HOMAG Group AG

# Interim Report Q2 2015

# HOMAG Group
# Key Figures

| FIGURES IN EUR MILLION | H1 2015 | H1 2014 | H1 2013 | H1 2012 |
|---|---|---|---|---|
| Total sales revenue | 504.1 | 430.5 | 372.0 | 376.0 |
| Central Europe [1] | 113.2 | 96.4 | 133.2 | 141.7 |
| Western Europe [1] | 89.0 | 75.6 | 49.8 | 56.3 |
| Eastern Europe [1] | 76,5 | 101.4 | 67.4 | 71.8 |
| North America [1] | 127.6 | 70.4 | 33.1 | 25.6 |
| South America [1] | 7.4 | 10.3 | 20.3 | 17.2 |
| Asia/Pacific [1] | 86.1 | 71.4 | 63.8 | 56.7 |
| Africa [1] | 4.3 | 5.0 | 4.4 | 6.7 |
| EBITDA [2] | 45.3 | 33.5 | 25.9 | 29.8 |
| EBITDA [2] as % of sales revenue | 9.0 | 7.8 | 7.0 | 7.9 |
| EBIT | 21.0 | 14.6 | 8.8 | 12.1 |
| EBIT as % of sales revenue | 4.2 | 3.4 | 2.4 | 3.2 |
| EBT | 17.3 | 12.2 | 7.4 | 8.3 |
| EBT as % of sales revenue | 3.4 | 2.8 | 2.0 | 2.2 |
| Net profit after non-controlling interests | 10.6 | 7.4 | 4.1 | 3.0 |
| Earnings per share in EUR [3] | 0.68 | 0.47 | 0.26 | 0.19 |
| ROCE [4] after taxes as % | 10.8 | 7.1 | 4.1 | 5.9 |
| Free cash flow [5] | -11.5 | 3.3 | -6.8 | 0.0 |
| Equity as of the reporting date | 205.9 | 179.3 | 165.1 | 164.3 |
| Equity ratio as % | 31.2 | 29.9 | 29.4 | 28.3 |
| Net financial debt | 49.7 | 74.2 | 103.2 | 83.0 |
| Net debt to EBITDA ratio [6] | 0.6 | 0.9 | 1.6 | 1.4 |
| Investments / capitalized intangible assets [7] | 7.4 | 5.5 | 8.1 | 8.7 |
| Investments in property, plant and equipment [7] | 5.3 | 5.4 | 2.8 | 9.4 |
| Amortization of intangible assets [7] | 7.5 | 7.3 | 7.3 | 5.7 |
| Depreciation of property, plant and equipment [7] | 7.0 | 6.7 | 6.7 | 6.8 |
| Employees (average in period) | 5,695 | 5,427 | 5,030 | 5,073 |
| of which trainees | 287 | 313 | 328 | 336 |
| Order intake [8] | 557.4 | 503.6 | 449.1 | 443.2 |
| Order backlog as of the reporting date [8] | 371.5 | 323.7 | 296.7 | 266.2 |

1 Conversion to allocation of sales revenue by geographical segment similar to order intake
2 Before taking into account employee participation
3 Net profit/loss after non-controlling interests, based on 15,688,000 shares
4 (EBIT for the first six months x 2 x 70%) / capital employed (non-current assets + net working capital)
5 Cash flow from operating activities plus cash flow from investing activities
6 Net financial debt / (EBITDA [2] for the last 4 quarters accumulated)
7 Excluding leases
8 Order intake and order backlog also contain the merchandise of the sales companies and their margins

# HOMAG Group
# Company Profile

Technical excellence, partnership and reliability are what drive our operations. The Company we have shaped in this way sets standards. We are the world's leading manufacturer of plant and machinery for the woodworking industry and for cabinet makers. Getting things in good shape is our business. Thanks to employees that work every day with passion, commitment and expertise, we have systematically advanced our Group. And through our clearly defined strategy, we aim to continue our course for profitable growth in the future. We stand for groundbreaking technological competence, have efficient processes in place and we are a global player – and every day we work on getting our Company into even better shape.

# Content

# Letter to the Shareholders

Dear shareholders,

The HOMAG Group's second quarter of 2015 was shaped by the continued pleasing economic development of the Company. A special highlight was the world's leading trade fair LIGNA in May in Hanover. As the largest exhibitor, we again presented ourselves successfully and introduced numerous innovations to our customers. A new record was set with qualified trade fair contacts, demonstrating that our innovations were well received.

We were able to increase both order intake and sales revenue by more than 10 percent between April and June compared to the corresponding period of the prior year. Our earnings also grew, although we had to contend with a number of special effects. These include the costs of LIGNA and non-recurring expenses relating to the termination of the employee profit participation program, which we are replacing with Dürr's tried and tested profit participation system for all employees in Germany.

A look at the first half of 2015 confirms our positive development. We raised our order intake by a good 10 percent and our sales revenue by around 17 percent between January and June 2015. EBIT and the net profit for the period both improved by around 44 percent.

Nevertheless, we have set ourselves the goals of getting even better in the future, raising competitiveness in the long term and further strengthening the earnings power of the HOMAG Group. On July 1, 2015, under the guiding principle of ONE HOMAG, we therefore began to implement our organizational realignment. We will manage our worldwide business with plant and machinery in five global Technology Business Units, that are responsible for the machines in their respective application area. In addition, there are two Business Units responsible for the project business and the service business worldwide. All the Business Units have access to a global sales organization and are supported by high-performing central functions for purchasing, finance, human resources and IT.

A change was made to the composition of the management board in the second quarter of 2015. On June 15, 2015, the supervisory board of HOMAG Group AG appointed Pekka Paasivaara as CEO. While continuing his duties as CFO of Dürr AG, Ralph Heuwing will support the transition as co-CEO until he steps down from the management board of the HOMAG Group. In October 2015, he will move to the supervisory board of HOMAG Group AG where he will assume the position of chairman.

## Outlook

Following the successful first half of the year, we confirm our guidance for 2015. Based on this, we expect an order intake according to the new calculation method of between EUR 940 million and EUR 960 million (2014 (restated): EUR 911.4 million) and aim to generate sales revenue for the Group of between EUR 950 million and EUR 970 million for 2015 (2014: EUR 914.8 million). For 2015 we expect EBIT of between EUR 53 million and EUR 55 million (2014: EUR 36.7 million).

We want to grow the Group's net profit for the year significantly and aim to achieve between EUR 31 million and EUR 33 million (2014: EUR 18.9 million). This above-average increase stems, on the one hand, from the good development of operations and, on the other, from the substantially lower extraordinary expense expected. The negative effects arising from the Stiles acquisition were mostly absorbed in the 2014 fiscal year.

With the successful implementation of all measures from our FOCUS project, we have set a target of generating sales revenue of EUR 1.25 billion and an EBIT margin of 8-10 percent by 2020.

