HOMAG GROUP

_ANNUAL REPORT 2014

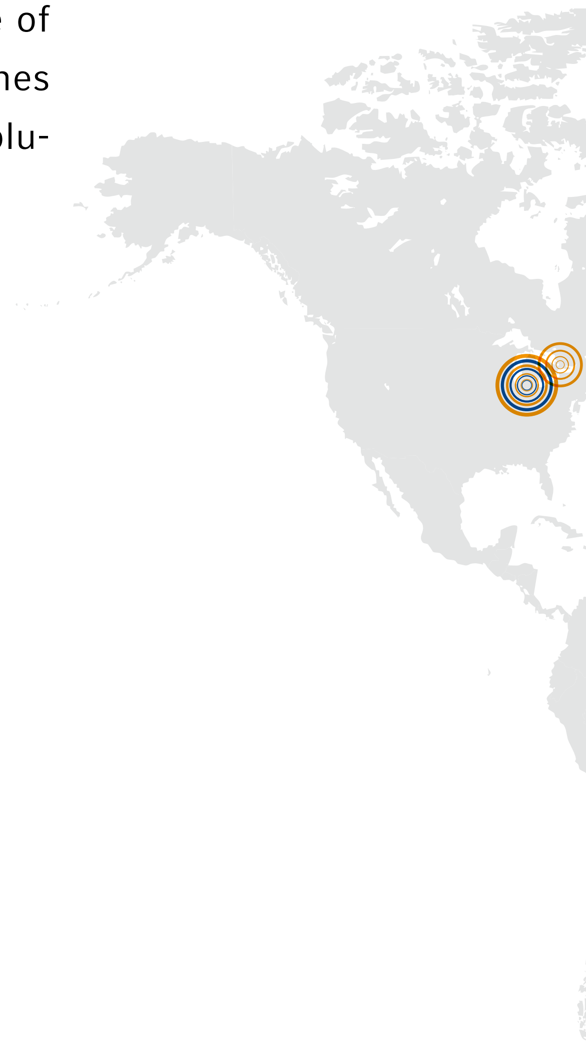
IN GOOD SHAPE

_ COMPANY PROFILE

HOMAG GROUP

The HOMAG Group is the world's leading manufacturer of plant and machinery for the woodworking industry and for cabinet makers. As a global player, we are present in more than 100 countries and have an estimated world market share of 29.8 percent. In the sales markets for furniture production, structural element production and timber frame house construction we offer our customers an extensive range of perfectly aligned solutions ranging from stand-alone machines to complete production lines. The wide range of services we offer for the production machines and lines combined with tailored software solutions is unparalleled.

_ **CORPORATE INFORMATION** AT WWW.HOMAG-GROUP.COM



_LOCATIONS

WORLDWIDE PRESENCE

_PRODUCTION COMPANIES

_ BENZ GmbH Werkzeugsysteme
_ BRANDT Kantentechnik GmbH
_ FRIZ Kaschiertechnik GmbH
_ HOLZMA Plattenaufteiltechnik GmbH
_ HOLZMA S. A.
_ Homag Automation GmbH
_ HOMAG Holzbearbeitungssysteme GmbH
_ HOMAG Machinery Bangalore Pvt. Ltd.
_ HOMAG Machinery (São Paulo) Ltda.
_ HOMAG Machinery (Shanghai) Co. Ltd.
_ HOMAG Machinery Środa Sp. z o.o.
_ WEEKE Bohrsysteme GmbH
_ WEEKE Inc.
_ WEINMANN Holzbausystemtechnik GmbH

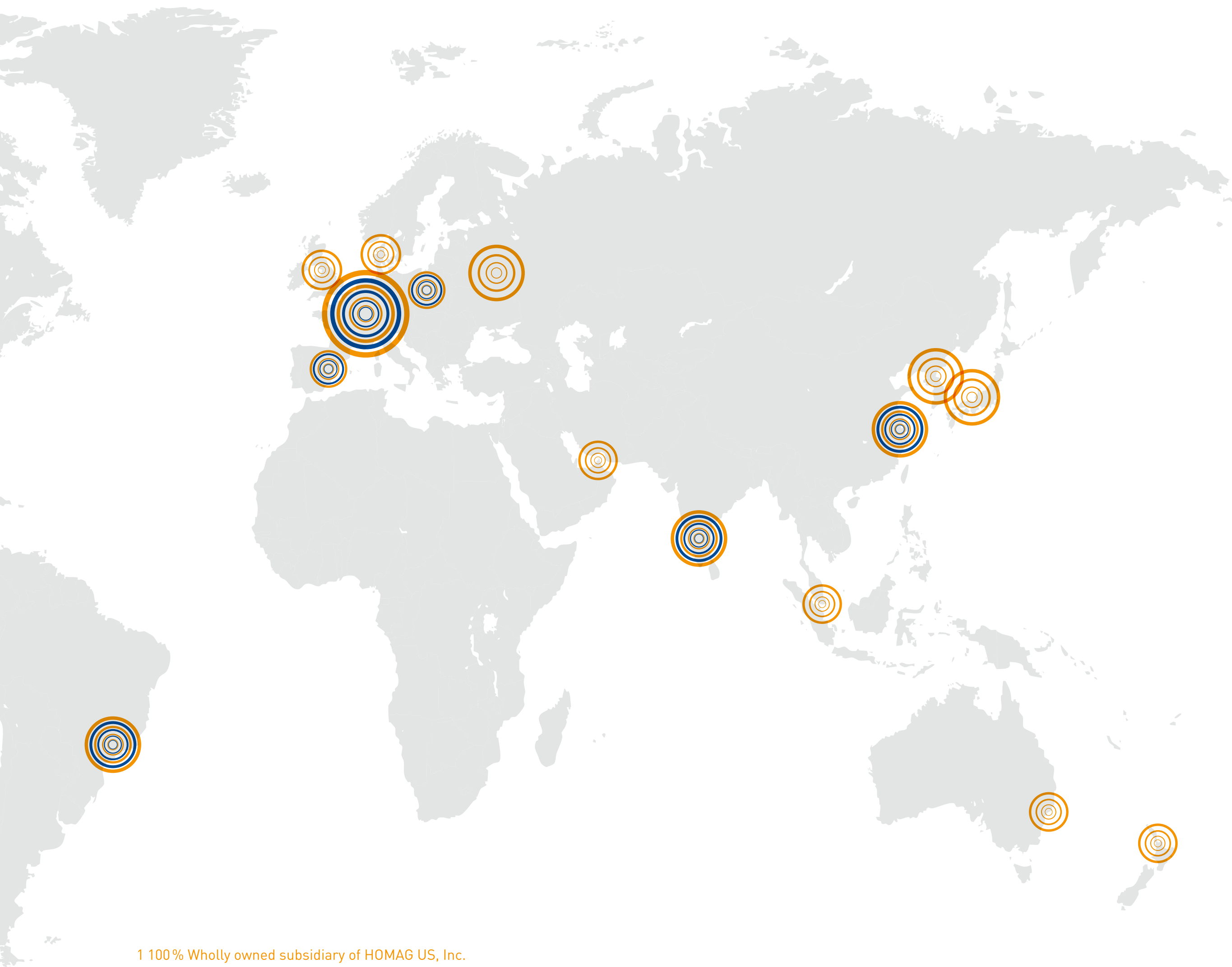
_NEW AS OF 2014

_ HOMAG US, Inc.
_ Stiles Machinery, Inc.[1]
_ HOMAG Equipment Machinery Trading L.L.C
_ HOMAG NEW ZEALAND LIMITED[2]

_SALES AND SERVICE COMPANIES

_ HOMAG Vertrieb- & Service GmbH
_ HOMAG Finance GmbH
_ SCHULER Consulting GmbH
_ HOMAG eSOLUTION GmbH

_ HOMAG Asia (PTE) Ltd.
_ HOMAG Australia Pty. Ltd.
_ HOMAG Austria Ges.mbH
_ HOMAG Canada Inc.
_ HOMAG Danmark A/S
_ HOMAG España Maquinaria S. A.
_ HOMAG Finance GmbH
_ HOMAG France S.A.S.
_ HOMAG GUS GmbH
_ HOMAG Italia S.p.A.
_ HOMAG India Pvt. Ltd.
_ HOMAG Japan Co. Ltd.
_ HOMAG Korea Co. Ltd.
_ HOMAG Polska Sp.z o.o.
_ HOMAG (Schweiz) AG
_ HOMAG South America Ltda.
_ HOMAG U.K. Ltd.



1 100 % Wholly owned subsidiary of HOMAG US, Inc.
2 100 % Wholly owned subsidiary of HOMAG Australia Pty. Ltd.

_ AT A GLANCE

GROUP KEY FIGURES

_Group Key Figures

		2014	2013	2012	2011
Total sales revenue[1]	EUR m	914.8	788.8	767.0	798.7
Central Europe (incl. Germany)[1]	EUR m	210.9	230.6	261.4	245.6
Western Europe[1]	EUR m	169.1	131.8	137.3	157.6
Eastern Europe[1]	EUR m	177.9	171.2	151.9	178.1
North America[1]	EUR m	168.7	69.9	53.6	56.5
South America[1]	EUR m	20.1	37.2	34.1	34.9
Asia/Pacific[1]	EUR m	157.6	138.0	117.8	114.8
Africa[1]	EUR m	10.5	10.1	10.9	11.2
operative EBITDA[2, 3]	EUR m	93.2	75.8	71.0	70.5
operative EBITDA[2, 3]	as % of sales revenue	10.2	9.6	9.3	8.8
EBIT[2]	EUR m	45.3	41.6	38.4	20.8
EBIT[2]	as % of sales revenue	4.9	5.3	5.0	2.6
EBT	EUR m	32.6	30.9	24.3	6.4
EBT	as % of sales revenue	3.6	3.9	3.2	0.8
Net profit after non-controlling interests	EUR m	18.9	18.4	12.7	–4.7
Earnings per share[4]	EUR	1.21	1.17	0.81	–0.30
ROCE[5] after taxes	as %	16.9	11.3	10.4	10.5
HVA[6]	as %	5.3	1.1	0.8	0.9
Free cash flow[7]	EUR m	50.1	28.5	–2.8	9.3
Equity as of the reporting date	EUR m	194.7	177.7	165.8	161.7
Equity ratio	as %	31.9	32.7	30.6	29.0
Net liabilities to banks	EUR m	28.5	69.2	89.5	80.9
Net debt to EBITDA ratio[8]		0.3	0.9	1.3	1.1
Investments/capitalized intangible assets[9]	EUR m	19.0	16.7	19.2	18.2
Investments in property, plant and equipment[9]	EUR m	13.6	7.6	17.7	15.6
Amortization of intangible assets[9]	EUR m	15.2	16.0	11.7	13.3
Depreciation of property, plant and equipment[9]	EUR m	13.5	13.3	13.5	15.7
Employees	annual average	5,482	5,038	5,075	5,110
thereof trainees	annual average	309	334	343	368
Order intake accumulated[10]	EUR m	802.6	734.3	702.1	736.0
Order backlog as of the reporting date[10]	EUR m	307.3	207.6	188.4	169.1

1 Conversion to allocation of sales revenue by geographical segment similar to order intake
2 Before taking into account employee profit participation
3 Before restructuring/non-recurring expenses
4 Net profit/loss after non-controlling interests, based on 15,668,000 shares
5 (Adjusted EBIT[2, 3] * 70 %)/capital employed (non-current assets + net working capital) (assumed effective tax rate of 30 %)
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[2, 3]
9 Excluding leases
10 Order intake and order backlog only contain own machines without merchandise, spare parts and services

_ HOMAG GROUP

IN GOOD SHAPE

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

CONTENT

TO OUR SHAREHOLDERS

IN GOOD SHAPE

FINANCIAL STATEMENTS

FURTHER INFORMATION

MESSAGE FROM THE MANAGEMENT BOARD

JÜRGEN KÖPPEL

Sales, Service, Marketing

HARALD BECKER-EHMCK

Production, Materials Management, Quality Management and Affiliates

RALPH HEUWING
CEO

Corporate Development, Research and Development, Communication and Executives

HANS-DIETER SCHUMACHER

Finance, IT, Human Resources

LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

At the HOMAG Group, we look back on a fiscal year that was as successful as it was eventful. Successful because we generated the highest sales revenue in the Company's history and saw a very good order intake in 2014. Also, we once again succeeded in improving our key operative performance indicators. Eventful because we acquired the leading sales and service organization for machines and production lines for the US woodworking industry, because we are gearing our efforts to growth in the project business and in networking plant and machinery, and because Dürr has been our new majority shareholder since October 2014.

The central event in the past fiscal year was the takeover of the majority of our shares by Dürr as of October 10, 2014. Our belonging to a financially sound, high-performance machine building and plant engineering group creates many opportunities. Beyond the use of specific synergies in purchasing, in IT or in financing, we can also benefit from an exchange with Dürr and make use of the experience and proven expertise that Dürr has, for example in the project business.

The project business is becoming more and more important as our customers are attaching greater value to networked production plants and integrated data flows. We are ready for the further growth anticipated in this area; for example we repositioned ourselves in the field of automation and robotics with the formation of HOMAG Automation in 2014.

Great opportunities also arise from our acquisition of Stiles Machinery, Inc. Effective as of February 3, 2014, we increased our holding of voting shares from 29.4 to 100 percent. This takeover has given us direct access to the US market and already enabled us to profit directly from the good market development in 2014.

Our success in fiscal year 2014 is illustrated among other things by our sales revenue, which we raised by around 16 percent, thereby setting a record in the history of the Company. Even after deducting the share attributable to Stiles, the increase is around 7 percent and shows that we developed slightly better than the industry. Order intake, which is not impacted by the Stiles acquisition, was even up by more than 9 percent, and our order backlog reached a new historic year-end high.

The development of our results of operations was also good in 2014, although there were some negative special effects. From a purely operating perspective, we succeeded in significantly boosting earnings margins and increasing operative EBITDA by 23 percent, for instance. The increase in net profit for the year is lower, however, due to a sharp rise in extraordinary expenses, which is primarily attributable to our acquisition of Stiles. Nevertheless, we did achieve a slight improvement here, too, despite the high special effects. We set the course for our future success in 2014 in the knowledge that we are able to improve further.

Thanks to the good business development and good results of operations in 2014, we were able to reduce our net liabilities to banks very substantially by 59 percent, thereby achieving a very sound financing situation.

We want you, our shareholders, to have an appropriate share again in the rewards of the positive development of your company. Together with the supervisory board, we will propose an increase in the dividend from EUR 0.35 to EUR 0.40 to the annual general meeting on May 8, 2015.

The good development of the HOMAG Group in 2014 was also reflected in the share price. Even before we announced the planned acquisition of the majority of our shares by Dürr in July 2014, our share price had increased by 30 percent compared to the beginning of the year. After that, the share price increased further, gaining a total of over 57 percent by year-end.

The composition of the management board also changed in 2015. Ralph Heuwing joined the management board on October 27, 2014 and became its chairman on December 1, 2014. The previous CEO, Dr. Markus Flik, stepped down from the management board and left the Company of his own volition and by mutual agreement with the Company, effective November 30, 2014, in order to take on new professional challenges. Hans-Dieter Schumacher likewise stepped down from the management board of his own volition with effect as of March 31, 2015. Franz Peter Matheis will become a new member of the management board as of April 1, 2015. We would like to thank Dr. Markus Flik and Hans-Dieter Schumacher for their successful work over the past years.

