Interim Report Q2/2007

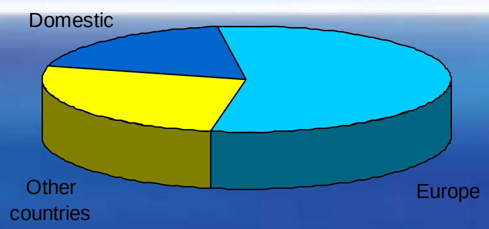
Homag Group AG

SECURING SUCCESS THROUGH **PARTNERSHIP**

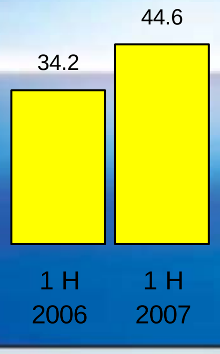
KEY GROUP FIGURES

		First half-year 2007	First half-year 2006	Variance as %
Total sales revenue	EUR m	386.2	339.8	13.7%
Domestic sales revenue	EUR m	73.4	63.1	16.4%
Export sales revenue	EUR m	312.8	276.7	13.0%
of which Europe	EUR m	212.3	180.0	18.0%
North America	EUR m	49.7	43.6	14.0%
Asia/Pacific	EUR m	37.2	40.4	-7.9%
Export share	as %	81.0%	81.4%	-0.5%
EBITDA [1]	EUR m	44.6	34.2	30.5%
EBITDA [1]	as % of total operating performance	10.7%	9.4%	13.8%
EBIT [1]	EUR m	34.5	24.2	42.8%
EBIT [1]	as % of total operating performance	8.3%	6.6%	25.8%
Profit (before minority interests)	EUR m	13.4	8.6	55.8%
Earnings per share [2]	EUR	0.99	0.59	67.8%
ROCE [3]	as %	15.0%	11.0%	36.4%

Allocation of turnover



EBITDA



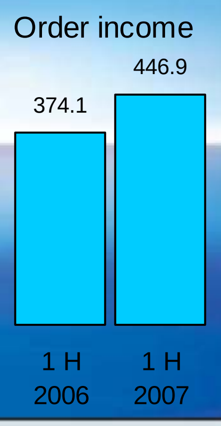
		First half-year 2007	First half-year 2006	Variance as %
Equity	EUR m	**111.8**	**95.6**	**16.9%**
Own funds [4]	EUR m	**152.9**	**133.4**	**14.6%**
Own funds ratio	as %	**29.0%**	**27.9%**	**3.9%**
Investment in property, plant and equipment	EUR m	**7.9**	**11.8**	**-33.1%**
Depreciation of property, plant and equipment	EUR m	**8.2**	**8.1**	**1.7%**
Number of employees	Average of the period	**4.793**	**4.437**	**8.0%**
Of which trainees	Average of the period	**318**	**329**	**-3.3%**
Personnel expenses	EUR m	**123.4**	**110.2**	**12.0%**
Accumulated order intake	EUR m	**446.9**	**374.1**	**19.5%**
Order backlog as of cut-off date	EUR m	**334.5**	**252.1**	**32.7%**

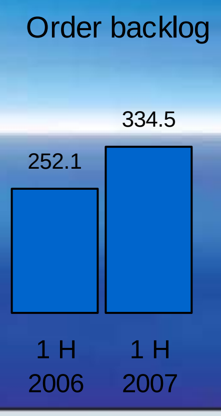
[1] After deduction of "other taxes", before employee participation obligations and IPO costs

2) before IPO costs and minority interests with regard to 14,561,345 shares

[3] (EBIT for the first half-year x 2 x 61%) / capital employed (non-current assets + net working capital)

[4] Equity plus hidden contribution of participation rights and employee participation obligations





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FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,

The HOMAG Group AG shares have been publicly listed since July 13, 2007. We have made a successful start and want to do everything we can to justify your trust in the company. This includes an open and fair dialog with you, our shareholders. It was with this in mind that we made the decision to be listed on the market segment which has the highest transparency requirements: the Prime Standard. Our regular interim reports are intended to bring you up to date on current developments in the HOMAG Group and to give you an overview of the business development.

Following the excellent start to 2007, we can now look back on what was a successful second quarter. Demand for our products and services remained as strong as ever, which meant that the boom continued for incoming orders, exceeding our expectations. Accordingly, order backlog developed positively and was up about a third compared to mid-year 2006. This exceptionally good

Dr. Joachim Brenk
(Spokesman)

Andreas Hermann

order situation made it possible for us to create some 190 new jobs – while at the same time reducing the ratio of personnel expenses to total operating performance.

