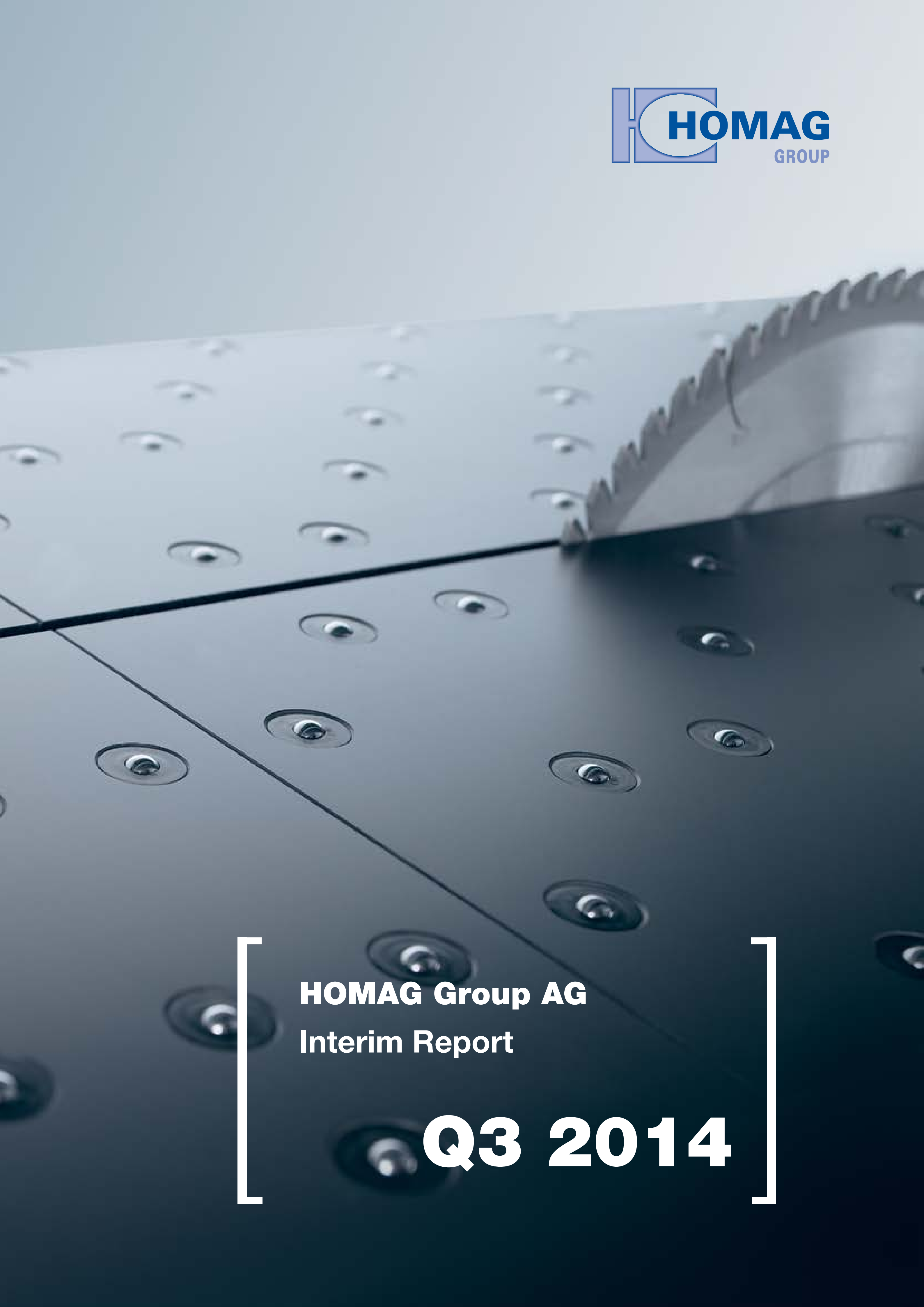


HOMAG GROUP

# HOMAG Group AG

## Interim Report

# Q3 2014

# HOMAG Group
# Key Figures

| FIGURES IN EUR MILLION | 9 MONTHS 2014 | 9 MONTHS 2013 | 9 MONTHS 2012 | 9 MONTHS 2011 |
|---|---|---|---|---|
| Total sales revenue | 661.9 | 574.9 | 571.5 | 578.9 |
| Central Europe [1] | 178.3 | 187.1 | 213.4 | 188.1 |
| Western Europe [1] | 98.7 | 92.9 | 93.9 | 118.3 |
| Eastern Europe [1] | 132.4 | 111.1 | 102.3 | 109.1 |
| North America [1] | 112.8 | 49.4 | 38.2 | 41.7 |
| South America [1] | 17.7 | 27.5 | 28.5 | 27.4 |
| Asia/Pacific [1] | 114.3 | 100.6 | 87.2 | 87.2 |
| Africa [1] | 7.7 | 6.3 | 8.0 | 7.1 |
| Operative EBITDA [2,3] | 66.4 | 51.5 | 52.4 | 45.7 |
| Operative EBITDA [2,3] as % of sales revenue | 10.0 | 9.0 | 9.2 | 7.9 |
| EBIT [2] | 35.1 | 25.8 | 30.1 | 21.2 |
| EBIT [2] as % of sales revenue | 5.3 | 4.5 | 5.3 | 3.7 |
| EBT | 25.8 | 18.3 | 18.2 | 11.0 |
| EBT as % of sales revenue | 3.9 | 3.2 | 3.2 | 1.9 |
| Net profit after non-controlling interests | 16.2 | 10.7 | 8.7 | 4.3 |
| Earnings per share in EUR [4] | 1.03 | 0.68 | 0.55 | 0.27 |
| ROCE [5] after taxes as % | 14.6 | 9.2 | 10.0 | 7.5 |
| HVA [6] as % | 4.2 | -0.4 | 0.6 | -1.8 |
| Free cash flow [7] | 23.1 | 8.2 | -5.3 | -5.6 |
| Equity as of the reporting date | 190.9 | 170.7 | 163.2 | 168.5 |
| Equity ratio as % | 30.6 | 29.8 | 29.0 | 29.7 |
| Net liabilities to banks | 55.6 | 88.7 | 89.4 | 79.7 |
| Net debt to EBITDA ratio [8] | 0.6 | 1.3 | 1.2 | 1.1 |
| Investments / capitalized intangible assets [9] | 9.9 | 11.5 | 13.3 | 12.4 |
| Investments in property, plant and equipment [9] | 9.1 | 3.8 | 13.4 | 10.3 |
| Amortization of intangible assets [9] | 11.0 | 11.2 | 8.6 | 8.6 |
| Depreciation of property, plant and equipment [9] | 10.2 | 9.9 | 10.2 | 10.2 |
| Employees (average in period) | 5,451 | 5,022 | 5,062 | 5,084 |
| of which trainees | 307 | 323 | 330 | 356 |
| Order intake [10] | 647.0 | 572.4 | 547.2 | 604.5 |
| Order backlog as of the reporting date [10] | 302.8 | 239.3 | 227.0 | 255.6 |

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

# HOMAG Group
# Company Profile

The formula for the success of the HOMAG Group has been based for more than 50 years on the work of visionaries with innovative power. With passion and dedication, they have taken the Group to the summit. Today, the HOMAG Group is the global leader in the manufacture of plant and machinery for wood processing, with more than 5,500 employees and an estimated market share of 28 percent. Many groundbreaking developments have grown from our employees' ideas that have changed the world of wood processing and have made the HOMAG Group the global innovation and market leader in the industry.

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

# Content

# Letter to the Shareholders

Dear shareholders,

The good development of your HOMAG Group continued in the third quarter of 2014. We were able to considerably increase our order intake and our sales revenue compared to the prior year and once again improved our results significantly. We view our 15 percent increase in order intake as especially positive in light of the rather uncertain market environment. Our Russian customers, for example, are taking a wait-and-see stance, despite buying interest. However, the good development in North America and Asia more than compensated for this effect. Above all, we are successful in the US and China and we have been able to benefit fully from the strong US market on account of our complete takeover of Stiles Machinery, Inc. in February.

The fact that our products and innovations are well received by our customers was again seen at our major in-house exhibitions at the end of September. Many customers and partners from the industry came together at HOMAG and were impressed by the strong performance of the HOMAG Group.

Although, after balancing up all effects, the Stiles takeover currently still slightly burdens earnings, we were able to improve our operating result and, for example, increased our net profit for the period by around 32 percent. A look at the first nine months of 2014 confirms our good development. In this period, we were able, for instance, to increase our operative EBITDA by 29 percent and our net profit for the period by more than 50 percent.

As announced in July, Dürr has held the majority shareholding in HOMAG Group AG since October 10, 2014. We now belong to a high-performance machine building and plant engineering group and are confident that we will benefit from the cooperation with Dürr and create added value together. The changed majority has also resulted in changes on our supervisory board. Five new supervisory board members were appointed onto the shareholder side by court ruling of October 13, 2014 with immediate effect. At the constituent meeting on October 24, 2014, Ralf W. Dieter, CEO of Dürr AG, was elected new chairman of the supervisory board.

