Interim Report Q1/2008

Homag Group AG

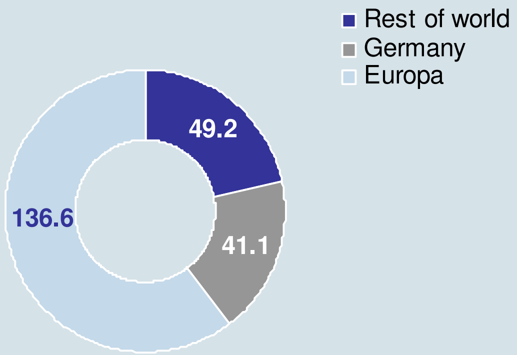
SECURING SUCCESS THROUGH **PARTNERSHIP**

Key Group Figures *

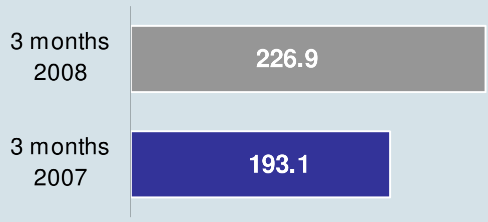
		3 months 2008	3 months 2007	Variance as %
Total sales revenue	EUR m	**226.9**	**193.1**	**17.5%**
Domestic sales revenue	EUR m	**41.1**	**38.3**	**7.1%**
Export sales revenue	EUR m	**185.8**	**154.8**	**20.0%**
of which Europe	EUR m	**136.6**	**105.2**	**29.8%**
North America	EUR m	**22.0**	**24.2**	**-9.1%**
Asia/Pacific	EUR m	**20.5**	**20.6**	**-0.8%**
Export share	as %	**81.9%**	**80.1%**	**2.2%**
EBITDA [1]	EUR m	**27.8**	**27.4**	**1.5%**
EBITDA	as % of sales revenue	**12.2%**	**14.2%**	**-13.6%**
EBITDA	as % of total operating performance	**11.6%**	**12.6%**	**-8.3%**
EBIT [1]	EUR m	**22.5**	**22.3**	**0.7%**
EBIT	as % of sales revenue	**9.9%**	**11.6%**	**-14.3%**
EBIT	as % of total operating performance	**9.4%**	**10.3%**	**-9.1%**
Profit (before minority interests)	EUR m	**12.1**	**10.5**	**16.1%**
Earnings per share [2]	EUR	**0.72**	**0.68**	**5.9%**
ROCE after taxes	as %	**20.6%** [3]	**20.7%** [4]	**-0.5%**
ROCE [5] before taxes	as %	**29.9%**	**33.9%**	**-11.8%**
Equity as of cut-off date	EUR m	**176.7**	**114.5**	**54.4%**
Own funds as of cut-off date [6]	EUR m	**219.2**	**155.6**	**40.9%**
Own funds ratio	as %	**37.3%**	**30.2%**	**23.5%**
Investment in property, plant and equipment	EUR m	**6.5**	**6.5**	**-0.9%**
Depreciation of property, plant and equipment	EUR m	**4.1**	**4.0**	**3.6%**
Number of employees	Average of the period	**5,187**	**4,743**	**9.4%**
Of which trainees	Average of the period	**340**	**328**	**3.7%**
Personnel expenses	EUR m	**68.3**	**59.9**	**14.0%**
Accumulated order intake [7]	EUR m	**231.9**	**233.6**	**-0.7%**
Order backlog as of cut-off date [7]	EUR m	**311.6**	**277.6**	**12.2%**

* IFRS
[1] After deducting "other taxes", before taking into account employee profit participation expense
[2] Profit for the period after minority interests, based on 15,688,000 shares (prior year: 14,561,345)
[3] (EBIT for the first quarter x 4 x 69%) / Capital Employed (Non-current assets + Net Working Capital) (Tax rate 31%)
[4] (EBIT for the first quarter x 4 x 61%) / Capital Employed (Non-current assets + Net Working Capital) (Tax rate 39%)
[5] (EBIT for the first quarter x 4) / Capital Employed (Non-current assets + Net Working Capital)
[6] Equity plus profit participation rights and silent participation
[7] Order intake and order backlog contain own machines without merchandise, spare parts and service

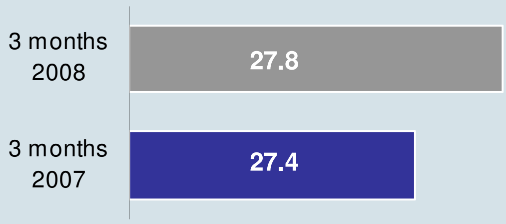
SALES REVENUE BY REGION in Euro millions



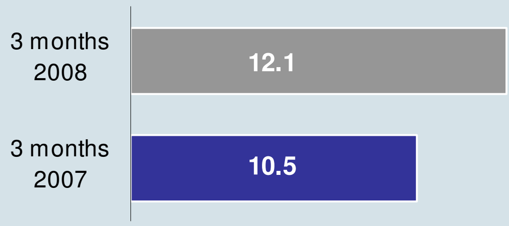
SALES REVENUE in Euro millions



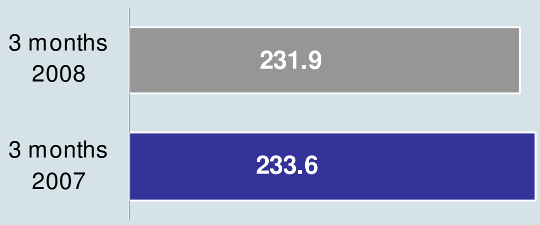
EBITDA[1] in Euro millions



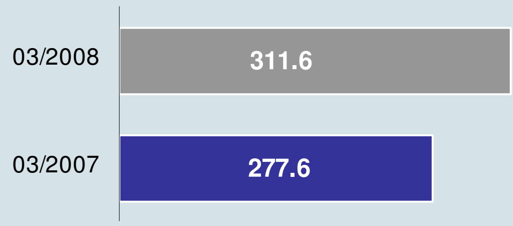
PROFIT FOR THE PERIOD
(before minority interests) in Euro millions