We have once again ambitious plans for the new fiscal year. In view of the high order backlog as of year-end 2014 and the positive level of demand at present we are optimistic about 2015. We aim to continue our drive for profitable growth and actively leverage the opportunities and potential arising from the acquisition by Dürr. The domination and profit and loss transfer agreement adopted by resolution at the extraordinary general meeting on March 5, 2015 will give us the legal certainty for this. We are also very confident with respect to the industry's leading trade fair, LIGNA, which will be held in Hanover in May 2015. As the largest exhibitor, we will again demonstrate our innovation leadership and systems competence and present numerous innovations to our customers.

Assuming that the global economy continues to develop positively as forecast by experts, we want to continue to improve all of our performance indicators in 2015. We anticipate order intake of between EUR 830 million and EUR 850 million and sales revenue for the Group of between EUR 950 million and EUR 970 million. We want to raise our operative EBITDA before employee profit participation expenses and before extraordinary expenses to between EUR 95 million and EUR 97 million in 2015. We expect considerable growth in the Group's net profit for the year and aim to reach between EUR 31 million and EUR 33 million as a result of a substantial cut in extraordinary expense. The negative effects arising from the Stiles acquisition have mostly been accounted for in the 2014 earnings.

You see – the HOMAG Group is in good shape, hence also the title of our annual report. In the chapters "Customer-oriented", "Solution-oriented", "Market-oriented" and "Future-oriented" we aim to show you, among other things, how our employees serve our customers every day with passion, commitment and expertise and how we are systematically developing our Group in order to continue returning profitable growth in the future.

We thank all our employees for their great dedication in the eventful and successful fiscal year 2014. We would also like to thank our customers and our shareholders for the trust they place in us. Our thanks also go to our suppliers and all other business partners for the constructive collaboration in the past fiscal year.

Schopfloch, March 2015
The management board

Ralph Heuwing

Harald Becker-Ehmck

Jürgen Köppel

Hans-Dieter Schumacher

REPORT OF THE SUPERVISORY BOARD

The supervisory board of HOMAG Group AG monitored and advised the management board and was involved at an early stage in all significant decisions in fiscal 2014.

Ralf W. Dieter, Stuttgart
Chairman of the supervisory board of HOMAG Group AG, CEO of Dürr AG

The supervisory board of HOMAG Group AG and its committees diligently and conscientiously fulfilled its monitoring and advisory duties in the fiscal year 2014 as prescribed by law, the articles of incorporation and bylaws, and the rules of procedure. The supervisory board and the management board cooperated efficiently in a productive atmosphere of mutual trust. The management board reported to the supervisory board extensively and promptly on a regular basis, in writing and orally, on all transactions and measures of relevance to the Company. The supervisory board was directly involved at an early stage in all decisions of fundamental importance to the Company. The supervisory board debated intensely and voted on all transactions that by law or according to the articles of incorporation and bylaws require its approval.

There was an in-depth and regular exchange of information between the chairman of the supervisory board and the management board, in particular the CEO, also over the periods between board meetings. Current business development, strategy, budgeting, the risk situation, risk management and compliance were discussed. The supervisory board was promptly informed by the CEO of all significant events material to the assessment of the situation and development of the Company.

_PERSONNEL CHANGES

SUPERVISORY BOARD

In the course of Dürr's acquisition of the majority shareholding in the Company, there were changes on the shareholder side of HOMAG Group AG's supervisory board in the fiscal year 2014. The previous supervisory board members, Mr. Torsten Grede, Mr. Hans Fahr, Dr. Horst Heidsieck, Dr. Dieter Japs and Mr. Thomas Keller all resigned their posts for good cause with immediate effect, each by letter dated October 10, 2014. At the request of the management board of HOMAG Group AG, the register court division of Stuttgart local court appointed in a ruling pursuant to Sec. 104 AktG ["Aktiengesetz": German Stock Corporations Act] dated October 13, 2014 the following persons onto HOMAG Group AG's supervisory board as shareholder representatives: Mr. Ralf W. Dieter, Stuttgart, CEO of Dürr AG, Dr. Hans Schumacher, Schönaich, CEO of Dürr Systems GmbH, Mr. 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. The office of court-appointed supervisory board member expires pursuant to Sec. 104 (5) AktG as soon as the defect has been remedied. At the constituent meeting on October 24, 2014, Mr. Ralf W. Dieter was elected as the new chairman of the supervisory board. The supervisory board would like to thank the members who have left the board for their valuable and committed work in the interest of the Company.

MANAGEMENT BOARD

Mr. Ralph Heuwing has been a member of the management board of HOMAG Group AG since October 27, 2014; he assumed the position of CEO on December 1, 2014. The previous CEO, Dr. Markus Flik, stepped down from the management board and left the Company of his own volition and by mutual agreement with the Company, effective November 30, 2014. Hans-Dieter Schumacher also stepped down from the management board and left the Company of his own volition and by mutual agreement with the Company as of March 31, 2015. Franz Peter Matheis will join the management board on April 1, 2015. The supervisory board would like to thank Dr. Markus Flik and Hans-Dieter Schumacher for their successful work over the past years and for the good working relationship built on reciprocal trust.

_ SIGNIFICANT MATTERS ON AGENDA

The supervisory board held five meetings and five conference calls over the reporting year. Three conference calls were held in the context of the planned acquisition by Dürr, two concerning the current status of the acquisition, and in a third conference call a resolution was passed on the joint statement on the voluntary public bid by Dürr Technologies GmbH. In the conference call on October 27, 2014, the supervisory board passed a resolution on the termination agreement with Dr. Markus Flik, effective as of November 30, 2014. Furthermore, Mr. Ralph Heuwing was appointed as a member of the management board effective as of October 27, 2014 and as CEO effective as of December 1, 2014. His term of office ends on May 14, 2017.

At all five meetings, the management board reported to the supervisory board in detail on the current business development of the HOMAG Group, the financial position and results of operations, market developments, the project business, further expectations and forecasts as well as the status of the HOMAG Group Action Program (HGAP). Developments in the fields of materials management and production, sales and service as well as research and development were also discussed. At the start of the meetings, the supervisory board was also informed of the activities of the committees it had set up.

Apart from Richard Bauer, all members of the supervisory board attended at least half of the supervisory meetings. Richard Bauer has been a supervisory board member since October 13, 2014. He was excused and delegated proxy voting rights. Each member of the supervisory board is obliged to disclose to the supervisory board any conflicts of interest that might arise. No conflicts of Interest arose in the past fiscal year.

SUPERVISORY BOARD MEETING ON MARCH 20, 2014

At the supervisory board meeting on March 20, 2014, the management board reported on the fiscal year 2013, and the auditor reported on their audit and findings. Following an extensive discussion and review, the separate financial statements and consolidated financial statements of HOMAG Group AG as of December 31, 2013, were approved in the presence of the auditor, thus ratifying the financial statements. Furthermore, the supervisory board agreed with the management board's proposal for the appropriation of profit, and discussed and approved the corporate governance report and the supervisory board report to the annual general meeting and the proposed resolutions on the agenda items for the annual general meeting. The management board reported on the topic of compliance as well as the status of the integration of the acquired company Stiles Machinery, Inc. The supervisory board approved the appointments to Stiles' board of directors and executive committee. The supervisory board was also informed of the status of the product cost optimization project. Furthermore, the supervisory board specified the terms for the variable component of management board remuneration for the new reference period from the fiscal year 2014 onwards.

SUPERVISORY BOARD MEETING ON JULY 2, 2014

At the Supervisory Board Meeting on July 2, 2014, the management board reported on the strategic focus, the status of the integration of Stiles, the management of the sales entities and the status of the spare parts business and, in the context of the latter, inventory management in particular. In addition, the supervisory board was provided with information about modularization of platforms as well as the project to lower the cost of materials. The supervisory board passed a resolution to extend the term of office of Mr. Harald Becker-Ehmck until June 30, 2018 and to amend and extend his management board service agreement as well as to amend the management board service agreement of Mr. Hans-Dieter Schumacher.

SUPERVISORY BOARD MEETING ON OCTOBER 10, 2014

At the supervisory board meeting on October 10, 2014, the management board informed the supervisory board on the status of the acquisition by Dürr, the collective wage bargaining agreement at HOMAG Holzbearbeitungssysteme GmbH and the situation at the production entities. An analysis of the competition was also presented to the supervisory board.

SUPERVISORY BOARD MEETING ON OCTOBER 24, 2014

The constitutive meeting of the newly formed supervisory board was held on October 24, 2014. Mr. Ralf W. Dieter was elected chairman of the new supervisory board. In addition, the new members of each individual committee of the supervisory board and, to the extent necessary, their chairpersons were elected. The management board presented the HOMAG Group and reported on the status of the acquisition by Dürr.

SUPERVISORY BOARD MEETING ON DECEMBER 17, 2014

At the meeting held on December 17, 2014, the management board informed the supervisory board about the status of the HOMAG Group's integration into the Dürr Group and the ongoing integration project. In addition, the supervisory board passed a resolution approving the updated formal schedule of responsibilities assigned to the management board as of December 1, 2014 onwards. Furthermore, the management board reported on the situation at the production entities. The supervisory board approved the budget for 2015 and the business plan for the period from 2016 to 2019 and approved the annual declaration of compliance with the German Corporate Governance Code for 2015 pursuant to Sec. 161 AktG. Finally, the supervisory board passed a resolution to extend the term of office of Mr. Jürgen Köppel until September 30, 2018 and authorized the chairman of the supervisory board to negotiate a new service agreement with Mr. Jürgen Köppel.

_WORK PERFORMED BY THE SUPERVISORY BOARD'S COMMITTEES

In the fiscal year 2014, the supervisory board had four committees: the audit committee, the personnel committee, the nomination committee and the mediation committee in accordance with Sec. 27 (3) MitbestG ["Mitbestimmungsgesetz": German Co-determination Act]. The committees are tasked with preparing upcoming topics and resolutions for the supervisory board meetings. In some cases, the committees also exercise the decision-making authority transferred to them by the supervisory board—where legally permissible—or by law. The chairpersons of the committees reported on the work of their committees at the meetings of the supervisory board.

_ MEDIATION AND NOMINATION COMMITTEE

In the fiscal year 2014, there was no occasion requiring action on the part of the mediation committee or the nomination committee. They were therefore not convened.

_ AUDIT COMMITTEE

The audit committee held four meetings and seven conference calls in the fiscal year 2014. At the first meeting, the separate and consolidated financial statements together with the combined group management report of HOMAG Group AG as of December 31, 2013, the corporate governance report and the proposal for the appropriation of profits were discussed in the presence of the auditor of the financial statements. The meeting further discussed the supervisory board's report to the annual general meeting, the agenda for the annual general meeting, risk management in the area of sales and service as well as the level of productivity of the research and development function. In its other meetings and conference calls, the audit committee focused on with all interim reports, the status of the negotiations on financing, the consulting fees for the period from 2009 to 2013 and the forecast for 2014 and the budgeting for the period from 2015 to 2019. Furthermore, the risk management system for the areas of finance and production and the 2014 risk inventory and Ernst & Young's management letter were also discussed. As part of the acquisition by Dürr the audit committee addressed the role of the supervisory board in a tender procedure, the drafting of a fairness opinion by external consultants, a joint statement on the takeover bid by Dürr and the change in the share's stock exchange listing from Prime Standard on the Regulated Market to Entry Standard on the Open Market of the Frankfurt stock exchange. In addition, the focal points of the audit of the separate and consolidated financial statements for 2014 were set.

_ PERSONNEL COMMITTEE

In the fiscal year 2014, the personnel committee met on two occasions and held one conference call. The topics discussed were the extension and amendment of the management board service agreement of Mr. Harald Becker-Ehmck, the amendment of the management board service agreement of Mr. Hans-Dieter Schumacher and the extension and amendment of the management board service agreement of Mr. Jürgen Köppel. Furthermore, the termination agreement with Dr. Markus Flik and the appointment of Mr. Ralph Heuwing as a member of the management board and CEO as well as his management board service agreement were discussed. In addition, the personnel committee reviewed the structure of the variable component of the management board's remuneration.

_ SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS 2014

At the annual general meeting on June 3, 2014, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, was elected as auditor for the Company and the Group for the fiscal year 2014. The supervisory board awarded the corresponding engagement once the audit firm had submitted an independence declaration. The audit focus was placed on the purchase price allocation of Stiles, the introduction of SAP at BRANDT and LIGMATECH as part of the ProFuture program as well as the merger of BARGSTEDT and LIGMATECH.

The auditor audited the separate and consolidated financial statements for the fiscal year 2014 prepared by the management board together with the combined management report and the underlying accounting records, and rendered an unqualified audit opinion in each case. In addition, the auditor confirmed that the management board had an appropriate risk monitoring system pursuant to Sec. 91 (2) AktG in place that is suitable for detecting at an early stage any developments that might jeopardize the ability of the Company to continue as a going concern.

The separate and consolidated financial statements and the combined management report, the management board's proposal for the appropriation of profits as well as the independent auditor's audit report were submitted to the members of the supervisory board in good time. These documents were reviewed at length by the audit committee at its meeting on March 17, 2015, by the supervisory board at its meeting on March 24, 2015 and in each case they were discussed in depth in the presence of the auditor who reported on the material findings of his audit. The supervisory board monitored the independence of the auditor before and during the audit. Based on the final results of its review, the supervisory board did not raise any objections and gave its consent to the results of the audit by the auditor of the financial statements. At its meeting on March 24, 2015, the supervisory board approved the separate and consolidated financial statements prepared by the management board and the combined management report as of December 31, 2014. This means that the financial statements of HOMAG Group AG as of December 31, 2014 have been ratified. The supervisory board agreed with the management board's proposal for the appropriation of retained earnings for the fiscal year 2014. Accordingly, a proposal is to be submitted to the annual general meeting on May 8, 2015 to distribute from the retained earnings a dividend for the fiscal year 2014 of EUR 0.40 per share.

The supervisory board would like to take this opportunity to thank the members of the management board, the employee representatives and all the employees of the Company worldwide for their great commitment and the contribution of each and every one of them to the success seen in the fiscal year 2014. The supervisory board would like to thank the shareholders for the trust they place in the Company.

Schopfloch, March 2015
On behalf of the supervisory board

RALF W. DIETER
Chairman of the supervisory board

THE HOMAG GROUP AG SHARE

The HOMAG share gains considerably again in 2014 and, with an increase of 57 percent, significantly outperformed the German stock market.

_DEVELOPMENT OF STOCK MARKETS

The European stock markets only grew marginally in 2014. This is primarily due to disappointing growth in the eurozone and the crisis in Ukraine. The declining price of oil, the weakening of the Chinese economy and collapse of currencies in some emerging markets also burdened the stock markets. By contrast, the robust US economy, two reductions of the key interest rate by the European Central Bank and lively M&A activity provided positive stimulus.

In contrast to the Dow Jones index, which grew by 7.5 percent, Euro Stoxx 50 grew by 1.2 percent. The DAX improved by 2.7 percent, the MDAX grew by 2.2 percent and the SDAX gained 5.9 percent. Only the TecDAX was able to record significant growth of 17.4 percent.