CEO, Dr. Markus Flik, decided to step down from the management board as of November 30, 2014, in order to take on new professional challenges. The supervisory board appointed Ralph Heuwing, management board member of Dürr AG, onto the management board with effect as of October 27, 2014. He will assume the position of CEO at HOMAG Group AG as of December 1, 2014, continuing his duties at Dürr at the same time.

## Outlook

We now expect to achieve order intake, sales revenue and operative EBITDA at the higher end of the forecast ranges described below, or even exceed these slightly in 2014. We expect **order intake** in a range between EUR 760 million and EUR 780 million (prior year (restated): EUR 734 million). The acquisition of Stiles Machinery, Inc. will not lead to any increase in order intake based on the new method of calculation. We expect the **Group's sales revenue** to reach between EUR 860 million and EUR 880 million. About half of this sales revenue growth is expected to result from the Stiles acquisition. We anticipate **operative EBITDA** before employee profit participation expenses and before extraordinary expenses to be between EUR 82 million and EUR 84 million in 2014.

The Stiles acquisition will result in special burdens and extraordinary expenses will arise in connection with the Dürr acquisition for 2014 as a whole. As a result, we expect the Group to return a **net profit for the year** at the lower end of the forecast range of between EUR 20 million and EUR 22 million in 2014.

We aim to continue our course of profitable growth in 2015, further increase order intake and sales revenue and improve the results of operations. We will publish a detailed forecast in the spring of 2015.

Schopfloch, November 2014

The management board

Dr. Markus Flik

Ralph Heuwing

Harald Becker-Ehmck

Jürgen Köppel

Hans-Dieter Schumacher

# Share Report

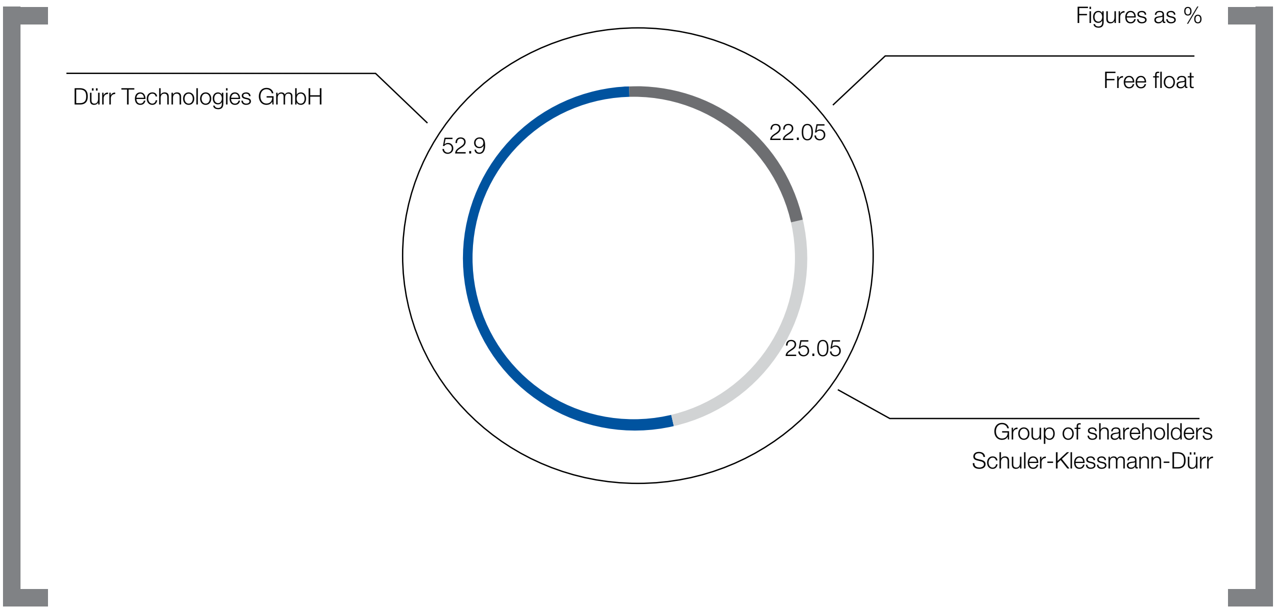
In the third quarter of 2014, the stock markets were impacted by various factors so that indexes lost ground following the very strong development in the preceding months. Negative factors included persisting uncertainty in Russia, weak economic figures in the eurozone, the disputes in Iraq and Syria and the less expansionary monetary policy of the US Federal Reserve. These overshadowed positive effects such as robust growth in the US economy, the again more expansionary monetary policy of the European Central Bank and lively acquisition activity. This resulted in a decrease in the DAX and TecDAX of nearly 4 percent, the MDAX of nearly 5 percent and a decrease in the SDAX of more than 7 percent.

Following the big increase in the second quarter of 2014, the HOMAG Group share rose considerably in the reporting quarter as well. Having already increased at the beginning of July, the share price rose to more than EUR 27 following the announcement on July 15 of the planned acquisition of the majority shareholding by Dürr. Our share subsequently saw sideward movement and came to EUR 27.15 at the end of the quarter – a gain of 13 percent in the third quarter of 2014.

In October, once again stock markets initially lost substantial ground before recovering from the middle of the month onwards. At the end of October the share was thus at nearly the same level as at the start of the month. The HOMAG share essentially continued its sideward movement, rising slightly. The share price came to EUR 28.09 at the end of October.

The acquisition of the majority shareholding by Dürr with effect as of October 10, 2014 changed our shareholder structure. In this context, Dürr acquired a total interest of 52.9 percent of the HOMAG shares from various major shareholders and from the voluntary public bid Dürr made to the other HOMAG shareholders that ended on October 7, 2014. In addition, Dürr reached an agreement with the Schuler family and the Klessmann Foundation, which up to now held 25.05 percent of the shares in HOMAG under a shareholder pool agreement, that Dürr will enter into the pool agreement. Dürr joins the pool with a total interest of 3 percent, which was acquired from the previous shareholder pool.

## Shareholder Structure as of October 31, 2014[1]




1 Method of calculation according to Deutsche Börse AG

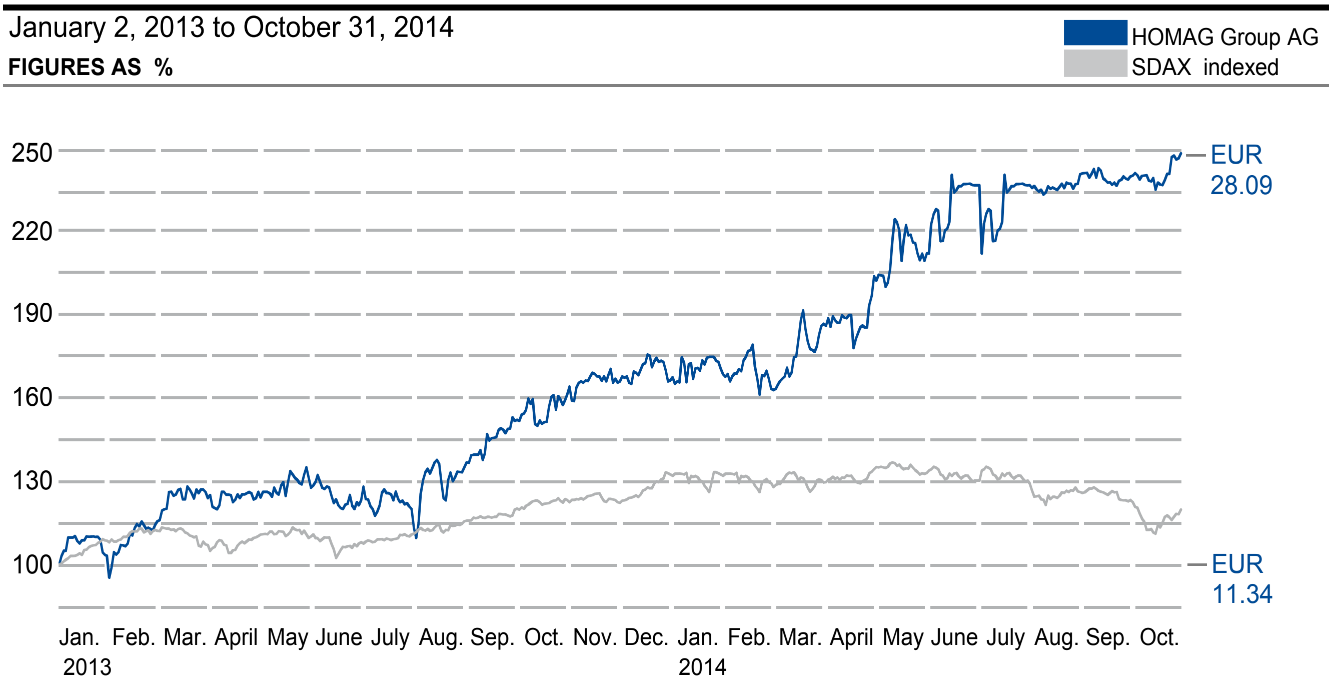
The focus of our capital market communication in the third quarter of 2014 was the planned acquisition of the majority shareholding by Dürr, which was announced on July 15, 2014. In this context, an ad hoc announcement and a press release were published and discussions were held with numerous investors and analysts. Moreover, our CEO gave two interviews on this topic. Furthermore, we held a conference call for analysts on the results of the second quarter of 2014 and we kept the general public informed in two additional press releases concerning the key developments at the HOMAG Group in the third quarter.