ORDER INTAKE[7] in Euro millions



ORDER BACKLOG[7] in Euro millions



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Foreword by the Management Board

Dr. Joachim Brenk
(Spokesman)

Andreas Hermann

Achim Gauß

Dear Shareholders,

After a record year in the HOMAG Group in 2007, we intend to exceed and are targeting further growth for the current fiscal year 2008. The successful first quarter has got us off to a good start. The high demand for our machines and equipment has been unabated worldwide as confirmed by the two successful trade fairs in India and China. The weak market situation in countries such as the US, Spain or Japan was offset by an above-budget order intake from Eastern Europe and Asia in particular.

In the first three months of 2008, we performed better than the market of relevance for us. Sales revenues were up significantly by 18 percent and the record order intake of the first quarter of 2007 was almost matched – despite the early Easter holiday. Our order backlog as of March 31, 2008 was thus even higher than at year-end 2007, ensuring that we will be working until capacity until at least the end of the third quarter. The positive picture of the first quarter of 2008 is rounded off by an increase in earnings, particularly the after-tax figure.

And naturally we want to share the rewards of the extremely positive developement of the HOMAG Group and the record year 2007 with you, our shareholders. Together with the supervisory board, we have therefore decided to propose a significant increase in dividend from EUR 0.40 to EUR 0.90 per share to the annual general meeting in Freudenstadt on June 5, 2008. Our aim is to maintain this shareholder-friendly profit distribution policy in the future.

Flooring and nesting events

In the first quarter of 2008 we had the opportunity to demonstrate new and innovative machines and equipment of the HOMAG Group to our customers at two events dedicated to two important fields of application. Visitors to the nesting event were able to experience how nesting technology can be used to optimize material usage by cutting parts out of large-scale furniture panels with as little waste as possible. The flooring event focused on the cost-efficient production of laminate and parquet flooring. We offer state-of-the-art technology including one machine which works at a speed of 300 m/min which

Rolf Knoll

Herbert Högemann

translates into around 1 m² of laminate per second. We were delighted with the response of our customers to the events, at which we welcomed more than 1,000 trade visitors from more than 20 countries.

Outlook

Even if the global economic development of the current year lags somewhat behind the growth of 2007, the HOMAG Group is optimistic about fiscal 2008. We aim to match the high order intake of the prior year and want to outpace the market of relevance to us by raising sales revenue by at least six percent. It is even possible that we will generate sales revenue in excess of EUR 900 million for the first time. EBITDA is forecast to at least increase in line with sales revenue while an even larger increase is expected for net profit and earnings per share.

In the second quarter, we plan to commence work on the annex to the administration building at HOMAG in Schopfloch. We also plan to erect a new building for the sales and service company HOMAG India founded back in 2002. With space for more than 100 employees, the new building will house all the necessary service functions such as spare parts warehouse, repair shop, teleservice, training center and showrooms. Completion is scheduled for early 2009.

The Management Board
Schopfloch, May 2008

Dr. Joachim Brenk

Andreas Hermann

Achim Gauß

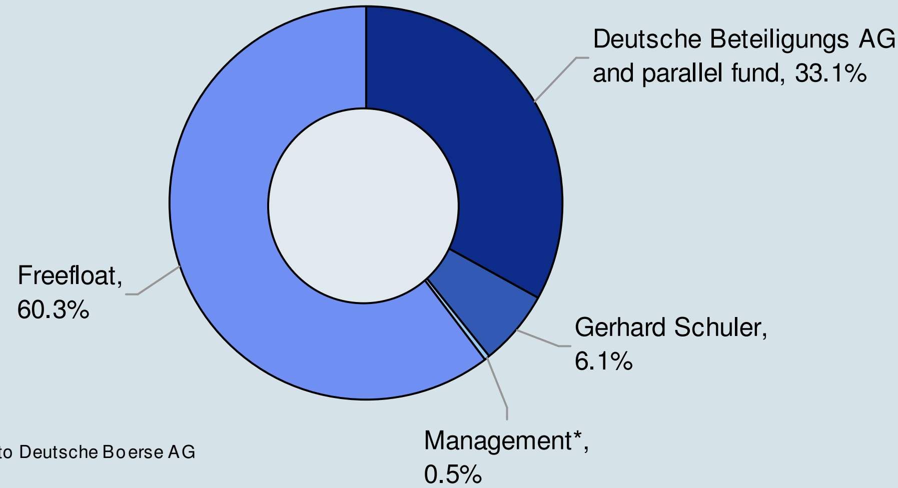
Herbert Högemann

Rolf Knoll

The HOMAG Group AG Share

Uncertainty prevailed on stock markets at the start of 2008 as regards the exact extent of the US real estate and finance crisis, and its effects. The German stock markets buckled as a result – DAX, MDAX and SDAX each lost 20 percentage points in the first three weeks. The DAX rallied slightly, only to incur strong losses again from the end of February, finally closing the first quarter with 6,535 points or some 18 percent below the level reached at the start of the year. The trend of the SDAX was somewhat better following the downturn at the start of the year, although the index was also not capable of fully offsetting its losses and closed with 4,488 points, down 14 percent in the first quarter of 2008.