Schopfloch, August 2015

The management board

Ralph Heuwing

Pekka Paasivaara

Harald Becker-Ehmck

Jürgen Köppel

Franz Peter Matheis

# Share Report

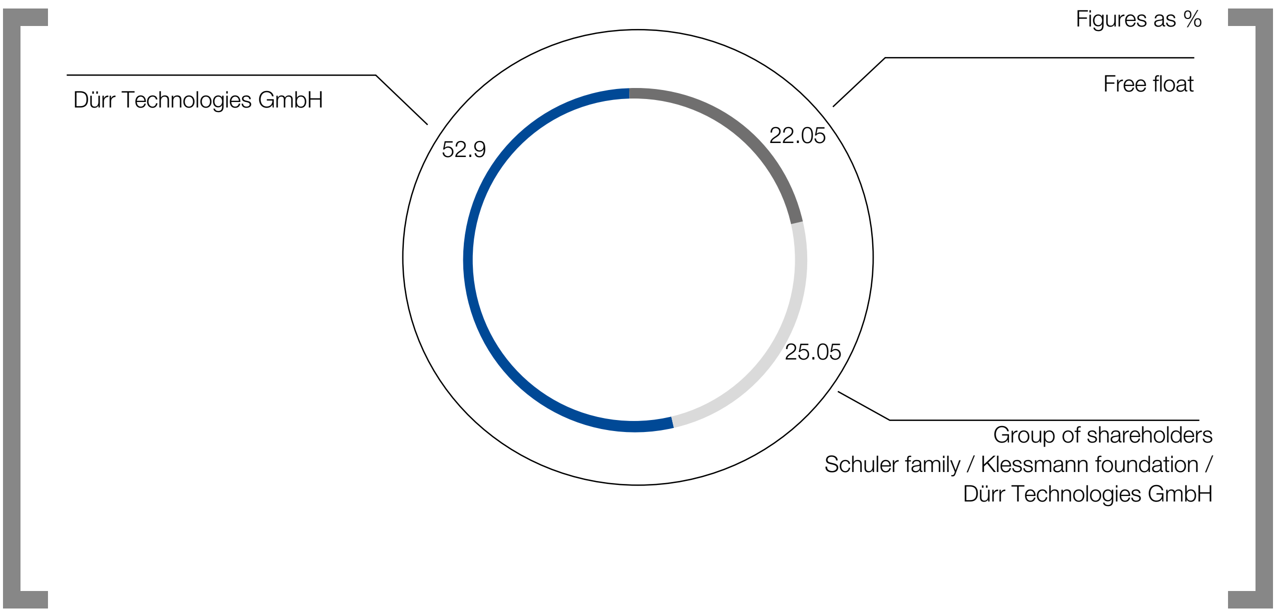
The second quarter of 2015 was shaped by the intensifying crisis in Greece. This disrupted the capital markets despite the continued expansionary monetary policy of the European Central Bank. The unresolved crisis in Ukraine also continued to burden the stock markets. This resulted in a more than 8 percent drop in the DAX and an over 5 percent decrease in the MDAX between April and June 2015. The TecDAX and the SDAX both improved slightly by nearly 2 percent.

The HOMAG share has seen sideward movement since the approval of the conclusion of a domination and profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG in March 2015 and the agreed guaranteed dividend for 2015 and compensation from 2016. Between April and June, the price fluctuated between EUR 34 and EUR 36 and stood at EUR 34.99 on June 30, 2015. We made the announced change to our stock market listing on July 16. Since then, the shares in HOMAG Group AG are no longer listed in the Prime Standard segment on the Regulated Market, but rather in the Entry Standard segment on the Open Market of the Frankfurt stock exchange. In accordance with the transparency requirements of this stock market segment, we will transition to half-yearly reporting in the future.

Around 200 shareholders attended our annual general meeting on May 8, 2015 in Freudenstadt. The shareholders present approved the proposal by the management and supervisory boards to increase the dividend to EUR 0.40 (prior year: EUR 0.35). The management board and the supervisory board were exonerated.

Following the conclusion of the domination and profit and loss transfer agreement with Dürr, interest in our share declined as expected. We therefore also reduced our capital market communication activities. In the second quarter of 2015, we also kept the general public informed with four press releases and an interview concerning the key developments in the HOMAG Group.

## Shareholder Structure as of July 31, 2015[1]




1 Method of calculation according to Deutsche Börse AG

## Share Performance Indicators

| | | |
|---|---|---|
| ISIN Code | | DE0005297204 |
| Stock exchange segment (until July 16, 2015) | | Prime Standard |
| Stock exchange segment (from July 17, 2015) | | Entry Standard |
| XETRA code | | HG1 |
| IPO | July 13, 2007 | |
| Number of shares | no-par value ordinary bearer shares | 15,688,000 |
| Price high* (January 2, 2015 – June 30, 2015) | March 3 ,2015 | EUR 37.50 |
| Price low* (January 2, 2015 – June 30, 2015) | January 6, 2015 | EUR 30.13 |
| Price* as at June 30, 2015 | | EUR 34.99 |
| Earnings per share | January 1, 2015 – June 30, 2015 | EUR 0.68 |
| Market capitalization (June 30, 2015) | | EUR 548.9 million |

*Xetra closing quote

# Interim Management Report as of June 30, 2015

## Economic Environment

Following a weak opening quarter of the year, the global economy has picked up speed again according to the IfW ["Institut für Weltwirtschaft": Institute for the World Economy]. Despite the overall favorable economic environment, such as the lower price of oil and the expansionary monetary policy, the global economy continued to return moderate growth. This is due in particular to the emerging economies, where growth recently slowed even further. Advanced economies developed slightly better, and an upwards trend is expected in the second half of the year.

In Germany, the economy exhibits a positive trend. Private consumption continues to develop positively and there is a noticeably stronger upwards trend in investment. In a persistently difficult international environment, exporters have developed well and benefited from the depreciation of the euro. The ifo business climate index rose again in July following a slight decline in May and June. Companies are more optimistic in their assessment of current business development and the business outlook than one month earlier.

According to the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation], order intake in the German mechanical and plant engineering sector fell by 3 percent between April and June 2015. Orders from within Germany stagnated, while orders from other countries decreased by 4 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 4 percent between April and June 2015, not taking price adjustments into account. In this context, order intake from other countries saw an increase of 8 percent, while order intake from within Germany decreased by 14 percent. Sales revenue decreased by 17 percent.

## Business Development

In the second quarter of 2015, we were once again able to increase the HOMAG Group's sales revenue and order intake as well as all key earnings indicators. The second quarter was shaped by LIGNA, the world's leading trade fair in our industry, in May in Hanover, at which we were able to successfully present ourselves and made a record number of new qualified trade fair contacts. Between April and June 2015, we were able to increase our order intake by more than 10 percent to EUR 270.2 million (prior year (restated): EUR 243.5 million). It should be noted that we have changed how order intake and order backlog are calculated to enhance comparability with sales revenue. From now on, the merchandise of the sales companies and their margins will be included in order intake and order backlog. The prior-year figures have been restated accordingly.

In the reporting period, we were not yet able to completely compensate for the slight decline compared to prior-year period in central Europe (Germany, Austria, Switzerland). Western Europe confirmed the good development of the first quarter of 2015, thanks to a number of large-scale projects in Turkey among other things. Despite the crisis in Russia and the difficult market situation there, eastern Europe remains at a good level.

Asia also continues to be at a good level, although there are signs of slowing growth in China. The positive trend in the US picked up momentum in the second quarter and order intake exceeded the prior year as a result. Alone development in South America remains unsatisfactory, in spite of the fact that order intake in Brazil rose at a low level compared to the prior year.

Our order backlog remains at a very high level. As of June 30, 2015, order backlog stood at EUR 371.5 million, which exceeded both our record figure from the first quarter of 2015 (EUR 354.1 million) and our prior-year figure (restated: EUR 323.7 million).

In the second quarter, we boosted sales revenue by a good 10 percent to EUR 249.8 million (prior year: EUR 225.8 million), thus developing significantly better than the industry as a whole.

Due to the good development of business, the change in our inventories increased to EUR 8.2 million (prior year: EUR 3.7 million). Total operating performance came to EUR 260.0 million (prior year: EUR 231.0 million).

Our order intake improved on the whole by more than 10 percent to EUR 557.4 million in the first half of the year according to the new calculation method (prior year (restated): EUR 503.6 million). Sales revenue increased by a good 17 percent to EUR 504.1 million thanks, among other things, to the good first quarter of 2015 (prior year: EUR 430.5 million). Total operating performance came to EUR 524.7 million (prior year: EUR 451.4 million).