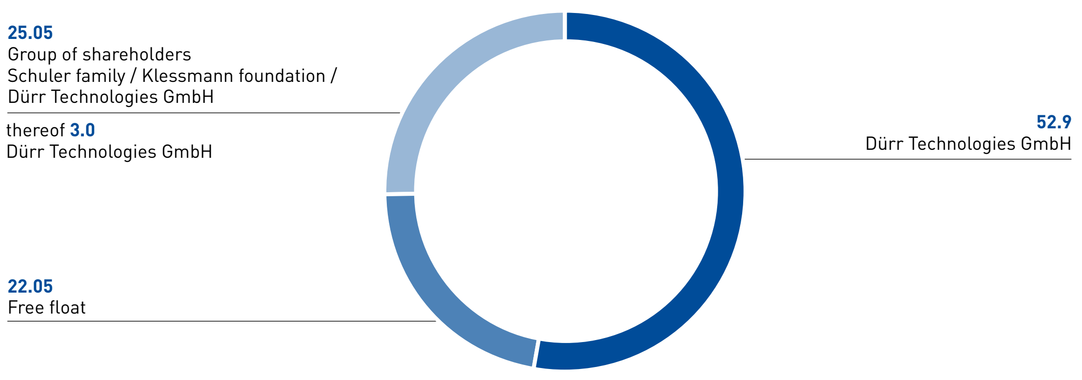
_CHANGED SHAREHOLDER STRUCTURE

The shareholder structure changed significantly in the course of Dürr's acquisition of the majority shareholding in 2014. In this context, Dürr acquired 55.9 percent of the shares in HOMAG in the middle of October 2014, 53.7 percent of which was acquired from various major shareholders. In the process, Deutsche Beteiligungs AG sold 39.5 percent, the shareholder pool of the Schuler family and the Klessmann Foundation 3 percent and two other shareholders together about 11 percent of their shares to Dürr. In addition, a further 2.1 percent of the shares in the HOMAG Group were acquired from shareholders who accepted the voluntary public bid that Dürr made and sold their shares to Dürr. Furthermore, Dürr joined the shareholder pool of the Schuler family and the Klessmann Foundation, which itself holds 22.1 percent, with 3 percent of its shares.

_SHAREHOLDER STRUCTURE AS OF MARCH 17, 2015[1]

_Shareholder Structure as of March 17, 2015

%



1 Method of calculation according to Deutsche Börse AG

As a result of the changed majority situation, in December we decided to change the listing of the HOMAG Group AG shares from Prime Standard on the Regulated Market of the Frankfurt stock exchange to Entry Standard on the Open Market of the Frankfurt stock exchange. In order to do this, we applied to revoke the admission of shares for trading on the Regulated Market of the Frankfurt stock exchange and simultaneously applied for the inclusion of HOMAG Group AG shares on the Open Market (Entry Standard).

_ THE HOMAG SHARE IN 2014

Following the extremely positive development in 2013, the HOMAG share again increased considerably, significantly outperforming the German stock market as a whole in 2014. After a sideward movement in the first months of the year, the price rose significantly, in particular from mid-May. Before we announced the planned acquisition of the majority of our shares by Dürr on July 15, 2014, the share price stood at nearly EUR 25 – an increase of more than 30 percent compared to the beginning of the year. Following the related ad hoc announcement, the share price rose to about EUR 27 and saw sideward movement until mid-October. The HOMAG share then gained ground again and closed the year at EUR 30.00. Our share price thus increased by around 57 percent in 2014.

_ DEVELOPMENT AT THE BEGINNING OF 2015

The German stock markets got off to a very good start in 2015. The DAX, MDAX and TecDAX increased between 15 and 19 percent in the first two months of 2015, the SDAX rose by 13 percent. The HOMAG share continued to develop positively in 2014, growing by a total of 21 percent in January and February and stood at EUR 36.30 at the end of February.

_ANNUAL GENERAL MEETING AND DIVIDEND

Some 270 shareholders took part in the annual general meeting of HOMAG Group AG in Freudenstadt on June 3, 2014 – representing 83 percent of the share capital. The shareholders present agreed to the proposal by the management and supervisory boards to distribute a dividend for fiscal 2013 of EUR 0.35. This represents a 40 percent increase on the prior year (EUR 0.25). The annual general meeting also approved the amendment of the profit and loss transfer agreement between HOMAG Group AG and HOMAG Holzbearbeitungssysteme GmbH into a domination and profit and loss transfer agreement. The management board and the supervisory board were exonerated.

The management board and supervisory board will propose to the annual general meeting for the fiscal year 2014 on May 8, 2015 that a dividend of EUR 0.40 be distributed. On account of the domination agreement already in place and the profit and loss transfer agreement with Dürr that will enter into force in 2016, the shareholders will receive a guaranteed dividend for fiscal 2015 and, from 2016, a compensation payment of EUR 1.01 per HOMAG share. This corresponds to EUR 1.18 per HOMAG share before corporate income tax and solidarity surcharge.

_COMMUNICATION WITH THE CAPITAL MARKET

Our policy of active capital market communication is to inform all market participants in an open, fair, timely and comprehensive manner on all events of significance for the Company. We consider investor relations work to be primarily the duty of the management board, which is why both the CEO and CFO in particular are actively involved in this task.

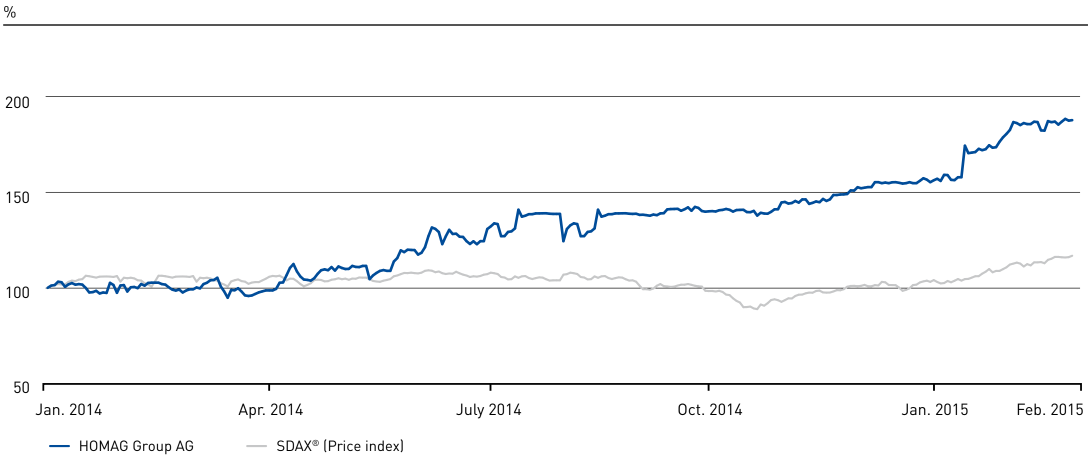
In 2014, we presented the HOMAG Group at four road shows, one each in London, Frankfurt, Paris and Zurich as well as at the German Equity Forum in Frankfurt. We additionally held an analyst conference in Frankfurt, three conference calls on our quarterly reports as well as a conference call on the acquisition of Stiles.

We provided investors and analysts at all times with timely and in-depth information on all interesting developments in the HOMAG Group in a number of personal talks and phone calls.

Our website gives us a medium that we use to furnish private investors and other interested parties with all up-to-date information. We kept the public informed of all key company developments with our annual press conference, 16 press releases, 4 ad hoc announcements and various newspaper and journal interviews in 2014.

_DEVELOPMENT OF THE HOMAG GROUP SHARE PRICE IN COMPARISON TO THE SDAX

_Development of the HOMAG Group Share Price in Comparison to the SDAX



_SHARE PERFORMANCE INDICATORS

_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[1] (Jan. 2, 2014 – Dec. 30, 2014)	December 23, 2014	EUR 30.40
Price low[1] (Jan. 2, 2014 – Dec. 30, 2014)	March 14, 2014	EUR 18.27
Price[1] as at December 30, 2014		EUR 30.00
Earnings per share		EUR 1.21
Market capitalization (December 30, 2014)		EUR 470.6 million

1 XETRA closing quote

CUSTOMER-ORIENTED

Partnership and reliability provide the foundation for the HOMAG Group in interactions with its customers, supporting them in the long term, often even across generations. Customers can grow with HOMAG Group products and solutions: a compact workshop can evolve into an industrial-scale operation.

VOIT GMBH HAS RELIED ON THE HOMAG GROUP FOR DECADES

GROWTH BUILT ON TRUST IN THE PARTNER

"Innovative, reliable and easy to use," is what Stefan Voit, managing director of Voit GmbH, from Bavarian Au in Hallertau, looks for in his machines. "The service has to be right, too–before and after the purchase," he emphasizes. Voit GmbH has been a satisfied customer for more than 30 years because the HOMAG Group consistently fulfilling these requirements. "They've never left me in the lurch," Voit explains the trust he places in the HOMAG Group.

_LONG-STANDING PARTNERSHIP The HOMAG Group has accompanied Voit in its growth phase that continues to this day. This is precisely what the HOMAG Group's philosophy is about–having the right machine in their comprehensive product range for even small cabinet shops. "As these businesses grow, they can expand our machines with modules at any time in order to enhance efficiency and optimize work processes," Karl-Heinz Brauneisen, branch manager of HOMAG Vertrieb- & Service GmbH in Bavaria, explains. "Integrating new machines is also not a problem as all of our machines have the same software and control systems, which simplifies their operation."

Until the 1980s, Voit was a cabinet maker with six employees. The company subsequently developed into a furnishing contractor, above all designing furniture for hotels and embarked on small series production. Following the purchase of their first machine from the HOMAG Group in 1989, additional machines were gradually added and supported Voit's growth. The previous location with a footprint of 1,800 square meters located directly in Au became too small just before the turn of the millennium. As a result, the company moved with around 20 employees to a new production hall in the commercial park in 1999. "The HOMAG Group is constantly refining its machines for small and medium-sized enterprises, meaning we are always equipped with state-of-the-art technology. And if any problems arise, we always receive quick assistance," Voit emphasizes.

1 Through the long-standing partnership, HOMAG Group service technicians work closely together with Voit employees.

2 The large buffer warehouse at Voit shows that the company is in the transition from a cabinet maker to an industrial-scale operation.

3 Stefan Voit, managing director of Voit GmbH.

4 Voit has relied on HOMAG Group products for generations: (left to right) Senior director Stefan Voit with his wife Katharina, managing director Stefan Voit with his wife Barbara, and their two sons, Stefan and Alexander.

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_3 QUESTIONS TO STEFAN VOIT

Mr. Voit, you have relied on HOMAG Group products for decades; what are the main reasons for this?

STEFAN VOIT: Our customers from the automotive industry expect furniture from us to exhibit highest quality and superlative craftsmanship. The reliability and punctuality of individual orders are just as important. In order to fulfill these requirements, we need a reliable partner that, on the one hand, can supply the suitable machines and, on the other, can react quickly should problems arise. The HOMAG Group has never disappointed us in this respect and can provide us all products and services from a single source.

This means service plays an important role?

STEFAN VOIT: Absolutely, as it is essential that the machines keep running. For example, now all our machines are networked and we use HOMAG Group's brand new Service**Board**–a perfect service for the quick identification and remedying of errors via remote and video diagnosis. And if that does not help, a competent service technician is quick to arrive on site. Servicing our older machines is not a problem either. The whole package comprising consulting, training seminars and spare parts supply is right at the HOMAG Group.

What else is important to you in working together?

STEFAN VOIT: Personal contact is also important to me. If you work with a partner as long as we have worked with the HOMAG Group, incorporating various generations, having the same contact persons is a great advantage. If the contact person from Sales and Service knows us and our requirements, cooperation becomes more pleasant and simpler. Based on our long-standing partnership with the HOMAG Group, I know that we can always talk to one another.

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_GROWING WITH THE HOMAG GROUP From 2000 onwards, a large CNC machine opened up completely new possibilities. This allowed Stefan Voit and his team to make a decisive step towards today's success: the entry into the automotive industry. Initially as a supplier for a removable interior trunk lids for Audi and since 2005 as a specialist for showroom concepts for car manufacturers such as BMW, Mercedes, Audi and VW. Voit manufactures the furniture for global showrooms. Around 50 employees on a production area of 7,500 square meters manufacture about 1,500 to 2,000 pieces of furniture in a two-shift operation each day – completely assembled and packaged. The company operates 12 HOMAG Group machines in this process. These machines range from a saw-storage combination to edge banding machines, various CNC processing centers and carcase presses through to a packaging machine.

"As a company we are now somewhere between a traditional cabinet maker and an industrial-scale operation," Stefan Voit describes his company. "Some of our developments have been solely possible thanks to HOMAG Group machine technology including software and control systems." Karl-Heinz Brauneisen adds: "The aim of our partnership over decades has always been to improve flexibility and product diversity in a controlled manner at Voit, while at the same time significantly raising productivity." This has been achieved – Voit has more than tripled its production volume in the past five years with only a slight increase in headcount.

1 Around 50 employees manufacture about 1,500 to 2,000 pieces of furniture in a two-shift operation each day.

2 HOMAG Group's high-performance aggregates ensure accurate and efficient production at Voit.

3 Karl-Heinz Brauneisen (right) from the HOMAG Group has supported Voit over many years and knows the company's precise requirements. Meetings, for example here with managing director Stefan Voit (middle) and his son Stefan, are very efficient as a result.

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“SOME OF OUR DEVELOPMENTS HAVE BEEN SOLELY POSSIBLE THANKS TO HOMAG GROUP MACHINE TECHNOLOGY INCLUDING SOFTWARE AND CONTROL SYSTEMS.”

STEFAN VOIT

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This is largely a result of the modern machinery with flexible five-axis aggregates and the use of the innovative laserTec process in applying the edges. “In this respect, we have quite clearly benefited from HOMAG Group know-how as global technology and innovative leader that is constantly developing and realizing new ideas,” Voit explains. For growing cabinet shops as they prepare for series production, the HOMAG Group sees itself above all in an advisory capacity: “It is then essential that the entire logistics is structured appropriately and can grow with the business,” branch manager Brauneisen emphasizes. “This is where we can support the enterprises with our wealth of experience – above all, if we have known them and their structures for many years, as is the case with Voit.”

_ACHIEVING NEW GOALS TOGETHER Voit GmbH aims to continue developing further in the future – for example with showroom concepts for other industries and the production of suitable furniture. “We aim to improve our machine capacity utilization even further with this and enhance our production efficiency,” Stefan Voit explains. “We can most certainly improve in the area of throughput times – we aim to shorten these times step by step together with the HOMAG Group, thus optimizing tied-up capital.” The HOMAG Group will support Voit GmbH in the coming years as well and this partnership is to be continued in the future, when the fourth generation takes the helm at Voit. The sons Stefan (30) and Alexander (24) Voit are already working in their parents’ business and are well-acquainted not only with HOMAG Group machines and production lines but also with the team at HOMAG Vertrieb- and Service GmbH in Bavaria. The shared success story therefore looks set to continue for a long time to come. ‹

MILESTONES OF A COOPERATION BASED ON PARTNERSHIP

1989
The partnership between Voit and the HOMAG Group begins with the purchase of a CNC processing center. Even then, as a small cabinet maker with fewer than ten employees, Voit already recognized the possibilities offered by more efficient production processes.

