldwide can film machine malfunctions and a HOMAG Group service technician can make a remote diagnosis in real time and regardless of the location. As a result, machine uptime can be restored in an extremely short space of time.

Risk and Opportunities Report

The risk management system in place and the individual business risks and opportunities are described in the annual report 2013, pages 61 to 68. The comments made there are still essentially valid. There are no discernible risks at present that could jeopardize the continuation of HOMAG Group as a going concern.

Subsequent Events

After the end of the reporting period, on July 15, 2014, Dürr AG announced that it intends to acquire a majority shareholding in HOMAG Group AG. To this end, Dürr entered into an agreement with Deutsche Beteiligungs AG, the shareholder pool of the Schuler family and the Klessmann Foundation as well as two other shareholders. Accordingly, Deutsche Beteiligungs AG will sell 39.5 percent, the shareholder pool of the Schuler family and Klessmann Foundation 3 percent and the two other shareholders about 11 percent of the shares in HOMAG Group AG to Dürr, so that Dürr will hold 53.7 percent of the shares.

Dürr further announced that it has been agreed with the Schuler family and the Klessmann Foundation, which hold 25.1 percent of the shares in HOMAG Group AG under a shareholder pool agreement, for Dürr to enter into the pool agreement with 3 percent of the acquired HOMAG shares. The shareholder pool will agree to the conclusion of a domination and/or profit and loss transfer agreement between Dürr and HOMAG Group AG, which would make a total of 75.8 percent of the voting rights attributable to Dürr for the purposes of passing such resolutions in the annual general meeting of HOMAG Group AG.

Forecast Report

At the end of July, the VDMA reduced its forecast for the German mechanical and plant engineering sector from 3 percent to 1 percent for the current fiscal year. This is primarily due to the uncertainty among investors in particular on account of the Ukraine crisis and the resulting conflict with Russia. For the wood processing machines segment, the competent industry association anticipates sales revenue growth in 2014 of 5 percent.

Following a successful first half of 2014, we confirm our forecasts for the HOMAG Group for fiscal 2014. As in the past, our forecasts are subject to the proviso that the global economy will see positive developments, as forecast by economic experts and, in particular, that there are no major disruptions to the global economy.

We aim to further increase our order intake in 2014 and achieve a level of between EUR 760 million and EUR 780 million based on the new calculation method (prior year restated: EUR 734 million). The acquisition of Stiles Machinery, Inc., will not lead to any increase in order intake based on the new method of calculation. With regard to the Group's sales revenue, we intend to generate between EUR 860 million and EUR 880 million in 2014. About half of sales revenue growth is expected to result from the Stiles acquisition.

In 2014, we expect our operative EBITDA before employee profit participation expenses and before extraordinary expenses of between EUR 82 million and EUR 84 million and the Group to return a net profit for 2014 ranging between EUR 20 million and EUR 22 million. The full consolidation of Stiles will have a slightly negative impact on these two earnings figures in 2014 as the consolidation and purchase price allocation effects together with the acquisition-related costs at Stiles are expected to slightly exceed the additional contribution to profit. We anticipate a positive contribution to earnings from the acquisition as of 2015.

Interim Financial Statements as of June 30, 2014

Consolidated Income Statement

FIGURES IN EUR K	2014 04/01 – 06/30	2013 04/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30
Sales revenue	**225,770**	**195,297**	**430,521**	**371,993**
Increase or decrease in inventories of finished goods and work in progress	3,663	-2,852	17,705	12,658
Own work capitalized	1,564	2,397	3,156	5,009
	5,227	-455	20,861	17,667
Total operating performance	**230,997**	**194,842**	**451,382**	**389,660**
Other operating income	6,100	4,449	10,620	8,344
	237,097	**199,291**	**462,002**	**398,004**
Cost of materials	101,535	81,670	196,212	165,237
Personnel expenses before employee participation	81,849	71,891	162,491	145,097
Amortization of intangible assets	3,810	3,694	7,641	7,295
Depreciation of property, plant and equipment	3,753	3,828	7,531	7,733
Other operating expenses	35,215	33,071	69,804	61,739
	226,162	194,154	443,679	387,101
Operating result before employee participation	**10,935**	**5,137**	**18,323**	**10,903**
Expenses from employee participation	2,003	936	3,754	2,144
Net operating profit	**8,932**	**4,201**	**14,569**	**8,759**
Profit/loss from associates	391	933	202	1,468
Interest income	335	685	540	999
Interest expenses	1,493	2,007	3,145	3,849
Earnings before taxes	**8,165**	**3,812**	**12,166**	**7,377**
Income taxes	-2,838	-1,442	-4,257	-3,112
Net profit for the period	**5,327**	**2,370**	**7,909**	**4,265**
Profit attributable to non-controlling interests	413	166	520	215
Profit attributable to owners of Homag Group AG	**4,914**	**2,204**	**7,389**	**4,050**
Earnings per share attributable to owners of Homag Group AG in EUR (basic and diluted)	0.31	0.14	0.47	0.26