## Results of Operations

Our earnings figures increased further in the second quarter of 2015 as well, even though other operating expenses rose by EUR 4.6 million compared to the prior-year quarter, above all due to the costs of the LIGNA trade fair.

Personnel expenses rose to EUR 94.0 million as a result of the reinforcement of our global sales and service organization, the increase in headcount at our foreign companies and exchange rate effects, among other things (prior year: EUR 81.8 million). Our ratio of personnel expenses to total operating performance improved slightly to 36.2 percent (prior year: 35.4 percent).

On account of the good development of business, cost of materials rose to EUR 108.8 million (prior year: EUR 101.5 million). This caused the cost of materials to rise at a slower rate than sales revenue, resulting in a decrease in the ratio of cost of materials to total operating performance to 41.8 percent (prior year: 44.0 percent).

We terminated the employee profit participation program in the second quarter of 2015. It is to be replaced by the tried and tested profit participation system used by Dürr for all employees in Germany. This resulted in a non-recurring effect due to required unwinding of the discount on amounts previously recognized as provisions. This special effect is reflected in the significant increase in employee profit participation expenses to EUR 5.2 million (prior year: EUR 2.0 million).

Our EBITDA before employee profit participation expenses rose by nearly 23 percent to EUR 22.7 million (prior year: EUR 18.5 million). EBIT after employee profit participation expenses increased to EUR 9.6 million in the reporting quarter (prior year: EUR 8.9 million). The aforementioned non-recurring special effect from the termination of our employee profit participation program was the main driver here.

Based on participation in the Dürr Group's cash pool and the associated improved financing conditions, our interest result improved to EUR -0.7 million (prior year: EUR -1.2 million). The investment result came to EUR 0.7 million (prior year: EUR 0.4 million), which means that the financial result remained virtually unchanged (prior year: EUR -0.8 million). As a result, we were able to increase our EBT by 18 percent to EUR 9.6 million (prior year: EUR 8.2 million).

At 28 percent, our tax expense ratio was at a low level (prior year: 35 percent). This is, among other things, attributable to the fact that our associate in China again returned a positive contribution to earnings in the second quarter and profit distribution to the group companies was impacted to a lesser extent by the earnings of the US companies. This results in a net profit for the period after non-controlling interests of EUR 6.5 million (prior year: EUR 4.9 million). Earnings per share rose to EUR 0.41 (prior year: EUR 0.31).

In the first half of 2015 we were able to increase all of our key earnings indicators significantly and at a faster rate than sales revenue growth, thus further improving our margins. Our EBITDA before employee profit participation expenses rose by 35 percent to EUR 45.3 million (prior year: EUR 33.5 million). EBIT after employee profit participation expenses rose by 44 percent to EUR 21.0 million (prior year: EUR 14.6 million) and EBT to EUR 17.3 million (prior year: EUR 12.2 million). The net profit for the period after non-controlling interests improved by around 44 percent to EUR 10.6 million in the first half of 2015 (prior year: EUR 7.4 million), and leads to earnings per share of EUR 0.68 (prior year: EUR 0.47).

## Net Assets and Financial Position

Our total assets rose to EUR 660.1 million as of June 30, 2015 (December 31, 2014: EUR 610.8 million). This is chiefly attributable to the seasonal increase in inventories on account of the high level of order backlog. On the assets side of the statement of financial position, inventories rose to EUR 208.6 million (December 31, 2014: EUR 174.8 million). Furthermore, our other current assets and prepaid expenses rose to EUR 29.7 million on account of seasonal effects (December 31, 2014: EUR 16.4 million). This is due to the payment of vacation pay in June for the year as a whole as well as higher input tax assets due to the increase in inventories on account of the good order backlog.

The increase in receivables from associates to EUR 11.9 million (December 31, 2014: EUR 4.7 million) stems from receivables resulting from large-scale projects in China with our associate HOMAG China Golden Field. Thanks to our good prepayment management, we were able to reduce our receivables from long-term construction contracts to EUR 35.8 million (prior year: EUR 44.0 million) and raise prepayments received on the equity and liabilities side to EUR 67.5 million (prior year: EUR 59.9 million).

Compared to the first quarter (EUR 31.7 million), our cash and cash equivalents rose significantly to EUR 52.2 million (December 31, 2014: EUR 50.0 million). This is primarily due to the participation in the Dürr Group’s cash pool. Demand deposits rose slightly compared to the syndicated loan on account of the cash pool with the Dürr Group that had not yet been automated as of June 30, 2015.

On the equity and liabilities side of the statement of financial position, our equity increased to EUR 205.9 million on account of the positive results (December 31, 2014: EUR 194.7 million). As a result of higher total assets, the equity ratio decreased slightly to 31.2 percent as of June 30, 2015 (December 31, 2014: 31.9 percent).

The premature termination of our syndicated loan agreement led to a decrease in non-current financial liabilities to EUR 8.0 million (December 31, 2014: EUR 72.0 million). Our liabilities to banks thus decreased considerably also due to the decrease in current financial liabilities to EUR 4.9 million (prior year: EUR 14.6 million). The new item in the statement of financial position “Liabilities to affiliates” includes funds received from the cash pool with the Dürr Group of EUR 95.0 million.

Other current liabilities and deferred income rose to EUR 110.4 million primarily on account of the reclassification from employee profit participation (December 31, 2014: EUR 89.1 million). As a result, the obligation from employee profit participation was also reduced to EUR 1.4 million (prior year: EUR 16.0 million).

The increase in liabilities to associates to EUR 22.8 million (December 31, 2014: EUR 8.1 million) stems from prepayments received for two large-scale projects in China with our associate HOMAG China Golden Field.

Our net banks balances total EUR 45.3 million. It should be noted that we received funds of EUR 95.0 million from our participation in the Dürr Group’s cash pool and therefore report a positive bank balance at the end of the second quarter of 2015. Without this amount from the cash pool, our net liabilities to banks would have totaled EUR 49.7 million and thus, as expected, would have been higher than the extremely low figure from year-end 2014 (EUR 28.5 million). The main effect on the cash and cash equivalents in the second quarter of 2015 stem, among other things, from the distribution of dividends and employee profit participation for 2014.

The return on capital employed (ROCE) before taxes on the basis of EBIT after expenses from employee profit participation improved to 15.5 percent at the end of the second quarter of 2015 (prior year (restated): 10.1 percent). After taxes (tax expense ratio used in calculation: 30 percent), ROCE on the basis of EBIT after the result from employee profit participation came to 10.8 percent (prior year (restated): 7.1 percent). The improvement is mainly due to the positive development of earnings.

Our operating cash flow decreased to EUR 0.4 million in the first half of 2015 (prior year: EUR 28.3 million). Due to the good development of business in the Group, inventories in particular increased in comparison to the prior year. Furthermore, compared to a EUR 20 million increase in the first half of the prior year, prepayments received rose at a lower rate in the first half of 2015. The cash flow from investing activities decreased over the same period from EUR -24.9 million to EUR -12.0 million, as this figure contained the Stiles acquisition in the prior year. This results in negative free cash flow of EUR -11.6 million (prior year: EUR 3.3 million). The cash flow from financing activities came to EUR 10.4 million in the first half of 2015 (prior year: EUR -14.2 million). This is primarily due to the participation in the Dürr Group’s cash pool. Cash and cash equivalents thus amounted to EUR 52.2 million as of June 30, 2015 (prior year: EUR 33.3 million).

## Employees

As of June 30, 2015, the headcount at the HOMAG Group came to 5,730 employees. Our headcount increased both on the prior year (5,450 employees) and in comparison to year-end 2014 (5,606 employees). Above all, we increased our workforce at our foreign production companies in India and Poland and at Stiles in the US. At the end of the second quarter of 2015, the HOMAG Group employed 174 contract workers owing to the good capacity utilization (prior year: 161 contract workers).