2000
At Voit, the investment in a large CNC machine initiated a transition from a traditional cabinet shop to industrial production structures. With the extremely dynamic drive technology, Voit achieves unprecedented speeds in production.

2008
A new saw-storage combination changes the production structure at Voit. The fully automated combination of storage and handling increases the degree of automation in a way that increases output with fewer staff, thus in turn significantly increasing productivity.

2012
Voit achieves further output enhancements while increasing precision at the same time with the investment in a new machine for edge processing including robotic handling. Moreover, the company introduces the innovative **laser**Tec process and has a clear competitive advantage as a result – not many competitors are able to achieve this quality in edge processing.

2014
Due to the increasing complexity of Voit’s production plans, service begins to gain in importance. With the HOMAG Service**Board**, Voit employs the possibility of a video diagnosis and comprehensive support from the HOMAG Group from a single source.

SOLUTION-ORIENTED

As technology and innovation leader in the woodworking industry, the HOMAG Group can fulfill nearly every customer wish. Customer-specific solutions, the realization of fully networked systems, and excellent industry know-how are the central elements that set the HOMAG Group's project business apart from the rest.

1

THE LOOSLI GROUP AND THE HOMAG GROUP SHARE THE SAME HIGH QUALITY STANDARDS

FOCUS ON THE CUSTOMER

Manfred Loosli, managing director of the Swiss Loosli companies, sums up the success factors of his company: "We produce quickly, flexibly and customer-oriented, at all times maintaining the highest standards of quality. As a result, we need a machinery partner that fully understands us and our requirements." This is no small task, as a glimpse at Loosli's production quickly reveals. The company's production combines sophisticated state-of-the-art machines with precise craftsmanship. And although today Loosli is an industrial-scale operation, the company has not forgotten its roots as a cabinet maker established in 1956.

"This combination and the resulting work processes are the greatest challenge for us," explains Wolfgang Kläger, project manager at HOMAG Group Engineering, who, together with his team, has planned and realized various systems with Loosli. "We have to precisely analyze the situation and the processes at Loosli in order to configure a uniquely tailored system—there is no one-size-fits-all solution." Wolfgang Kläger sums up the challenge: "Our project planning is always focused on marrying the customer's requirements and expectations with the technical possibilities of our machines. At the end of the day, the aim is the perfect coordination of the system as a whole. In addition to the know-how, creativity often also plays a role here."

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"WE PRODUCE QUICKLY, FLEXIBLY AND CUSTOMER-ORIENTED, AT ALL TIMES MAINTAINING THE HIGHEST STANDARDS OF QUALITY. AS A RESULT, WE NEED A MACHINERY PARTNER THAT EXACTLY UNDERSTANDS OUR REQUIREMENTS."

MANFRED LOOSLI

1 Loosli is a batch size 1 manufacturer par excellence. The end customer can choose, for example, between a great selection of edges that can then be fed from an edge magazine to the machine in production.

2 Manfred Loosli attaches great importance to high-quality, unique products for his customers.

3 The high-performance saw ensures a high output in a very short space of time.

4 Bathroom furniture is very complex to manufacture as it combines lots of details and solutions in a small space.

_UNIQUE PRODUCTS The special aspects in Loosli's production hinge above all on the products that are produced here. The company has manufactured bathroom furniture since 1975 that is sold on the Swiss wholesale market, as well as kitchens since 2001 that are sold directly. "We are a batch size 1 manufacturer in the truest sense of the word," Manfred Loosli says. "As we have countless options in our product range and also fulfill every special customer request."

As a result, of the 500 to 700 kitchens that are delivered annually, no two are the same. "In our three showrooms, we merely give our customers ideas, inspire emotions and show partial solutions—the customer can then design their own unique kitchen. Anything is possible," Loosli explains the company's philosophy. The same basically applies to bathroom furniture. Despite this product diversity, Loosli has a mere delivery time for bathroom furniture of a maximum of ten work days for about three quarters of orders. "A clear competitive advantage," Manfred Loosli emphasizes.

4

_ IN GOOD SHAPE

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_UNIQUE SOLUTIONS Head of production Bakhtiar Alshekhani puts it in a nutshell: “Because we want to be quick in spite of our great product diversity, we need an extremely high level of efficiency.” And this is exactly where the HOMAG Group and their solutions come into play. For example, a production line for rapid and flexible sizing and edging of furniture components was designed in 2010 with a view to fully automating the production process. “For the special requirements of our customer, we developed a special aggregate and also use a customer-specific solution for parts handling”, Wolfgang Kläger explains.

The compact space conditions at Loosli ultimately called for unique solutions: The expansion of production was practically built into a mountain and the HOMAG Group production line fitted to the millimeter. “In addition, the investment in the HOMAG Group’s innovative **laser**Tec process opened up completely new possibilities. With this process we can set new standards in terms of quality in edge processing,” Manfred Loosli emphasizes. “Our customers have high expectations.”

_SPEED AND FLEXIBILITY The manufacture of bathroom furniture is the most challenging sub-area of the furniture industry because solutions must combine lots of details in a small space while also integrating elements such as mirrors, lights, sinks or siphons. As Loosli has been producing bathroom furniture for 40 years, the Swiss manufacturer has perfected the individual production of furniture. The challenge is rather the logistics of around 1,600 parts to be processed a day, from which approximately 120 pieces of furniture are generated each day. Industrial structures and automation are increasingly required in this respect. “We are constantly working on improving the parts flow and logistics without forfeiting our extreme product diversity and flexibility. The networking of our plants is playing an ever important role. We are still away from the complete networking of all data streams,” Manfred Loosli is clear about that.

1,600

PARTS PROCESSED A DAY

120

PIECES OF FURNITURE A DAY

1.7

KILOMETERS OF STORAGE CAPACITY

3

1 Plans for the construction of the new large-scale line were discussed on site by Wolfgang Kläger from the HOMAG Group (left) as well as CEO Manfred Loosli (middle) and head of production Bakhtiar Alshekhani.

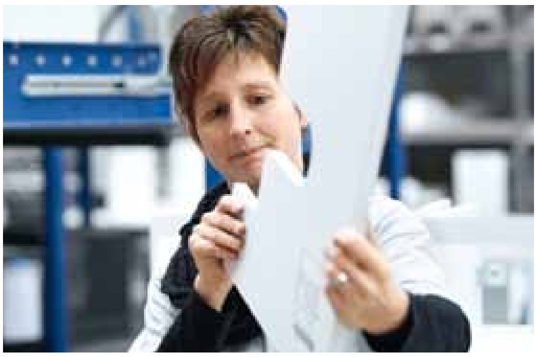
2 Loosli combines state-of-the-art machines with precise craftsmanship.

3 In the picking warehouse designed specifically for Loosli, complete furniture parts are stored automatically and can be removed as an entire consignment.

4 Quality is an important sales argument at the Loosli companies.

_PICKING WAREHOUSE AS A SPECIAL SOLUTION Another component in the process chain is the picking warehouse for finished furniture parts which was realized by the HOMAG Group in 2014. Today, it is the hub between the packaging and delivery hall. It is here that the completely packaged furniture parts are automatically measured and optimally stored. Two warehouse aisles are available with 23 stories covering an area of 30x14 meters and a height of 12 meters. The result is storage capacity of around 1.7 kilometers. Once a complete consignment has been put together and is ready for shipment, the entire consignment is removed from storage.

“We have designed a solution that is unique even for us, precisely tailored to Loosli’s needs,” project manager Wolfgang Kläger explains. “Today, we can hardly imagine how we worked without this solution,” Alshekhani adds.



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_FURTHER EFFICIENCY INCREASES PLANNED As a result of the great collaboration, an additional large-scale line by the HOMAG Group is under construction, which will further enhance production efficiency at Loosli. “We again had clear expectations, requirements and goals for this project that the HOMAG Group is able to fulfill,” Manfred Loosli says. “We are realizing a saw-storage combination in connection with a separate buffer and a sizing and edge banding machine including a workpiece cycle, constructed in a space-saving manner over two stories,” Wolfgang Kläger emphasizes. “Once again, in addition to the technical solutions, the space conditions on site in particular pose great challenges that we are able to solve optimally.” Production at the new plant is already scheduled to commence mid-2015. ‹

MARKET-ORIENTED

The HOMAG Group began building up an effective and global sales and service network back in the 1970s. Today, the Group is active in all of the world's major regions, enabling it to take advantage of the global opportunities. Nearly 80 percent of sales revenue is generated on average outside of Germany and its machines and production lines are supplied to more than 100 countries. In 2014, the investment focus was on expansion of the sales and service structures as well as production capacities in the US, China and Poland – countries with great potential for the future.

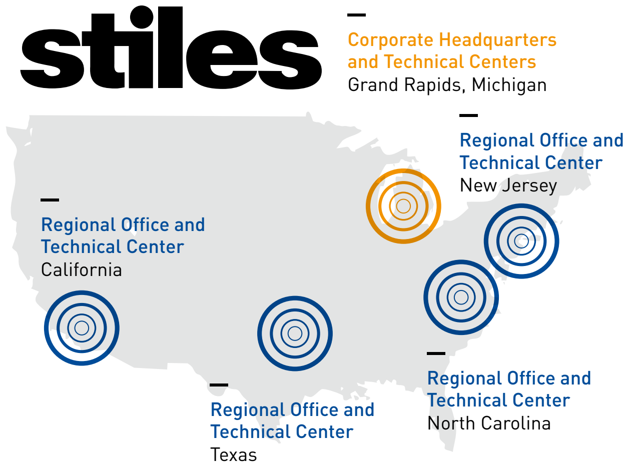
USA: STILES MACHINERY, INC.

ACQUISITION OF MARKET LEADER

In February 2014, the HOMAG Group fully took over the leading sales and service organization Stiles Machinery, Inc., in the US. Today, Stiles has a relevant market share in the US of more than 35 percent. Around 330 employees work at Stiles in Grand Rapids, Michigan, and four regional offices.

"In the US, we are recognized as a partner for comprehensive production solutions with a high level of consulting expertise and excellent service," Andreas Muehlbauer, member of the management board of Stiles, says. Stiles offers the most dense network of customer support in the US. Customers can closely examine the products, perform tests and seek advice in various showrooms and demonstration centers. The HOMAG Group will take advantage of this sound basis in order to benefit from the dynamic development of the US market. "Suppliers that are able to construct individual furniture tailored to special customer requirements are particularly successful at the moment. These effective and flexible companies that can quickly meet customer needs are the companies of the future," Andreas Muehlbauer adds.

What really sets Stiles apart though is the high availability of spare parts it is able to offer its customers. "We guarantee our customers throughout the entire US a nearly 100 percent supply of spare parts within 24 hours, for which we have developed an excellent process of stockholding spare parts and the logistics needed for the customers," Andreas Muehlbauer explains. This service, which customers place great value on, pays off, as the high level of customer satisfaction in numerous customer surveys reveals. Stiles also attaches great importance to comprehensive and regular customer and employee training held at the training center in Grand Rapids.



Stiles has its headquarters in Grand Rapids in Michigan and has four regional offices. Stiles has built up excellent customer relationships thanks to its proximity to the customers.

With the experienced sales and service team at Stiles combined with project expertise of the company's headquarters, the HOMAG Group will serve the US market more intensively. Opportunities, especially in the growing project business, are to be exploited in this respect. ‹

CHINA: HOMAG MACHINERY SHANGHAI

LARGEST GROWTH MARKET REMAINS A FOCUS

The HOMAG Group has been active in its largest growth market China since 1994 with a production company and has been pursuing its own regional growth strategy ever since. In 2012, a series of localization projects were initiated to strengthen local expertise. There have been a series of localization projects since then to strengthen local expertise. Furthermore, a training program for employees of HOMAG Machinery Shanghai, the Homag Group's production location in China, with a focus on research and development has been launched in order to step up the development of local products. Just how worthwhile the investment has been can be seen in HOMAG Machinery Shanghai's sales revenue and earnings, which saw double-digit growth again in 2014.

In a next step, additional know-how will be built up in China with the specific support of experts from the HOMAG Group. Furthermore, HOMAG Machinery Shanghai plans to standardize the control architecture of its local products and further improve its operating processes. The HOMAG Group will continue to extend its product portfolio and build up local expertise in all areas with these and additional measures through 2017. With the development of unique machines for the middle market segment in China, HOMAG Machinery Shanghai will be able to tap further sales potential and strengthen its position. In addition to local measures, the HOMAG Group will further extend its exports to China with competitive premium products from Europe in order to serve the entire market optimally. ‹

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1 The HOMAG Group has been active in China with a production company since 1994. The local presence has been stepped up consistently ever since.

2 The HOMAG Group nearly doubled its assembly area in Poland with a new production hall.

POLAND: HOMAG MACHINERY ŚRODA

PRODUCTION AREA NEARLY DOUBLED

In Poland, the HOMAG Group extended its existing location by a new production hall in 2014 and nearly doubled the assembly area to around 13,000 square meters. An additional whole series of a machine has also been manufactured here since October 2014. "Thanks to the good preparation on the part of the project team, building up local production went quickly and smoothly," Andrzej Urbanczyk, managing director of HOMAG Machinery Środa, explains.

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In addition, the HOMAG Group plans to produce approximately 50 percent of switch cabinets needed on the European market at the Polish location. Price-sensitive entry-level products for the European market are also produced here. Urbanczyk emphasizes: "With the expansion of our construction department together with additional services, we aim to be a flexible service provider in the network of HOMAG Group production companies. By taking advantage of our new capacity, all locations will be able to enhance their efficiency."

In 2014 alone, HOMAG Machinery Środa increased their headcount from around 200 to more than 300 employees. Sales revenue rose by around 30 percent. We again expect sales revenue to increase significantly in 2015 with the expansion of the production location. ‹

FUTURE-ORIENTED

As innovation and technology leader in its industry, the HOMAG Group prides itself in the ability to recognize the trends of the future early enough to be able to shape or even set them. Equally important for success is its capability to continually refine and optimize internal processes in order to constantly boost productivity and competitiveness.

1

EFFICIENT STRUCTURES AND PROCESSES FOR TOMORROW'S SUCCESS

A STRONG BASIS

In 2014, the HOMAG Group further refined its process for the continuous improvement of its structures and internal processes.

_BUNDLING EXPERTISE The HOMAG Group merged two of its subsidiaries BARGSTEDT and LIGMATECH to become HOMAG Automation in 2014 in order to meet the current and rising need worldwide for solutions in the areas of automation and robotics. Bundling their expertise to promote close coordination specifically in the area of research and development will set free further capacities in this field which is continually gaining in importance. The logistic experts aim to optimize the flow of materials to match the speed of the processing machines. The new HOMAG Automation is the largest company within its field in the industry and plans to drive globalization and growth in five areas: warehouse technology, automation and robotics, sorting and order picking, assembly technology as well as packaging technology.

_ENHANCING PRODUCTION EFFICIENCY 2014 also saw the HOMAG Group pressing ahead with its IT project ProFuture, with a view to boosting its own production efficiency. This will redesign the entire order processing system and a standardized SAP template will be gradually introduced into the production logistics of all plants.