Shareholder structure as of March 31, 2008[1]



[1]Method of calculation according to Deutsche Boerse AG
* Lock-up ends January 12, 2009

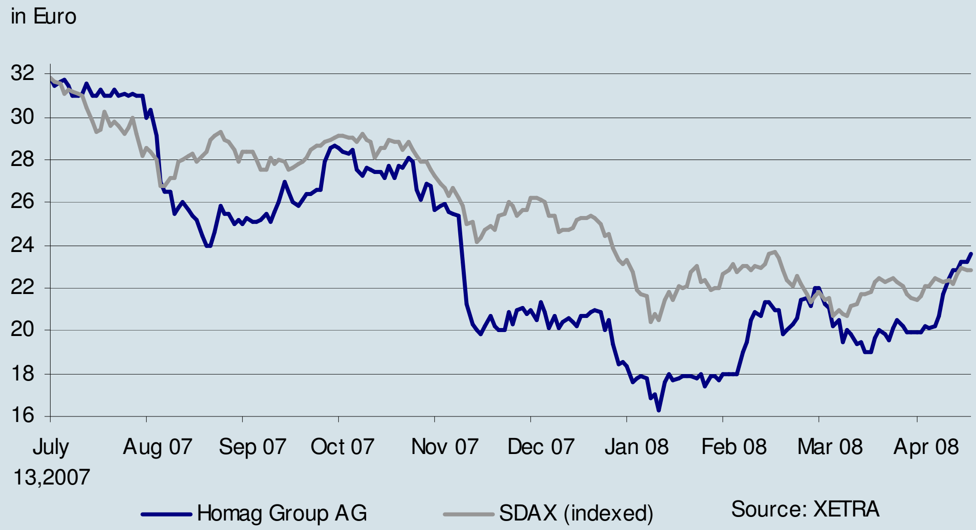
HOMAG Group AG's shares were incapable of escaping the pull of the pessimistic mood prevailing on the stock exchange, dropping in the first three weeks from EUR 20.70 to the historical low of EUR 16.30. It then shot up again in the first half of March, rising to EUR 22 before losing ground slightly and closing the first quarter of 2008 at EUR 19.01. The share thus outperformed the SDAX in the first three months of the year.

In April, the DAX and SDAX developed well, overcoming a minor mid-month weakness and gaining 6 percent and 4 percent respectively to the end of the month. The HOMAG share developed significantly better – especially in the second half of the month – up 24 percent in total to EUR 23.63 as of April 30, 2008.

At its meeting on April 23, 2008 to ratify the Company's annual financial statements, the supervisory board of HOMAG Group AG approved a resolution of the management board to propose a dividend of EUR 0.90 per share at the annual general meeting on June 5, 2008. With this substantial dividend increase, we want our shareholders to share in the excellent performance of the company in the past fiscal year. Our aim is to maintain this shareholder-friendly profit distribution policy in the future.

In the first quarter of 2008 we maintained active channels of communication to the capital market. We organized four road shows – in London, Frankfurt, Zurich and Vienna – and maintained numerous intensive talks with investors and analysts. Apart from two telephone conference calls, these talks were held in person, usually in Schopfloch, where we were able to provide an insight into parts of our production facilities.

Performance of the Homag Group share from first day of listing July 13, 2007 to April 30, 2008



Share performance indicators

ISIN code		DE0005297204
Stock exchange segment		Prime Standard
Index	since Oct. 1, 2007	SDAX
Number of shares (according to commercial register entry)	until Jul. 11, 2007 since Jul. 12, 2007	14.561.345 15.688.000 no par value ordinary bearer shares
First day of trading		Jul. 13, 2007
Price high Jul. 13, 2007-March 31, 2008	Jul. 13, 2007	EUR 31.89
Price low Jul. 13, 2007-March 31, 2008	Jan. 23, 2008	EUR 16.30
Price as at March 31, 2008		EUR 19.01
Market capitalization (March 31, 2008)		EUR 298.2 million

Interim Management Report as March 31, 2008

Economic Background

Spring 2008 is seeing the global economy shouldering the brunt of the US real estate and finance sector. Indeed the spring reports of the leading German economic think tanks see the US on the verge of recession and Japan having to make do with only a weak increase in demand. The economy in Western Europe has also cooled down somewhat. On the whole, however, the global pace of economic growth is still remarkable, particularly as a result of a strong rise in production in emerging economies in Latin America and especially in Asia as well as Russia. Most Eastern European countries also continue to generate healthy growth.

The research institutes rate the economic conditions in Germany at the start of 2008 as favorable, despite some adverse effects. By contrast to many other industrial countries, the mood indicators are still at a high level. For instance, the business climate index for industry and trade of the ifo institute for economic research in Germany rose in the first three months, before decreasing again in April.

VDMA [“Verband Deutscher Maschinen- und Anlagenbau e.V.”: German Engineering Federation], considers the German mechanical engineering industry to be buoyant at the start of 2008. In March 2008, the order intake was marginally weaker year-on-year due to the early Easter holiday and the peak level reached in 2007. Nevertheless, order intake rose four percent in total in the first three months of the year. Domestic order intake increased by one percent, while foreign order intake rose by five percent.

Within the wood processing machines segment of VDMA, the field of standard and special machines is of particular relevance to the HOMAG Group. Order intake in the standard machines segment improved in the first three months of 2008 by three percent, coupled with a decrease of six percent in the case of special machines. In both cases, the development in Germany was better than abroad.

Business Development

The positive development of business enjoyed by HOMAG Group in fiscal 2007 continued into the first quarter of 2008. In addition to the continued high utilization of capacity, we recorded strong demand for our products – including at the two succesful trade fairs India and China that we took part in. Despite the Easter holidays falling within the first quarter in 2008, we were able to increase sales revenue further and maintain order intake at an extremely high level.

In what is usually a somewhat weaker quarter, we were able to increase sales revenue significantly by 18 percent to EUR 227 million in first quarter of 2008 compared to the same period of 2007 (prior year: EUR 193 million). Total operating performance rose 11 percent to EUR 240 million (prior year: EUR 216 million). Adjusted for the increase in merchandise of some EUR 5 million, sales revenue would have increased by 15 percent and total operating performance by 9 percent.