Consolidated Statement of Comprehensive Income

FIGURES IN EUR K	2014 04/01 – 06/30	2013 04/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30
Net profit for the period	**5,327**	**2,370**	**7,909**	**4,265**
Currency effects	590	-1,439	-227	-1,424
thereof share of associates included using the equity method	32	-199	25	124
Gains and losses from cash flow hedges	-178	278	-314	149
Taxes attributable to gains and losses from cash flow hedges	64	-78	102	-42
Other income and expenses that can be reclassified to the income statement under certain conditions in future periods	**476**	**-1,239**	**-439**	**-1,317**
Actuarial gains and losses	-299	-62	-299	-153
Income tax on other comprehensive income	33	18	33	18
Other income and expenses that cannot be reclassified to the income statement in future periods	**-266**	**-44**	**-266**	**-135**
Other comprehensive income	**210**	**-1,283**	**-705**	**-1,452**
Total comprehensive income	**5,537**	**1,087**	**7,204**	**2,813**
Total comprehensive income attributable to non-controlling interests	473	150	492	272
Total comprehensive income attributable to owners of Homag Group AG	**5,064**	**937**	**6,712**	**2,541**

Consolidated Statement of Financial Position

FIGURES IN EUR K		June 30, 2014	Dec. 31, 2013
Assets			
Non-current assets			
I.	Intangible assets	72,471	72,074
II.	Property, plant and equipment	126,005	124,961
III.	Investments in associates	4,643	10,143
IV.	Other financial assets	494	494
V.	Receivables and other assets		
	Trade receivables	2,065	1,261
	Other financial assets	774	732
	Other assets and prepaid expenses	292	55
	Income tax receivables	1,302	1,353
VI.	Deferred taxes	9,805	9,006
		217,851	**220,079**
Current assets			
I.	Inventories	182,144	133,509
II.	Receivables and other assets		
	Trade receivables	104,211	90,512
	Receivables from long-term construction contracts	30,115	21,538
	Receivables due from associates	7,299	15,393
	Other assets and prepaid expenses	21,885	14,180
	Income tax receivables	1,845	2,543
III.	Cash and cash equivalents	33,328	44,939
		380,827	**322,613**
IV.	Non-current assets held for sale	1,245	1,245
		382,072	**323,858**
Total assets		**599,923**	**543,937**

FIGURES IN EUR K		June 30, 2014	Dec. 31, 2013
Equity and liabilities			
Equity			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	114,321	102,170
IV.	Net profit for the period	7,389	18,426
	Equity attributable to the owners	170,374	169,260
V.	Non-controlling interests	8,883	8,391
		179,257	**177,651**
Non-current liabilities and provisions			
I.	Non-current financial liabilities	77,562	64,003
II.	Other non-current liabilities	9,236	9,222
III.	Pensions and other post-employment benefits	3,213	2,923
IV.	Obligations from employee profit participation	14,067	13,275
V.	Other non-current provisions	7,173	5,107
VI.	Deferred taxes	15,747	13,135
		126,998	**107,665**
Current liabilities and provisions			
I.	Current financial liabilities	37,689	59,228
II.	Trade payables	71,343	61,155
III.	Prepayments	68,326	39,689
IV.	Liabilities from long-term construction contracts	6,694	2,408
V.	Liabilities to associates	4,208	4,493
VI.	Other financial liabilities	611	156
VII.	Other current liabilities and deferred income	80,844	66,329
VIII.	Tax liabilities	5,887	9,219
IX.	Pensions and other post-employment benefits	74	74
X.	Other current provisions	17,992	15,870
		293,668	**258,621**
Total liabilities		**420,666**	**366,286**
Total equity and liabilities		**599,923**	**543,937**