The Group's results of operations also developed well between April and June 2007. However, we have reported slightly lower earnings figures compared to the second quarter of 2006. This is due to the expenses for the Ligna^{+} industry trade fair, which takes place every two years, and initial expenses for our going public. Overall, we succeeded in substantially raising all earnings figures and there was a disproportionate increase in the earnings per share over the first six months of 2007.

Ligna^{+} 2007

The main event in the second quarter of 2007 was the Ligna^{+} trade fair held in Hanover in May – the largest trade fair worldwide in the industry. The trade fair was highly successful, recording more than 10 percent growth in professional visitor numbers compared to 2005 and a very high share of international visitors. As the largest exhibitor, we presented HOMAG Group products on the 6,000 square meters of the "HOMAG City" stand. Without exception the response of the large number of visitors was extremely positive and our plant and machinery met with much interest. Our innovation center alone welcomed more than 30,000 visitors over the five days of the trade fair.

Outlook

In view of the continued good level of incoming orders and our large order backlog at mid-year 2007, we are optimistic about the months to come. Although we can expect the level of incoming orders to slow down slightly and return to normal again in the last six months of the year, overall we believe that we can achieve sales growth above the industry average for 2007 and we want to thus expand our leadership position on the global market further. Regarding our earnings figures (before IPO costs), we are also confident we can increase them further again by a suitable amount in 2007 compared to 2006.

The Management Board
Schopfloch, August 2007

Dr. Joachim Brenk

Andreas Hermann

Achim Gauß

Rolf Knoll

Herbert Högemann

Achim Gauß | **Rolf Knoll** | **Herbert Högemann**

INTERIM MANAGEMENT REPORT AS OF JUNE 30, 2007

Economic Environment

The global economy is now in the fourth year of recovery and it continued to exhibit a clear upward trend in the initial months of 2007. Although the surge in total output in industrial countries at the beginning of the year did not compare to that at year-end 2006, this was compensated by a further acceleration in the pace of economic activity in developing and emerging countries. As a result, growth in global output remained at a healthy level.

The German economic recovery also continued in the first six months of 2007. Following a slight decline in June, the business climate index for the manufacturing industry released by the ifo institute for economic research remains at a high level, while order backlog is still at record levels.

Demand for mechanical engineering also remains strong in Germany. According to VDMA (Federation of the Engineering Industries), order intake increased by 17 percent between April and June 2007 in a year-on-year comparison.

Business Development

After the exceptionally strong first quarter of 2007, the positive business development of the HOMAG Group continued between April and June – although at a lower pace, as had been expected. Looking back, Ligna$^+$ – the world's largest trade fair for our industry which took place in Hanover in May – was a great success and our machines and production lines met with keen interest.

From a regional perspective, the domestic market, the major western European markets, eastern Europe and the Northern American markets developed extremely well in the second quarter of 2007. By contrast, we recorded somewhat lower demand in the Asian and African markets.

Despite the labor-intensive preparations for Ligna$^+$, the sales revenues of EUR 193 million in the second quarter of 2007 exceeded that of the same period of the already good prior year (EUR 184 million). The Group's total operating performance reached EUR 199 million (prior year: EUR 193 million). On the back of an export ratio of about 81 percent, we were able to increase the Group's sales revenues by 14 percent to EUR 386 million in the first half of 2007 (prior year: EUR 340 million). In the same period, the total operating performance increased as well by 14 percent to EUR 416 million compared to the first six months of 2006 (prior year: EUR 365 million).

Exceeding our expectations, the extremely positive development of order intake in the first quarter continued into the second quarter. As a result, the order intake between April and June 2007 improved on the comparable prior-year period by 40 percent to EUR 213 million (prior year: EUR 152 million).

The Group also recorded an extraordinarily high level of order intake in the first six months of 2007, reaching EUR 447 million and up 20 percent on the first half of 2006 (EUR 374 million).

With an order backlog of EUR 334 million as of June 30, 2007, we were able to surpass the already high backlog at the end of the first quarter (EUR 278 million) by a further 20 percent. This represents an increase of 33 percent compared to the level as of June 30, 2006 (EUR 252 million). Relative to the order backlog as of December 31, 2006 the increase is in the order of 75 percent.

Results of Operations

The favorable business development again led to good results of operations for the Group in the second quarter of 2007, exceeding completely our expectations. Moreover, we were able to cut the ratio of personnel expenses to total operating performance further from 30.2 percent in fiscal 2006 to 29.7 percent in the period under review, despite the higher than expected wage agreement. This is partly attributable to the “Project 2008” profit-enhancement program. However, the results of operations for the second quarter of 2007 were burdened by the expenses of approx. EUR 5 million in connection with the Ligna^{+} trade fair, which is staged every other year, as well as the IPO costs of roughly EUR 1 million.