We were almost able to match the record order intake achieved in the prior year with an above-target EUR 232 million (prior year: EUR 234 million). At EUR 312 million as of March 31, 2008, our order backlog rose considerably by 12 percent compared to the end of the first quarter of 2007 (EUR 278 million) and by 22 percent compared to year-end 2007 (EUR 255 million).

The weak market situation in countries such as the US, Spain or Japan was offset by an above-budget order intake from Eastern Europe and Asia in particular. Our export rate increased slightly in the first quarter of 2008 to 82 percent compared to 79 percent over the full year 2007.

Results of Operations

All earnings indicators of the HOMAG Group increased in the first quarter of 2008. Several factors should be taken into account in this context, which have influenced the results of operations. The share of merchandise, with which we generate a lower margin, has increased by more than EUR 5 million on the comparable prior-year quarter. This has had a slight dilutive effective on the EBITDA margin. Our ratio of cost of materials to total operating performance has thus increased to 47.6 percent in the first three months (prior year: 46.0 percent). Adjusted for the impact of merchandise, the ratio would have remained relatively stable.

In addition, the wages and salaries of employees in Germany increased by 4.1 percent as of June 2007 in line with the collective bargaining agreement concluded in the metal industry. This led to a disproportionate increase in personnel costs of EUR 2.4 million between January and March 2008 compared to the first quarter of 2007 and thus to an increase in the ratio of personnel expenses to total operating performance from 27.7 to 28.5 percent. The results of operations also reflect currency losses of EUR 0.8 million on consolidation.

Despite these factors, EBITDA before employee participation expenses increased slightly in the first quarter of 2008 to EUR 27.8 million (prior year: EUR 27.4 million), while EBIT rose to EUR 22.5 million (prior year: EUR 22.3 million). After employee participation expenses, EBIT came to EUR 20.2 million (prior year: EUR 20.1 million). The financial result remained stable at EUR 3.1 million (expense). EBT before employee participation expenses improved to EUR 19.4 million (prior year: EUR 19.2 million). Due to the lower tax rate, which decreased from 38 percent to 29 percent (or 31 percent adjusted for special effects), the net profit for the period before minority interests increased significantly by 16 percent to EUR 12.1 million (prior year: EUR 10.5 million), resulting in earnings per share of EUR 0.72 after minority interests (prior year: EUR 0.68).

Net Assets and Financial Position

Despite the increase in total operating performance of 11 percent, our total assets as of March 31, 2008 only increased marginally compared to year-end 2007 from EUR 569 million to EUR 587 million. On the assets side, this slight increase is attributable to the increase in machines in progress reported under inventories and in trade receivables owing to the good order and dispatch volumes in the first quarter of 2008.

As regards the equity and liabilities side of the balance sheet, our gearing has improved again as of March 31, 2008 compared to year-end 2007. Buoyed by the favorable development of the first quarter, our equity ratio has increased from 29 percent to 30 percent, while the own funds ratio, which takes account of participating capital and obligations from employee profit participation, climbed from 36 percent to 37 percent.

Our net liabilities to banks have increased according to target marginally to EUR 68.8 million (as of December 31, 2007: EUR 61.4 million). The reasons for this are the very high level of payments received as of December 31, 2007 for cut-off date related reasons and the seasonality of our business as a result of which the indebtedness rises steadily at the beginning of the year when machines in progress start to pile up, in the first quarter in particular.

Most of the increase in current assets on the assets side of the balance sheet could thus be offset by the positive earnings and the increase in other liabilities.

The return on capital employed (ROCE) before taxes and taking EBIT before employee participation expenses as a basis, decreased compared to the first quarter of 2007 from 33.9 percent to 29.9 percent. After taxes (tax rate of 31 percent; prior year: 39 percent), ROCE taking EBIT before employee participation expenses as a basis remained practically unchanged at 20.6 percent (prior year: 20.7 percent). In the first three months of the year, we were thus able to improve on the already excellent figure for the full year 2007 (17.6 percent).

Compared to the unusually good development of cash flow in the first quarter of 2007, the cash flow from operating activities decreased to EUR 2.2 million (prior year: EUR 25.7 million). In the prior year, cash flow benefited from an above-average increase in trade payables. After deducting cash paid for investments, the free cash flow amounts to EUR -3.9 million (prior year: EUR 19.8 million). Cash flow from financing activities totaled EUR 0.3 million (prior year: EUR -10.9 million). Cash and cash equivalents amounted to EUR 43.7 million as of March 31, 2008 (prior year: EUR 26.5 million).

Employees

As in past quarters, our headcount continued to rise in the first three months of 2008. As of March 31, 2008, the HOMAG Group had 5,206 employees, up from 4,775 employees as of the end of the first quarter of 2007 and 5,114 employees as of December 31, 2007. Most of the new recruits are engineers and specialists needed for engineering activities and for bringing the plant and machines into operation. About half of the approximately 90 new jobs at the start of the year were created in Germany and the remainder abroad. In Germany, employees were mainly hired by our subsidiaries HOMAG, WEEKE, BARGSTEDT and WEINMANN. Our recruitment activities abroad mostly focused on strengthening our sales and service companies in Western Europe, Singapore and Poland as well as our production company in Poland.

Capital Expenditures

Our capital expenditures within the Group in the first quarter of 2008 came to EUR 6.5 million (prior year: EUR 6.5 million), and were thus below the planned corridor of 3 percent to 4 percent of total operating performance. We primarily invested in the expansion of our production area at our subsidiaries WEINMANN and BARGSTEDT as well as in machinery. Capital expenditures include own work capitalized of EUR 1.2 million (prior year: EUR 1.2 million).