Consolidated Cash Flow Statement

FIGURES IN EUR K	2014 01/01 – 06/30	2013 01/01 – 06/30
1. Cash flow from operating activities		
Profit or loss for the period before tax	**12,166**	**7,377**
Income tax paid (–)	-8,060	-3,481
Interest result	2,605	2,851
Interest paid (–)	-3,722	-3,424
Interest received (+)	521	976
Write-downs (+) / write-ups (–) of non-current assets (netted)	15,172	15,028
Increase (+) / decrease (–) in provisions	813	-1,757
Dividends from associates	-202	-1,468
Gain (–) / loss (+) on disposals of non-current assets	-79	-1,595
Increase (–) / decrease (+) in inventories, trade receivables and other assets	-15,779	-33,275
Increase (+) / decrease (–) in trade payables and other liabilities	24,821	19,871
Cash flow from operating activities	**28,256**	**1,103**
2. Cash flow from investing activities		
Cash received (+) from disposals of property, plant and equipment	372	3,025
Cash paid (–) for investments in property, plant and equipment	-5,435	-2,795
Cash received (+) from disposals of intangible assets	0	4
Cash paid (–) for investments in intangible assets	-5,496	-8,145
Cash paid (–) for the aquisition of consolidated companies	-14,348	0
Cash flow from investing activities	**-24,907**	**-7,905**

FIGURES IN EUR K	2014 01/01 – 06/30	2013 01/01 – 06/30
3. Cash flow from financing activities		
Dividends	-5,491	-3,922
Cash received (+) from equity contributions	0	305
Cash received (+) from the issue of (financial) liabilities	37,315	15,548
Cash repayment (–) of bonds and (financial) liabilities	-46,002	-14,091
Cash flow from financing activities	**-14,178**	**-2,160**
4. Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-10,830	-8,962
Effect of currency translation adjustments and change in scope of consolidation on cash and cash equivalents	-781	-1,240
Cash and cash equivalents at the beginning of the period	**44,939**	**45,557**
Cash and cash equivalents at the end of the period [1]	**33,328**	**35,355**

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

Consolidated Statement of Changes in Equity

FIGURES IN EUR K	Issued capital	Capital reserve	Revenue Retained earnings
Jan. 1, 2013	**15,688**	**32,976**	**90,446**
Other changes			**95**
Dividends paid			-3,922
Changes from non-controlling interests			506
Transactions with owners			**-3,416**
Reclassification to revenue reserves			**12,680**
Net profit for the period			
Other income and expenses			
Total comprehensive income			
June 30, 2013	**15,688**	**32,976**	**99,805**
Jan. 1, 2014	**15,688**	**32,976**	**99,868**
Other changes			-107
Dividends paid			-5,491
Transactions with owners			**-5,491**
Reclassification to revenue reserves			**18,426**
Net profit for the period			
Other income and expenses			
Total comprehensive income			
June 30, 2014	**15,688**	**32,976**	**112,696**

reserves					
Accumulated other com-prehensive income	Translation reserve	Group result	Equity before non-controlling interests	Non-controlling interests	Total
-377	6,292	12,680	157,705	8,056	165,761
			95	304	399
			-3,922		-3,922
			506	-506	0
			-3,416	-506	-3,922
		-12,680	0		0
		4,050	4,050	215	4,265
-28	-1,481		-1,509	57	-1,452
-28	-1,481	4,050	2,541	272	2,813
-405	4,811	4,050	156,925	8,126	165,051
-587	2,889	18,426	169,260	8,391	177,651
			-107		-107
			-5,491		-5,491
			-5,491		-5,491
		-18,426			0
		7,389	7,389	520	7,909
-478	-199		-677	-28	-705
-478	-199	7,389	6,712	492	7,204
-1,065	2,690	7,389	170,374	8,883	179,257

Selected Explanatory Notes

General

These condensed consolidated financial statements for the first half of 2014 were released for publication by resolution of the management board on August 12, 2014.

Application of Accounting Requirements

The interim condensed consolidated financial statements of Homag Group AG (Homag Group) as of June 30, 2014, like the consolidated financial statements as of December 31, 2013, were prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), the interpretations of the IFRS Interpretations Committee as adopted by the EU and applicable as of the reporting date. The provisions of IAS 34 on interim financial reporting were applied.

The same accounting policies generally apply for this interim report as for the 2013 consolidated financial statements. These policies are explained in detail in the 2013 annual report. In addition, the amendments to IFRSs and the new policies mandatory as of January 1, 2014 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 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IAS 27	Separate Financial Statements (revised 2011)
Amendment to IFRS 10, IFRS 12 and IAS 27	Investment Entities
IAS 28	Investments in Associates and Joint Ventures (revised 2011)
Amendment to IAS 32	Offsetting of Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

The above amendments did not have any effect on the interim consolidated financial statements.

All mandatory new and amended IFRSs were described in detail in the annual report 2013.

The interim financial statements have been prepared in euro (group currency) and presented in thousands of euros (EUR k). Besides the income statement and statement of financial position, a cash flow statement, a statement of changes in equity and a statement of comprehensive income 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 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, 2013.