## Share Performance Indicators

| | | |
|---|---|---|
| ISIN code | | DE0005297204 |
| Stock exchange segment | | Prime Standard |
| XETRA code | | HG1 |
| IPO | July 13, 2007 | |
| Number of shares | no-par value ordinary bearer shares | 15,688,000 |
| Price high* (January 2, 2014 – Sep. 30, 2014) | September 10, 2014 | EUR 27.49 |
| Price low* (January 2, 2014 – Sep. 30, 2014) | March 14, 2014 | EUR 18.27 |
| Price* as at September 30, 2014 | | EUR 27.15 |
| Earnings per share | January 1, 2014 – Sep. 30, 2014 | EUR 1.03 |
| Market capitalization (September 30, 2014) | | EUR 425.9 million |

*Xetra closing quote

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




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

# Interim Management Report as of September 30, 2014

## Economic Environment

In their Joint Economic Forecast from October 2014, Germany's leading economic institutes describe a global economy that is only growing at a moderate pace. This can also be seen in global trade which has barely grown at all. This development is mainly attributable to the substantial risks for the global economy, e.g., problems in the property market in China or the Russian conflict with the west. In this context, international sanctions have impacted business relationships between the European Union and Russia and have put a strain on economic development. Economic developments in emerging economies were less uniform. While India and China, for example, expanded quite strongly, the development in Russia and Brazil was rather weak. In the advanced economies the upswing in the US and the UK continued and Japan also developed quite positively. By contrast, the recovery in the eurozone has not yet taken hold as expected, and the underlying economic momentum remains low. As a result, the increase in total economic output has been noticeably weaker than expected, a development for which the larger countries such as Italy and France are also responsible.

According to the fall report, following a strong start to the year the German economy lost momentum. The anticipated recovery in investment did not materialize, which means that total economic output has stagnated. This is due to the very moderate expansion of global economic output and the phase of weakness in the eurozone. Exports as a result only grew at a low level. The ifo business climate index fell for the sixth consecutive time in October. Companies are less optimistic in their assessment of the current business climate and the outlook for the next six months has deteriorated further based on worsened economic forecasts.

The VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation] reports that the German mechanical and plant engineering sector saw a rise of 5 percent in order intake in the third quarter of 2014 with orders from Germany growing by 1 percent and international orders by 6 percent.

According to the industry association within VDMA responsible for the segment of relevance to HOMAG, secondary wood processing, order intake in the segment increased by 10 percent in the third quarter of 2014 (HOMAG Group: 15 percent), not taking price adjustments into account. In this context, other countries saw increases of 15 percent, while Germany decreased by 11 percent. Sales revenue rose by 1 percent (HOMAG Group: 14 percent), here too with a plus seen abroad while sales revenue in Germany declined.

# Business Development

The good development of HOMAG Group AG continued in the third quarter. We were again able to significantly increase our order intake and our sales revenue compared to the prior year and improved all earnings indicators. Our very successful in-house exhibitions at the end of the quarter, at which we impressed the international audience with our products, contributed to this development. Integration of Stiles Machinery, Inc., the leading sales and service organization for machines and production lines for the US woodworking industry which we acquired in February 2014, is proceeding well and as planned. This acquisition gives rise to non-recurring effects for 2014 that will impact our statement of financial position and our income statement. We refer to the pertinent sections of this quarterly report for details of these effects.

In the third quarter of 2014, we were able to increase our **order intake** by 15 percent to EUR 203.2 million (prior year: EUR 176.9 million). Our project business developed particularly well, with which we were especially successful in the area of furniture production as well as in China. It should be noted that we changed how order intake is calculated to enhance comparability with sales revenue at the beginning of the year. Merchandise of the production companies, used machines, modifications and after-sales are now included in order intake. The prior-year figure was restated accordingly. We are currently in the process of making order intake and sales revenue fully comparable. The system adjustment will take place in 2015. The sales company Stiles, which has been fully consolidated since February, does not have any effect on the amount of order intake based on our method of calculation.

Looking at our individual sales regions, order intake in central Europe in the third quarter of 2014 remained virtually at the prior-year level. Western Europe weakened slightly in the third quarter compared to the strong prior-year quarter. Some markets, for example Italy, saw a weaker development. By contrast, countries in northern Europe saw a positive development compared to the prior-year quarter.

Eastern Europe was not able to match the strong prior-year order intake on account of the weak ruble and the difficult political and economic situation in Russia. Due to the continued uncertainty many of our customers have adopted a wait-and-see stance despite buying interest.

The good trend in North America was again confirmed between July and September. Both the US and Canada continued their sustainable positive trend. The positive picture in North America was not seen in South America in the third quarter.

Asia generated very strong order intake in the third quarter and as a result again significantly exceeded the prior-year quarter. In addition to China, other Asian markets also made an important contribution to this positive development.

The current excellent order situation can also be seen in our very high **order backlog**, which rose by more than 26 percent to EUR 302.8 million as of September 30, 2014 (prior year: EUR 239.3 million). Order backlog thus reached the highest figure in over six years and increased by around EUR 105 million compared to year-end 2013. Order backlog is also calculated using the new method. The prior-year figure has been restated accordingly.

In the reporting quarter, we increased our **sales revenue** by 14 percent to EUR 231.4 million (prior year: EUR 202.9 million). In this context, around EUR 16 million stems from the Stiles acquisition. It should be noted in this respect that, apart from sales revenue at Stiles with non-Group products, the additional increase in sales revenue is merely attributable to the gross profit margin on sales revenue with HOMAG Group products. After eliminating effects from the Stiles acquisition, this represents an increase in sales revenue of 6 percent. Our inventories increased on account of the Stiles acquisition and the good order situation, resulting in **total operating performance** of EUR 241.9 million (prior year: EUR 210.2 million).

Our order intake increased by 13 percent to EUR 647.0 million in the first nine months of 2014 according to the new calculation method (prior year (restated): EUR 572.4 million). Sales revenue rose by more than 15 percent to EUR 661.9 million (prior year: EUR 574.9 million). Approximately EUR 42 million of this amount stems from the Stiles acquisition. Total operating performance came to EUR 693.3 million (prior year: EUR 599.9 million).

# Results of Operations

After balancing up all effects, the Stiles acquisition still slightly burdened earnings in the third quarter of 2014. We nevertheless were again able to improve all key earnings indicators. We raised our **operative EBITDA** before employee profit participation expenses and before extraordinary expenses by nearly 15 percent to EUR 28.2 million (prior year: EUR 24.5 million).

Our **personnel expenses** rose to EUR 82.1 million in particular as a result of our increase in headcount at our foreign production companies and also through the Stiles acquisition (prior year: EUR 69.1 million). The collectively bargained wage increase in 2014 also affected this figure in Germany. The **ratio of personnel expenses to total operating performance** increased slightly as a result to 33.9 percent (prior year: 32.9 percent).

Due to the good development of business, our **cost of materials** rose to EUR 103.1 million (prior year: EUR 90.7 million). The **ratio of cost of materials to total operating performance** decreased to 42.6 percent (prior year: 43.2 percent). Cost of materials includes the continuing disposal of Stiles' inventories, which should be seen as sales revenue from the sale of merchandise on account of the acquisition until stocks have been fully replaced. Adjusted for the non-recurring Stiles' expenses, the ratio of cost of materials to total operating performance actually decreased to 41.6 percent.

**Extraordinary expenses** rose to EUR 3.7 million in the third quarter of 2014 (prior year: EUR 1.9 million). Of this amount, EUR 2.5 million stems from the Stiles acquisition.

Our **EBIT** before employee profit participation expenses and after these extraordinary expenses rose to EUR 16.8 million in the reporting quarter in 2014 (prior year: EUR 14.9 million). Our **employee participation expenses** decreased to EUR 2.3 million (prior year: EUR 3.1 million). In this context, one company in which employees hold participation rights developed weaker than in the prior year.

Our **interest result** increased slightly to EUR -1.3 million on account of lower interest expenses (prior year: EUR -1.5 million). The **profit/loss from associates** decreased to EUR 0.4 million on account of Stiles' contribution to earnings which is no longer included here (prior year: EUR 0.6 million). This gives rise to a **financial result** of EUR -0.9 million (prior year: EUR -0.9 million). **EBT** after employee participation expenses and after extraordinary expenses rose by nearly 25 percent to EUR 13.6 million (prior year: EUR 10.9 million).