Research and Development

The first quarter of 2008 was marked by innovations and enhancements for the Holz-Handwerk trade fair that was held in Nuremberg at the start of April. Work focused on plant and machines for high-quality and sensitive surfaces, which are increasingly in demand. In the field of sanding technology, we have extended our range to include a new and innovative generation of pressure pad systems designed for high-gloss surface preparation and featuring a perfect balance between segmented magnetic pads and user-friendly and convenient terminal control.

In the field of panel sizing technology, we have also developed machines specifically designed for processing materials and surfaces prone to scratching and damage under pressure. These systems allow the production of lightweight panels, composite panels and scratch-sensitive surfaces in a way that reduces materials requirements and thus cost-effectively. This is complemented by a modular laminating range for the field of high-gloss surfaces with a variety of adhesion applications, additional units and systems technology for thick and fine wrapping.

New to the Services portfolio is the “Outstanding Businesses” consulting service, which offers training for standardized, value-oriented and failure-free processes that allow the reliable and low-cost manufacture of high-quality furniture and assemblies.

Our range has broken into a new dimension as regards window production with the introduction of a new high-performance processing center. This system combines the advantages of conventional window production lines with the benefits of processing centers – allowing simultaneous processing of several workpieces and the automated transportation of parts combined with a high degree of flexibility and precision.

Risk Report

The risk management system in place and the individual business risks are described in the annual report 2007, pages 60 to 61. The comments made there 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

At its meeting on April 23, 2008 to ratify the Company's annual financial statements, the supervisory board of HOMAG Group AG approved a resolution of the management board to propose a dividend of EUR 0.90 per share (prior year EUR 0.40 per share) at the annual general meeting on June 5, 2008. With this substantial dividend increase, we want our shareholders to share in the excellent performance of the company in the past fiscal year.

Outlook

In their spring reports, the leading German economic research institutes predict that economic growth will lose further momentum, although they expect that the slowdown will be limited. Growth of 2.7 percent is forecast for the global economy in 2008, or almost one percent less than in the prior year. Growth of 1.7 percent is anticipated for the industrial nations, with the USA reaching 1.5 percent, the EU 1.9 percent and Japan 1.4 percent. The emerging economies will maintain their expansion course with forecast growth of 6.5 percent, on the back of the positive development of China, India and Russia. Following the good start to 2008, the research institutes foresee a somewhat weaker development in Germany as the year progresses, with gross domestic product growing by 1.8 percent. Momentum in the export sector and in capital expenditures by companies is expected to decline, while an increase is consumer spending is anticipated.

VDMA has reconfirmed its 2008 forecast of five-percent growth for the mechanical engineering industry. Following the strong start to the year, growth rates will decline over the course of the year dragged by turbulence on the capital goods market and the undervalued US dollar. Moreover, many companies are already operating at full capacity, and growth potential is thus limited.

We expect continued growth in sales revenue and earnings in the second quarter of 2008 for HOMAG Group. We are confident that we will achieve a substantial improvement on the prior-year quarter, which had more bank holidays and was burdened by the cost of participating in the LIGNA trade fair as well as a slight loss of productivity owing to preparations for the trade fair. In addition, efficiency improvements from “Project 2008” will impact the second quarter. Order intake in the second quarter will reflect the effects of Xylexpo, the major industry trade fair held in Italy, although this will not match the impact of the main trade fair, LIGNA, which is held every two years. Consequently, the order intake budgeted for the second quarter is lower than in the same quarter of the prior year, but remains at a high level.

Capital expenditures will rise slightly in the second quarter of 2008. This development relates to the annex to the administration building at HOMAG in Schopfloch, on the one hand, and the construction of a new building for the sales and service company HOMAG India founded back in 2002. With space for more than 100 employees, the new building will house all the necessary service functions such as spare parts warehouse, repair shop, teleservice, training center and showrooms. Completion is scheduled for early 2009.

We confirm our forecasts for the full fiscal year 2008. Overall, we observe that global demand is as planned, offsetting the weakness of individual market segments, including the US market. Our optimism is especially reinforced by the favorable market development of emerging economies. Our aim is to grow faster than the markets of relevance to us, and thereby defend our leading market position. Particularly in the field of timber frame house construction and in the project business, we expect significant growth.

We expect sales revenue to increase by at least six percent and EBITDA to at least match that rise, with sales revenue potentially exceeding the EUR 900 million mark. Due to the improved interest result, the non-recurring nature of the IPO costs incurred and the effects of the business tax reform in Germany, we expect the net profit for the year after minority interests to climb more than 30 percent.

In the course of the current fiscal year, we will bring our successful profit-enhancement program “Project 2008” to a close. Our objective is to leverage further potential from procurement activities this year before moving on to the successor program “HOMAG GAP” (HOMAG Group Action Program). We are already doubling our efforts on this program, which has a five-year planning horizon. One of its objectives is take early action to counter the effects that are expected from the collectively negotiated wage agreements in the metal industry and the related rise in the cost of personnel and materials as well as the increasing costs of energy and raw materials.