As a result, EBITDA before IPO costs and employee participation expenses in the second quarter of 2007 came to EUR 17.2 million, compared to EUR 21.8 million in the same period of the prior year. EBIT fell to EUR 12.2 million (prior year: EUR 16.8 million) before IPO costs and employee participation expenses or to EUR 10.5 million after employee participation expenses (prior year: EUR 14.9 million). At EUR –2.5 million, the financial result improved by EUR 0.5 million compared to the second quarter of 2006, resulting in EBT before IPO costs and employee participation expenses in the period under review of EUR 9.7 million (prior year: EUR 13.8 million). The profit for the period before minority interests came to EUR 2.9 million (prior year: EUR 7 million). Taking account of all trade fair expenses, the earnings indicators improved compared to the same period of the prior year.

In the first half of 2007, the Group’s EBITDA before IPO costs and employee participation expenses improved by 30 percent to EUR 44.6 million (prior year: EUR 34.2 million). EBIT before IPO costs and employee participation expenses were up 43 percent to EUR 34.5 million (prior year: EUR 24.2 million), or EUR 30.6 million after employee participation (prior year: EUR 21.2 million. In the first six months of 2007, EBT before IPO costs and employee participation expenses increased by almost 56 percent to EUR 29.0 million (prior year: EUR 18.6 million). The profit for the period before minority interests of EUR 13.4 million (prior year: EUR 8.6 million) led without considering IPO costs to an above average increase in earnings per share for the first six months of EUR 0.99 (prior year: EUR 0.59).

Net Assets and Financial Position

In the period under review as in the first half of 2007, the net assets of the HOMAG Group developed as planned. Total assets as of June 30, 2007 increased by 9 percent from EUR 484 million as at year-end 2006 to EUR 528 million. Overall, non-current assets remained stable, while inventories and receivables from construction contracts rose somewhat.

Looking at the equity and liabilities side of the balance sheet, the equity ratio as of June 30, 2007 stayed almost constant at 21 percent, compared to 22 percent as at year-end 2006. Taking participation rights and the obligations from the employee participation scheme into account, the equity ratio comes to 29 percent (December 31, 2006: 30 percent). At EUR 112 million (December 31, 2006: EUR 113 million), net bank liabilities in the Group are almost unchanged as of June 30, 2007 despite the increase in the balance sheet total compared to December 31, 2006. This rise was due to a significant increase in prepayments received and the fact that trade payables outweigh the increase in current assets. In spite of the non-recurring burdens of the first half of 2007, e.g. the Ligna^{+} costs, the EUR 6 million distribution of dividends for fiscal year 2006, the expenses of EUR 8 million for the acquisition of the remaining shares in HOLZMA Plattenaufteiltechnik GmbH as well as the payments of almost EUR 7 million in connection with the employee participation scheme for 2006, net bank liabilities have not increased compared to year-end 2006 due to the good results of operations.

The positive business development of HOMAG Group is also reflected in the return on capital employed (ROCE). Driven by earnings before interest but after tax (tax rate: 39 percent) the ROCE increased from 11 percent to 15 percent in the first six months of 2007 compared to the same period of the prior year.

The cash flow from operating activities improved significantly in the first half of 2007, reaching EUR 29.8 million (prior year: EUR -3.4 million). This covered the cash paid for investments and left a free cash flow of EUR 19.5 million (prior year: EUR 11.5 million). The cash flow from financing activities totaled EUR -17.9 million (prior year: EUR +13.9 million). Overall, cash and cash equivalents result in EUR 19.2 million as of June 30, 2007 (prior year: EUR 18.4 million).

Employees

The HOMAG Group had some 4,890 employees as of June 30, 2007, compared to a headcount of 4,701 as at year-end 2006 and of 4,542 as of June 30, 2006. Driven by the good order situation, the headcount has risen within a year by some 350 employees. Some 220 jobs were thus created in Germany.

Personnel Changes

Since May 14, 2007 Mr. Ernst Esslinger is employee representative on the supervisory board of HOMAG Group AG. He replaces Mr. Karl Frey, who left the board on March 31, 2007.

Capital Expenditures

Following the high level of capital expenditure in fiscal 2006 geared at the expansion of production locations in Germany and abroad, investment in intangible and tangible assets in the current year has declined again as planned, returning to normal levels. Capital expenditures of the HOMAG Group reached EUR 7 million in the quarter under review and EUR 13 million in the first six months of 2007, thus staying in the plan corridor between 3 percent and 3.5 percent of sales revenues.

Research and Development

We lay claim to being technology and innovation leaders in our industry and we reinforce this position though continuous new and further developments across our entire product range. In the second quarter of 2007, we intensified efforts in the development of the "batch size 1" product line and we can now offer our customers critical modules for the area of storage and sorting including a sort memory system vertical design and a modular vertical buffer unit. With the “flex line”, we have also developed a machine that enables small- and medium-sized businesses viable "batch size 1" production.