Business Combination

Effective February 3, 2014 we increased our holding of voting shares in the US sales and service company Stiles Machinery, Inc. from 29.4 percent to 100 percent. The shares were sold by Peter Kleinschmidt who is now retiring from active business. Stiles is the leading sales and service organization for machines and production lines for the US woodworking industry. In 2013, Stiles generated annual sales revenue of around USD 158 million. This takeover gives us direct access to the US market, which will enable us to profit directly from the re-industrialization in progress there.

First-time consolidation of Stiles Machinery, Inc. was performed pursuant to IFRS 3 “Business Combinations”. The profit or loss of the acquired entity is included in the consolidated financial statements as of the date of first-time consolidation.

The purchase price of the shares in Stiles Machinery, Inc. came to USD 19,530 k (the equivalent of EUR 14,348 k) and was paid in cash. Acquisition-related costs totaled EUR 416 k as of the reporting date. Of this amount, EUR 195 k was recorded as expenses in the first half of 2014 and EUR 221 k was recorded in fiscal 2013.

The allocation of the purchase price to the acquired assets and liabilities had not yet been completed as of June 30, 2014. The calculation of the net assets acquired and the difference from the acquisition of Stiles Machinery, Inc. on February 3, 2014 breaks down as follows:

FIGURES IN EUR K	
Purchase price for the acquisition	14,348
Acquisition-date fair value of the interests already held by the Homag Group	5,467
Fair value of net assets	-20,321
Difference (provisional)	-506

The provisional difference of EUR 506 k was taken to profit or loss as of the date of acquisition. It was allocated to the Sales & Service segment.

The purchase price for Stiles Machinery, Inc. was allocated to the purchased assets and liabilities as follows:

FIGURES IN EUR K	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	0	2,450	2,450
Property, plant and equipment	2,311	535	2,846
Inventories	27,263	7,140	34,403
Receivables and other assets	15,037	1,220	16,257
Cash and cash equivalents	2,185	0	2,185
Deferred taxes	-45	-3,201	-3,246
Non-current liabilities	-425	-3,551	-3,976
Current liabilities	-30,473	-125	-30,598
Net assets	15,853	4,468	20,321

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractual value of the acquired receivables and other assets approximates their fair value. The significant adjustments related to inventories, among other things, on account of measurement previously being performed on the basis of the LiFo method, to intangible assets where customer relationships, technological know-how and the Stiles brand name were capitalized in the course of purchase price allocations and to lease liabilities on account of an unfavorable lease agreement as well as the recording of obligations from long-term employee profit sharing already in place at the acquired entity. Deferred taxes were recognized on differences between the fair value to be recognized and the values of the assets and liabilities reported in the tax accounts. No contingent liabilities were recognized as part of the first-time consolidation. Agreements with the seller on compensation for unfavorable contracts meant that the corresponding receivables had to be recognized.

The intangible assets acquired were measured using an income approach. The fair value of the brand name was determined using the relief-from-royalty method. The fair value of the property, plant and equipment was determined using a cost approach. The fair value of inventories was determined on the basis of the sales list price less the necessary costs of completion and sale and an appropriate profit mark-up. The unfavorable lease agreement and the compensation claim against the seller on the basis of unfavorable contracts were valued using the discounted cash flow method. The other assets and liabilities were measured in accordance with the accounting policies explained in the general remarks.

The useful lives of the intangible assets acquired break down as follows:

	Fair value	Useful life
Customer relationships	EUR 1,628 k	6 years
Technological know-how	EUR 234 k	3 years
Brand name	EUR 588 k	6 years

The fair value of the equity interest in Stiles already held by the Homag Group as of the acquisition date totals EUR 5,467 k. The loss incurred on account of remeasurement of this equity interest comes to EUR 367 k and is disclosed in profit/loss from associates.

Stiles' contribution to earnings from the acquisition date until June 30, 2014 breaks down as follows:

FIGURES IN EUR K	
Sales revenue with external customers	26,272
Profit/loss for the year	-1,417

If Stiles had been consolidated already as of January 1, 2014, the Group's sales revenue for the first half of 2014 would have been around EUR 4,400 k higher and the Group's net profit would have been around EUR 750 k lower. The negative result of EUR 1,417 k stems from knock-on effects from the purchase price allocation and elimination of intercompany profits. By contrast, the operating result at Stiles is positive.

Notes to the Consolidated Income Statement

Sales Revenue

In the first half of 2014, the Homag Group generated sales revenue of EUR 430,521 k, up 15.7 percent on the same period of the prior year (2013).