Consolidated Financial Statement

Consolidated Income Statement

EUR k	2008 01/01-03/31	2007 01/01-03/31
Sales revenue	**226,873**	**193,134**
Increase or decrease in inventories of finished goods and work in process	11,609	22,060
Own work capitalized	1,200	1,249
	12,809	23,309
Total operating performance	**239,682**	**216,443**
Other operating income	4,485	3,947
	244,167	**220,390**
Cost of materials	114,037	99,655
Personnel expenses before employee profit participation	68,287	59,900
Amortization of intangible assets	1,151	1,029
Depreciation of property, plant and equipment	4,132	3,989
Other operating expenses	34,061	33,471
	221,668	**198,044**
Operating result before employee profit participation	**22,499**	**22,346**
Expenses from employee profit participation	2,275	2,245
Net operating loss	**20,224**	**20,101**
Profit / loss from associates	-299	-46
Interest income	482	512
Interest expenses	3,296	3,592
Earnings before taxes	**17,111**	**16,975**
Income taxes	4,979	6,521
Result of continuing operations	**12,132**	**10,454**
Profit/loss for the period	**12,132**	**10,454**
Attributable to minority interests	848	613
Attributable to equity holders of Homag Group AG	**11,284**	**9,841**
Earnings per share of the equity holders of Homag Group AG in	0.72	0.68

Consolidated Balance Sheet

ASSETS

EUR k		Mar. 31, 2008	Dec. 31, 2007
NON-CURRENT ASSETS			
I.	Intangible assets	26,045	25,050
II.	Property, plant and equipment	138,262	139,867
III.	Investments in associates	5,403	5,960
IV.	Other investments	854	862
V.	Other financial assets	1,904	3,910
VI.	Other assets and prepaid expenses	184	201
VII.	Income tax receivables	2,941	3,053
VIII.	Deferred taxes	12,943	12,691
		188,536	**191,594**
CURRENT ASSETS			
I.	Inventories	135,305	128,124
II.	Receivables and other assets		
	Trade receivables	153,175	138,938
	Receivables from long-term construction contracts	32,941	28,579
	Receivables due from associates	8,653	10,889
	Other assets and prepaid expenses	22,661	20,653
	Income tax receivables	2,335	1,140
III.	Cash and cash equivalents	43,712	47,613
		398,782	**375,936**
ASSETS AVAILABLE-FOR-SALE		**0**	**1,831**
TOTAL ASSETS		**587,318**	**569,361**

EQUITY AND LIABILITIES

EUR k		**Mar. 31, 2008**	**Dec. 31, 2007**
EQUITY			
I.	Issued capital	15,688	15,688
II.	Capital reserves	32,976	32,976
III.	Revenue reserves	100,363	69,534
IV.	Net loss of the group for the period	11,284	32,030
	Equity attributable to equity holders	160,311	150,228
V.	Minority interests	16,423	15,907
		176,734	**166,135**
NON-CURRENT LIABILITIES AND PROVISIONS			
I.	Non-current financial liabilities	118,606	118,809
II.	Other non-current liabilities	1,536	1,537
III.	Pensions and other post employment benefits	2,237	2,420
IV.	Obligations from employee profit participation	10,677	9,814
V.	Other non-current provisions	5,422	5,354
VI.	Deferred taxes	13,885	13,241
		152,363	**151,175**
CURRENT LIABILITIES AND PROVISIONS			
I.	Current financial liabilities	34,781	32,915
II.	Trade payables	76,084	77,764
III.	Payments on account received	44,702	46,053
IV.	Liabilities from construction contracts	2,989	2,562
V.	Liabilities to associates	1,844	2,833
VI.	Other financial liabilities	2,728	3,036
VII.	Other current liabilities and deferred income	70,435	63,089
VIII.	Tax liabilities	8,428	8,713
IX.	Other current provisions	16,230	15,086
		258,221	**252,051**
TOTAL LIABILITIES		**410,584**	**403,226**
TOTAL EQUITY AND LIABILITIES		**587,318**	**569,361**

Statement of Changes in Group Equity

EUR k	Issued capital	Capital reserves	Revenue reserves
Jan 01, 2007	**14,561**	**0**	**55,410**
Acquisitions of minority interests			
Other changes			192
Total income and expense for the period recognized directly in equity			
Reclassification prior-year earnings			19,947
Group result for the period			
Mar 31, 2007	**14,561**	**0**	**75,549**
Jan 01, 2008	**15,688**	**32,976**	**69,820**
Other changes			324
Total income and expense for the period recognized directly in equity			
Reclassification prior-year earnings			32,030
Group result for the period			
Mar 31, 2008	**15,688**	**32,976**	**102,174**

Revenue reserves					
other comprehensive income	**Translation reserve**	**Group result**	**Equity before minority interests**	**Minority interests**	**Total**
53	**581**	**19,947**	**90,552**	**13,446**	**103,998**
			0	118	118
			192	-212	-20
	-45		-45	-14	-59
		-19,947	0		0
		9,841	9,841	613	10,454
53	**536**	**9,841**	**100,540**	**13,951**	**114,491**
147	**-433**	**32,030**	**150,228**	**15,907**	**166,135**
51			375	-174	201
	-1,576		-1,576	-158	-1,734
		-32,030	0		0
		11,284	11,284	848	12,132
198	**-2,009**	**11,284**	**160,311**	**16,423**	**176,734**

Statement of Recognized Income and Expense

EUR k	March 31, 2008	March 31, 2007
Acturial gains and losses	0	0
Deferred taxes on acturial losses	0	0
Currency effects	-1,734	-59
Income and expense recorded directly in equity	**-1,734**	**-59**
Net profit /loss of the Group for the period	12,132	10,454
Recognized income and expense	**10,398**	**10,395**
Attributable to minority interests	690	599
Attributable to equity holders of the parent company	9,708	9,796

Consolidated Cash Flow Statement

EUR k	Mar. 31, 2008	Mar. 31, 2007
Cashflow from operating activities	**2,250**	**25,690**
Cashflow from investing activities	**-6,107**	**-5,910**
Cashflow from financing activities	**323**	**-10,873**
Cash and cash equivalents at the end of the period		
Net increase (decrease) and cash and cash equivalents	-3,534	8,907
Changes in net foreign exchange rates in cash and cash equivalents	-367	38
Cash and cash equivalents at the beginning of the period *	**47,613**	**17,506**
Cash and cash equivalents at the end of the period *	**43,712**	**26,451**

* Cash and cash equivalents at the end of the period corresponds to the balance sheet item cash and cash equivalents

Segment Reporting

Use was made of the option to adopt IFRS 8 (Operating Segments) early in the presentation of the Homag Group's segments.