1 The fields of automation and robotics are ever increasing in importance, because robots safeguard product quality, improve workplace conditions and increase production output. The HOMAG Group has now bundled its expertise in this field.

2 The new "Service**Board**" allows the user to transmit any problems with the machine in real time to the HOMAG Group's service center. Problems and their solutions are communicated by means of video diagnosis, thus overcoming any language barriers.

_COMBINING FORCES Since October 2014, Dürr AG has been the new majority shareholder of the HOMAG Group. Dürr is one of the world's leading mechanical and plant engineering groups. Dürr's products, systems and services facilitate highly efficient production processes in a wide range of industries. Including the HOMAG Group, Dürr has 92 locations in 28 countries and its workforce of around 14,200 generates annual sales revenue of some EUR 3.2 billion.

These two successful plant engineering groups both intend to exchange experiences, learn from one another and implement the best solutions. For instance, both companies can benefit from each other with respect to globalization, expansion of the sales and service network or in research and development projects in the field of automation and robotics. The activities of several working groups had already commenced by the end of 2014 with a view to building the foundations for successful cooperation.

The HOMAG Groups intends to use affiliation in the Dürr group and the measures taken to improve its internal structures and processes as a means to further enhance efficiency. The objective is to continually expand on its position as the unchallenged number one in the industry with innovative and efficient machines and services.

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PREDEVELOPMENT THINKS A LONG WAY INTO THE FUTURE

SHAPING THE FUTURE

What are the technologies of the future going to be? What will be the demands of the market in five or even ten years' time? And what developments will offer customers a cutting-edge advantage? These are the questions that HOMAG Group's predevelopment department asks each and every day. The issue at hand is how to safeguard the future of the HOMAG Group as innovation and technology leader. The predevelopment function, a department in research and development, forms the bridge between the general research landscape and product development. "Predevelopment's customers are the development departments of our production entities", explains Matthias Volm, head of predevelopment at the HOMAG Group. "We look far into the future on their behalf. We can devote ourselves entirely to basic technical and scientific principles and ideas without being distracted by day-to-day business".

For example, the department cooperates closely with a number of universities, Fraunhofer and other research institutes, and is involved in several research projects. Within the scope of its early identification of technology developments, the predevelopment department thinks some three to five years ahead, on occasions even as much as ten years. In this context, expertise is being built up in vital fields of technology with the assistance of external experts from the relevant university faculties that can be utilized by the R&D departments in specific projects.

1 In the predevelopment department, Matthias Volm (center) and his team focus on the technologies of the future.

2 Air-flow and particle simulation of a suction hood using simulation technology.

3 The predevelopment department cooperates closely with a number of universities, Fraunhofer institutes and other research facilities and is involved in several research projects.

2

3

"WE INTEND TO BRING ABOUT TECHNOLOGY ADVANCES IN THE INDUSTRY – THAT IS WHY WE ARE LEADING THE WAY AND ARE THINKING IN COMPLETELY NEW DIRECTIONS"

MATTHIAS VOLM

"In all our deliberations, of course, we keep an eye on the market and customers but nevertheless also think in completely new directions", is how Matthias Volm describes the balancing act that has to be performed. "We therefore not only keep the woodworking industry in focus but also look to other industries and check out whether the technologies and developments deployed there can be adapted to our purposes". In some cases, activities are based on customers' specific suggestions and ideas. "On the other hand, we also wish to lead the way and surprise customers in order to bring about technology advances in the industry," Matthias Volm emphasizes.

As an example, HOMAG Group's predevelopment department is currently focusing on new approaches to simulation-based product development. Energy-efficient and innovative suction concepts are, for instance, being developed by simulating the flow of air and chip trajectories. The initial results are impressive: The HOMAG Group was able to reduce pressure losses in several of its product developments, which lowers the energy used for suction and leads to significant cuts in energy costs of up to 30 percent. The volume of chips collected by various suction hoods increased by up to 25 percent. The deployment of simulation technology additionally means that fewer prototypes are needed, which makes it possible to cut development time by as much as 20 percent. "These successes are our motivation to keep on researching and developing here to become even better" says Matthias Volm.

Predevelopment also investigates how future lines and their functions can be simulated and trialled as virtual prototypes at a very early stage in their development. New technologies in the field of image processing offer a wide range of possibilities for implementing innovative safety and quality assurance systems.

Additive production is another topic of the future. Matthias Volm would prefer not to reveal too much about this, however. "When, if ever, our customers will be able to produce furniture in one piece using an additive production method developed by us is still a matter of conjecture."

UP TO

20%

REDUCTION IN DEVELOPMENT TIME

25%

IMPROVEMENT IN VOLUME OF CHIPS COLLECTED

30%

REDUCTION IN ENERGY COSTS

INTERVIEW

In the interview, Ralph Heuwing, CEO of the HOMAG Group, explains the corporate strategy and identifies potential and opportunities for further profitable growth.

Ralph Heuwing, CEO

Mr. Heuwing, the HOMAG Group's annual report, bears the title "In good shape" After your first few months as CEO, where do you see the HOMAG Group's strengths that are reflected in this title?

The most important thing is certainly the fact that we can offer our global customers the right solutions for their specific requirements from our wide range of products thanks to our global presence. As the clear market leader, we also have the largest sales and service network in the industry and invest heavily in research and development – which is the basis for our power of innovation. However, it is a motivated workforce that is the decisive factor for success: and that is exactly what we have here at the HOMAG Group. We achieved sales revenue of EUR 915 million in 2014, the highest figure in the history of the Company. This is a sign that the HOMAG Group is in good shape – and is therefore ideally positioned to get even better in the future.

"THE MOST IMPORTANT THING IS CERTAINLY THE FACT THAT WE CAN OFFER OUR GLOBAL CUSTOMERS THE RIGHT SOLUTIONS FOR THEIR SPECIFIC REQUIREMENTS FROM OUR WIDE RANGE OF PRODUCTS THANKS TO OUR GLOBAL PRESENCE."

RALPH HEUWING

Where do you see potential and opportunities for the HOMAG Group?

We can certainly use our good market position as a group to pack a greater punch by intensifying cooperation. The task is to exploit the opportunities provided by growth markets even better, to strengthen customer orientation even further, to expand the service business and to optimize internal processes.

Are these points also the HOMAG Group's strategic objectives?

They are certainly points that will contribute to our achieving our strategic objectives. Our goals of achieving profitable growth and further strengthening our global market position remain unchanged. It remains our goal to achieve or expand market leadership in all segments in which we operate, both in terms of the market concerned and products. By further improving our efficiency, we additionally intend to boost profitability.

In which countries or regions do you see the greatest growth potential?

The greatest opportunities can certainly be found in China and the US. China has enormous potential on account of its population, growing prosperity and increasing automation of production processes; we intend to tap into this potential with future investments. In the US, on the other hand, we are witnessing increasing demand for batch-size 1 systems, automation and robotics. We are able to fully participate in this market growth thanks to the acquisition at the beginning of 2014 of Stiles, the leading sales and service company in the US.

"IN TODAY'S MARKET AND COMPETITIVE ENVIRONMENT INNOVATION ALONE IS NOT SUFFICIENT. IT IS EQUALLY IMPORTANT TO ACHIEVE COST LEADERSHIP THROUGH ECONOMIES OF SCALE OR PROCESS OPTIMIZATION."

RALPH HEUWING

Do you see any other growth markets in addition to those?

There is also potential in eastern Europe, southeast Asia, India or South America. In principle, success in the growth markets, however, depends on strengthening our own resources in such markets. In addition to sales and service, this also includes production and, increasingly, development services.

How, in your opinion, is the HOMAG Group positioned in this respect?

The HOMAG Group took up the challenge of globalization at an early stage and is consequently present in all important markets today. Nevertheless, we continue to work at localizing part of our product portfolio in China and India in order to successfully fend off the local competition.

Does that mean that you will start operations in other countries in addition to those where you already have foreign production entities: China, India, Brazil and Poland, not forgetting the US?

There are no current plans in that direction. Rather we intend to further expand existing locations and serve several local markets from there.

Do acquisitions play a role in your growth plans?

We do not have any concrete plans in that direction at the moment. Acquisitions are, on the other hand, always a constituent part of a growth strategy, provided they open up opportunities that will further strengthen our position.

What products will you use to impress customers in the future in order to generate growth?

We identify growth potential in all our product areas. This includes stand-alone machines as much as the project business with large-scale plant. We also intend to expand our service area, primarily in order to further boost customer satisfaction. Increasing automation, digitalization and networking additionally open up great opportunities. In this context, we will be able to generate new benefits for the customer with smart machines and extensive data management.

One of the objectives you stated earlier on is to further increase productivity in order to enhance the profitability of the HOMAG Group. How do you intend to achieve this?

In today's market and competitive environment innovation alone is not sufficient. It is equally important to achieve cost leadership through economies of scale or process optimization. We need even more efficient processes in order to get the Company in even better shape. And, last but not least, to become more resilient to crises and get through phases of economic weakness unscathed. This is why we intend to further increase our flexibility and optimize processes.

What role will the takeover by Dürr play in the HOMAG Group's development?

Dürr and the HOMAG Group share similar values and cultures. As both operate in the field of mechanical engineering, the two groups can learn from one another and benefit from the reciprocal exchange of experience. Dürr, too, has experienced great changes over the last ten years and has seen significant improvements in many dimensions. Let's take the project business: methods, tools and qualifications have been developed that the HOMAG Group can now utilize. We are on track with regard to the process of growing together and our successful development will continue together in the future.

COMBINED MANAGEMENT REPORT

OF HOMAG GROUP AG AND THE GROUP

_ PRELIMINARY REMARKS

The group management report of HOMAG Group AG for the fiscal year 2014 and the management report pertaining to the separate financial statements of HOMAG Group AG for the fiscal year 2014 have been prepared according to the requirements of German commercial law and have been combined as in the prior year.

The general conditions for the corporate strategy are equally applicable to HOMAG Group AG's Group ("HOMAG Group") and the separate entity HOMAG Group AG ("HOMAG Group AG"). A separate report on the separate results of HOMAG Group AG can be found on pages 78 and 79 "Results of operations, net assets and financial position of HOMAG Group AG".

The combined management report, the consolidated financial statements of the HOMAG Group as well as the financial statements of HOMAG Group AG are published together in the Bundesanzeiger [German Federal Gazette]. The annual report 2014 can also be downloaded from the internet at www.homag-group.com/investors.

www.homag-group.com/
investors

_ DETAILED INDEX

BUSINESS AND MANAGEMENT SYSTEM

_ BUSINESS ACTIVITIES OF THE HOMAG GROUP

The HOMAG Group is the world's leading manufacturer of plant and machinery for the woodworking industry and for cabinet makers. As a global player, we are present in all relevant markets around the world with an estimated market share of 29.8 percent, selling plant, machinery and services for the woodworking industry in about 100 countries. In the furniture production, structural element production and wooden house construction systems segments we offer our customers an extensive range of precisely tailored solutions ranging from stand-alone machines to complete production lines. Our offering is unparalleled on account of the interlinking of our production plant and machinery, pertinent services and the appropriate control software customized to each individual application.

For more information see glossary, pages 188 et seq.

_ LEGAL STRUCTURE

HOMAG Group AG is a holding company without own operating activities. Its main tasks as the parent company are to define and implement the Group's strategy, arrange group financing and to technically lead the production and sales companies in Germany and abroad. HOMAG Group AG holds, among other things, a 100 percent interest in HOMAG Holzbearbeitungssysteme GmbH, which is the Group's largest company, and majority shareholdings in eight German and six foreign production companies as well as 23 sales and service entities (see also the group structure on page 186).

For more information see page 186 et seq.

The following change was made to the group structure in fiscal 2014:

- HOMAG Group AG holds 100 percent of the shares in the newly formed HOMAG US, Inc.
- HOMAG Group AG increased its holding of voting shares in the US sales and service company Stiles Machinery, Inc. from 29.4 percent to 100 percent.
- HOMAG Finance indirectly holds 80 percent in the newly formed sales and service company HOMAG Equipment Machinery Trading L.L.C. in the United Arab Emirates. The company holds 100 percent of the voting rights.
- The sales and service company HOMAG Australia Pty. Ltd. formed the sales and service company HOMAG NEW ZEALAND LIMITED, based in New Zealand.

_ SEGMENT STRUCTURE

For reporting purposes, the HOMAG Group is organized in the segments "Industry", "Cabinet Shops", "Sales & Service" and "Other".

The Industry segment comprises those group entities whose business activities center on the provision of system solutions for industrial companies. We offer our customers seamless solutions and cover the woodworking process chain with our own products for the most part.

The Cabinet Shops segment encompasses the group entities focused on machines with a high degree of standardization that cater for the special requirements of cabinet shops as well as small and medium-sized enterprises (SMEs).

The Sales & Service segment comprises the HOMAG sales and service entities in Germany and abroad. With our global sales and service network we are present on all key markets, and we are therefore always close to our customers.

The Other segment comprises HOMAG Group AG, foreign production facilities in growth markets, the consulting and software companies SCHULER Consulting GmbH and HOMAG eSOLUTION GmbH as well as WEINMANN Holzbausystemtechnik GmbH, which is active in the field of wooden house construction systems.

_CORPORATE GOVERNANCE

HOMAG Group AG is managed by the Group's management board, which has at least 3 members in accordance with the articles of incorporation and bylaws of HOMAG Group AG. Group management comprised 4 persons for most of the fiscal year 2014, with 5 members on the management board for a brief transition period following changes to the management board. The management board reports to the supervisory board on a regular basis. The supervisory board is equally balanced with 6 shareholder representatives and 6 employee representatives. In the fiscal year 2014, the management board and the supervisory board implemented almost all of the recommendations and many of the suggestions proposed by the German Corporate Governance Code. Any exceptions relating to the recommendations are stated in the declaration of compliance. The declaration of compliance pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporations Act] is published on pages 57 et seq. of this report and on the HOMAG Group's website.

For more information see page 57 – 59

_CORPORATE MANAGEMENT

The management of the HOMAG Group is in the main based on 4 key performance indicators (KPIs):

- Earnings before interest, taxes, depreciation and amortization as well as before employee profit participation expenses and before extraordinary expenses (operative EBITDA)
- Earnings before taxes after employee profit participation expenses and after extraordinary expenses (EBT)
- Return on Capital Employed (ROCE), i.e., earnings before interest and taxes (EBIT), before employee profit participation expenses and before extraordinary expenses as a percentage of capital employed
- Net liabilities to banks

These annual key performance indicators are budgeted and monitored using monthly reporting.

_CHANGES IN COMPANY BOARDS

The CEO of HOMAG Group AG, Dr. Markus Flik, stepped down from the management board, effective November 30, 2014. The supervisory board appointed Mr. Ralph Heuwing, CFO of Dürr AG, as a new member of the management board of HOMAG Group AG with effect as of October 27, 2014. While continuing his duties as CFO of Dürr AG, Mr. Heuwing assumed the position of CEO of HOMAG Group AG, effective as of December 1, 2014.