We were able to further reduce our **tax expense ratio** to 32 percent (prior year: 37 percent) which gave rise to a **net profit for the period** after non-controlling interests of EUR 8.8 million (prior year: EUR 6.6 million). **Earnings per share** rose to EUR 0.56 (prior year: EUR 0.42).

In the first nine months of 2014, our operative EBITDA before employee participation expenses and before extraordinary expenses increased by 29 percent to EUR 66.4 million (prior year: EUR 51.5 million). Extraordinary expenses came to EUR 8.8 million (prior year: EUR 3.1 million). EUR 6.7 million of this amount stems from the Stiles acquisition. EBIT before employee profit participation expenses and after these extraordinary expenses rose by 36 percent to EUR 35.1 million (prior year: EUR 25.8 million) and EBT after employee profit participation expenses and after extraordinary expenses to EUR 25.8 million (prior year: EUR 18.3 million). The net profit for the period after non-controlling interests improved by more than 50 percent to EUR 16.2 million in the first nine months of 2014 (prior year: EUR 10.7 million) due, among other things, to the significantly improved tax rate of 33 percent (prior year: 39 percent). This results in earnings per share of EUR 1.03 (prior year: EUR 0.68).

# Net Assets and Financial Position

Compared to year-end 2013, our consolidated statement of financial position as of September 30, 2014, is shaped significantly by the full consolidation of Stiles as of February 3, 2014. On account of this and the positive development of business, our **total assets** at the end of the third quarter rose to EUR 623.3 million (December 31, 2013: EUR 543.9 million).

These effects can be seen on the **assets side** above all in **inventories**, which rose to EUR 189.3 million (December 31, 2013: EUR 133.5 million), and **trade receivables**, which increased to EUR 117.5 million (December 31, 2013: EUR 90.5 million). EUR 58 million of these two rises relates to the Stiles acquisition. **Receivables due from associates** no longer include Stiles, meaning that these receivables decreased to EUR 4.5 million (December 31, 2013: EUR 15.4 million). Although we repaid liabilities, our **cash and cash equivalents** of EUR 41.9 million remained at the level of year-end 2013 (EUR 44.9 million).

On the **equity and liabilities side** of the statement of financial position our **equity** rose to EUR 190.9 million on account of the increase in revenue reserves (December 31, 2013: EUR 177.7 million). On account of the rise in total equity and liabilities, the **equity ratio** decreased to 30.6 percent as of September 30, 2014 (December 31, 2013: 32.7 percent), but improved again as the year went on. On account of repayments made, **current financial liabilities** were decreased considerably to EUR 29.1 million (December 31, 2013: EUR 59.2 million). By contrast, **non-current liabilities** rose to EUR 75.9 million on account of the Stiles acquisition (December 31, 2013: EUR 64.0 million). In addition to the Stiles acquisition, the significant increase in **prepayments received** to EUR 77.1 million (December 31, 2013: EUR 39.7 million) also stems from the good order backlog as well as our successful negotiations regarding our customer projects.

We were able to significantly reduce **net liabilities to banks** further in the reporting quarter. As of September 30, 2014, this figure came to EUR 55.6 million, which represents a further decrease on the already low level at year-end 2013 (EUR 69.2 million). Compared to the prior-year quarter (EUR 88.7 million) the reduction of net liabilities to banks is even more significant.

The **return on capital employed** (ROCE) before taxes on the basis of EBIT before expenses from employee profit participation and before extraordinary expenses improved to 20.9 percent in the third quarter of 2014 (prior year: 13.1 percent). This is attributable to our strict working capital management as well as the positive earnings situation in the company. After taxes (tax expense ratio used in calculation: 30 percent), ROCE on the basis of EBIT before employee profit participation expenses and before extraordinary expenses came to 14.6 percent (prior year: 9.2 percent).

Our **operating cash flow** increased considerably to EUR 55.8 million in the first nine months (prior year: EUR 18.4 million). In addition to the positive development of business, this increase is also the result of our good working capital management. **Cash flow from investing activities** increased over the same period from EUR -10.3 million to EUR -32.7 million, which is attributable to higher capital expenditures on property, plant and equipment and the Stiles acquisition. This results in positive **free cash flow** of EUR 23.1 million (prior year: EUR 8.2 million). The **cash flow from financing activities** came to EUR -25.4 million in the first nine months of 2014 (prior year: EUR -4.7 million). Within the scope of the existing revolving credit lines under the syndicated loan agreement we primarily made current repayments in addition to regular repayments of bilateral credit lines. **Cash and cash equivalents** thus amounted to EUR 41.9 million as of September 30, 2014 (prior year: EUR 47.6 million).

## Employees

Our **headcount** increased to 5,553 employees as of September 30, 2014 (prior year: 5,062 employees). The significant increase is above all due to the Stiles acquisition, where 321 people were employed at the end of the quarter. In addition, we increased the headcount at our foreign production companies in China and Poland. The increase compared to the end of the second quarter (5,450 employees) also relates to new trainees. At the end of the third quarter of 2014, the HOMAG Group employed 172 contract workers (prior year: 115 contract workers).

## Investments

In the third quarter of 2014, we increased our **capital expenditure on intangible assets and property, plant and equipment** to EUR 8.1 million (without leases) as announced (prior year: EUR 4.3 million). The largest portion of this relates to an extension to the buildings at our Polish production location. Capital expenditure contains **own development work capitalized** of EUR 2.0 million (prior year: EUR 1.6 million). As expected, our capital expenditure rose to EUR 19.0 million in the first nine months of 2014 (prior year: EUR 15.3 million).

## Research and Development

At our in-house exhibitions in September this year we presented a series of innovations for the processing of wood and wood materials. At the HOMAG Treff in Schopfloch and the HOLZMA Treff in Holzbronn we displayed advanced solutions for the production of furniture and structural elements of various performance categories to around 2,500 visitors.

Our product strategy is aimed at laying the foundation for our customers to increase their productivity, differentiate their products and create sustainable production.

Our goal is to generate numerous machine lines on the basis of just a few machine platforms. We recently presented the first of these newly developed platforms at our in-house exhibition in Schopfloch - an edge banding machine with a sliding chain. The fixed basic configuration and modular equipment packages allow us to fulfill our customers' requirements with considerably less variance. We also presented new higher-performance aggregate families for these platforms and improved the user and service friendliness. These new platforms have been received extremely well by our customers and sales partners.

Hydrophobing is at the center of our new **seal**Tec technology. The application of this new process provides a higher resistance to moisture, steam and temperature changes above all for kitchen and bathroom furniture. In the edge banding process, a fluid with hydrophobic characteristics is applied to the surface of the edges. This prevents the penetration of moisture in a more effective manner and increases the moisture-resistance of the joint.

In the area of panel dividing technology, our innovative multiTec aggregate allows fully automated drilling, milling and sawing for the first time in a single machine. The machine is particularly suitable for customers in the construction of facades and partition walls as well as manufacturers of concrete formwork.

In addition, we developed software for no-contact 3D scanning. This simply digitizes unusual free-form components and design models, so that then a 3D model can be generated.

## Risk and Opportunities Report

The risk management system in place and the individual business risks and opportunities are described in the annual report 2013, pages 61 to 68. The comments made there are still essentially valid.

There are no discernible risks at present that could jeopardize the continuation of HOMAG Group as a going concern.

## Subsequent Events

After the end of the reporting period, as announced Dürr Technologies GmbH, a wholly owned subsidiary of Dürr AG, acquired the majority shareholding in HOMAG Group AG with effect as of October 10, 2014. Following the necessary approval by the respective antitrust authorities in Germany and abroad, Dürr acquired a total interest of 53.7 percent of the HOMAG shares from various major shareholders. The voluntary public bid Dürr made to the other HOMAG shareholders that ended on October 7, 2014 was accepted for 2.1 percent of the shares. Furthermore, Dürr joined with 3 percent of its shares the shareholder pool of the Schuler family and the Klessmann Foundation, which itself holds 22.1 percent. The shareholder pool will agree to the planned conclusion of a domination and/or profit and loss transfer agreement between Dürr and HOMAG Group AG. Dürr has a total of 77.9 percent of the voting rights for the purpose of passing such resolutions at annual general meetings of HOMAG Group AG. The HOMAG Group will be fully consolidated in the Dürr Group as of the start of the fourth quarter.

In the course of the Dürr acquisition, there have also been changes on the shareholder side of HOMAG Group AG's supervisory board that occurred after the end of the reporting period. The supervisory board members to date Torsten Grede, Hans Fahr, Dr. Horst Heidsieck, Dr. Dieter Japs and Thomas Keller stepped down. New to HOMAG Group AG's supervisory board are Ralf W. Dieter, Stuttgart, CEO of Dürr AG, Dr. Hans Schumacher, Schönaich, CEO of Dürr Systems GmbH, Richard Bauer, Wentorf, CEO of Körber AG, Dr. Anja Schuler, Zurich, medical specialist for psychiatry and psychotherapy (FMH), and Dr. Jochen Berninghaus, Herdecke, lawyer, auditor, tax advisor, law firm Spieker & Jaeger. All five new members were appointed by court ruling of October 13, 2014 with immediate effect until the end of the next annual general meeting. At the constituent meeting on October 24, 2014, Ralf W. Dieter was elected new chairman of the supervisory board.