## Capital Expenditure

In the second quarter of 2015, our capital expenditure on intangible assets and property, plant and equipment amounted to EUR 6.5 million (without leases) as in the prior year. We invested in an extension at our production plant in Poland, our machinery as well as the expansion of the IT infrastructure, among other things. Capital expenditure contains own development work capitalized of EUR 2.1 million (prior year: EUR 1.5 million). In the first half of the year, we increased our capital expenditure to EUR 12.7 million (prior year: EUR 10.9 million).

## Research and Development

At LIGNA in May 2015, we used a system extending over 100 meters – among other things – to demonstrate how we are already implementing “networked production” with our customers around the world today. Networked machines and integrated software are also becoming increasingly important in the cabinet shop segment. For this reason, we presented a networked workshop over an area of 200 $m^2$ with particularly efficient and future-oriented solutions specifically developed for requirements of cabinet makers.

In addition, we developed a new processing center for window production. With this, we offer our customers high-performance solutions in a compact space and the potential to produce all components efficiently on one machine. The new processing center allows the complete processing of door leaf, round window parts and conservatory window parts in addition to straight window parts. This would otherwise require additional machinery. A new gripping and clamping technology allows customers to process workpieces even more flexibly. Output of the system is scalable – from 15 to 50 window units per shift.

With our airTec system, we now also offer cabinet shops to produce furniture with invisible joints economically. We again rounded out our portfolio in this area and now offer a machine with an attractive level of investment. The new edge-processing machine has a feed speed of 8 meters per minute.

# Risk and Opportunities Report

The risk management system in place and the individual business risks and opportunities are described in the annual report 2014, pages 67 to 76. The statements made there are still essentially valid for the second quarter of 2015. 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, we changed our stock market listing. The revocation of our admission to the Regulated Market took effect on July 16, 2015. The shares of HOMAG Group AG have been listed and can be traded in the Entry Standard segment of the Open Market since July 17, 2015. In accordance with the transparency requirements of this stock market segment, we will transition to half-yearly reporting in the future.

As part of the FOCUS project under the guiding principle of ONE HOMAG, we began realigning our organizational structure on July 1, 2015. With this, we aim to enhance collaboration within our company and tighten the focus of business responsibility. We will manage our worldwide business with plant and machinery in five global Technology Business Units. In addition, there are two Business Units responsible for the project business and the service business worldwide. All the Business Units have access to a global sales organization and are supported by high-performing central functions for finance, HR and IT.

# Forecast Report

The VDMA reduced its forecast mid-July for the German mechanical and plant engineering sector from 2 percent in real terms to 0 percent for the current fiscal year and thus anticipates a stagnation. For the wood processing machines segment, the competent industry association anticipates sales revenue growth in 2015 of 3 percent.

Following the successful first half of the year, we confirm our guidance for 2015. As a result, we continue to expect an order intake according to the new calculation method of between EUR 940 million and EUR 960 million (2014 (restated): EUR 911.4 million) and aim to generate sales revenue for the Group of between EUR 950 million and EUR 970 million for 2015 (2014: EUR 914.8 million). We expect EBIT 2015 between EUR 53 million and EUR 55 million (2014: EUR 36.7 million).

We expect considerable growth in the Group's net profit for the year and aim to reach between EUR 31 million and EUR 33 million (2014: EUR 18.9 million). This above-average increase stems, on the one hand, from the good development of operations and, on the other, from the substantially lower extraordinary expense expected. The negative effects arising from the Stiles acquisition were mostly absorbed in the 2014 fiscal year.

With the successful implementation of all measures from our FOCUS project, we have set a target of generating sales revenue of EUR 1.25 billion and an EBIT margin of 8-10 percent by 2020.

For this reason, the 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.

# Interim Financial Statements as of June 30, 2015

## Consolidated Income Statement

| FIGURES IN EUR K | 2015<br>01/04 – 30/06 | 2014<br>01/04 – 30/06 | 2015<br>01/01 – 30/06 | 2014<br>01/01 – 30/06 |
|---|---|---|---|---|
| **Sales revenue** | **249,771** | **225,770** | **504,097** | **430,521** |
| Increase or decrease in inventories of finished goods and work in progress | 8,227 | 3,663 | 16,373 | 17,705 |
| Own work capitalized | 1,960 | 1,564 | 4,270 | 3,156 |
| | 10,186 | 5,227 | 20,643 | 20,861 |
| **Total operating performance** | **259,957** | **230,997** | **524,740** | **451,382** |
| Other operating income | 5,379 | 6,100 | 13,690 | 10,620 |
| | **265,336** | **237,097** | **538,430** | **462,002** |
| Cost of materials | 108,760 | 101,535 | 227,410 | 196,212 |
| Personnel expenses before employee profit participation | 94,062 | 81,849 | 188,530 | 162,491 |
| Amortization of intangible assets | 3,975 | 3,810 | 7,918 | 7,641 |
| Depreciation of property, plant and equipment | 3,897 | 3,753 | 7,745 | 7,531 |
| Other operating expenses | 39,813 | 35,215 | 77,225 | 69,804 |
| | 250,507 | 226,162 | 508,828 | 443,679 |
| **Operating result before employee profit participation** | **14,829** | **10,935** | **29,602** | **18,323** |
| Expenses from employee profit participation | 5,240 | 2,003 | 8,556 | 3,754 |
| **Net operating profit** | **9,589** | **8,932** | **21,046** | **14,569** |
| Profit/loss from associates | 746 | 391 | 21 | 202 |
| Interest income | 112 | 335 | 573 | 540 |
| Interest expenses | 809 | 1,493 | 4,335 | 3,145 |
| **Earnings before taxes** | **9,638** | **8,165** | **17,305** | **12,166** |
| Income taxes | -2,656 | -2,838 | -5,800 | -4,257 |
| **Net profit for the period** | **6,982** | **5,327** | **11,505** | **7,909** |
| Profit attributable to non-controlling interests | 484 | 413 | 898 | 520 |
| Profit attributable to owners of Homag Group AG | **6,498** | **4,914** | **10,607** | **7,389** |
| Earnings per share attributable to owners of Homag Group AG in EUR (basic and diluted) | 0,41 | 0,31 | 0,68 | 0,47 |

## Consolidated Statement of Comprehensive Income

| FIGURES IN EUR K | 2015 01/04 – 30/06 | 2014 01/04 – 30/06 | 2015 01/01 – 30/06 | 2014 01/01 – 30/06 |
|---|---|---|---|---|
| **Net profit for the period** | **6,982** | **5,327** | **11,505** | **7.909** |
| Currency effects | -1,826 | 590 | 5,801 | -227 |
| thereof share of associates | -216 | 32 | 421 | 25 |
| Gains and losses from cash flow hedges | 416 | -178 | 248 | -314 |
| Taxes attributable to gains and losses from cash flow hedges | -155 | 64 | -58 | 102 |
| **Other income and expenses that can be reclassified to the income statement under certain conditions in future periods** | **-1,565** | **476** | **5,991** | **-439** |
| Actuarial gains and losses | 0 | -299 | 0 | -299 |
| Income tax on other comprehensive income | 0 | 33 | 0 | 33 |
| **Other income and expenses that cannot be reclassified to the income statement in future periods** | **0** | **-266** | **0** | **-266** |
| **Other comprehensive income** | **-1,565** | **210** | **5,991** | **-705** |
| **Total comprehensive income** | **5,417** | **5,537** | **17,496** | **7,204** |
| Total comprehensive income attributable to non-controlling interests | -995 | 473 | 1,279 | 492 |
| Total comprehensive income attributable to owners of Homag Group AG | **6,412** | **5,064** | **16,217** | **6,712** |