The Homag Group is broken down into the following segments Industry, Cabinet Shops, Sales & Service and Other.

EUR k	Industry 2008 01/01-03/31	Industry 2007 01/01-03/31	Cabinet Shops 2008 01/01-03/31	Cabinet Shops 2007 01/01-03/31	Sales & Service 2008 01/01-03/31	Sales & Service 2007 01/01-03/31
Third-party sales	94,091	72,596	25,489	24,932	83,131	68,120
Sales with group companies from other segments	35,857	31,274	29,146	21,444	919	267
Sales revenues with associates	7,170	8,588	5,253	8,294	1	1
Total sales revenue	**137,118**	**112,458**	**59,888**	**54,670**	**84,051**	**68,388**
Segment result[1)]	**16,382**	**16,717**	**8,202**	**7,304**	**2,169**	**2,628**
Depreciation and amortization of property, plant and equipment and intangible assets	-3,136	-2,906	-1,206	-1,112	-491	-504
Expenses from employee profit participation	-1,435	-1,439	-815	-742	0	0
Financial result	-8,186	-5,511	-3,753	-2,931	-90	-179
Earnings before taxes from continuing operations	**3,625**	**6,861**	**2,428**	**2,519**	**1,588**	**1,945**
Employees[2)]	**2,695**	**2,517**	**1,123**	**1,026**	**694**	**594**

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

The Industry segment comprises those entities whose core business activities center on the provision of system solutions for industrial companies – i.e. a holistic, optimally aligned systems comprising machines, handling, data links, information technology and logistics, while covering the main processes of the wood processing workflow.

The Cabinet Shops segment comprises those group entities that offer products tailored to the special requirements of smaller workshops. Apart from high quality and productivity, the portfolio of products

Other		Total Segments		Consolidation		Group	
2008 01/01-03/31	2007 01/01-03/31	2008 01/01-03/31	2007 01/01-03/31	2008 01/01-03/31	2007 01/01-03/31	2008 01/01-03/31	2007 01/01-03/31
9,104	9,600	211,815	175,248	0	0	211,815	175,248
8,533	4,618	74,455	57,603	-74,455	-57,603	0	0
2,634	1,003	15,058	17,886	0		15,058	17,886
20,271	**15,221**	**301,328**	**250,737**	**-74,455**	**-57,603**	**226,873**	**193,134**
2,436	**1,807**	**29,189**	**28,456**	**-1,407**	**-1,093**	**27,782**	**27,363**
-450	-516	-5,283	-5,038	0	20	-5,283	-5,018
-25	-63	-2,275	-2,244	0	0	-2,275	-2,244
8,917	5,392	-3,112	-3,229	0	103	-3,112	-3,126
10,878	**6,620**	**18,519**	**17,945**	**-1,407**	**-970**	**17,111**	**16,975**
675	**606**	**5,187**	**4,743**	**0**	**0**	**5,187**	**4,743**

offered in the segment centers on simple operation and flexible applications combined with an affordable price.

The Sales & Services segment comprises the business activities of the Homag sales and service entities in Germany and abroad. Our global sales and service network affords customers worldwide competent support at any time, from consulting to sales or on-site servicing.

The Other segment primarily comprises the holding activities of Homag Group AG, foreign production facilities in regions with potential in the future, the software and consulting portfolio of Schuler Business Solutions AG and the timber frame house construction division.

Notes to the Consolitdated Financial Statements

General

Application of Requirements

The interim consolidated financial statements of Homag Group AG (the HOMAG Group) as of March 31, 2008, like the consolidated financial statements as of December 31, 2007, 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 financial reporting were applied.

There were no major differences in the accounting policies applied in these interim consolidated financial statements for the period ended March 31, 2008 and the consolidated financial statements of Homag Group AG as of December 31, 2007.

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

For further details, please refer to the notes to the consolidated financial statements for fiscal year 2007 or the 2007 annual report.

Currency Translation

The functional currency of Homag Group AG is the euro. The financial statements of the consolidated foreign entities are translated pursuant to IAS 21 from the functional currency to euro. Since subsidiaries operate independently within the economic environment of the country in which they are registered, the functional currency is generally the local currency of each entity. Consequently, assets and liabilities are translated at closing rates as of March 31, 2008 in the interim consolidated financial statements, expenses and income at annual average rates for the period from January 1 to March 31, 2008.

Any translation differences arising in the balance sheet or income statement from exchange rate differences are also recognized directly in equity.

Currency translation was based on the following exchange rates, among others:

	Closing rate		Average rate	
1 EUR	Mar. 31, 2008	Mar. 31, 2007	2008 01/01-03/31	2007 01/01-03/31
US dollar	1,5800	1,3327	1,4977	1,3101
Pound sterling	0,7923	0,6788	0,7572	0,6706
Australian dollar	1,7232	1,6510	1,6562	1,6683
Canadian dollar	1,6165	1,5450	1,5046	1,5358
Danish krone	7,4579	7,4499	7,4539	7,4529
Japanese yen	156,799	156,423	157,7324	156,4754
Swiss franc	1,5721	1,6214	1,6008	1,6162
Chinese CNY	11,0950	10,3114	10,7449	10,1820

Consolidation Group

In addition to Homag Group AG, the interim consolidated financial statements as of March 31, 2008 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, 2007.

Associates

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

Explanations to the Consolidated Income Statement

Sales Revenue

In the first three months of 2008, the Homag Group generated sales revenue of EUR 226.9 million, representing a 17.5 percent increase on the comparable prior-year period.