One further change that was announced after the end of the reporting period relates to the management board of HOMAG Group AG. CEO Dr. Markus Flik, is stepping down from the management board of HOMAG Group AG of his own volition as of November 30, 2014, in order to take on new professional challenges. The supervisory board appointed Dürr CFO Ralph Heuwing as a new member of the management board with effect as of October 27, 2014. Mr. Heuwing will assume the position of CEO as of December 1, 2014.

# Forecast Report

At the end of July, the VDMA lowered its forecast for the German mechanical and plant engineering sector from 3 percent to 1 percent growth for the current fiscal year. This is primarily due to the uncertainty among investors and the associated reduced willingness to invest, for example as a result of the conflict with Russia. For the wood processing machines segment, the competent industry association anticipates sales revenue growth in 2014 of 5 percent.

The forecast remains subject to the condition that there are no major disruptions in the global economy.

We now expect to achieve order intake, sales revenue and operative EBITDA at the higher end of the forecast ranges described below, or even exceed these slightly in 2014. We expect **order intake** in a range between EUR 760 million and EUR 780 million (prior year (restated): EUR 734 million). The acquisition of Stiles Machinery, Inc. will not lead to any increase in order intake based on the new method of calculation. We expect the **Group's sales revenue** to reach between EUR 860 million and EUR 880 million. About half of this sales revenue growth is expected to result from the Stiles acquisition. We anticipate **operative EBITDA** before employee profit participation expenses and before extraordinary expenses to be between EUR 82 million and EUR 84 million in 2014. The Stiles acquisition will lead to special burdens and extraordinary expenses will arise as a result of the acquisition by Dürr for 2014 as a whole. As a result, we expect the Group to return a **net profit for the year** at the lower end of the forecast range of between EUR 20 million and EUR 22 million in 2014.

HOMAG Group AG will be consolidated by Dürr AG from October 3, 2014 onwards. In the acquisition accounting process, valuations are currently being performed that may also effect the 2014 financial statements of HOMAG Group AG; these effects are not foreseeable at this stage.

We aim to continue our course of profitable growth in 2015, further increase order intake and sales revenue and improve the results of operations. We will publish a detailed forecast in the spring of 2015.

# Interim Financial Statements as of September 30, 2014

## Consolidated Income Statement

| FIGURES IN EUR K | 2014 07/01 – 09/30 | 2013 07/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
|---|---|---|---|---|
| **Sales revenue** | **231,358** | **202,904** | **661,879** | **574,897** |
| Increase or decrease in inventories of finished goods and work in progress | 8,379 | 5,674 | 26,085 | 18,332 |
| Own work capitalized | 2,134 | 1,619 | 5,289 | 6,628 |
| | 10,513 | 7,293 | 31,374 | 24,960 |
| **Total operating performance** | **241,871** | **210,197** | **693,253** | **599,857** |
| Other operating income | 4,866 | 3,882 | 15,486 | 12,227 |
| | **246,737** | **214,079** | **708,739** | **612,084** |
| Cost of materials | 103,138 | 90,742 | 299,350 | 255,979 |
| Personnel expenses before employee participation | 82,090 | 69,110 | 244,581 | 214,207 |
| Amortization of intangible assets | 3,829 | 3,843 | 11,470 | 11,138 |
| Depreciation of property, plant and equipment | 3,935 | 3,756 | 11,466 | 11,488 |
| Other operating expenses | 36,944 | 31,693 | 106,747 | 93,434 |
| | 229,936 | 199,144 | 673,614 | 586,246 |
| **Operating result before employee participation** | **16,801** | **14,935** | **35,125** | **25,838** |
| Expenses from employee participation | 2,307 | 3,103 | 6,062 | 5,247 |
| **Net operating profit** | **14,494** | **11,832** | **29,063** | **20,591** |
| Profit/loss from associates | 418 | 559 | 621 | 2,027 |
| Interest income | 248 | 487 | 789 | 1,487 |
| Interest expenses | 1,526 | 1,981 | 4,671 | 5,831 |
| **Earnings before taxes** | **13,634** | **10,897** | **25,802** | **18,274** |
| Income taxes | -4,290 | -4,020 | -8,548 | -7,132 |
| **Net profit for the period** | **9,344** | **6,877** | **17,254** | **11,142** |
| Profit attributable to non-controlling interests | 572 | 254 | 1,091 | 468 |
| Profit attributable to owners of Homag Group AG | **8,772** | **6,623** | **16,163** | **10,674** |
| Earnings per share attributable to owners of Homag Group AG in EUR (basic and diluted) | 0.56 | 0.42 | 1.03 | 0.68 |

## Consolidated Statement of Comprehensive Income

| FIGURES IN EUR K | 2014 07/01 – 09/30 | 2013 07/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
|---|---|---|---|---|
| **Net profit for the period** | **9,344** | **6,877** | **17,254** | **11,142** |
| Currency effects | 2,263 | -1,071 | 2,036 | -2,495 |
| thereof share of associates included using the equity method | -254 | -353 | -229 | -229 |
| Gains and losses from cash flow hedges | -68 | -97 | -382 | 52 |
| Taxes attributable to gains and losses from cash flow hedges | 19 | 28 | 121 | -14 |
| **Other income and expenses that can be reclassified to the income statement under certain conditions in future periods** | **2,214** | **-1,140** | **1,775** | **-2,457** |
| Actuarial gains and losses | 0 | 0 | -299 | -153 |
| Income tax on other comprehensive income | 0 | 0 | 33 | 18 |
| **Other income and expenses that cannot be reclassified to the income statement in future periods** | **0** | **0** | **-266** | **-135** |
| **Other comprehensive income** | **2,214** | **-1,140** | **1,509** | **-2,592** |
| **Total comprehensive income** | **11,558** | **5,737** | **18,763** | **8,550** |
| Total comprehensive income attributable to non-controlling interests | 897 | 160 | 1,389 | 432 |
| Total comprehensive income attributable to owners of Homag Group AG | **10,661** | **5,577** | **17,374** | **8,118** |

## Consolidated Statement of Financial Position

| FIGURES IN EUR K | | Sep. 30, 2014 | Dec. 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| I. | Intangible assets | 72,187 | 72,074 |
| II. | Property, plant and equipment | 127,527 | 124,961 |
| III. | Investments in associates | 5,070 | 10,143 |
| IV. | Other financial assets | 537 | 494 |
| V. | Receivables and other assets | | |
| | Trade receivables | 989 | 1,261 |
| | Other financial assets | 771 | 732 |
| | Other assets and prepaid expenses | 328 | 55 |
| | Income tax receivables | 1,056 | 1,353 |
| VI. | Deferred taxes | 9,600 | 9,006 |
| | | **218,065** | **220,079** |
| **Current assets** | | | |
| I. | Inventories | 189,327 | 133,509 |
| II. | Receivables and other assets | | |
| | Trade receivables | 117,463 | 90,512 |
| | Receivables from long-term construction contracts | 27,135 | 21,538 |
| | Receivables due from associates | 4,535 | 15,393 |
| | Other assets and prepaid expenses | 22,200 | 14,180 |
| | Income tax receivables | 1,460 | 2,543 |
| III. | Cash and cash equivalents | 41,884 | 44,939 |
| | | **404,004** | **322,613** |
| IV. | Non-current assets held for sale | 1,245 | 1,245 |
| | | **405,249** | **323,858** |
| **Total assets** | | **623,314** | **543,937** |

| FIGURES IN EUR K | | Sep. 30, 2014 | Dec. 31, 2013 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity** | | | |
| I. | Issued capital | 15,688 | 15,688 |
| II. | Capital reserves | 32,976 | 32,976 |
| III. | Revenue reserves | 116,280 | 102,170 |
| IV. | Net profit for the period | 16,163 | 18,426 |
| | Equity attributable to the owners | 181,107 | 169,260 |
| V. | Non-controlling interests | 9,750 | 8,391 |
| | | **190,857** | **177,651** |
| **Non-current liabilities and provisions** | | | |
| I. | Non-current financial liabilities | 75,869 | 64,003 |
| II. | Other non-current liabilities | 8,475 | 9,222 |
| III. | Pensions and other post-employment benefits | 3,241 | 2,923 |
| IV. | Obligations from employee profit participation | 14,443 | 13,275 |
| V. | Other non-current provisions | 7,212 | 5,107 |
| VI. | Deferred taxes | 14,735 | 13,135 |
| | | **123,975** | **107,665** |
| **Current liabilities and provisions** | | | |
| I. | Current financial liabilities | 29,069 | 59,228 |
| II. | Trade payables | 80,144 | 61,155 |
| III. | Prepayments | 77,057 | 39,689 |
| IV. | Liabilities from long-term construction contracts | 7,550 | 2,408 |
| V. | Liabilities to associates | 3,219 | 4,493 |
| VI. | Other financial liabilities | 3,256 | 156 |
| VII. | Other current liabilities and deferred income | 82,240 | 66,329 |
| VIII. | Tax liabilities | 6,750 | 9,219 |
| IX. | Pensions and other post-employment benefits | 74 | 74 |
| X. | Other current provisions | 19,123 | 15,870 |
| | | **308,482** | **258,621** |
| **Total liabilities** | | **432,457** | **366,286** |
| **Total equity and liabilities** | | **623,314** | **543,937** |