## Consolidated Statement of Financial Position

| FIGURES IN EUR K | | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **Non-current assets** | | | |
| I. | Intangible assets | 77,650 | 77,729 |
| II. | Property, plant and equipment | 128,351 | 128,894 |
| III. | Investments in associates | 4,719 | 4,829 |
| IV. | Other financial assets | 493 | 506 |
| V. | Receivables and other assets | | |
| | Trade receivables | 762 | 1,039 |
| | Other financial assets | 1,097 | 2,611 |
| | Other assets and prepaid expenses | 279 | 324 |
| | Income tax receivables | 950 | 946 |
| VI. | Deferred taxes | 11,251 | 10,101 |
| | | **225,552** | **226,979** |
| **Current assets** | | | |
| I. | Inventories | 208,628 | 174,769 |
| II. | Receivables and other assets | | |
| | Trade receivables | 86,245 | 86,929 |
| | Receivables from long-term construction contracts | 35,836 | 43,967 |
| | Receivables from associates | 11,867 | 4,664 |
| | Receivables from affiliates | 1,428 | 0 |
| | Other assets and prepaid expenses | 29,711 | 16,445 |
| | Income tax receivables | 7,378 | 5,856 |
| III. | Cash and cash equivalents | 52,189 | 49,986 |
| | | **433,282** | **382,616** |
| IV. | Non-current assets held for sale | 1,245 | 1,245 |
| | | **434,527** | **383,861** |
| **Total assets** | | **660,079** | **610,840** |

| FIGURES IN EUR K | | June 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **Equity** | | | |
| I. | Issued capital | 15,688 | 15,688 |
| II. | Capital reserves | 32,976 | 32,976 |
| III. | Revenue reserves | 135,035 | 116,809 |
| IV. | Net profit for the period | 10,607 | 18,905 |
| | Equity attributable to the owners | 194,306 | 184,378 |
| V. | Non-controlling interests | 11,550 | 10,293 |
| | | **205,856** | **194,671** |
| **Non-current liabilities and provisions** | | | |
| I. | Non-current financial liabilities | 7,959 | 71,950 |
| II. | Other non-current liabilities | 6,124 | 7,163 |
| III. | Pensions and other post-employment benefits | 3,280 | 3,290 |
| IV. | Obligations from employee profit participation | 1,374 | 16,047 |
| V. | Other non-current provisions | 7,357 | 7,344 |
| VI. | Deferred taxes | 18,857 | 19,167 |
| | | **44,951** | **124,961** |
| **Current liabilities and provisions** | | | |
| I. | Current financial liabilities | 4,876 | 14,562 |
| II. | Trade payables | 70,215 | 84,893 |
| III. | Prepayments | 67,503 | 59,891 |
| IV. | Liabilities from long-term construction contracts | 10,309 | 7,497 |
| V. | Liabilities to associates | 22,826 | 8,062 |
| VI. | Liabilities to affiliates | 95,238 | 0 |
| VII. | Other financial liabilities | 1,075 | 2,911 |
| VIII. | Other current liabilities and deferred income | 110,402 | 89,148 |
| IX. | Tax liabilities | 6,777 | 5,575 |
| X. | Pensions and other post-employment benefits | 87 | 87 |
| XI. | Other current provisions | 19,964 | 18,582 |
| | | **409,272** | **291,208** |
| **Total liabilities** | | **454,223** | **416,169** |
| **Total equity and liabilities** | | **660,079** | **610,840** |

# Consolidated Cash Flow Statement

| FIGURES IN EUR K | 2015 01/01 – 06/30 | 2014 01/01 – 06/30 |
|---|---|---|
| **1. Cash flow from operating activities** | | |
| **Profit or loss for the period before tax** | **17,305** | **12,166** |
| Income tax paid (–) | -7,631 | -8,060 |
| Interest result | 3,761 | 2,605 |
| Interest paid (–) | -1,366 | -3,722 |
| Interest received (+) | 559 | 521 |
| Write-downs (+) / write-ups (–) of non-current assets (netted) | 15,663 | 15,172 |
| Increase (+) / decrease (–) in provisions | -13,739 | 813 |
| Share of profit (–) or loss (+) of associates | -21 | -202 |
| Gain (–) / loss (+) on disposals of non-current assets | -14 | -79 |
| Increase (–) / decrease (+) in inventories, trade receivables and other assets | -33,230 | -15,779 |
| Increase (+) / decrease (–) in trade payables and other liabilities | 19,135 | 24,821 |
| **Cash flow from operating activities** | **422** | **28,256** |
| | | |
| **2. Cash flow from investing activities** | | |
| Cash received (+) from disposals of property, plant and equipment | 558 | 372 |
| Cash paid (–) for investments in property, plant and equipment | -5,258 | -5,435 |
| Cash received (+) from disposals of intangible assets | 117 | 0 |
| Cash paid (–) for investments in intangible assets | -7,417 | -5,496 |
| Cash paid (–) for the acquisition of consolidated companies | 0 | -14,348 |
| **Cash flow from investing activities** | **-12,000** | **-24,907** |

| FIGURES IN EUR K | 2015<br>01/01 – 06/30 | 2014<br>01/01 – 06/30 |
|---|---|---|
| **3. Cash flow from financing activities** | | |
| Dividend payments | -6,275 | -5,491 |
| Cash received (+) from the issue of (financial) liabilities | 96,480 | 37,315 |
| Cash repayment (–) of bonds and (financial) liabilities | -79,827 | -46,002 |
| **Cash flow from financing activities** | **10,378** | **-14,178** |
| | | |
| **4. Cash and cash equivalents at the end of the period** | | |
| Change in cash and cash equivalents (subtotal of 1 to 3) | -1,200 | -10,830 |
| Effect of currency translation adjustments and change in basis of consolidation on cash and cash equivalents | 3,403 | -781 |
| **Cash and cash equivalents at the beginning of the period** | **49,986** | **44,939** |
| **Cash and cash equivalents at the end of the period [1]** | **52,189** | **33,328** |

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

| | | | Revenue |
|---|---|---|---|
| FIGURES IN EUR K | Issued capital | Capital reserve | Retained earnings |
| **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** |
| | | | |
| **Jan. 1, 2015** | **15,688** | **32,976** | **112,787** |
| **Other changes** | | | **-14** |
| Dividends paid | | | -6,275 |
| **Transactions with owners** | | | **-6,275** |
| **Reclassification to revenue reserves** | | | **18,905** |
| Net profit for the period | | | |
| Other income and expenses | | | |
| **Total comprehensive income** | | | |
| **June 30, 2015** | **15,688** | **32,976** | **125,403** |

| reserves | | | | | |
|---|---|---|---|---|---|
| Accumulated other comprehensive income | Translation reserve | Group result | Equity before non-controlling interests | Non-controlling interests | Total |
| **-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** |
| | | | | | |
| **-1,212** | **5,234** | **18,905** | **184,378** | **10,293** | **194,671** |
| | | | **-14** | **-22** | **-36** |
| | | | **-6,275** | | **-6,275** |
| | | | **6,275** | | **6,275** |
| | | **-18,905** | | | **0** |
| | | 10,607 | 10,607 | 898 | **11,505** |
| 190 | 5,420 | | 5,610 | 381 | **5,991** |
| **190** | **5,420** | **10,607** | **16,217** | **1,279** | **17,496** |
| **-1,022** | **10,654** | **10,607** | **194,306** | **11,550** | **205,856** |

# Selected Explanatory Notes

## General

These interim condensed consolidated financial statements for the first half of 2015 were released for publication by resolution of the management board on August 4, 2015.