In the expanding field of lightweight construction, we were able to attain a unique position on the market thanks to decisive innovations, particularly in the field of connecting technology, which now enables us to offer our customers solutions that are ready for series production for all stages of manufacturing.

We extended our Venture and Vantage model processing centers to include a portfolio of processing units as well as clamping and handling functions. New software modules make these versatile systems highly efficient and low-labor production units. In the area of production systems for the kitchen furniture industry, we have focused our development activities on efficient, flexible, process-oriented and high-quality production.

Development activities also focused on simulation technology as well as on the field of dividing technology based on two pressure beam saw models, one for the mid-market and one for the lower market segment. In combination with the development of the low-cost TLF storage system, these dividing saws have become highly efficient and resource-saving dividing centers.

Risk Report

The risk management system in place and the individual business risks are described in the annual report 2006, pages 44-46. The comments therein are still essentially valid. There are no discernable risks at present that could jeopardize the continuation of the HOMAG Group as a going concern.

Subsequent Events

The HOMAG Group AG shares have been listed on the official market (Prime Standard) of the Frankfurt stock exchange since July 13, 2007. The placement price was set at EUR 31.00. Including the partly executed greenshoe option, a total of 6,299,461 shares were issued. This corresponds to an issue volume of about EUR 195 million. Of those, 1,126,655 shares stem from a capital increase, 4,870,923 shares from the selling shareholders and 301,883 shares from a greenshoe by the selling shareholders. The issue proceeds attributable to the Company thus amounted to about EUR 35 million (gross).

In July 2007, we concluded as planned a new syndicated loan agreement with the existing syndicate of banks as follow-up financing to secure the liquidity of the HOMAG Group in the medium term. Owing to the positive development of the Company, we were able to significantly improve the conditions and collateral arrangements compared to the preceding agreement.

Following approval by the Bundesrat (upper house of parliament in Germany) of the corporation tax reform act 2008 on July 6, 2007, amended tax laws will be in effect in Germany as of January 1, 2008. As a result, the Homag Group’s deferred taxes in Germany will be valued differently in the third quarter of 2007. Analyzed in isolation, the new valuation will lead to an increased tax expense since there are excess deferred tax assets. Overall, this will not result in a significant change of the Group’s tax rate for 2007.

Outlook

Overall, the economic research institutes continue to anticipate a healthy global economy. Indeed, the Institut für Weltwirtschaft (IfW) based in Kiel forecasts growth of 4.8 percent that will essentially be shouldered by high-growth markets in Asia, Latin America and Russia. The Munich-based ifo institute anticipates an increase in gross domestic product of 2.8 percent. The recovery in Germany will also keep its momentum. Moreover, the five leading economic research institutes forecast a rise of 2.4 percent in their spring report of April 2007. IfW currently expects growth of up to 3.2 percent.

At present it is difficult to assess whether the US real estate crisis will spread further and whether the development of the US economy will have a negative impact, or whether the associated financial effects at various banks and funds will adversely affect the Company. However, it cannot be ruled out that the real estate crisis might have an adverse effect on demand for woodworking machines in construction-related sectors. It is also possible that the high price of raw materials and a strong euro could burden our sales opportunities, particularly outside the euro zone.

As regards mechanical engineering, VDMA still expects growth to continue in the course of the year and has raised its forecast of production growth for the end of May 2007 from 4 percent to 9 percent. According to our estimates, the market segment for wood processing machines will also continue to grow, with sales revenues increasing at least between 5 percent and 6 percent in fiscal 2007.

At the HOMAG Group, we want to continue growing over the course of the current fiscal year after the great performance in 2006. With our high order backlog midway through the year, many group companies have already secured production at full capacity until the end of the year. For 2007, we anticipate growth in sales revenues above the expected industry average of 5 percent to 6 percent and to thus expand our leading position on the global market.

Since our aim is to generate profitable growth, we want to further improve our results of operations in 2007 and we are confident that we will be able to increase the operating result adjusted for the expenses in connection with the IPO compared to 2006. Moreover, the focus remains on the consistent expansion of our worldwide sales and service organization.

THE HOMAG GROUP SHARE

The HOMAG Group AG shares have been listed on the official market (Prime Standard) of the Frankfurt stock exchange since July 13, 2007. As a whole, feedback from institutional investors on the international road show in the run-up to our IPO was extremely positive and the share offering was consequently oversubscribed several times over. Including the partly executed a greenshoe option, a total of 6,299,461 shares were issued. Of those, 1,126,655 shares stem from a capital increase, 4,870,923 shares from the selling shareholders and 301,883 shares from a greenshoe option granted by the selling shareholders. At a placement price of EUR 31 the issue volume reached approximately EUR 195 million – some EUR 35 million (gross) of which flowed to the Company.