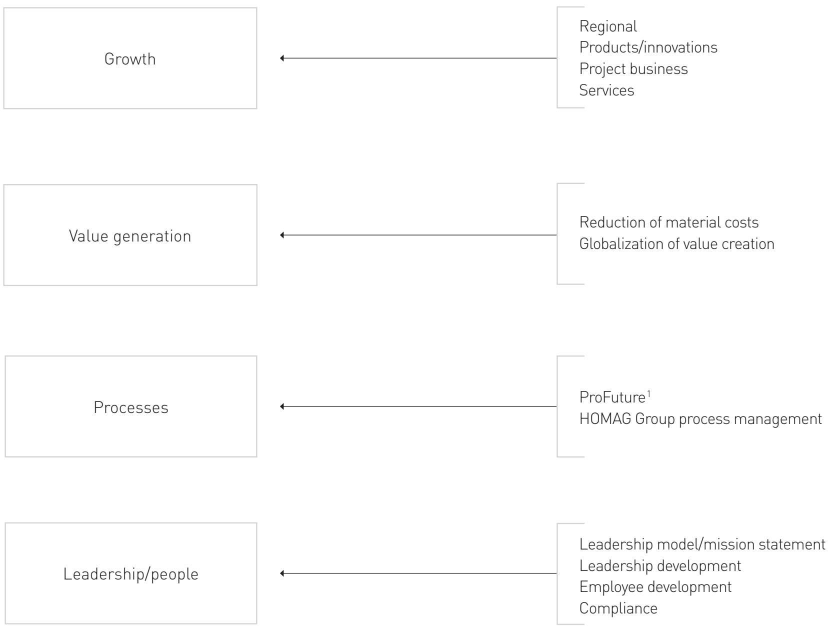
In the course of the acquisition by Dürr Technologies GmbH, there were changes on the shareholder side of HOMAG Group AG's supervisory board. Torsten Grede, Hans Fahr, Dr. Horst Heidsieck, Dr. Dieter Japs and Thomas Keller stepped down with immediate effect on October 10, 2014. 5 new members were appointed by court order of October 13, 2014 until the end of the next general meeting. Stuttgart regional court appointed the following persons to HOMAG Group AG's supervisory board: 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.

For more information see glossary, pages 188 et seq.

STRATEGY AND OBJECTIVES

_STRATEGIC POINTS OF FOCUS

_M1_Strategic Points of Focus



1 Group-wide large-scale IT project

The HOMAG Group set out a group strategy in 2012. The strategy is based on 4 strategic points of focus founded on a wide range of targeted measures and forms the basis for our growth over the long term.

The first strategic focus is on growth, which breaks down into the 4 areas of "regional", "products/innovations", "project business" and "services". With a view to participating in regional growth at least in proportion to our market share, we are implementing targeted measures worldwide. In 2014, these measures included, for example, the construction of a new assembly hall at our production location in Poland, the formation of the new sales and service entities in Dubai and New Zealand, as well as the acquisition of all the remaining shares in the sales company Stiles Machinery, Inc. In the area of products/innovations, our objective is to ensure that our Company is the driving force behind most of the qualified new developments within our industry. This will safeguard our innovation leadership. In addition, we intend to reduce the level of complexity of our range of product program by introducing modular platforms throughout the Group. This will enable us to improve our cost situation. The first specially developed platform, in the area of edge banding machines, was presented to the public in 2014. Also in the project business, we expect growth potential to arise from the general move towards networked production and our customers' increasing demand for automation and robotics solutions, specifically in the US and China. For this reason, we have combined the production entities BARGSTEDT and LIGMATECH to form the new company HOMAG Automation. Bundling expertise will allow us to drive developments more efficiently and exploit internal synergies. In the area of services, our strategy is based on the use of key account managers for major customers, the deployment of state-of-the-art communications technology, further increasing our availability to 24/7 and ongoing optimization of global distribution of spare parts. This strategy is intended to further set us apart from our competitors in every market worldwide and create added value for our customers.

The second strategic focus "value generation" will ensure that such growth is also profitable. It relates to measures that serve to increase margins, boost productivity and cut costs within the Group. As an example, we performed a group-wide purchasing project in 2014, among other things. This has already enabled us to reduce our cost of materials. We also intend to further bundle our procurement activities at a global level. The project forms a sound base for further product cost optimization. The methods of value analysis are used to systematically examine machine lines in order to uncover potential cost savings in the design of machine parts while fully maintaining the relevant functions. Increasing internationalization and globalization of the economy are changing the global value added chains. For this reason, our strategic focus value generation is a driving force behind constant globalization of our production and our sales and service organizations. For instance, we began setting up a center for the production of switch cabinets at the Polish production location in 2014.

The objectives of growth and increasing value can only be realized if there are stable, tried-and-tested processes and procedures in place. The most important project for this third strategic point of focus is the large-scale IT project ProFuture. On the one hand, it focuses on the end-to-end reengineering of the complete offer and order process chain and, on the other hand, it involves the replacement of the associated IT systems. This includes, for instance, the integration of inventory management in our existing SAP ERP system at all production sites. One more entity was converted to the expanded SAP ERP system in 2014. The program is scheduled to run until 2018. In order to ensure uniform processes in the Group, we began building up a group-wide process management system in 2014. This system defines all key processes, provides structure to company procedures and allocates responsibilities. By standardizing processes, we aim to save costs in the long run.

For more information see glossary, pages 188 et seq.

"Leadership/people", the fourth strategic focus, centers on leadership and employee development. Firstly, the objective is to enhance leadership skills through training measures that also involve the next generation of executives. We aim to cover our long-term need for leaders, both in terms of numbers and skills, by creating the necessary potential. Secondly, we intend to deploy target employee development measures to train further specialists within the Company to preempt a possible lack of experts in the future. 2014 saw our compliance system in particular refined. The code of conduct, the policy on anti-corruption measures and antitrust law and instructions on how to cooperate with business partners has been binding for all employees since April 2014.

ECONOMIC ENVIRONMENT

_DEVELOPMENT OF THE ECONOMY

After a very modest first half of year, the expansion of the global economy strengthened over the course of 2014. According to statistics provided by the IfW ["Institut für Weltwirtschaft": Institute for the World Economy] global gross domestic product (GDP) increased by 3.4 percent. The expansive monetary policy worldwide and low energy prices had a positive effect. Stronger growth was prevented by geopolitical risks such as the Russia-Ukraine dispute, the conflicts in the Middle East and the economic weakness of South America.

The emerging economies showed less dynamic development overall in 2014 than in prior years, with growth coming to 4.8 percent according to the IfW. Comparatively higher growth rates were seen in China (7.4 percent) and India (5.9 percent). The economies of Brazil and Russia, however, did little more than stagnate. In the developed economies, output increased by 1.8 percent in 2014, but economic development varied greatly between individual countries and regions. The US economy was clearly on the rise, expanding by 2.2 percent, whereas GDP in Japan rose by a mere 0.2 percent.

Europe continued to see only moderate rates of growth. The European Union as a whole generated growth of 1.3 percent, whereas the eurozone only managed growth of 0.8 percent. Countries outside the eurozone, such as the UK, Poland, Sweden, Hungary and Romania, returned above-average growth rates. In the eurozone, economies such as Italy, Austria, France and Finland were very weak. Ireland, Slovakia and Slovenia saw slightly better development.

Following a good start to the year and a weak summer season, the German economy returned to a stable upward trajectory towards the end of the year. This resulted in a rise in GDP of 1.6 percent for 2014. The main stimulus for this growth stemmed from retail consumption.

_MECHANICAL AND PLANT ENGINEERING

In 2014, the German engineering sector failed to meet the expectations of the industry association VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation] of growth of +3 percent, recording an increase in production of 0.7 percent. Order intake rose by 2 percent, with domestic and foreign markets seeing identical developments.

The HOMAG Group focuses on the field of wood processing machines, a sub-market of the mechanical engineering industry. This is characterized by a small number of large players that offer a relatively broad spectrum of products worldwide. In addition, there is a large number of smaller players that are frequently specialized in individual segments or manufacture special-purpose machines. The Biesse group and the SCM group, both based in Italy, and the German-based IMA group are the HOMAG Group's largest competitors with comparable product ranges. We estimate that the 4 corporate groups command a combined share of the global market of just under 52 percent.

Woodworking machinery can be divided into various product categories. HOMAG Group products belong to the segment of plant and machinery for secondary wood processing. According to information from the industry association within the VDMA responsible for it, this segment reported an increase in order intake in 2014 – without taking into account price adjustments – of 6 percent. While international orders increased by 4 percent, orders from within Germany increased by 14 percent. Sales revenue likewise increased by 6 percent in 2014. In this respect, the 12 percent rise from outside Germany was significantly better than the figure for Germany itself, which saw a decrease of 11 percent.

For more information see glossary, pages 188 et seq.

_DEVELOPMENT OF SALES MARKETS

The HOMAG Group's fiscal year 2014 was characterized by significant growth in the Asia/Pacific, North America and Central Europe regions. Even western Europe made a contribution to growth, which meant that it was possible to more than compensate for the weaker development in some countries in eastern Europe and South America. The structural measures that we have continued to consistently implement in our sales and service organization produced further positive effects in this fiscal year. We were successful on the market both in the project business and with our stand-alone machines.

Driven by the positive economic environment in North America, order intake in that region developed very positively. The acquisition of Stiles means that the HOMAG Group can now directly benefit from the good market development and align the sales and service organization even more closely to the market. South America, by contrast, fell below our expectations on account of the ongoing market weakness.

The Asia/Pacific region similarly revealed significant growth, driven on the one hand by our involvement in China and, on the other hand, by other smaller and medium-sized markets in the region.

Eastern Europe did not succeed in matching the good figures seen in the prior year, which was mainly due to the strained political and economic situation in Russia and Ukraine. Due to the uncertainty still prevailing, many of our customers seem to be awaiting further developments despite their ongoing interest in purchasing our products.

In western Europe, we succeeded in generating single-digit growth in order intake compared to the prior year, but the situation in some countries, such as Italy, is still considered critical.

In 2014, the central Europe region saw satisfactory double-digit growth, which was attributable to the good development in Germany, among other factors. In addition to a distinct business with production lines, we also achieved successes with SMEs, which formed a sound basis for such growth.

The order intake in the BRIC countries was driven mainly by China, but we were also able to generate double-digit growth in India despite the weakening of the rupee. The market success of our machines from our HOMAG Machinery plant, based in Bangalore, India, was the basis for our good development on the Indian subcontinent. Although Brazil and Russia did not manage to match the prior year, the HOMAG Group saw double-digit growth in the BRIC countries once again.

_SIGNIFICANT EVENTS IN THE FISCAL YEAR 2014

The central event in the fiscal year 2014 was Dürr's acquisition of the majority shareholding. Dürr Technologies GmbH, a wholly-owned subsidiary of Dürr AG, acquired the majority of the shares 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, with 3 percent of its shares, Dürr joined the shareholder pool of the Schuler family and the Klessmann Foundation, which itself holds 22.1 percent. The HOMAG Group has been fully consolidated in the Dürr Group as of the start of the fourth quarter of 2014.

A second, important milestone was the acquisition of Stiles in the first quarter of 2014, which sets the course for our further growth on the US market. Effective as of February 3, 2014, we increased our holding of voting shares in Stiles Machinery, Inc. from 29.4 to 100 percent, thus acquiring the leading sales and service organization for plant and machinery in the US woodworking industry. This takeover gives us direct access to the US market, which will enable us to profit directly from the current excellent market performance.

We also anticipate major opportunities for growth in the fields of automation and robotics. For this reason, we merged the two subsidiaries BARGSTEDT Handlingsysteme GmbH and LIGMATECH Automationssysteme GmbH to form Homag Automation GmbH in 2014. The merger allows us to create further capacities for the planned growth and globalization in 5 areas: warehouse technology, automation and robotics, sorting and order picking, assembly technology as well as packaging technology. Such bundled skills provide good conditions to penetrate the international market even more effectively.

One important event in the area of finances was in the second quarter of 2014 the premature extension of the term of the syndicated loan agreement, originally concluded in 2012, to 2019; this gave us an opportunity to again improve the terms and allowed us to release a substantial amount of collateral. Like the previous agreement, this agreement is contingent on compliance with certain covenants. Both the syndicate of banks led by Commerzbank, Deutsche Bank and UniCredit and the volume of EUR 210 million are identical to the previous agreement, which would have expired in September 2016.

_ ORDER INTAKE AND SALES REVENUE

The fiscal year 2014 was a record year for the HOMAG Group. We recorded the highest level of sales revenue in the history of the Company, were very successful with regard to order intake and once again achieved a significant improvement in our operating figures. We successfully presented our Company and our innovative products at the major trade fairs held in 2014 such as HOLZ-HANDWERK in Nuremberg or XYLEXPO in Milan, which allowed us to win over numerous customers with our innovations. We experienced great demand not only in the project business with large-scale plant but also with stand-alone machines.

The acquisition of the sales and service company Stiles, which has been fully consolidated since February 2014, gave rise to non-recurring effects on our statement of financial position as well as our income statement for 2014. We refer to the pertinent sections of this group management report for details of these effects. It should additionally be noted that, in order to enhance comparability with sales revenue, we have changed how order intake is calculated. The merchandise of the production companies and the after-sales segment will be included in order intake from now on. The prior-year figure was restated accordingly.

In 2014, we increased **order intake** by 9.3 percent to EUR 802.6 million (prior year: EUR 734.3 million), which exceeded our forecast (between EUR 760 million and EUR 780 million). According to the new calculation method, our **order backlog** came to EUR 307.3 million as of December 31, 2014, which constitutes a record year-end high and means that we have exceeded our prior-year figure (EUR 207.6 million) by around 48 percent. The acquisition of the sales and service company Stiles does not have any impact on order intake or order backlog, as the calculation of these 2 figures does not comprise the merchandise of the sales companies or their margins.

With regard to the Group's sales revenue of EUR 914.8 million in 2014, we achieved the highest figure in the history of the Company, exceeded our forecast (between EUR 860 million and EUR 880 million) and improved this figure by around 16 percent compared to the prior year (EUR 788.8 million). Approximately EUR 68 million stems from the acquisition of Stiles in terms of the sale of non-Group products and the gross profit margin from sales revenue from HOMAG Group products. After eliminating effects from the Stiles acquisition, this represents an increase in sales revenue of EUR 57.8 million or 7 percent. Our inventories increased in connection with the acquisition of Stiles so that our total operating performance comes to EUR 947.7 million (prior year: EUR 809.1 million).

_ SEGMENT SALES REVENUE

Sales revenue improved substantially in all segments in the fiscal year 2014: Sales revenue in the Industry segment (before consolidation between segments) rose to EUR 510.8 million (prior year: EUR 470.7 million) and in the Cabinet Shop segment to EUR 209.8 million (prior year: EUR 200.5 million). The by far largest growth impetus was seen in the Sales & Service segment with growth of EUR 148.6 million to EUR 411.5 million (prior year: EUR 262.9 million). This figure includes the sales revenue of the new sales and service company, Stiles Machinery, Inc. Sales revenue in the Other segment increased to EUR 107.9 million (prior year: EUR 91.8 million), above all at our subsidiaries in Poland and China.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION OF THE HOMAG GROUP

_RESULTS OF OPERATIONS

Our earnings figures also developed well in 2014, despite negative special effects. From a purely operating perspective, we succeeded in significantly increasing earnings margins. The special effects are reflected in the significant increase in our **extraordinary expenses** to EUR 17.1 million (prior year: EUR 3.8 million), primarily as a result of the Stiles acquisition. In this respect, cost of materials includes special effects relating to the elimination of intercompany profits of EUR 8.4 million and inventory-related effects from the purchase price allocation of EUR 2.4 million. Extraordinary expenses include, among other things, an amount incurred by the Company relating to a member of the management board stepping down at the end of fiscal 2014.