FIGURES IN EUR K	2014 04/01 – 06/30	2013 04/01 – 06/30	2014 01/01 – 06/30	Share	2013 01/01 – 06/30	Share	% change on the prior year
Central Europe	45,179	70,336	96,428	22.4%	133,146	**35.8%**	-27.6%
Western Europe	42,958	24,463	75,570	17.6%	49,813	**13.4%**	51.7%
Eastern Europe	50,234	34,938	101,378	23.5%	67,435	**18.1%**	50.3%
North America	44,731	17,282	70,405	16.4%	33,118	**8.9%**	112.6%
South America	3,714	11,838	10,373	2.4%	20,319	**5.5%**	-48.9%
Asia/Pacific	36,023	34,416	71,384	16.6%	63,752	**17.1%**	12.0%
Africa	2,932	2,024	4,983	1.2%	4,410	**1.2%**	13.0%
Total	**225,771**	**195,297**	**430,521**	100.0%	**371,993**	**100.0%**	15.7%

The regions of North America (112.6 percent, adjusted for the Stiles effect: 33.3 percent), western Europe (51.7 percent) and eastern Europe (50.3 percent) saw the greatest percentage increase in sales revenue in the first half of 2014 in comparison to the same period of the prior year. With a fall of 48.9 percent, the region South America registered the greatest decrease. Sales revenue in Germany decreased by 29.0 percent. As a result, the share of sales revenue earned in Germany fell from 26.1 percent in the first half of 2013 to 16.0 percent in the reporting period.

Cost of Materials

In the first half of 2014, the ratio of cost of materials to total operating performance rose slightly from 42.4 percent in the corresponding prior-year period to 43.5 percent.

FIGURES IN EUR K	2014 04/01 – 06/30	2013 04/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30
Cost of raw materials, consumables and supplies and purchased merchandise	94,603	76,936	186,102	156,191
Cost of purchased services	6,932	4,734	10,110	9,046
	101,535	**81,670**	**196,212**	**165,237**

Personnel Expenses

FIGURES IN EUR K	2014 04/01 – 06/30	2013 04/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30
Wages and salaries	69,485	61,083	137,814	123,307
Social security, pension and other benefit costs	12,364	10,808	24,677	21,790
thereof for old-age pensions	4,628	4,358	8,967	8,502
	81,849	**71,891**	**162,491**	**145,097**

FIGURES IN EUR K	2014 04/01 – 06/30	2013 04/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30
Expenses from employee participation	2,003	936	3,754	2,144

After 5,019 employees as of June 30, 2013, 5,064 as of December 31, 2013 and 5,410 employees as of March 31, 2014, the Homag Group employed 5,450 persons as of June 30, 2014.

In the first half of 2014, personnel expenses rose by 12.0 percent in comparison to the comparable prior-year period, which is mainly attributable to the higher headcount on account of the Stiles acquisition in addition to the collectively bargained wage increases. The ratio of personnel expenses to total operating performance improved to 36.0 percent (prior year: 37.2 percent).

At EUR 3,754 k, employee profit participation expenses in the first half of 2014 were above the level of the first half of 2013 (prior year: EUR 2,144 k). This is largely due to the decline in the interest rate, which has led to a lower discounting effect for these non-current obligations. In accordance with International Financial Reporting Standards, the interest rate used is to be determined by reference to market yields as of the reporting date on high-quality fixed interest bearing corporate bonds. This resulted in a decrease from 3.8 percent to 3.2 percent in the first half of 2014.

Profit for the Period

Operative EBITDA before employee profit participation expenses and before restructuring/non-recurring expenses amounted to EUR 38,254 k in the first half of 2014 (prior year: EUR 27,061 k). EBIT before employee profit participation expenses and after restructuring/non-recurring expenses amounted to EUR 18,323 k in the first half of 2014 (prior year: EUR 10,903 k).

The financial result of EUR -2,403 k for the first half of 2014 deteriorated by 74 percent compared to the prior-year period (EUR -1,382 k). This is mainly attributable to Stiles' contribution to earnings which is no longer included here (in the prior year this item contained income of EUR 492 k from the at-equity consolidation of Stiles). In addition, earnings at Homag China Golden Field were down.

EBT in the first half of 2014 came to EUR 12,166 k (prior year: EUR 7,377 k). After non-controlling interests, the net profit for the period came to EUR 7,389 k (prior year: EUR 4,050 k) which leads to earnings per share of EUR 0.47 (prior year: EUR 0.26).

Notes to the Consolidated Statement of Financial Position

Assets

Total assets come to EUR 599,923 k (December 31, 2013: EUR 543,937 k). The rise is essentially attributable to the assumption of the acquired assets and liabilities of Stiles Machinery, Inc. (please refer to the comments on the business combination).

Investments in associates fell correspondingly in this respect.