Following the partial exercise of the greenshoe option, free float is approximately 40.2 percent. Another 33.1 percent of the shares are held by Deutsche Beteiligungs AG, 11.4 percent by the Schuler family, 7.7 percent by Wehrmann family, 4.8 percent are held by the Klessmann shareholder group, 2.4 percent by the Nottmeyer shareholder group and 0.5 percent are held by management at this time.

In the course of our first day of listing on July 13, both the German stock exchange index DAX and the German small cap index SDAX reached a new all-time high with 8,151 and 6,684 points respectively. Both indices were unable to maintain such high levels, each down by more than seven percent by July 31, 2007. However, the HOMAG Group AG share did well in a market comparison, fluctuating only between its placement price of EUR 31 and its initial price of EUR 32 up until the end of July. The stable share price achieved in a weak environment is clear evidence for us that the issue price of our shares was fair.

ISIN Code	DE0005297204
Stock symbol	HG1 Reuters: HG1G.DE Bloomberg: HG1:GR
Stock exchange segment	Prime Standard
Number of shares (July 13, 2007)	15,688,000 ordinary transferable bearer shares
First day of listing	July 13, 2007
Placement price	EUR 31.00
Market capitalization at first listing	EUR 502,016,000

CONSOLIDATED INCOME STATEMENT

EUR k	2007 04/01-06/30	2006 04/01-06/30	2007 01/01-06/30	2006 01/01-06/30
Sales revenue	**193,049**	**183,697**	**386,183**	**339,778**
Increase or decrease in finished goods and work in progress	4,634	9,114	26,694	24,989
Own work capitalized	1,736	252	2,985	264
	6,370	9,366	29,679	25,253
Total operating performance	**199,419**	**193,063**	**415,862**	**365,031**
Other operating income	2,616	1,738	6,563	5,355
	202,035	**194,801**	**422,425**	**370,386**
Cost of materials	94,505	91,748	194,160	175,630
Personnel expenses before employee profit participation	63,484	55,919	123,384	110,195
Amortization of intangible assets	814	987	1,843	1,924
Depreciation of property, plant and equipment	4,206	4,048	8,194	8,058
Other operating expenses	27,816	25,300	61,288	50,391
- thereof expensed for IPO	*982*	*0*	*982*	*0*
	190,825	**178,002**	**388,869**	**346,198**
Operating result before employee profit participation	**11,210**	**16,799**	**33,556**	**24,188**
Expenses from employee profit participation	1,672	1,852	3,917	2,951
Operating profit	**9,538**	**14,947**	**29,639**	**21,237**
Investment result from associated companies	83	13	37	32
Interest income	833	672	1,345	1,205
Interest expenses	3,367	3,692	6,959	6,820
Earnings before taxes	**7,087**	**11,940**	**24,062**	**15,654**
Income taxes	4,161	4,975	10,682	7,051
Profit for the period	**2,926**	**6,965**	**13,380**	**8,603**
Attributable to minority interests	535	694	1,149	707
Attributable to equity holders of Homag Group AG	**2,391**	**6,271**	**12,231**	**7,896**
Earnings per share in EUR			**0.99**	**0.59**

CONSOLIDATED BALANCE SHEET

ASSETS EUR k		2007 06/30	2006 12/31
NON-CURRENT ASSETS			
I.	Intangible assets	20,416	17,401
II.	Property, plant and equipment	137,368	138,790
III.	Investments in associates	6,340	6,450
IV.	Other financial assets	939	811
V.	Sundry financial assets	1,087	3,681
VI.	Income tax receivables	3,338	3,259
VII.	Deferred taxes	20,776	20,337
		190,264	**190,729**
CURRENT ASSETS			
I.	Inventories	130,690	100,770
II.	Receivables and other assets		
	Trade receivables	122,056	119,573
	Receivables from construction contracts	28,973	19,518
	Receivables from entities accounted for at equity	11,077	8,076
	Other assets and prepaid expenses	25,693	27,494
III.	Cash and cash equivalents	19,225	17,506
		337,714	**292,937**
TOTAL ASSETS		**527,978**	**483,666**