## Application of Accounting Requirements

The interim condensed consolidated financial statements of Homag Group AG (Homag Group) as of June 30, 2015, like the consolidated financial statements as of December 31, 2014, 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 (IFRIC) 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 2014 consolidated financial statements. These policies are explained in detail in the 2014 annual report. In addition, the amendments to IFRSs and the new policies mandatory as of January 1, 2015 have been adopted in the interim financial statements. The amendments to the following IFRSs became applicable for the first time in the reporting period:

**Amendments to IAS 19 - "Employee Benefits"**

The amendment regulates the recognition of contributions by employees or third parties to a defined benefit pension plan as a reduction in service cost provided that these reflect the service rendered in the reporting period. The amendment only has a slight effect in the Homag Group as only a few pension plans in certain countries will be affected by the amendment.

The amendments contained in the 2010 – 2012 and 2011 – 2013 cycles of the annual improvements projects do not have any effects, or no material effects, on the consolidated financial statements of the Company.

**Annual Improvements to IFRSs (2010 - 2012 cycle)**

IFRS 2 "Share-based Payment": The amendment clarifies the definition of vesting conditions and market conditions.

IFRS 3 "Business Combinations": By amending this standard and making subsequent changes to other standards, all contingent considerations not classified as equity are subsequently measured at fair value recognizing all resulting effects in profit or loss.

IFRS 8 "Operating Segments": Newly included in IFRS 8 was the clarification that the underlying considerations made when merging business segments into reportable segments must be stated and a reconciliation of segment assets to the corresponding accounts in the statement of financial position is only necessary when disclosures on segment assets are regularly reported to the chief operating decision maker.

IFRS 13 "Measurement at Fair Value": An amendment to the "Basis for Conclusions" in IFRS 13 clarifies that, in making the amendments to IFRS 9 and IAS 39 resulting from IFRS 13, the IASB did not want to eliminate the possibility of opting out of discounting for current receivables and liabilities in the event of immateriality.

IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": The amendment clarifies how to determine accumulated impairment as of the measurement date when applying the remeasurement model pursuant to IAS 16 and IAS 38.

**Annual Improvements to IFRSs (2011 – 2013 cycle)**

IFRS 1 “First-time Adoption of International Financial Reporting Standards”: The amendment clarifies the meaning of effective date in connection with IFRS 1.

IFRS 3 “Business Combinations”: The amendment establishes the existing exemption of joint ventures from the scope of IFRS 3.

IFRS 13 “Fair Value Measurement”: IFRS 13 allows entities managing a group of financial assets and financial liabilities on the basis of their net market risk or risk of default to calculate the fair value of this group in accordance with the standard, as market participants would measure the net risk position on the measurement date (portfolio exception). The suggested amendment clarifies that this exception for determining the fair value relates to all agreements in the scope of IAS 39 “Financial instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”, even if these do not satisfy the definition of a financial asset or a financial liability under IAS 32 “Financial Instruments: Presentation”.

IAS 40 “Investment Property”: The amendment clarifies that the scopes of IAS 40 and IFRS 3 “Business Combinations” are independent of each other, i.e., never mutually exclusive.

All mandatory new and amended IFRSs were described in detail in the annual report 2014.

The interim financial statements have been prepared in euro (group currency) and presented in thousands of euros (EUR k). Besides the income statement and the 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 consolidated financial statements published as of December 31, 2014.

# Notes to the Consolidated Income Statement

## Sales Revenue

In the first half of 2015, the Homag Group generated sales revenue of EUR 504,097 k, up 17.1 percent on the same period of the prior year (2014).

| FIGURES IN EUR K | 2015 04/01 – 06/30 | 2014 04/01 – 06/30 | 2015 01/01 – 06/30 | Share | 2014 01/01 – 06/30 | Share | % change on the prior year |
|---|---|---|---|---|---|---|---|
| Central Europe (incl. Germany) | 57,548 | 45,179 | 113,154 | 22,4% | 96,428 | 22,4% | 17,3% |
| Western Europe | 50,254 | 42,958 | 89,014 | 17,7% | 75,570 | 17,6% | 17,8% |
| Eastern Europe | 40,509 | 50,234 | 76,488 | 15,2% | 101,378 | 23,5% | -24,6% |
| North America | 54,104 | 44,731 | 127,571 | 25,2% | 70,405 | 16,4% | 81,2% |
| South America | 3,267 | 3,714 | 7,387 | 1,5% | 10,373 | 2,4% | -28,8% |
| Asia/Pacific | 41,650 | 36,023 | 86,143 | 17,1% | 71,384 | 16,6% | 20,7% |
| Africa | 2,439 | 2,932 | 4,340 | 0,9% | 4,983 | 1,2% | -12,9% |
| **Total** | **249,771** | **225,771** | **504,097** | 100,0% | **430,521** | **100,0%** | **17,1%** |

The greatest percentage increases in sales revenue in the first half of 2015 in comparison to the same period of the prior year were seen in the regions of North America (81.2 percent), Germany (33.7 percent) and Asia/Pacific (20.7 percent). With a fall of 28.8 percent, the region South America registered the greatest decrease. The share of sales revenue earned in Germany was raised from 16.0 percent in the first half of 2014 to 18.3 percent in the reporting period.

## Cost of Materials

The ratio of cost of materials to total operating performance decreased slightly to 43.3 percent in the first half of 2015, as compared to 43.5 percent in the corresponding period of the prior year.

| FIGURES IN EUR K | 2015 04/01 – 06/30 | 2014 04/01 – 06/30 | 2015 01/01 – 06/30 | 2014 01/01 – 06/30 |
|---|---|---|---|---|
| Cost of raw materials, consumables and supplies and purchased merchandise | 101,566 | 94,603 | 212,031 | 186,102 |
| Cost of purchased services | 7,194 | 6,932 | 15,379 | 10,110 |
| | **108,760** | **101,535** | **227,410** | **196,212** |

## Personnel Expenses

| FIGURES IN EUR K | 2015 04/01 – 06/30 | 2014 04/01 – 06/30 | 2015 01/01 – 06/30 | 2014 01/01 – 06/30 |
|---|---|---|---|---|
| Wages and salaries | 81,159 | 69,485 | 161,158 | 137,814 |
| Social security, pension and other benefit costs | 12,903 | 12,363 | 27,372 | 24,677 |
| thereof for pension benefits | 4,967 | 4,628 | 9,542 | 8,967 |
| thereof employer contribution to statutory pension insurance | 4,548 | 4,341 | 8,795 | 8,397 |
| | **94,062** | **81,848** | **188,530** | **162,491** |

| FIGURES IN EUR K | 2015 04/01 – 06/30 | 2014 04/01 – 06/30 | 2015 01/01 – 06/30 | 2014 01/01 – 06/30 |
|---|---|---|---|---|
| Expenses from employee profit participation | 5,240 | 2,003 | 8,556 | 3,754 |

After 5,450 employees as of June 30, 2014, 5,606 employees as of December 31, 2014 and 5,668 employees as of March 31, 2015, the Homag Group employed 5,730 persons as of June 30, 2015.

In the first half of 2015, personnel expenses rose by 16 percent in comparison to the comparable prior-year period. This is mainly attributable to the higher headcount and the collectively bargained wage increases. The ratio of personnel expenses to total operating performance stands at 35.9 percent (prior year: 36.0 percent).

At EUR 8,556 k, employee profit participation expenses in the first half of 2015 were above the level of the first half of 2014 (prior year: EUR 3,754 k). This is primarily due to a non-recurring effect resulting from the unwinding of the discount on amounts previously recognized as provisions in connection with the termination of the existing employee profit participation program during the quarter. This program will be replaced by a uniform model for all German companies.