## Consolidated Cash Flow Statement

| FIGURES IN EUR K | 2014<br>01/01 – 09/30 | 2013<br>01/01 – 09/30 |
|---|---|---|
| **1. Cash flow from operating activities** | | |
| **Profit or loss for the period before tax** | **25,802** | **18,274** |
| Income tax paid (–) | -5,495 | -4,992 |
| Interest result | 3,882 | 4,344 |
| Interest paid (–) | -4,066 | -5,205 |
| Interest received (+) | 758 | 1,464 |
| Write-downs (+) / write-ups (–) of non-current assets (netted) | 22,935 | 22,626 |
| Increase (+) / decrease (–) in provisions | 2,939 | 616 |
| Share of profit (–) or loss (+) of associates | -621 | -2,027 |
| Dividends from associates | 424 | 364 |
| Gain (–) / loss (+) on disposals of non-current assets | 280 | -1,579 |
| Increase (–) / decrease (+) in inventories, trade receivables and other assets | -24,957 | -42,258 |
| Increase (+) / decrease (–) in trade payables and other liabilities | 33,950 | 26,813 |
| **Cash flow from operating activities** | **55,831** | **18,440** |
| | | |
| **2. Cash flow from investing activities** | | |
| Cash received (+) from disposals of property, plant and equipment | 649 | 3,071 |
| Cash paid (–) for investments in property, plant and equipment | -9,885 | -3,805 |
| Cash received (+) from disposals of intangible assets | 0 | 1,959 |
| Cash paid (–) for investments in intangible assets | -9,127 | -11,476 |
| Cash paid (–) for the acquisition of consolidated companies | -14,348 | 0 |
| **Cash flow from investing activities** | **-32,711** | **-10,251** |

| FIGURES IN EUR K | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
|---|---|---|
| **3. Cash flow from financing activities** | | |
| Dividends | -5,491 | -3,922 |
| Cash paid (–) to non-controlling interests | -30 | 0 |
| Cash received (+) from equity contributions | 0 | 305 |
| Cash received (+) from the issue of (financial) liabilities | 49,121 | 16,155 |
| Cash repayment (–) of bonds and (financial) liabilities | -68,977 | -17,268 |
| **Cash flow from financing activities** | **-25,377** | **-4,730** |
| | | |
| **4. Cash and cash equivalents at the end of the period** | | |
| Change in cash and cash equivalents (subtotal of 1 to 3) | -2,257 | 3,459 |
| Effect of currency translation adjustments and change in basis of consolidation on cash and cash equivalents | -798 | -1,414 |
| **Cash and cash equivalents at the beginning of the period** | **44,939** | **45,557** |
| **Cash and cash equivalents at the end of the period [1]** | **41,884** | **47,602** |

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, 2013** | **15,688** | **32,976** | **90,446** |
| **Other changes** | | | **-1** |
| Dividends paid | | | -3,922 |
| Changes in non-controlling interests | | | 507 |
| **Transactions with owners** | | | **-3,415** |
| **Reclassification to revenue reserves** | | | **12,680** |
| Net profit for the period | | | |
| Other income and expenses | | | |
| **Total comprehensive income** | | | |
| **Sep. 30, 2013** | **15,688** | **32,976** | **99,710** |
| | | | |
| **Jan. 1, 2014** | **15,688** | **32,976** | **99,868** |
| **Other changes** | | | -36 |
| 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** | | | |
| **Sep. 30, 2014** | **15,688** | **32,976** | **112,767** |

| reserves | | | | | |
|---|---|---|---|---|---|
| Accumulated other comprehensive income | Translation reserve | Group result | Equity before non-controlling interests | Non-controlling interests | Total |
| **-377** | **6,292** | **12,680** | **157,705** | **8,056** | **165,761** |
| | | | **-1** | **306** | **305** |
| | | | -3,922 | 0 | **-3,922** |
| | | | 507 | -507 | **0** |
| | | | **-3,415** | **-507** | **-3,922** |
| | | **-12,680** | **0** | **0** | **0** |
| | | 10,674 | 10,674 | 468 | **11,142** |
| -98 | **-2,458** | | -2,556 | -36 | **-2,592** |
| **-98** | **-2,458** | **10,674** | **8,118** | **432** | **8,550** |
| **-475** | **3,834** | **10,674** | **162,407** | **8,287** | **170,694** |
| | | | | | |
| **-587** | **2,889** | **18,426** | **169,260** | **8,391** | **177,651** |
| | | | -36 | | **-36** |
| | | | -5,491 | -30 | **-5,521** |
| | | | **-5,491** | -30 | **-5,521** |
| | | **-18,426** | | | **0** |
| | | 16,163 | 16,163 | 1,091 | **17,254** |
| -527 | 1,738 | | 1,211 | 298 | **1,509** |
| **-527** | **1,738** | **16,163** | **17,374** | **1,389** | **18,763** |
| **-1,114** | **4,627** | **16,163** | **181,107** | **9,750** | **190,857** |

# Selected Explanatory Notes

## General

These interim condensed consolidated financial statements for the first three quarters of 2014 were released for publication by resolution of the management board on November 11, 2014.

### Application of Accounting Requirements

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

The same accounting policies generally apply for this interim report as for the 2013 consolidated financial statements. These policies are explained in detail in the 2013 annual report. In addition, the amendments to IFRSs and the new policies mandatory as of January 1, 2014 have been adopted in the interim financial statements. The amendments to the following IFRSs became applicable for the first time in the reporting period:

| | |
|---|---|
| **IFRS 10** | Consolidated Financial Statements |
| **IFRS 11** | Joint Arrangements |
| **IFRS 12** | Disclosures of Interests in Other Entities |
| **IAS 27** | Separate Financial Statements (revised 2011) |
| **Amendment to IFRS 10, IFRS 12 and IAS 27** | Investment Entities |
| **IAS 28** | Investments in Associates and Joint Ventures (revised 2011) |
| **Amendment to IAS 32** | Offsetting of Financial Assets and Financial Liabilities |
| **IAS 36** | Recoverable Amount Disclosures for Non-financial Assets |
| **IAS 39** | Novation of Derivatives and Continuation of Hedge Accounting |

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

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

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

The income statement has been prepared using the nature of expense method.

## Basis of Consolidation

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

The interim condensed consolidated financial statements do not contain all of the information required for consolidated financial statements and should therefore be read in conjunction with the published consolidated financial statements as of December 31, 2013.

# Business Combination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| FIGURES IN EUR K | |
|---|---|
| Sales revenue with external customers | 42,332 |
| Profit/loss for the year | -2,821 |

If Stiles had already been consolidated as of January 1, 2014, the Group's sales revenue for the first nine months of 2014 would have been around EUR 4,400 k higher and the Group's net profit would have been around EUR 750 k lower. The loss of EUR 2,821 k stems from knock-on effects from the purchase price allocation and the elimination of intercompany profits. By contrast, the operating result at Stiles is positive.

# Notes to the Consolidated Income Statement

## Sales Revenue

In the first nine months of 2014, the Homag Group generated sales revenue of EUR 661,879 k, up 15.1 percent on the comparable period in 2013.

| FIGURES IN EUR K | 2014 07/01 – 09/30 | 2013 07/01 – 09/30 | 2014 01/01 – 09/30 | Share | 2013 01/01 – 09/30 | Share | % change on the prior year |
|---|---|---|---|---|---|---|---|
| Central Europe | 81,895 | 53,983 | 178,323 | 26.9% | 187,129 | **32.5%** | -4.7% |
| Western Europe | 23,119 | 43,088 | 98,689 | 14.9% | 92,901 | **16.2%** | 6.2% |
| Eastern Europe | 31,009 | 43,644 | 132,387 | 20.0% | 111,079 | **19.3%** | 19.2% |
| North America | 42,372 | 16,243 | 112,777 | 17.0% | 49,361 | **8.6%** | 128.5% |
| South America | 7,275 | 7,132 | 17,648 | 2.7% | 27,451 | **4.8%** | -35.7% |
| Asia/Pacific | 42,956 | 36,858 | 114,340 | 17.3% | 100,610 | **17.5%** | 13.6% |
| Africa | 2,732 | 1,956 | 7,715 | 1.2% | 6,366 | **1.1%** | 21.2% |
| **Total [1)]** | **231,358** | **202,904** | **661,879** | 100.0% | **574,897** | **100.0%** | 15.1% |

1) Conversion to allocation of sales revenue by geographical segment in 2014 similar to order intake.