Inventories rose by EUR 48,635 k to EUR 182,144 k in comparison to December 31, 2013, an increase of 36 percent. The rise in inventories is essentially due to the Stiles acquisition (the value of the inventories assumed came to EUR 34,403 k as of the acquisition date). This is further due to an ongoing higher level of order backlog and the increased stage of completion of machines on which work has already commenced but where the criteria for the partial recognition of sales revenue pursuant to IFRS were not satisfied.

Current receivables and other assets increased by EUR 21,190 k in comparison to December 31, 2013; this rise is also mainly due to the Stiles acquisition.

Cash and cash and cash equivalents decreased by EUR 11,611 k compared to year-end 2013, as the cash was used to settle liabilities.

The line item “Non-current assets held for sale” remained unchanged compared to December 31, 2013.

Equity

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

The equity ratio stood at 29.9 percent as of June 30, 2014, which is down on the level seen at December 31, 2013 (32.7 percent). This is mainly due to the rise in total assets due to the acquisition.

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. Earnings per share stood at EUR 0.47 in the first half of 2014 (prior year: EUR 0.26).

	2014 01/01 – 06/30	2013 01/01 – 06/30
Profit for the period attributable to owners of Homag Group AG for the calculation of the basic earnings in EUR k	7,389	4,050
Basic earnings per share pursuant to IAS 33 in EUR	**0.47**	**0.26**
Number of shares (basis for the calculation of the basic earnings per share)	15,688,000	15,688,000

There were no dilutive effects in the reporting period.

On June 3, 2014, the annual general meeting for the fiscal year 2013 passed a resolution to distribute a dividend of EUR 0.35 per share. The dividend was paid out on June 4, 2014.

Liabilities

On the equity and liabilities side of the statement of financial position, non-current financial liabilities increased by EUR 13,559 k, essentially on account of the acquisition of Stiles. Non-current financial liabilities were reduced by EUR 21,539 k on account of repayments made.

Prepayments received rose significantly by EUR 28,637 k; of this figure EUR 14,449 k are attributable to Stiles. Other current liabilities and deferred income increased by EUR 14,515 k (21.9 percent) in the reporting period due to the Stiles acquisition as well as normal seasonal movements during the first half of the year, such as the increase in accrued liabilities for vacation provisions.

Net liabilities to banks increased from EUR 69,189 k as of December 31, 2013 to EUR 74,155 k as of June 30, 2014. This is primarily due to the dividend payment. Investments (including Stiles) were largely compensated for by operating activities.

Financial Instruments

Book values, carrying amounts and fair values by measurement category

FIGURES IN EUR K	Carrying amount June 30, 2014	Carrying amount in statement of financial position according to IAS 39			Carrying amount accord. to IAS 11	Carrying amount accord. to IAS 17	Fair value June 30, 2014
		Amortized cost	Acquisition cost	Fair value			
Assets							
Cash and cash equivalents	33,328	33,328					33,328
Trade receivables	106,276	106,276					106,276
Receivables from associates	7,299	7,299					7,299
Receivables from long-term construction contracts	30,115				30,115		30,115
Other financial assets	494		494				–
Other non-derivative financial assets	9,647	9,647					9,647
Derivative financial assets							
Derivatives without hedging relationship	10			10			10
Equity and liabilities							
Trade payables	75,551	75,551					75,551
Liabilities from long-term construction contracts	6,694				6,694		6,694
Financial liabilities							
Liabilities to banks	107,483	107,483					108,048
Lease liabilities	7,768					7,768	8,314
Derivative financial liabilities							
Derivatives without hedging relationship	220			220			220
Derivatives with hedging relationship	391			391			391
THEREOF COMBINED ACCORDING TO THE MEASUREMENT CATEGORIES IN ACCORDANCE WITH IAS 39							
Loans and receivables	156,550	156,550					156,550
Held-for-sale financial assets	494		494				–
Financial assets held for trading	10			10			10
Financial liabilities measured at amortized cost	183,034	183,034					183,599
Financial liabilities held for trading	220			220			220

Cash and cash equivalents, trade receivables and other non-derivative assets fall due in the short term for the most part. Consequently, their carrying amounts as of the end of the reporting period approximate their fair value.

Available-for-sale financial assets relate exclusively to equity instruments for which a quoted price on an active market is not available. Consequently, their fair value cannot be measured reliably. This concerns strategic investments for which there is no intent to sell at present.

The fair value of derivative financial instruments, which are essentially interest rate hedges and forward exchange contracts, is determined using standardized financial modeling methods (mark-to-market method).

For trade payables, it is assumed that the fair values correspond to the carrying amounts of these financial instruments due to the short terms to maturity.