Sales revenue by region in EUR k	2008 01/01-03/31	%	2007 01/01-03/31	%
Germany	41,082	18.1%	38,346	19.9%
Other EU countries	99,679	43.9%	74,200	38.4%
Other European countries	36,923	16.3%	31,028	16.1%
North America	22,014	9.7%	24,209	12.5%
South America	6,455	2.8%	4,219	2.2%
Asia/Pacific	20,455	9.0%	20,627	10.7%
Africa	265	0.1%	505	0.3%
	226,873	**100.0%**	**193,134**	**100.0%**

Sales growth compared to the same period of the prior year was largely generated in Europe, South America and Germany.

Cost of Materials

EUR k	2008 01/01-03/31	2007 01/01-03/31
Cost of raw materials, consumables and supplies and purchased goods	105,213	93,897
Cost of purchased services	8,824	5,758
	114,037	**99,655**

In the first quarter of 2008, the ratio of cost of materials to total operating performance increased to 47.6 percent (prior year: 46.0 percent). This is due on the one hand to the increase in the share of merchandise compared to the prior-year period. Another factor was the marked increase in costs for contract workers contained in purchased services. Without these two factors, the ratio of cost of materials would have been virtually unchanged compared to the prior year.

Personnel Expenses

EUR k	2008 01/01-03/31	2007 01/01-03/31
Wages and salaries	57,648	50,860
Social security and other benefit costs	10,639	9,040
(therof pension benefits)	632	262
	68,287	**59,900**

EUR k	2008 01/01-03/31	2007 01/01-03/31
Cost of employee participation	2,275	2,245
	2,275	**2,245**

As of March 31, 2008, the headcount increased by 431 employees or 9 percent to 5,206 compared to the prior-year period. The personnel expenses increased accordingly.

In addition, the wages and salaries of employees in Germany increased by 4.1 percent as of June 2007 in line with the collective bargaining agreement concluded in the metal industry. This factor alone led to a disproportionate increase in personnel costs of EUR 2.4 million between January and March 2008 compared to the first quarter of 2007 and thus to an increase in the ratio of personnel expenses to total operating performance from 27.7 to 28.5 percent.

Profit for the Period

EBITDA before employee participation expenses comes to EUR 27.8 million in the first quarter of 2008 (prior year: EUR 27.4 million). After employee participation expenses, EBIT came to EUR 20.2 million (prior year: EUR 20.1 million). The financial result remained stable at EUR 3.1 million (expense). EBT before employee participation expenses improved to EUR 19.4 million (prior year: EUR 19.2 million). Due to the lower tax rate, which decreased from 38 percent to 29 percent (or 31 percent adjusted for special effects), the net profit for the period before minority interests increased significantly by 16 percent to EUR 12.1 million (prior year: EUR 10.5 million), resulting in earnings per share of EUR 0.72 after minority interests (prior year: EUR 0.68).

Explanations to the Consolidated Balance Sheet

Assets

Inventories increased slightly by EUR 7.2 million and trade receivables by EUR 14.2 million compared to December 31, 2007. A rise of EUR 4.4 million was recorded in receivables from long-term construction contracts.

Cash and cash equivalents decreased by EUR 3.9 million compared to December 31, 2007.

Equity

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

Owing to the favorable development of the first quarter of 2008, the equity ratio improved compared to December 31, 2007 from 29.2 to 30.1 percent.

Liabilities

Both the non-current and the current liabilities have changed slightly compared to the fiscal year 2007.

Net liabilities to banks have increased according to target marginally to EUR 68.8 million (as of December 31, 2007: EUR 61.4 million), as planned. The reasons for this are the very high level of payments received as of December 31, 2007 for cut-off date related reasons and the seasonality of our business as a result of which the indebtedness rises steadily at the beginning of the year when machines in progress start to pile up, in the first quarter in particular.

Other Explanations

Litigation Risks

There is no new information concerning the litigation risks at two foreign sales companies mentioned in the notes to the consolidated financial statements for 2007 in the 2007 annual report. The outcome of the two lawsuits is still unknown.

Related Parties

The performance-related remuneration components for the fiscal year 2007 of EUR 501 k payable to the supervisory board members of Homag Group AG will be paid out after the annual general meeting in June 2008.

Events After the Cut-off Date March 31, 2008

At its meeting on April 23, 2008 to ratify the Company's annual financial statements, the supervisory board of Homag Group AG approved a resolution of the management board to propose a dividend of EUR 0.90 per share (prior year EUR 0.40 per share) at the annual general meeting on June 5, 2008.

In accordance with the requirements of Sec. 123 AktG ["Aktiengesetz": German Stock Corporation Act], the annual general meeting was announced in the Bundesanzeiger [German Federal Gazette] on April 28, 2008.

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

Schopfloch, May 14, 2008

Homag Group AG
The Management Board

Financial Calendar, Contacts and Disclaimer

Financial Calendar

June 5, 2008	Annual general meeting in Freudenstadt
August 14, 2008	Six-months report 2008
November 14, 2008	Nine-months report 2008
November 2008	German Equity Forum

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Disclaimer

This interim report contains certain future-oriented statements. Future-oriented statements are all those statements that do not pertain to historical facts and events or expressions pertaining to the future such as “believes”, “estimates”, “assumes”, “forecasts”, “intend”, “may”, “will”, “should” or similar expressions. Such future-oriented statements are subject to risks and uncertainty since they relate to future events and are based on current assumptions of the Company, which may not occur in the future or may not occur in the anticipated form. The Company points out that such future-oriented statements do not guarantee the future; actual results including the financial position and the profitability of the HOMAG Group as well as the development of economic and regulatory framework conditions may deviate significantly (and prove unfavorable) from what is expressly or implicitly assumed or described in these statements. Even if the actual results of the HOMAG Group 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 English. In case of doubt, German version shall prevail. Minor differences may arise from use of amounts and percentages rounded to the nearest whole number.

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