The regions of North America (128.5 percent, adjusted for the Stiles effect: 42.7 percent), eastern Europe (19.2 percent) and western Europe (6.2 percent) saw the greatest percentage increases in sales revenue in the first nine months of 2014 in comparison to the same period of the prior year. With a fall of 35.7 percent, the region South America registered the greatest decrease. Sales revenue in Germany decreased by 19 percent. As a result, the share of sales revenue earned in Germany fell from 24 percent in the first nine months of 2013 to 16.9 percent in the reporting period.

## Cost of Materials

The ratio of cost of materials to total operating performance increased slightly to 43.2 percent in the first three quarters of 2014, as compared to 42.7 percent in the corresponding period of the prior year.

| FIGURES IN EUR K | 2014 07/01 – 09/30 | 2013 07/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
|---|---|---|---|---|
| Cost of raw materials, consumables and supplies and purchased merchandise | 96,775 | 85,358 | 282,877 | 241,549 |
| Cost of purchased services | 6,363 | 5,384 | 16,473 | 14,430 |
| | **103,138** | **90,742** | **299,350** | **255,979** |

## Personnel Expenses

| FIGURES IN EUR K | 2014 07/01 – 09/30 | 2013 07/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
|---|---|---|---|---|
| Wages and salaries | 69,452 | 58,020 | 207,266 | 181,327 |
| Social security, pension and other benefit costs | 12,638 | 11,091 | 37,315 | 32,881 |
| thereof for old-age pensions | 4,251 | 3,935 | 13,218 | 12,437 |
| | **82,090** | **69,110** | **244,581** | **214,207** |

| FIGURES IN EUR K | 2014 07/01 – 09/30 | 2013 07/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
|---|---|---|---|---|
| Expenses from employee participation | 2,308 | 3,103 | 6,062 | 5,247 |

After 5,062 employees as of September 30, 2013, 5,064 as of December 31, 2013 and 5,450 employees as of June 30, 2014, the Homag Group employed 5,553 persons as of September 30, 2014.

In the first nine months of 2014, personnel expenses rose by 14.2 percent in comparison to the comparable prior-year period. This is mainly attributable to the higher headcount on account of the Stiles acquisition in addition to the collectively bargained wage increases. The ratio of personnel expenses to total operating performance improved to 35.3 percent (prior year: 35.7 percent).

At EUR 6,062 k, employee profit participation expenses in the first nine months of 2014 were above the level of the comparable prior-year period (prior year: EUR 5,247 k). This is largely due to the decline in the interest rate, which has led to a higher interest expenses for the non-current obligation. In accordance with International Financial Reporting Standards, the interest rate used is to be determined by reference to market yields as of the reporting date on high-quality fixed interest bearing corporate bonds.

## Profit for the Period

Operative EBITDA before employee participation expenses and before restructuring/non-recurring expenses amounted to EUR 66,354 k in the first nine months of 2014 (prior year: EUR 51,532 k). EBIT before employee participation expenses and after restructuring/non-recurring expenses amounted to EUR 35,125 k in the first nine months of 2014 (prior year: EUR 25,838 k).

The financial result of EUR -3,261 k for the first nine months of 2014 deteriorated by 40.7 percent compared to the prior-year period (prior year: EUR -2,317 k). This is mainly attributable to Stiles' contribution to earnings which is no longer included here (in the prior year this item contained income of EUR 656 k from the at-equity consolidation of Stiles).

EBT in the first nine months of 2014 came to EUR 25,802 k (prior year: EUR 18,274 k). After non-controlling interests, the net profit for the period came to EUR 16,163 k (prior year: EUR 10,674 k) which leads to earnings per share of EUR 1.03 (prior year: EUR 0.68).

# Notes to the Consolidated Statement of Financial Position

## Assets

Total assets come to EUR 623,314 k (December 31, 2013: EUR 543,937 k). The rise is essentially attributable to the assumption of the acquired assets and liabilities of Stiles Machinery, Inc. (please refer to the comments on the business combination).

Investments in associates fell correspondingly in this respect.

Inventories rose by EUR 55,818 k to EUR 189,327 k in comparison to December 31, 2013, an increase of 41.8 percent. The rise in inventories is essentially due to the Stiles acquisition (the value of the inventories assumed came to EUR 34,403 k as of the acquisition date). This is further due to an ongoing higher level of order backlog and the increased stage of completion of machines on which work has already commenced but where the criteria for the partial recognition of sales revenue pursuant to IFRS were not satisfied.

Current receivables and other assets increased by EUR 28,628 k in comparison to December 31, 2013; this rise is also mainly due to the Stiles acquisition.

Cash and cash and cash equivalents decreased by EUR 3,055 k compared to year-end 2013, as the cash was used to settle liabilities.

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

## Equity

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

The equity ratio stood at 30.6 percent as of September 30, 2014, which is down on the level seen at December 31, 2013 (32.7 percent). This is mainly attributable to the rise in total assets due to the acquisition.

Pursuant to IAS 33, earnings per share are determined by dividing the Group's net profit or loss for the period by the average number of shares. Earnings per share stood at EUR 1.03 in the first nine months of 2014 (prior year: EUR 0.68).

| | **2014 01/01 – 09/30** | **2013 01/01 – 09/30** |
|---|---|---|
| Profit for the period attributable to owners of Homag Group AG for the calculation of the basic earnings in EUR k | 16,163 | 10,674 |
| **Basic earnings per share pursuant to IAS 33 in EUR** | **1.03** | **0.68** |
| Number of shares (basis for the calculation of the basic earnings per share) | 15,688,000 | 15,688,000 |

There were no dilutive effects in the reporting period.

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

## Liabilities

On the equity and liabilities side of the statement of financial position, non-current financial liabilities increased by EUR 11,866 k, essentially on account of the acquisition of Stiles. Non-current financial liabilities were reduced by EUR 30,159 k on account of repayments made.

Prepayments received rose significantly by EUR 37,368 k; of this figure an amount of EUR 22,149 k is attributable to Stiles. Other current liabilities and deferred income increased by EUR 15,911 k (24 percent) in the reporting period due to the Stiles acquisition as well as normal seasonal movements during the first half of the year, such as the increase in accrued liabilities for vacation provisions.

Net liabilities to banks decreased from EUR 69,189 k as of December 31, 2013 to EUR 55,646 k as of September 30, 2014.

# Financial Instruments

Book values, carrying amounts and fair values by measurement category

| FIGURES IN EUR K | Carrying amount Sep. 30, 2014 | Carrying amount in statement of financial position according to IAS 39 | | | Carrying amount accord. to IAS 11 | Carrying amount accord. to IAS 17 | Fair value Sep. 30, 2014 |
|---|---|---|---|---|---|---|---|
| | | Amortized cost | Acquisition cost | Fair value | | | |
| **Assets** | | | | | | | |
| Cash and cash equivalents | 41,884 | 41,884 | | | | | 41,884 |
| Trade receivables | 118,452 | 118,452 | | | | | 118,452 |
| Receivables from associates | 4,535 | 4,535 | | | | | 4,535 |
| Receivables from long-term construction contracts | 27,135 | | | | 27,135 | | 27,135 |
| Other financial assets | 537 | | 537 | | | | – |
| Other non-derivative financial assets | 11,243 | 11,243 | | | | | 11,243 |
| Derivative financial assets | | | | | | | |
| Derivatives without hedging relationship | 19 | | | 19 | | | 19 |
| **Equity and liabilities** | | | | | | | |
| Trade payables | 83,363 | 83,363 | | | | | 83,363 |
| Liabilities from long-term construction contracts | 7,550 | | | | 7,550 | | 7,550 |
| Financial liabilities | | | | | | | |
| Liabilities to banks | 97,530 | 97,530 | | | | | 98,643 |
| Lease liabilities | 7,407 | | | | | 7,407 | 7,974 |
| Derivative financial liabilities | | | | | | | |
| Derivatives without hedging relationship | 2,796 | | | 2,796 | | | 2,796 |
| Derivatives with hedging relationship | 460 | | | 460 | | | 460 |
| **Thereof combined according to the measurement categories in accordance with IAS 39** | | | | | | | |
| Loans and receivables | 176,114 | 176,114 | | | | | 176,114 |
| Held-for-sale financial assets | 537 | | 537 | | | | – |
| Financial assets held for trading | 19 | | | 19 | | | 19 |
| Financial liabilities measured at amortized cost | 180,893 | 180,893 | | | | | 182,006 |
| Financial liabilities held for trading | 3,256 | | | 3,256 | | | 3,256 |

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

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

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

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

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

## Other Financial Assets

The interest rate hedges (interest rate swaps) taken out in the first quarter of 2013 for existing loans for an original amount of EUR 60 million were priced at EUR 52.5 million as of September 30, 2014. The changes in cash flows from the hedged transactions resulting from changes in the Euribor rate are offset by changes in cash flows (offsetting payments) from the interest rate swaps. The aim of the hedging measures is to transform the variable-rate financial liabilities into fixed-interest financial liabilities and thus to hedge the risks in the cash flow from the financial liabilities. Credit risks are not hedged. The effectiveness of the hedge is prospectively and retrospectively tested using the critical terms match method. All hedges of this kind were effective as of the reporting date.