Other operating income increased to EUR 19.8 million (prior year: EUR 16.4 million), essentially on account of exchange rate gains that have risen by EUR 4.9 million. In the prior year, this item had included EUR 1.5 million from the sale of property at the subsidiary FRIZ Kaschiertechnik GmbH.

Our **cost of materials** rose to EUR 407.9 million (prior year: EUR 342.0 million) primarily due to the positive development of business. In addition, the effects from the acquisition of Stiles caused an increase in cost of materials. This means that the cost of materials ratio (defined as cost of materials to total operating performance) increased slightly to 43.0 percent (prior year: 42.3 percent). Adjusted for the non-recurring Stiles expenses, the ratio of cost of materials to total operating performance decreased to 41.9 percent. Our purchasing project, which enabled us to further reduce our cost of materials, also contributed to this development.

Personnel expenses came to EUR 335.8 million in the fiscal year 2014 (prior year: EUR 286.1 million). This increase is primarily attributable to the rise in the number of employees, specifically from the full consolidation of Stiles. The collectively bargained wage increases at German production companies is an additional factor, as are the rapidly increasing labor costs in emerging economies, in particular in China. Our ratio of personnel expenses to total operating performance stood at 35.4 percent, which is the same level as the prior year.

At EUR 31.4 million, **amortization of intangible assets and depreciation of property, plant and equipment** remained at the prior-year level.

In the reporting year, **other operating expenses** rose to EUR 147.2 million (prior year: EUR 124.4 million). This is above all due to the first-time consolidation of Stiles, including the resulting higher travel costs as well as exchange rate losses and higher costs for consulting services, leases and maintenance.

Employee profit participation expenses rose to EUR 8.6 million (prior year: EUR 7.0 million). This is due to a special effect amounting to EUR 2.2 million from the much lower discount rate, which led to a smaller discounting effect for the non-current obligation.

Our **interest result** improved again compared to the prior year on account of lower debt level, better interest rates owing to the renegotiated syndicated loan agreement and the generally lower interest level to EUR –4.8 million (prior year: EUR –5.9 million). The **profit/loss from associates** decreased to EUR 0.7 million on account of Stiles' contribution to earnings which is no longer included here (prior year: EUR 2.1 million). This gives rise to a **financial result** of EUR –4.1 million (prior year: EUR –3.8 million).

For more information see glossary, pages 188 et seq.

In the reporting year, our **tax expense ratio** was reduced further to 37.4 percent (prior year: 38.3 percent).

_ EARNINGS INDICATORS

Operative EBITDA before employee profit participation expenses and before extraordinary expenses is the definitive indicator we use to measure the actual operational development of the HOMAG Group as all special effects are eliminated. This indicator rose by 23.0 percent to EUR 93.2 million (prior year: EUR 75.8 million), which exceeded our forecast (between EUR 82 million and EUR 84 million). As the increase outpaced the Group's sales revenue growth, the operative EBITDA margin improved further to 10.2 percent (prior year: 9.6 percent). **EBIT before employee profit participation expenses and after extraordinary expenses** increased by 8.8 percent to EUR 45.3 million (prior year: EUR 41.6 million).

EBT after employee profit participation expenses and after extraordinary expenses increased to EUR 32.6 million (prior year: EUR 30.9 million). Our tax expense ratio, which has continued to decrease, gives rise to **net profit for the year after non-controlling interests** of EUR 18.9 million (prior year: EUR 18.4 million). Due to the negative special effects seen in the fiscal year 2014, we have fallen just below the forecast net profit for the year of between EUR 20 million and EUR 22 million. This means that earnings per share stood at EUR 1.21 (prior year: EUR 1.17).

For more information see glossary, pages 188 et seq.

We report the **return on capital employed** (ROCE) on the basis of adjusted EBIT, i.e., before employee profit participation and adjusted for extraordinary expenses. On account of the significantly increased adjusted EBIT and the lower level of capital employed, ROCE 2014 before tax rose clearly above the prior-year figure (prior year: 16.1 percent) to 24.1 percent.

The decrease in **capital employed** mainly results from the significant reduction in net working capital. The reasons for the decrease are the higher level of prepayments received and the increase in trade payables, of which a large portion is attributable to the acquisition of Stiles. Other current liabilities and deferred income also increased significantly. On the one hand, the increase stems from the acquisition of Stiles. On the other, these items include higher management bonuses on account of the improved earnings situation as well as a severance payment for a member of the management board who stepped down in 2014. Another reason for the decline in the level of capital employed is the reduction in financial assets of around EUR 5 million on account of the Stiles acquisition.

At 16.9 percent, **ROCE after tax** (the tax rate used for this calculation was 30 percent in both years) was also above the prior-year level (prior year: 11.3 percent). This means that we have once again earned more than our cost of capital this fiscal year.

_ SEGMENT RESULTS

At EUR 64.0 million, **operative EBITDA before employee profit participation expenses and before extraordinary expense** in the Industry segment before consolidation rose significantly in comparison to the prior year (EUR 54.5 million). The operating result also developed very well in the Cabinet Shop segment, coming to EUR 12.4 million (prior year: EUR 11.4 million). The significant rise to EUR 29.9 million in the Sales & Service segment mainly results from the Stiles acquisition (prior year: EUR 11.5 million). Both the cost of materials and personnel expenses rose at a higher rate than sales revenue in the Other segment. For this reason, operative EBITDA fell to EUR –4.0 million (prior year: EUR –2.1 million).

The segment result, which corresponds to **EBT after employee profit participation expenses and after extraordinary expense** rose to EUR 34.9 million in the Industry segment (prior year: EUR 26.4 million). This improvement is mainly a result of the rise in the volume of sales revenue. Earnings before taxes for the Cabinet Shops segment decreased to EUR 3.3 million (prior year: EUR 4.4 million). In addition to the higher cost of materials, higher personnel expenses are another reason for this decrease. In the Sales & Service segment, earnings improved to EUR 14.3 million (prior year: EUR 8.3 million) although the restructuring and non-recurring expenses rose substantially as a result of the integration of Stiles. EBT in the Other segment, however, declined in the reporting year to EUR –11.6 million (prior year: EUR –8.6 million). This is due, among other things, to severance payments for a member of the management board who stepped down in 2014.

_NET ASSETS

Our Group's **total assets** rose to EUR 610.8 million as of December 31, 2014 (prior year: EUR 543.9 million). In this respect, an increase of EUR 68.9 million is attributable to the takeover of Stiles. Disregarding this non-recurring item, the increase in total assets did not match that in total operating performance thanks to our active assets management.

On the **assets side**, **intangible assets** increased by EUR 5.6 million to EUR 77.7 million (prior year: EUR 72.1 million). This was due to the addition of the goodwill from Stiles as well as capital expenditure on the major IT project ProFuture and the conversion of the goods management system to SAP ERP that it involves. Our **property, plant and equipment** increased to EUR 128.9 million on account of the Stiles acquisition and above all the expansion of our production in Poland (prior year: EUR 125.0 million). The **investments in associates** item decreased to EUR 4.8 million (prior year: EUR 10.1 million) as it no longer includes Stiles. Deferred taxes rose by EUR 1.1 million to EUR 10.1 million (prior year: EUR 9.0 million).

Of the significant rise in **inventories** of EUR 41.3 million to EUR 174.8 million (prior year: EUR 133.5 million), around EUR 37 million is attributable to the acquisition of Stiles. In addition, there was a slight build-up of inventories on account of the good order situation. **Receivables from associates** rose significantly to EUR 44.0 million (prior year: EUR 21.5 million), which is mainly attributable to cut-off effects on the measurement of the stage of completion determined for large-scale plants. The decrease in **receivables from associates** to EUR 4.7 million (prior year: EUR 15.4 million) results from the complete takeover of Stiles, which is no longer included in this item. Our **cash and cash equivalents** increased to EUR 50.0 million despite extensive repayment of debt (prior year: EUR 44.9 million).

On the **equity and liabilities side**, the net profit for the period led to an increase in **equity** to EUR 194.7 million as of the end of the fiscal year 2014 (prior year: EUR 177.7 million). Our **equity ratio** (ratio of equity to total assets) decreased to 31.9 percent as of December 31, 2014 on account of an increase in total assets caused by the acquisition (prior year: 32.7 percent).

Our **non-current financial liabilities** increased to EUR 71.9 million (prior year: EUR 64.0 million) on account of a loan taken out in connection with the acquisition of Stiles. Deferred tax liabilities increased to EUR 19.2 million (prior year: EUR 13.1 million).

Thanks to our extensive repayment of debt in the fiscal year 2014, our **current financial liabilities** decreased by a total of EUR 44.6 million to EUR 14.6 million (prior year: EUR 59.2 million). Trade payables rose to EUR 84.9 million (prior year: EUR 61.2 million). The takeover of Stiles, accounting for EUR 27 million, and the positive order situation are the main reasons for this development. On account of the takeover of Stiles, the high order backlog and strict prepayment management, **prepayments received** rose to EUR 59.9 million (prior year: EUR 39.7 million). The increase in **current liabilities and deferred income** relates to the takeover of Stiles, the higher bonuses compared to the prior year as well as a severance payment for a member of the management board who stepped down in 2014.

_FINANCIAL POSITION

The good business development and the good operative results in the fiscal year 2014 are also reflected in **net liabilities to banks**, which as of December 31, 2014 had fallen significantly by 59 percent to EUR 28.5 million (December 31, 2013: EUR 69.2 million). We achieved this despite the cash outflow for the Stiles acquisition, a higher level of investment and a larger dividend distribution. In addition to the positive development of business, this decrease is also a result of successful working capital management. For example, we were able to achieve higher prepayment rates commensurate with the good project business and agreed longer terms of payments with our suppliers.

The **operating cash flow** (cash flow from operating activities) rose significantly to EUR 90.3 million in fiscal 2014 (prior year: EUR 46.5 million). This rise is attributable in particular to strict working capital management. **Cash flow from investing activities** increased mainly on account of the Stiles acquisition and the rise in the volume of investment in property, plant and equipment and intangible assets to EUR –40.2 million (prior year: EUR –18.0 million). All in all there was, despite the Stiles acquisition, a significant improvement in free cash flow (the sum of operating cash flow and cash flow from investing activities) in comparison to fiscal year 2014 to EUR 50.1 million (prior year: EUR 28.5 million). This underlines our ability to repay existing financial liabilities. **Cash flow from financing activities** rose to EUR –46.1 million (prior year: EUR –27.3 million). The increase is mainly attributable to the repayment of financial liabilities. **Cash and cash equivalents** stood at EUR 50.0 million as of December 31, 2014 (prior year: EUR 44.9 million).

For more information see glossary, pages 188 et seq.

_ CAPITAL EXPENDITURE

In 2014, our **capital expenditure on intangible assets and property, plant and equipment** (without leases) once again increased significantly to EUR 35.9 million in the Group (prior year: EUR 24.3 million). The focal points included an extension at our production plant in Poland, which virtually doubled the production floor area at that location. In addition, we invested in our enterprise software in connection with our large-scale IT project, ProFuture, in the development of software and control technology as well as in the development of a new line of machines. In addition, we implemented a state-of-the-art energy concept at our location in Schopfloch, where we invested in significantly improved insulation of the halls and in new combined heat and power plants as well as refurbishing existing ones. Capital expenditures include **capitalized development work** of EUR 7.5 million (prior year: EUR 7.6 million). As of December 31, 2014, the total value of our property, plant and equipment and intangible assets stood at EUR 206.6 million (prior year: EUR 197.0 million).

Investments in the Industry segment rose on account of the large-scale IT project ProFuture to EUR 19.1 million (prior year: EUR 17.7 million), while investments in the Cabinet Shops segment decreased slightly to EUR 3.6 million (prior year: EUR 4.3 million). Our investments in the Sales & Service segment increased significantly to EUR 5.3 million due to the acquisition of Stiles (prior year: EUR 1.0 million). Our investments in the Other segment also increased to EUR 4.6 million on account of the extension to our production plant in Poland (prior year: EUR 1.3 million).

_ OVERALL STATEMENT ON THE ECONOMIC SITUATION OF THE GROUP

In the opinion of the HOMAG Group's management board, fiscal 2014 was a successful year. New records were set with regard to both sales revenue and order backlog as of the end of the reporting period. The Group's sales revenue grew faster than the industry average by around 16 percent, which meant that we were able to win market shares. The management board gives the development of the results of operations a positive assessment. This confirms that the measures implemented to enhance efficiency are taking effect. For instance, it was possible to reduce the cost base and further improve the operating performance. The good development of the fiscal year 2014 is also reflected in the significant decrease in net liabilities to banks from nearly EUR 70 million to EUR 28.5 million.

Following the successful reporting year, the management board sees the HOMAG Group on the right track with the implementation of the long-term strategy and the goals defined therein. Profitable growth in the Group is expected to continue in the coming years despite a higher level of economic uncertainty.

RESEARCH AND DEVELOPMENT

_GENERAL

In addition to new machines and production lines, the research and development (R&D) department develops innovative software packages and services for the woodworking and wood materials processing industry and cabinet makers.

As a technology leader, we are intent on being the first to market with our innovations. When it comes to new developments, the focus is always on customers and the market. In order to bring about technology advances in the industry, we are also driving developments in completely new directions. For this reason, the HOMAG Group cooperates with universities and Fraunhofer Institutes. The input from external experts from these institutions enables the HOMAG Group to build up expertise in fields of technology of interest for the Company and to gain access to the most recent scientific findings. By doing so, the HOMAG Group also safeguards its innovation leadership in the long run. In total, there are 830 research and development employees in the R&D functions, including order-based design, throughout the Group as of December 31, 2014 (prior year: 786 employees); 329 employees of whom work exclusively in development activities. Just under 30 percent of the new hires in this function worked in R&D departments at foreign companies in 2014.

The research and development ratio, i.e., R&D expenses including the costs of made-to-order contracts and project development as a percentage of sales revenue, came to 7.3 percent in the reporting year (prior year: 7.7 percent). The pure development ratio, i.e., non-capitalized development costs and the amortization of capitalized development costs as a percentage of sales revenue came to 3.4 percent in 2014 (prior year: 3.6 percent).

Our innovative drive is also reflected in the high number of patent applications of more than 70 in 2014 (2013: more than 60). New patents were filed in virtually all of our product areas of technology with a view to securing our technological edge. As of December 31, 2014 we had more than 370 patent families. Our portfolio currently has a total of 1,035 published individual patents (prior year: 953).

In 2014, the HOMAG Group presented its new developments at just under 60 national and international trade fairs. The most important trade fairs included HOLZ-HANDWERK in Nuremberg, XYLEXPO in Milan, IWF in Atlanta and CIFF Interzum in Guangzhou.

For our customers, the automation of transport and handling systems are important areas for the future. For this reason, we merged the entities BARGSTEDT and LIGMATECH to form one company. Bundling expertise in the new entity HOMAG Automation boosts performance and flexibility, especially for new and customized developments. We are driving development forward and leveraging internal synergies in all five areas: warehouse technology, automation and robotics, assembly technology, sorting and order picking, as well as packaging technology.