EQUITY AND LIABILITIES		2007	2006
EUR k		06/30	12/31
EQUITY			
I.	Issued capital	14,561	14,561
II.	Retained earnings	73,783	58,611
III.	Group profit for the year	12,231	20,167
	Shareholders' equity	100,575	93,339
IV.	Minority interests	11,195	10,659
		111,770	**103,998**
NON-CURRENT PROVISIONS AND LIABILITIES			
I.	Non-current financial liabilities	73,308	80,079
II.	Sundry non-current liabilities	3,392	3,970
III.	Obligations for pensions and similar obligations	2,514	2,578
IV.	Obligations from employee profit participation	9,858	8,966
V.	Other non-current provisions	3,420	2,857
VI.	Deferred taxes	15,166	13,294
		107,658	**111,744**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	99,239	93,473
II.	Trade payables	67,098	54,809
III.	Prepayments received	45,598	28,922
IV.	Liabilities from construction contracts	3,263	1,265
V.	Liabilities to associates	5,042	1,589
VI.	Sundry current liabilities and deferred income	66,229	68,656
VII	Tax liabilities	8,136	6,557
VIII.	Other current provisions	13,945	12,653
		308,550	**267,924**
LIABILITIES		**416,208**	**379,668**
TOTAL EQUITY AND LIABILITIES		**527,978**	**483,666**

CONSOLIDATED CASH FLOW STATEMENT FOR THE FIRST HALF YEAR OF 2007

EUR k		2007 06/30	2006 06/30
1.	**Cashflow from operating activities**	**29,783,451**	**-3,424,536**
2.	**Cashflow from investing activities**	**-10,268,038**	**-8,049,900**
3.	**Cashflow from financing activities**	**-17,896,697**	**13,911,399**
4.	**Cash and cash equivalents at the end of the period**		
	Net increase (decrease) in cash and cash equivalents	1,618,716	2,436,962
	Changes in consolidation group and net foreign exchange rates in cash and cash equivalents	99,827	-56,212
	Cash and cash equivalents at the beginning of the period	17,506,459	16,020,297
	Cash and cash equivalents at the end of the period	**19,225,002**	**18,401,047**

STATEMENT OF CHANGES IN GROUP EQUITY

EUR k	Issued capital	Revenue reserves: Revenue reserves	Revenue reserves: other comprehensive income	Revenue reserves: Translation reserve	Group result	Equity before minority interests	Minority interests	Total
Jan 01, 2006	**14,561**	**63,420**	**-9**	**4,137**	**-3,007**	**79,102**	**10,081**	**89,183**
Acquisitions of minority interests		-87				-87	87	0
Total income and expense for the year recognized directly in equity			32	-1,405		-1,373	-159	-1,532
Reclassification prior-year earnings		-3,007			3,007	0		0
Dividends paid						0	-603	-603
Other changes		-78				-78	0	-78
Group result for the year					7,896	7,896	707	8,603
Jun 30, 2006	**14,561**	**60,248**	**23**	**2,732**	**7,896**	**85,460**	**10,113**	**95,573**

EUR k	Issued capital	Revenue reserves: Revenue reserves	Revenue reserves: other comprehensive income	Revenue reserves: Translation reserve	Group result	Equity before minority interests	Minority interests	Total
Jan 01, 2007	**14,561**	**57,099**	**45**	**1,467**	**20,167**	**93,339**	**10,659**	**103,998**
Acquisitions of minority interests		-20				-20	107	87
Total income and expense for the year recognized directly in equity				850		850	8	858
Reclassification prior-year earnings		20,167			-20,167	0		0
Dividends paid		-5,825				-5,825	-728	-6,553
Group result for the year					12,231	12,231	1,149	13,380
Jun 30, 2007	**14,561**	**71,421**	**45**	**2,317**	**12,231**	**100,575**	**11,195**	**111,770**

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

EUR k	2007 01/01-06/30	2006 01/01-06/30
Acturial gains and losses	0	33
Deferred taxes on acturial losses	858	-1,565
Income and expense recorded directly in equity	**858**	**-1,532**
Net profit /loss of the Group for the period	13,380	8,603
Recognized income and expense	**14,238**	**7,071**
Attributable to minority interests	1,157	548
Shares of shareholders of the parent company	13,081	6,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

APPLICATION OF REQUIREMENTS

The consolidated interim financial statements of Homag Group AG (Homag Group) as of June 30, 2007, like the consolidated financial statements as of December 31, 2006, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) of the International Accounting Standards Board (IASB), the interpretations of the Standing Interpretation Committee (SIC) and of the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU and applicable as of the balance sheet date. The provisions of IAS 34 on interim reporting were applied.

There were no major differences in the accounting policies applied in these interim financial statements for the six-month period ended June 30, 2007 and the consolidated financial statements as of December 31, 2006 of the Homag Group.

The interim consolidated financial statements have been prepared in euro (group currency) and presented in EUR k. Besides the income statement and balance sheet, a cash flow statement, a statement of changes in group equity and a statement of recognized income and expense 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 financial statements of Homag Group AG and the subsidiaries included in consolidation, prepared in accordance with uniform accounting and measurement methods.