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

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

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

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

Assets measured at fair value:

| | Sep. 30, 2014 | | | |
|---|---|---|---|---|
| **FIGURES IN EUR K** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Derivatives without hedging relationship | 19 | 0 | 19 | 0 |

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

| | Sep. 30, 2014 | | | |
|---|---|---|---|---|
| **FIGURES IN EUR K** | **Total** | **Level 1** | **Level 2** | **Level 3** |
| Cash and cash equivalents | 41,884 | 41,884 | 0 | 0 |
| Trade receivables | 118,452 | 0 | 118,452 | 0 |
| Receivables from associates | 4,535 | 0 | 4,535 | 0 |
| Receivables from long-term construction contracts | 27,135 | 0 | 27,135 | 0 |
| Other non-derivative financial assets | 11,243 | 0 | 11,243 | 0 |
| | **203,249** | **41,884** | **161,365** | **0** |

Liabilities measured at fair value:

| FIGURES IN EUR K | Sep. 30, 2014 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Derivatives without hedging relationship | 2,796 | 0 | 2,796 | 0 |
| Derivatives with hedging relationship | 460 | 0 | 460 | 0 |
| | **3,256** | **0** | **3,256** | **0** |

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

| FIGURES IN EUR K | Sep. 30, 2014 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Trade payables | 83,363 | 0 | 83,363 | 0 |
| Liabilities from long-term construction contracts | 7,550 | 0 | 7,550 | 0 |
| Liabilities to banks | 98,643 | 0 | 98,643 | 0 |
| Lease liabilities | 7,974 | 0 | 7,974 | 0 |
| | **197,531** | **0** | **197,531** | **0** |

# Segment Reporting

| FIGURES IN EUR K | Industry | | Cabinet Shops | | Sales & Service | |
|---|---|---|---|---|---|---|
| | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 | 2014 01/01 – 09/30 | 2013 01/01 – 09/30 |
| Third-party sales | 239,746 | 226,505 | 63,111 | 65,427 | 280,537 | 183,879 |
| Sales with group companies from other segments | 116,510 | 83,062 | 86,102 | 64,327 | 2,565 | 3,339 |
| Sales with associates | 24,657 | 38,500 | 6,039 | 19,222 | 202 | 231 |
| **Total sales revenue** | **380,913** | **348,067** | **155,252** | **148,976** | **283,304** | **187,449** |
| **EBITDA [1]** | **47,775** | **37,877** | **8,102** | **9,846** | **18,529** | **5,444** |
| Restructuring/non-recurring expenses [2] | -379 | -1,554 | -232 | -51 | -7,423 | -1,332 |
| Depreciation of property, plant and equipment and amortization of intangible assets | -14,295 | -14,826 | -4,738 | -4,270 | -1,966 | -1,619 |
| Result from employee participation | -5,263 | -4,443 | -529 | -579 | -270 | -165 |
| Share in result of associates | -367 | 656 | 0 | 0 | 988 | 1,371 |
| Interest result | -1,318 | -1,088 | -468 | -351 | -423 | -354 |
| **Segment result [3]** | **26,153** | **16,622** | **2,135** | **4,595** | **9,435** | **3,345** |
| **Employees [4]** | **2,606** | **2,604** | **993** | **983** | **1,054** | **724** |

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

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

3 The segment result corresponds to earnings before tax.

4 Average headcount for the period.

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

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

In the Sales & Service segment, sales revenue increased by EUR 95,855 k (51.1 percent). This rise is partly due to the first-time recognition of Stiles Machinery, Inc.'s sales revenue at EUR 81,062 k. Apart from this, the largest increases were generated by Homag U.K. Ltd. (up EUR 9,260 k or 67.8 percent) and Homag Australia Pty. Ltd. (up EUR 8,180 k or 103.6 percent). In the Industry segment, sales revenue increased by EUR 32,846 k (or 9.4 percent). Homag Holzbearbeitungssysteme GmbH generated the largest increase in absolute terms (up EUR 17,358 k or 6.9 percent). In the Other and Cabinet Shops segments it was possible to generate increases of EUR 7,492 k (up 11 percent) and EUR 6,276 k (up 4.2 percent), respectively.

The development of operative EBITDA before employee participation expenses and before restructuring/non-recurring expenses varied between segments. In the Sales & Service segment, operative EBITDA increased by EUR 14,476 k and in the Industry segment by EUR 9,898 k. In the Cabinet Shops and Other segments, on the other hand, operative EBITDA fell by EUR 1,744 k and EUR 614 k respectively. In the Sales & Service segment, Homag Australia Pty. Ltd. (up EUR 1,726 k or 174.5 percent), Homag South America Ltda. (up EUR 1,666 k or 103.5 percent), HOMAG France S.A.S. (up

| Other | | Total segments | | Consolidation | | Group | |
|---|---|---|---|---|---|---|---|
| **2014 01/01 – 09/30** | **2013 01/01 – 09/30** | **2014 01/01 – 09/30** | **2013 01/01 – 09/30** | **2014 01/01 – 09/30** | **2013 01/01 – 09/30** | **2014 01/01 – 09/30** | **2013 01/01 – 09/30** |
| 19,387 | 17,915 | 602,781 | 493,726 | 0 | 0 | 602,781 | 493,726 |
| 27,726 | 26,688 | 232,903 | 177,416 | -232,903 | -177,416 | 0 | 0 |
| 28,200 | 23,218 | 59,098 | 81,171 | | 0 | 59,098 | 81,171 |
| **75,313** | **67,821** | **894,782** | **752,313** | **-232,903** | **-177,416** | **661,879** | **574,897** |
| **-1,388** | **-774** | **73,018** | **52,393** | **-6,584** | **-861** | **66,434** | **51,532** |
| -339 | -131 | -8,373 | -3,068 | 0 | 0 | -8,373 | -3,068 |
| -1,937 | -1,911 | -22,936 | -22,626 | 0 | 0 | -22,936 | -22,626 |
| 0 | -60 | -6,062 | -5,247 | 0 | 0 | -6,062 | -5,247 |
| 0 | 0 | 621 | 2,027 | 0 | 0 | 621 | 2,027 |
| -1,673 | -2,552 | -3,882 | -4,344 | 0 | 0 | -3,882 | -4,344 |
| **-5,337** | **-5,428** | **32,386** | **19,134** | **-6,584** | **-861** | **25,802** | **18,274** |
| **798** | **711** | **5,451** | **5,022** | **0** | **0** | **5,451** | **5,022** |

EUR 604 k or 32.4 percent), Homag U.K. Ltd. (up EUR 540 k or 1,127.6 percent) and Homag España Maquinaria S.A. (up EUR 531 k or 252 percent) recorded the greatest improvements in earnings. This segment also includes Stiles Machinery, Inc. In the Industry segment, Homag Holzbearbeitungssysteme GmbH was the entity which recorded the largest growth in absolute terms (up EUR 5,491 k or 21.7 percent). In the Cabinet Shops segment, Weeke Bohrsysteme GmbH was the entity which saw the largest decrease (down EUR 2,702 k or 45.1 percent). In the Other segment, HOMAG MACHINERY São Paulo Ltda. recorded the greatest percentage decrease in earnings (down EUR 363 k or 147.2 percent).

# Other Notes

## Contingent Liabilities

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

In addition, a provision of EUR 595 k 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 considerable influence on the economic situation of the entities or the Group in the past two years, nor are they involved in any such proceedings at present. The entities concerned have formed provisions and valuation allowances of suitable amounts to account for any financial burdens from other litigation or arbitration proceedings, or there is sufficient coverage for cover these items.

## Related Parties

Goods and services amounting to EUR 59,122 k were sold to associates in the first nine months of 2014 (prior year: EUR 81,207 k). Goods and services worth EUR 554 k were received from associates (prior year: EUR 4,845 k).

## Subsequent Events after September 30, 2014

After the end of the reporting period, as announced Dürr Technologies GmbH, a wholly owned subsidiary of Dürr AG, acquired the majority shareholding in HOMAG Group AG with effect as of October 10, 2014. This resulted in changes in the management board and the supervisory board. For further details we refer to the section on subsequent events in the management report. The HOMAG Group will be fully consolidated in the Dürr Group as of the start of the fourth quarter.

Schopfloch, November 11, 2014

HOMAG Group AG
The management board

# Financial Calendar

| | |
|---|---|
| November 26, 2014 | German Equity Forum |
| March 31, 2015 | Publication of Annual Report 2014, Analysts' Conference in Frankfurt |
| May 8, 2015 | Annual general meeting |
| May 13, 2015 | Three-months report 2015 |
| August 13, 2015 | Six-months report 2015 |
| November 12, 2015 | Nine-months report 2015 |

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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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