As regards financial liabilities, the fair value of non-current liabilities due to banks bearing a fixed interest rate and of finance lease liabilities is determined based on the present value of the expected future cash flows. Discounting is based on the prevailing market interest rates with reference to the terms concerned; terms are classified into those falling due between one and five years and terms of more than five years. If there is objective evidence that the credit risk has changed since the liability was entered into, this is taken into account when determining the discount rate. As regards the current liabilities to banks, it is assumed that the carrying amount of these financial instruments approximates their fair values owing to the short terms to maturity.

Other Financial Assets

The interest rate hedges (interest rate swaps) taken out in the first quarter of 2013 for existing loans for an original amount of EUR 60 million were priced at EUR 55 million as of June 30, 2014. The changes in cash flows from the hedged transactions resulting from changes in the Euribor rate are offset by changes in cash flows (offsetting payments) from the interest rate swaps. The aim of the hedging measures is to transform the variable-rate financial liabilities into fixed-interest financial liabilities and thus to hedge the risks in the cash flow from the financial liabilities. Credit risks are not hedged. The effectiveness of the hedge is prospectively and retrospectively tested using the critical terms match method. All hedges of this kind were effective as of the reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value:

	June 30, 2014			
FIGURES IN EUR K	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivatives without hedging relationship	10	0	10	0

Assets that are not measured at fair value, but for which a fair value is reported:

	June 30, 2014			
FIGURES IN EUR K	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	33,328	33,328	0	0
Trade receivables	106,276	0	106,276	0
Receivables from associates	7,299	0	7,299	0
Receivables from long-term construction contracts	30,115	0	30,115	0
Other non-derivative financial assets	9,647	0	9,647	0
	186,665	**33,328**	**153,337**	**0**

Liabilities measured at fair value:

	June 30, 2014			
FIGURES IN EUR K	Total	Level 1	Level 2	Level 3
Derivatives without hedging relationship	220	0	220	0
Derivatives with hedging relationship	391	0	391	0
	611	**0**	**611**	**0**

Liabilities that are not measured at fair value, but for which a fair value is reported:

	June 30, 2014			
FIGURES IN EUR K	Total	Level 1	Level 2	Level 3
Trade payables	75,551	0	75,551	0
Liabilities from long-term construction contracts	6,694	0	6,694	0
Liabilities to banks	108,048	0	108,048	0
Lease liabilities	8,314	0	8,314	0
	198,608	**0**	**198,608**	**0**

Segment Reporting

FIGURES IN EUR K	Industry		Cabinet Shops		Sales & Service	
	2014 01/01 – 06/30	2013 01/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30	2014 01/01 – 06/30	2013 01/01 – 06/30
Third-party sales	161,993	151,412	43,418	44,086	172,540	115,641
Sales with group companies from other segments	70,666	51,578	55,344	42,109	1,599	971
Sales with associates	17,850	25,351	4,971	11,616	158	61
Total sales revenue	**250,509**	**228,341**	**103,733**	**97,811**	**174,297**	**116,673**
EBITDA [1]	**29,556**	**22,665**	**3,496**	**5,115**	**11,444**	**2,106**
Restructuring/non-recurring expenses [2]	-105	-40	-12	0	-4,372	-1,016
Depreciation of property, plant and equipment and amortization of intangible assets	-9,365	-9,955	-3,171	-2,718	-1,360	-1,079
Result from employee participation	-3,237	-1,828	-377	-176	-140	-80
Share in result of associates	-367	492	0	0	569	976
Interest result	-918	-631	-322	-222	-294	-233
Segment result [3]	**15,564**	**10,703**	**-386**	**1,999**	**5,847**	**674**
Employees [4]	**2,603**	**2,603**	**978**	**987**	**1,065**	**736**

1 Operative EBITDA before employee participation expenses and restructuring/non-recurring expenses.

2 Included in cost of materials, in personnel expenses and other operating expenses.

3 The segment result corresponds to earnings before tax.

4 Average headcount for the period.

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

Details on the breakdown into the individual segments can be found on page 139 of the annual report 2013.

In the Sales & Service segment, sales revenue increased by EUR 57,624 k (up 49.4 percent). This rise is partly due to the first-time recognition of Stiles' sales revenue at EUR 46,146 k. Apart from this, the largest increase was generated by Homag U.K. Ltd. (up EUR 6,587 k or 69.7 percent) and Homag GUS GmbH (up EUR 4,906 k or 43.5 percent). In the Industry segment, sales revenue increased by EUR 22,168 k (or 9.7 percent). Homag Holzbearbeitungssysteme GmbH generated the largest increase in absolute terms (up EUR 18,052 k or 11.1 percent). In the Cabinet Shops and Other segments it was possible to generate increases of EUR 5,922 k (up 6.1 percent) and EUR 4,454 k (up 10.5 percent) respectively.