## Profit for the Period

EBIT amounted to EUR 21,046 k in the first half of 2015 (prior year: EUR 14,569 k).

The financial result for the first half of 2015 of EUR -3,741 k deteriorated by 55.7 percent compared to the prior-year period (prior year: EUR -2,403 k). This is mainly attributable to the special effect from the premature termination of the syndicated loan agreement, which burdened the interest result by EUR 2,935 k.

EBT in the first six months of 2015 came to EUR 17,305 k (prior year: EUR 12,166 k). After non-controlling interests, the net profit for the period came to EUR 10,607 k (prior year: EUR 7,389 k) which leads to earnings per share of EUR 0.68 (prior year: EUR 0.47).

# Notes to the Consolidated Statement of Financial Position

## Assets

Total assets come to EUR 660,079 k (December 31, 2014: EUR 610,840 k).

Inventories rose by EUR 33,859 k to EUR 208,628 k in comparison to December 31, 2014, an increase of 19.4 percent. The increase in inventories is due to the customary seasonal increase in inventories on account of the high 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.

Receivables from affiliates relate to items not included at the consolidation level. These primarily pertain to claims as part of the tax group in place for VAT purposes.

The EUR 7,203 k increase in receivables from associates to EUR 11,867 k stems from receivables resulting from two large-scale projects with our associate HOMAG China Golden Field.

Compared to December 31, 2014, other current assets and prepaid expenses rose by EUR 13,266 k for reasons relating to the reporting date.

The line item “Non-current assets held for sale” remained unchanged compared to December 31, 2014.

## Equity

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

At 31.2 percent as of June 30, 2015, the equity ratio decreased slightly on the level seen on December 31, 2014 (31.9 percent) on account of the disproportionate increase in total assets.

Pursuant to IAS 33, earnings per share is 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 0.68 for the first half of 2015 (prior year: EUR 0.47).

| | **2015 01/01 – 06/30** | **2014 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 | 10,607 | 7,389 |
| **Basic earnings per share pursuant to IAS 33 in EUR** | **0.68** | **0.47** |
| 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 May 8, 2015, the annual general meeting for the fiscal year 2014 passed a resolution to distribute a dividend of EUR 0.40 per share. The dividend was paid out on May 11, 2015.

## Liabilities

On the equity and liabilities side of the statement of financial position, current and non-current financial liabilities increased by EUR 73,677 k, essentially on account of the premature termination of the syndicated loan agreement. On the other hand, liabilities due to Dürr AG rose by EUR 95,000 k, relating to the integration into the Dürr cash pool. Liabilities to affiliates include an additional EUR 238 k from the supply of goods and services.

Other current liabilities and deferred income rose to EUR 110,402 k, primarily on account of the reclassification from the obligations from employee profit participation. By contrast, the non-current obligation from employee profit participation decreased to EUR 1,374 k.

The EUR 22,826 k increase in liabilities to associates stems from higher prepayments received for two large-scale projects with HOMAG China Golden Field.

Participation in the Dürr Group’s cash pool gave rise to a cash inflow of EUR 95,000 k and as a result net financial balance of EUR 45,308 k as of June 30, 2015. Without this cash inflow, net financial debt would have amounted to EUR 49,692 k (December 31, 2014: EUR 28,496 k).

# Financial Instruments

Book values, carrying amounts and fair values by measurement category

| FIGURES IN EUR K | Carrying amount June 30, 2015 | Carrying amount in statement of financial position according to IAS 39 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Amortized cost | Acquisition cost | Fair value | Carrying amount accord. to IAS 11 | Carrying amount accord. to IAS 17 | Fair value June 30, 2015 |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 52,189 | 52,189 | | | | | 52,189 |
| Trade receivables | 87,007 | 87,007 | | | | | 87,007 |
| Receivables from associates | 11,867 | 11,867 | | | | | 11,867 |
| Receivables from affiliates | 1,428 | 1,428 | | | | | 1,428 |
| Receivables from long-term construction contracts | 35,836 | | | | 35,836 | | 35,836 |
| Other financial assets | 493 | | 493 | | | | -- |
| Other non-derivative financial assets | 10,695 | 10,695 | | | | | 10,695 |
| Derivative financial assets | | | | | | | |
| Derivatives without hedging relationship | 369 | | | 369 | | | 369 |
| **Equity and liabilities** | | | | | | | |
| Trade payables | 70,215 | 70,215 | | | | | 70,215 |
| Liabilities from long-term construction contracts | 10,309 | | | | 10,309 | | 10,309 |
| Liabilities to associates | 22,826 | 22,826 | | | | | 22,826 |
| Liabilities to affiliates | 95,238 | 95,238 | | | | | 95,238 |
| Financial liabilities | | | | | | | |
| Liabilities to banks | 6,881 | 6,881 | | | | | 7,239 |
| Lease liabilities | 5,955 | | | | | 5,955 | 6,000 |
| Derivative financial liabilities | | | | | | | |
| Derivatives without hedging relationship | 1,075 | | | 1,075 | | | 1,075 |
| Derivatives with hedging relationship | 158 | | | 158 | | | 158 |
| **Thereof combined according to the measurement categories in accordance with IAS 39** | | | | | | | |
| Loans and receivables | 163,186 | 163,186 | | | | | 163,186 |
| Held-for-sale financial assets | 493 | | 493 | | | | -- |
| Financial assets held for trading | 369 | | | 369 | | | 369 |
| Financial liabilities measured at amortized cost | 195,160 | 195,160 | | | | | 195,518 |
| Financial liabilities held for trading | 1,233 | | | 1,233 | | | 1,233 |

Cash and cash equivalents, trade receivables and other non-derivative assets mostly fall due in the short term. 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 the derivative financial assets and liabilities (essentially forward exchange contracts) allocated to level 2 of the fair value hierarchy is based on daily observable spot foreign exchange rates and interest yield curves. In connection with IFRS 13 “Fair Value Measurement”, both the counterparty credit risk and own risk of default have been taken into account in the measurement of forward exchange contracts. Input factors to take into account the counterparty credit risk are credit default swaps (CDSs), observable on the markets, of the credit institutions involved in the respective transaction. If there is no CDS for a single credit institution, a synthetic CDS is derived from other observable market data (such as rating information). The counterparty credit risk is minimized by diversifying its portfolio and selecting its counterparties carefully. To calculate its own risk of default, Homag uses the information it receives from credit institutions and insurance companies to derive a synthetic CDS for Homag.

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 hedging relationship presented as of December 31, 2014 in connection with the existing interest swap was released owing to the termination of the syndicated loan agreement and the interest rate swap was redeemed.

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, 2015 | | | |
|---|---|---|---|---|
| **FIGURES IN EUR K** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Derivatives without hedging relationship | 369 | 0 | 369 | 0 |

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

| | June 30, 2015 | | | |
|---|---|---|---|---|
| **FIGURES IN EUR K** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Cash and cash equivalents | 52,189 | 52,189 | 0 | 0 |
| Trade receivables | 87,007 | 0 | 87,007 | 0 |
| Receivables from associates | 11,867 | 0 | 11,867 | 0 |
| Receivables from affiliates | 1,428 | 0 | 1,428 | 0 |
| Receivables from long-term construction contracts | 35,836 | 0 | 35,836 | 0 |
| Other non-derivative financial assets | 10,695 | 0 | 10,695 | 0 |
| | **199,022** | **52,189** | **146,833** | **0** |

Liabilities measured at fair value:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| FIGURES IN EUR K | Total | Level 1 | Level 2 | Level 3 |
| Derivatives without hedging relationship | 1,075 | 0 | 1,075 | 0 |
| Derivatives with hedging relationship | 158 | 0 | 158 | 0 |
| | **1,233** | **0** | **1,233** | **0** |