For further details, please refer to the notes to the consolidated financial statements of the 2006 annual report.

CONSOLIDATED GROUP

In addition to Homag Group AG, the interim consolidated financial statements as of June 30, 2007 include 16 entities with registered offices in Germany and 21 entities with registered offices abroad at which Homag Group AG exercises uniform control either directly or indirectly. There were no changes in the consolidated group compared to December 31, 2006.

ASSOCIATES

Stiles Machinery Inc., Grand Rapids, USA, and Homag China Golden Field Ltd., Hong Kong, China, were again included in the consolidated interim financial statements as associates.

EXPLANATIONS TO THE CONSOLIDATED INCOME STATEMENT

SALES REVENUE

In the first half of 2007, the Homag Group generated sales revenue of EUR 386.2 million, up 13.7 percent on the prior-year figure (EUR 339.8 million). Sales revenue of EUR 193.0 million was generated in the second quarter of 2007, representing a 5.1 percent increase on the comparable prior-year period.

in EUR k	2007 04/01-06/30	2006 04/01-06/30	2007 01/01-06/30	2006 01/01-06/30
Germany	35,101	35,244	73,447	63,083
Other EU countries	79,858	67,796	154,058	134,209
Other European countries	27,180	31,538	58,208	45,751
North America	25,508	19,833	49,717	43,619
South America	5,725	4,519	9,944	7,609
Asia/Pacific	16,549	22,996	37,176	40,368
Africa	3,128	1,771	3,633	5,139
	193,049	**183,697**	**386,183**	**339,778**

Sales growth compared to the same period of the prior year was largely generated in Europe, although modest growth was also recorded in all the other regions, with the exception of Africa and Asia. A sales increase compared to the prior year in absolute terms was achieved in the product areas house construction as well as assembly/handling/packaging and sizing / edge processing.

The sales revenue is subject to seasonal fluctuation. Experience indicates that sales revenue peaks in the summer months and towards the end of the fiscal year, since most customers of the Homag Group wait for the vacation period to make replacement investments in their machinery. Therefore sales revenue is usually higher in the second half of the year than in the first half.

COST OF MATERIALS

in EUR k	2007 04/01-06/30	2006 04/01-06/30	2007 01/01-06/30	2006 01/01-06/30
Raw materials, consumables and supplies and purchased merchandise	87,745	86,340	181,642	166,784
Purchased services	6,760	5,408	12,518	8,846
	94,505	**91,748**	**194,160**	**175,630**

The improved cost of sales ratio of 46.7 percent compared to the first six months of 2006 (48.1 percent) was attributable to the lower quality costs and sales with a higher share of deliveries of types of machines with a lower cost of materials share than in the comparable prior-year period.

The ratio of cost of materials to sales in the second quarter of 2007 was almost unchanged at 47.4 percent compared to the comparable prior-year period (47.5 percent).

PERSONNEL EXPENSES

In EUR k	2007 04/01-06/30	2006 04/01-06/30	2007 01/01-06/30	2006 01/01-06/30
Wages and salaries	53,047	46,285	103,908	91,795
Social security, pension and other benefit costs	10,437	9,633	19,476	18,400
(thereof for old-age pensions)	575	354	837	697
	63,484	**55,918**	**123,384**	**110,195**

In EUR k	2007 04/01-06/30	2006 04/01-06/30	2007 01/01-06/30	2006 01/01-06/30
Employee participation expenses	1,672	1,852	3,917	2,951
	1,672	**1,852**	**3,917**	**2,951**

The increase in personnel expenses is mainly due to the higher headcount in the first six-months of 2007 and the increase of deferred vacation and flextime credits (due in part to the labor-intensive preparations for the Ligna+ trade fair). In addition, the higher than expected wage agreement in the second quarter combined with non-recurring payments due increased personnel expenses.

OTHER OPERATING EXPENSES

The rise in other operating expenses in the first six months of 2007 is mainly due to the higher advertising and trade fair costs in connection with the Ligna+ trade fair, which is held every two years. A further special effect stems from the IPO costs. The total change for the second quarter of 2006 comes to + 9.9 percent.

PROFIT FOR THE PERIOD

EBITDA before IPO costs and employee participation expenses comes to EUR 17.2 million in the second quarter of 2007, compared to EUR 21.8 million in the same period of the prior year.

In the first half of 2007, the Group's EBITDA before IPO costs and employee participation expenses improved by 30 percent to EUR 44.6 million (prior year: EUR 34.2 million).

The net profit for the period before minority interests of EUR 13.4 million (prior year: EUR 8.6 million) led to a disproportionately high earnings per share (adjusted for IPO costs) for the first six months of EUR 0.99 (prior year: EUR 0.59).