The development of operative EBITDA before employee participation expenses and before restructuring/non-recurring expenses varied between segments. In the Industry segment, operative EBITDA increased by EUR 6,891 k and in the Sales & Service segment by EUR 9,338 k. In the Cabinet Shops and Other segments, on the other hand, operative EBITDA fell by EUR 1,619 k and EUR 1,010 k respectively. In the Industry segment, Homag Holzbearbeitungssysteme GmbH was the entity which recorded the largest growth in absolute terms (up EUR 4,874 k or 30.7 percent). In the

	Other		Total segments		Consolidation		Group	
	2014 01/01 – 06/30	**2013 01/01 – 06/30**	**2014 01/01 – 06/30**	**2013 01/01 – 06/30**	**2014 01/01 – 06/30**	**2013 01/01 – 06/30**	**2014 01/01 – 06/30**	**2013 01/01 – 06/30**
	10,503	10,978	388,454	322,117	0	0	388,454	322,117
	17,265	18,576	144,874	113,234	-144,874	-113,234	0	0
	19,088	12,848	42,067	49,876	0	0	42,067	49,876
	46,856	**42,402**	**575,395**	**485,227**	**-144,874**	**-113,234**	**430,521**	**371,993**
	-2,079	**-1,069**	**42,417**	**28,817**	**-4,163**	**-1,756**	**38,254**	**27,061**
	-270	-74	-4,759	-1,130	0	0	-4,759	-1,130
	-1,276	-1,276	-15,172	-15,028	0	0	-15,172	-15,028
	0	-60	-3,754	-2,144	0	0	-3,754	-2,144
	0	0	202	1,468	0	0	202	1,468
	-1,017	-1,765	-2,551	-2,850	-54	0	-2,605	-2,850
	-4,642	**-4,244**	**16,383**	**9,132**	**-4,217**	**-1,756**	**12,166**	**7,377**
	781	**704**	**5,427**	**5,030**	**0**	**0**	**5,427**	**5,030**

Sales & Service segment, Homag Polska Sp. z o.o. (up EUR 691 k or 1,872.17 percent), Homag España Maquinaria S.A. (up EUR 374 k or 680.5 percent), Homag France S.A.S. (up EUR 315 k or 28.5 percent) and Homag India Private Ltd. (up EUR 315 k or 414.8 percent) recorded the greatest improvements to earnings. This segment also includes Stiles Machinery, Inc.. In the Cabinet Shops segment, Weeke Bohrsysteme GmbH was the entity which saw the largest decrease (down EUR 1,668 k or 62.6 percent). In the Other segment, Weinmann Holzbausystemtechnik GmbH recorded the greatest percentage decrease (down EUR 691 k or 457.3 percent).

Other Notes

Contingent Liabilities

As had already been reported as of year-end 2013, a German production company has recognized a provision of EUR 455 k for litigation risks.

In addition, a provision of EUR 595 k is recorded at a foreign sales company to provide for litigation risks with public authorities.

The Homag Group or its group entities were not involved in any other litigation or arbitration proceedings that could have a considerable influence on the economic situation of the entities or the Group in the past two years, nor are they involved in any such proceedings at present. The entities concerned have formed provisions and valuation allowances at suitable amounts to account for any financial burdens from other litigation or arbitration proceedings, or there is sufficient security to cover these items.

Related Parties

Goods and services with a value of EUR 42,075 k were supplied to associates in the first half of 2014 (prior year: EUR 49,907 k). Goods and services worth EUR 425 k were received from associates (prior year: EUR 1,965 k).

Subsequent Events after June 30, 2014

After the end of the reporting period, on July 15, 2014, Dürr AG announced that it intends to acquire a majority shareholding in HOMAG Group AG. Under agreements reached with various major shareholders, Dürr has secured 53.7 percent of shares in HOMAG Group AG and 75.8 percent of voting rights. A public bid to acquire the remaining shares has been announced.

Schopfloch, August 12, 2014

HOMAG Group AG
The management board

Declaration of the Legal Representatives

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

Schopfloch, August 2014

Homag Group AG
The management board

Dr. Markus Flik

Harald Becker-Ehmck

Jürgen Köppel

Hans-Dieter Schumacher

Financial Calendar

November 14, 2014	Nine-months report 2014

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Disclaimer

Service

Our annual and interim reports 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-orientaded 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 futureoriented 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 futureoriented 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 futureoriented 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.

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