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

| | June 30, 2015 | | | |
|---|---|---|---|---|
| FIGURES IN EUR K | Total | Level 1 | Level 2 | Level 3 |
| Trade payables | 70,215 | 0 | 70,215 | 0 |
| Liabilities from long-term construction contracts | 10,309 | 0 | 10,309 | 0 |
| Liabilities to associates | 22,826 | 0 | 22,826 | 0 |
| Liabilities to affiliates | 95,238 | 0 | 95,238 | 0 |
| Liabilities to banks | 7,239 | 0 | 7,239 | 0 |
| Lease liabilities | 6,000 | 0 | 6,000 | 0 |
| | **211,827** | **0** | **211,827** | **0** |

# Segment Reporting

| | Industry | | Cabinet Shops | | Sales & Service | |
|---|---|---|---|---|---|---|
| | **2015 01/01 – 06/30** | **2014 01/01 – 06/30** | **2015 01/01 – 06/30** | **2014 01/01 – 06/30** | **2015 01/01 – 06/30** | **2014 01/01 – 06/30** |
| **FIGURES IN EUR K** | | | | | | |
| Third-party sales | 151,371 | 161,993 | 42,694 | 43,418 | 253,748 | 172,540 |
| Sales revenue with group companies from other segments | 75,690 | 70,666 | 59,475 | 55,344 | 1,705 | 1,599 |
| Sales revenue with associates | 20,867 | 17,850 | 4,563 | 4,971 | 0 | 158 |
| **Total sales revenue** | **247,928** | **250,509** | **106,732** | **103,733** | **255,453** | **174,297** |
| **EBITDA**[1] | **25,155** | **29,451** | **7,890** | **3,484** | **19,273** | **7,072** |
| Depreciation of property, plant and equipment and amortization of intangible assets | -9,457 | -9,365 | -2,907 | -3,171 | -1,520 | -1,360 |
| Result from employee participation | -7,076 | -3,237 | -1,345 | -377 | -135 | -140 |
| Share in result of associates | 0 | -367 | 0 | 0 | 21 | 569 |
| Interest result | -1,374 | -918 | -617 | -322 | -495 | -294 |
| **Segment result**[2] | **7,248** | **15,564** | **3,021** | **-386** | **17,144** | **5,847** |
| **Employees**[3] | **2,657** | **2,603** | **997** | **978** | **1,091** | **1,065** |

1 EBITDA before employee participation expenses

2 The segment result corresponds to earnings before tax

3 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 147 of the annual report 2014.

In the Sales & Service segment, sales revenue increased by EUR 81,156 k (up 46.6 percent). The largest increase in absolute terms was generated by Stiles Machinery, Inc. (up EUR 66,268 k or 143.6 percent), which had only been consolidated for five months in the same half of the prior year. Homag (Schweiz) AG (up EUR 6,263 k or 50.4 percent) and Homag Danmark A/S (up EUR 3,816 k or 103.8 percent) generated the next largest increases. In the Other segment, sales revenue increased by EUR 15,438 k (up 32.9 percent). In this context, Homag Machinery Sroda Sp. z.o.o generated the largest absolute increase in sales revenue (up EUR 13,802 k or 111 percent). In the Cabinet Shops segment, sales revenue increased by EUR 2,999 k (up 2.9 percent). By contrast, the Industry segment saw a reduction of EUR 2,581 k (down 1 percent).

| Other | | Total segments | | Consolidation | | Group | |
|---|---|---|---|---|---|---|---|
| **2015 01/01 – 06/30** | **2014 01/01 – 06/30** | **2015 01/01 – 06/30** | **2014 01/01 – 06/30** | **2015 01/01 – 06/30** | **2014 01/01 – 06/30** | **2015 01/01 – 06/30** | **2014 01/01 – 06/30** |
| | | | | | | | |
| 13,499 | 10,503 | 461,312 | 388,454 | 0 | 0 | 461,312 | 388,454 |
| 31,440 | 17,265 | 168,310 | 144,874 | -168,310 | -144,874 | 0 | 0 |
| 17,355 | 19,088 | 42,785 | 42,067 | 0 | 0 | 42,785 | 42,067 |
| **62,294** | **46,856** | **672,407** | **575,395** | **-168,310** | **-144,874** | **504,097** | **430,521** |
| **-2,915** | **-2,349** | **49,403** | **37,658** | **-4,138** | **-4,163** | **45,265** | **33,495** |
| -1,779 | -1,276 | -15,663 | -15,172 | 0 | 0 | -15,663 | -15,172 |
| 0 | 0 | -8,556 | -3,754 | 0 | 0 | -8,556 | -3,754 |
| 0 | 0 | 21 | 202 | 0 | 0 | 21 | 202 |
| -1,275 | -1,017 | -3,761 | -2,551 | -1 | -54 | -3,762 | -2,605 |
| **-5,969** | **-4,642** | **21,444** | **16,383** | **-4,139** | **-4,217** | **17,305** | **12,166** |
| **950** | **781** | **5,695** | **5,427** | **0** | **0** | **5,695** | **5,427** |

The development of EBITDA before employee profit participation expenses varied between segments. In the Sales & Service segment, EBITDA increased by EUR 12,201 k and in the Cabinet Shops segment by EUR 4,406 k. In the Industry and Other segments, on the other hand, EBITDA fell by EUR 4,296 k and EUR 566 k, respectively.

In the Sales & Service segment, Stiles Machinery, Inc., Homag (Schweiz) AG, Homag Canada Inc. and Homag Danmark A/S recorded the greatest improvements in earnings. In the Cabinet Shops segment, Weeke Bohrsysteme GmbH saw the largest absolute increase in earnings. In the Industry segment, Homag Holzbearbeitungssysteme GmbH saw the largest absolute decline.

# Other Notes

## Contingent Liabilities

Three German production companies recognized a provision totaling EUR 2,490 k for litigation risks.

In addition, a provision of EUR 740 k has been 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 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 entities concerned have recognized adequate provisions and bad debt allowances to account for any financial burdens from other litigation or arbitration proceedings, or there is sufficient cover.

## Related Parties

Goods and services amounting to EUR 42,791 k were sold to associates in the first half of 2015 (prior year: EUR 42,075 k). Goods and services worth EUR 891 k were received from associates (prior year: EUR 425 k).

## Subsequent Events after June 30, 2015

The revocation of our admission to the Regulated Market took effect on July 16, 2015. The shares of HOMAG Group AG have been listed in the Entry Standard segment of the Open Market since July 17, 2015.

Schopfloch, August 4, 2015

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 2015

HOMAG Group AG
The management board

Ralph Heuwing

Pekka Paasivaara

Harald Becker-Ehmck

Jürgen Köppel

Franz Peter Matheis

# Contacts

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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-oriented Statements**

This interim report contains certain statements relating to the future. Future-oriented statements are all those statements that do not pertain to historical facts and events or expressions pertaining to the future such as "believes", "estimates", "assumes", "forecasts", "intend", "may", "will", "should" or similar expressions. Such future-oriented statements are subject to risks and uncertainty since they relate to future events and are based on current assumptions of the company, which may not occur in the future or may not occur in the anticipated form. The company points out that such future-oriented statements do not guarantee the future; actual results including the financial position and the profitability of HOMAG Group AG as well as the development of economic and regulatory framework conditions may deviate significantly (and prove unfavorable) from what is expressly or implicitly assumed or described in these statements. Even if the actual results of HOMAG Group AG including the financial position and profitability as well as the economic and regulatory framework conditions should coincide with the future-oriented statements in this interim report, it cannot be guaranteed that the same will hold true in the future.

**Other Information**

This interim report is published in German and in English. In case of doubt, the German version shall prevail. Minor differences may arise from use of amounts and percentages rounded to the nearest whole number.

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