EXPLANATIONS TO THE CONSOLIDATED BALANCE SHEET

ASSETS

In the period under review as in the first half of 2007, the net assets of the Homag Group developed as planned. Non-current assets remained largely unchanged.

The increase in current assets in the first half of the year compared to December 31, 2006 is due above all to the change in inventories of approx. EUR 29.9 million. This change is mainly due to the increase in finished goods and work in progress. There was also a slight increase in trade receivables of EUR 2.5 million. Construction contract receivables rose by EUR 9.5 million.

Cash and cash equivalents increased by EUR 1.7 million compared to December 31, 2006.

EQUITY

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

The equity ratio remained almost constant at 21.2 percent as of June 30, 2007 compared to 21.5 percent as of December 31, 2006.

LIABILITIES

Non-current liabilities decreased by EUR 4 million compared to December 31, 2006. This is primarily attributable to a EUR 6.8 million drop in non-current financial liabilities from EUR 80.1 million as of December 31, 2006 to EUR 73.3 million as of June 30, 2007. This decrease is essentially the result of loan repayments and a drop in liabilities from lease agreements.

Current liabilities increased by a total of EUR 40.7 million from EUR 267.9 million as of December 31, 2006 to EUR 308.6 million as of June 30, 2007. This is essentially attributable to a significant rise in prepayments received and trade payables.

OTHER EXPLANATIONS

CONTINGENT LIABILITIES

As agreed, the loan granted in connection with the sale of the IMA Group to group companies of IMA was repaid as of March 30, 2007 by an amount equivalent to the receivables disclosed in the financial statements of Homag Group AG as of December 31, 2006 plus interest. As of March 30, 2007, Homag Group AG was released from all secondary liability for liabilities and bank guarantees of the IMA group companies.

There is no new information about the litigation risks at two foreign sales companies mentioned in the notes to the consolidated financial statements for 2006 and the 2006 annual report. The outcome of the two lawsuits is still unknown.

RELATED PARTIES

The receivables from loans due from a shareholder/supervisory board member disclosed in the consolidated financial statements as of December 31, 2006 no longer existed at the end of the quarter. The loan was redeemed as of February 15, 2007.

On June 22, 2007, the annual general meeting approved the proposal put forward by the Company’s management board to distribute a dividend of EUR 0.40 per share.

In June 2007, members of the Company’s management board purchased 80,500 shares managed by Deutsche Beteiligungs AG or parallel funds managed by it.

In the wake of Homag Group AG going public, the management board contracts were revised and include long and short-term performance-based compensation components of the Company's board members.

PERSONNEL CHANGES

Effective May 14, 2007, Mr. Ernst Esslinger was elected onto the supervisory board of Homag Group AG as employee representative. He replaces Mr. Karl Frey.

SUBSEQUENT EVENTS AFTER JUNE 30, 2007

The HOMAG Group AG shares were listed on the official market (Prime Standard) of the Frankfurt stock exchange on July 13, 2007. The shares of Homag Group AG are listed under the stock exchange abbreviation “HG1” and ISIN “DE0005297204”. Including the partly executed greenshoe option, a total of 6,299,461 shares were issued. Of those, 1,126,655 shares stem from a capital increase, 4,870,923 shares from the selling shareholders and 301,883 shares from the greenshoe option granted by the selling shareholders to the syndicate of banks. This corresponds to an issue volume of about EUR 195 million, of which some EUR 35 million (gross) flowed to the company.

As planned, a new syndicated loan agreement was concluded in July 2007 with the existing bank syndicate as follow-up financing to secure the liquidity of the Homag Group in the medium term.

There were no other significant events after the cut-off date.

DECLARATION OF THE LEGAL REPRESENTATIVES

Declaration pursuant to Sec. 37y WpHG in conjunction with Sec. 37w (2) No. 3 WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act]:

We assure to the best of our knowledge that in accordance with the accounting principles applicable for the interim financial reporting the 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 14, 2007

Homag Group AG,
The Management Board

Dr. Joachim Brenk

Andreas Hermann

Achim Gauß

Rolf Knoll

Herbert Högemann

FINANCIAL CALENDAR

November 2007	Nine-monthly report 2007

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This six-monthly report is published in German and in English.

DISCLAIMER

This interim report contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as “believe”, “estimate”, “assume”, “expect”, “forecast”, “intend”, “could” or “should” or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the company’s current assumptions, which may not in the future take place or be fulfilled as expected. The company points out that such future-oriented statements provide no guarantee for the future and that actual events including the financial position and profitability of the HOMAG Group and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed or described in these statements. Even if the actual results for the HOMAG Group, including its financial position and profitability and the economic and regulatory fundamentals, should be in accordance with such future-oriented statements in this interim report, no guarantee can be given that this will continue to be the case in the future.

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