Our long-term product strategy is aimed in 3 directions: increasing productivity, differentiation and sustainability. The focus of all new developments and refinements for cabinet shops and industry is placed on the benefit to our customers. Our innovations are intended to increase our customers' productivity and set them apart from the competition in terms of design and quality, while meeting demands on sustainability as regards energy and material consumption. All 3 focal points form the basis of our product strategy.

_INCREASING PRODUCTIVITY

There are several ways in which customers of the HOMAG Group boost their productivity: firstly, through shorter cycle times in mass production with HOMAG machines and secondly through a greater level of flexibility in customized production, thanks for instance to shorter retooling times. Thirdly, we can also improve productivity by optimally connecting all of our machines and production lines to customers' planning and management systems and continuously improving the user interface.

For more information see glossary, pages 188 et seq.

An all-brand platform strategy enables us, on the one hand, to structure our own R&D process as cost-efficiently as possible, reduce the complexity of our products and thus shorten development times. On the other hand, we use fixed basic configurations and modular equipment packages to fulfill virtually all customer requirements with considerably less variance. In the area of edge banding machines with a sliding chain, the first specially developed platform was presented to the public in 2014. In addition, the new platform has higher-performance aggregate families and exhibits improved user and service friendliness.

For more information see glossary, pages 188 et seq.

As part of CNC machining, a smart machine configuration facilitates 360 degree edge banding with lower space requirements. Another advantage is direct and quicker access to the edge exchange in order to facilitate topping up hot-melt glue and to service the aggregate.

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

For more information see glossary, pages 188 et seq.

Our service area, which has gained in importance for our Company and our customers, presented the new Service**Board** in the reporting year. It enables precise remote diagnosis in real time. Using a specially designed app, machine operators worldwide can film machine malfunctions. A HOMAG Group service technician can then make a remote diagnosis in real time and regardless of location. As a result, machine uptime can be restored in an extremely short space of time.

_DIFFERENTIATION

Our customers set themselves apart from the competition with the design of their products, e.g., surfaces that simply look and feel good and style. As a result, it is important that our customers have the highest possible level of flexibility with respect to the production of the most unique design variations.

Hydrophobing is at the center of the 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 strength of the joint.

The new version of the wood**WOP7** software for programming our machines now allows interpolation processing. The full potential of a 5 axis processing center or 5 axis aggregate technology can now be exploited with the new software. wood**WOP7** allows free-form surfaces to be created as well as multi-dimensional curved bodies to be designed in just a few steps. All designs can be generated in 3D.

In addition, we offer our customers 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 and imported into wood**WOP7**.

_SUSTAINABILITY

One important field of research in the development of our machines and production lines in the area of sustainability is extraction technology, which is energy intensive. Once again in 2014, we made further progress in this field. Using an innovative material (CFK), it is possible to optimize energy efficient removal of chips. The fitting of covers for variable direction of ambient air reduces energy consumption.

Additional promising development projects are currently being worked on, with which we will demonstrate our innovation power to customers at the LIGNA, the leading trade fair for the industry, in Hanover in May 2015, and beyond.

SUSTAINABILITY REPORT

_SUSTAINABILITY IS FIRMLY ANCHORED IN OUR MISSION STATEMENT

Sustainable action is an integral component of the corporate strategy for the HOMAG Group. We are aware of our responsibility for the environment, our employees and shareholders as well as our business partners and are convinced that a balance can be struck between economic, ecological and social factors. Our commitment to "sustainability through responsibility" is also contained in our mission statement.

_ECOLOGICAL RESPONSIBILITY

In order to use every unit of material in wood processing, however small it may be, for a purpose we develop and refine processes on an ongoing basis to reduce production waste as well as creating individual products for sustainable use. In addition, increasing the energy efficiency of new developments is a key element in development, as sustainability in products, e.g., energy efficiency and conserving resources in production activities, is becoming ever more important, both for us and our customers. As a result, we attach great value in all new developments to the fusion between performance and economy in the consumption of energy and materials and thereby ensuring that our future technologies are future-proof.

More than 5 years ago, we at the HOMAG Group combined all these measures enhancing sustainability into the ecoPlus concept. This includes for example the energy-saving standby operation of our machines and production lines. Furthermore, a large number of all HOMAG Group machines work with highly-efficient IE2 motors. Compared to conventional motors, these motors are able to generate considerably higher output, while at the same time reducing CO_2 emissions.

We use simulation technology already in the planning of new lines for our customers in order to optimize the flow of materials, avoid bottlenecks and develop an efficient production line. The focus in this context is on discovering unnecessary energy consumption through performance losses.

At the same time, the HOMAG Group is a partner of the VDMA Blue Competence sustainability initiative. This campaign is designed to promote sustainable technologies for business, the environment and society at large in order to take and maintain long-term technological leadership worldwide in sustainability issues.

By investing in modern, environmentally compatible technology, we strive to reduce energy consumption at our global production facilities in the long term. All in all, we invested a total of EUR 1.9 million in 2014 in measures to reduce energy consumption at the largest subsidiary in Schopfloch. In this respect, the energy concept involved retrofitting the existing combined heat and power plants to run on gas instead of oil. Additional heat exchangers will make it possible in the future to use the waste heat produced to also cool the Company's buildings in the summer. The current energy-intensive air conditioning system will thus become redundant. The annual savings in CO_2 emissions at this location alone will come to 1,750 metric tons per annum.

_SOCIAL RESPONSIBILITY

As employer we take our responsibility towards our employees seriously. Promoting young talent and the ongoing professional and personal development of our employees are a vital component of our corporate strategy (see also page 40 et seq.). We set great store by social corporate responsibility. For this reason, we cooperate with several educational institutions in order to provide young people with guidance early on when it comes to finding a profession.

For more information see page 40 – 41

For more information see glossary, pages 188 et seq.

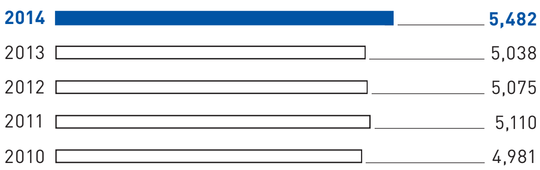
The HOMAG Group has given its corporate social responsibility the name "HOMAG Cares". This initiative has been, among other things, part of trade fairs and events worldwide for many years now. The focus in this context is always placed on supporting charitable organizations. In 2014, for example, we donated the sales revenue generated from the sale of demonstration parts to national and international charities.

EMPLOYEES

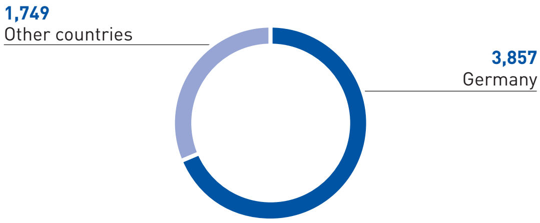
The Group's headcount increased to 5,606 employees as of December 31, 2014 (prior year: 5,064 employees). As a result of the full acquisition of the remaining shares in Stiles Machinery, Inc., 329 of their employees were included in the Group as of the reporting date. In addition, we primarily increased our workforce at our foreign production companies in Poland and China. As of year-end, the Group had 3,857 employees in Germany (prior year: 3,810 employees) and 1,749 employees in other countries (prior year: 1,254 employees). The average headcount rose from 5,038 employees to 5,482 employees, 322 of whom on average worked at Stiles Machinery, Inc. At the end of 2014, the HOMAG Group employed 155 contract workers (prior year: 99 contract workers).

In the Industry segment, average headcount in 2014 stood at 2,619 employees (prior year: 2,609 employees) and in the Cabinet Shops segment it stood at 995 employees (prior year: 984 employees). Average headcount in the Sales & Service segment stood at 1,054 employees on account of the integration of Stiles (prior year: 725 employees). This corresponds to an increase of 329 employees on the prior year. In the Other segment we build up headcount mainly in growth regions; an annual average of 814 employees (prior year: 720 employees) were working in this segment.

_M2_Employees 2010 – 2014 (Annual Average)



_M3_Employees as of the Reporting Date by Region 2014



_THE HOMAG GROUP AS EMPLOYER

We have clearly defined mission statements governing our dealings with one another, our management style and our relationships to customers. These are not only guidelines but also a duty. Together, we bring to life our values "Success through Partnership", "Trust based on Reliability", "Evolution based on Openness" and "Sustainability through Responsibility". As the conduct of our employees both internally and externally is an essential factor in our success, it is more important than ever that these values are brought to life in the day-to-day work of all employees.

The balance between work commitments and private life is a decisive basis for motivation and performance. For this reason, we offer our employees an extensive range of part-time solutions and flexible working hours and thus help them strike a work-life balance.

_PERSONNEL DEVELOPMENT AT THE HOMAG GROUP

Our employees are the guarantee of our success, which is why we consistently promote employee development in order to maintain the high level of qualification and innovation within the Group. To this end, we provide a wide range of training possibilities to employees for their personal development. In this context, we distinguish between development opportunities for specialist and leadership career paths. In addition to methodological topics, employees can attend language, IT and specialist courses specific to their professions. We also support further development programs, such as Bachelor's, Master's or technician training as a part-time arrangement or with a guaranteed right to return to the Company.

Overall, our employees in Germany attended around 2,400 courses with 32.9 percent of all employees in Germany participating in development programs. In addition, we extended our offering of specialist online training courses, primarily in the Service area. Furthermore, all employees received compliance training in fiscal 2014.

The innovation power demonstrated by our employees secures the continued existence of our Company. In the long term, we too will be impacted by demographic change. This means that recruiting qualified staff will constitute an ever greater challenge. The Group considers permanently securing the future generation of young qualified employees to be an important task. The HOMAG Group has therefore always maintained a high ratio of trainees to total workforce. As of the reporting date, there were a total of 330 trainees (prior year: 365) in the Group, thereof 258 (prior year: 294) in technical and 72 (prior year: 71) in commercial positions. Compared to other companies in the industry in Germany, this corresponds to a high ratio of trainees to total workforce of just over 8.6 percent (prior year: 9.6 percent). A total of around 80 young people began their training at Group production entities in the reporting year (prior year: about 100). As the first training company in the Freudenstadt district, the largest subsidiary of the HOMAG Group received the "Excellence in Training" quality seal from the northern Black Forest Chamber of Industry and Commerce in the 2014 reporting year.

In total, the HOMAG Group offers training for 11 attractive and challenging technical and commercial professions. In addition, we cooperate closely with Baden-Württemberg Cooperative State University (DHBW) and provide training in 10 different technical subjects as well as business management and information technology. High school graduates can complete the dual concept studies program with a Bachelor's degree. In total, 17 casual student workers and 146 interns worked at the German locations of the HOMAG Group, 27 students were writing their dissertations in 2014.

In order to spark school children's interest in training professions at the Company, subsidiaries of HOMAG Group AG offer diverse activities. In addition to professional training meets where the companies introduce themselves in workshops and workplace tours, the HOMAG Group holds presentations at a number of college and university job fairs. The aim is to engage in dialog with as many students and graduates as possible in order to show them possibilities for starting a career at the global leader for wood processing systems.

_EMPLOYEES AS FELLOW ENTREPRENEURS

Some of the HOMAG Group subsidiaries have an employee profit participation scheme. Employees thus bear some of the entrepreneurial opportunities and risks in that they share in both the profit generated by the respective companies and also in any loss incurred. The companies with an employee profit participation scheme expect to distribute EUR 4.2 million (prior year: EUR 3.9 million) to their employees participating in the respective schemes for the past fiscal year 2014.

DISCLOSURES PURSUANT TO SEC. 289 (4) AND SEC. 315 (4) HGB [“HANDELSGESETZBUCH”: GERMAN COMMERCIAL CODE]

Composition of issued capital (No. 1): Issued capital of EUR 15,688,000.00 comprises 15,688,000 no-par value bearer shares with an imputed share in share capital of EUR 1.00 per share. The rights and duties associated with ordinary shares are defined in German stock corporation law.

Restrictions relating to the voting rights or transferability of shares (No. 2): Gerhard Schuler, Freudenstadt, Mareike Hengel, Freudenstadt, Silke Schuler-Gunkel, Freiburg, Dr. Anja Schuler, Zurich, Switzerland, Erich und Hanna Klessmann Stiftung, Gütersloh, Lea Gunkel, Freiburg, Luisa Gunkel, Freiburg, Mira Gunkel, Freiburg, Simon Hengel, Freudenstadt, Tobias Hengel, Freudenstadt, Runa Schuler, Zurich, Switzerland, Anna GbR, Freudenstadt, Hengel MST GbR, Freudenstadt, Wood Generations GbR, Freiburg, and Dürr Technologies GmbH, Stuttgart, concluded a vote pooling agreement on October 10, 2014. This vote pooling agreement contains limitations on both voting rights and the transfer of shares. The management board is not aware of any further restrictions, especially arising from agreements between shareholders.

Capital investments exceeding 10 percent of the voting rights (No. 3): Deutsche Beteiligungs AG, Frankfurt am Main and the parallel funds managed by it held an interest in the Company’s share capital and voting rights of more than 10 percent until October 10, 2014. As of October 10, 2014, Dürr Technologies GmbH, Stuttgart, holds a capital investment and voting right in the Company of greater than 10 percent. The same applies to Gerhard Schuler, Freudenstadt, and Mareike Hengel, Freudenstadt, Silke Schuler-Gunkel, Freiburg, Dr. Anja Schuler, Zurich, and Erich und Hanna Klessmann Stiftung, Gütersloh, who are allocated a voting right in the Company of greater than 10 percent on account of the aforementioned vote pooling agreement.

Shares with special rights that grant control authority (No. 4): There are no shareholders in HOMAG Group AG with special rights granting control.

Type of voting right control for interest in capital held by employees (No. 5): There are no employees with an interest in the capital of HOMAG Group AG who cannot exercise their rights of control directly.

Legal provisions and statutes on the appointment and dismissal of members of the management board and amendments to the articles of incorporation and bylaws (No. 6):

a) **Appointment and dismissal of management board members:** The appointment and dismissal of members of the management board comply with Secs. 84 and 85 AktG and Sec 31 MitbestG [“Mitbestimmungsgesetz”: German Co-determination Act]. Supplementary to this, Art. 5 (1) of the articles of incorporation and bylaws prescribes that the management board has to comprise at least 3 persons and that the appointment of deputy members of the management board is permitted. In accordance with Art. 5 (2) of the articles of incorporation and bylaws, the supervisory board determines the number of members of the management board, appoints them, concludes changes and terminates service agreements, as well as revokes appointments; it is also responsible for appointing the chairperson and the deputy chairperson of the management board.

b) **Amendments to the articles of incorporation and bylaws:** In accordance with Sec. 179 (1) AktG, the articles of incorporation and bylaws may only be amended by resolution of the annual general meeting. The supervisory board is authorized, however, to pass resolutions amending the wording of the articles of incorporation and bylaws in accordance with Art. 15 of the articles of incorporation and bylaws in conjunction with Sec. 179 (1) Sentence 2 AktG.

Resolutions of the annual general meeting to amend the articles of incorporation and bylaws are passed, to the extent permitted by the provisions of law, by simple majority of votes cast pursuant to Art. 20 (1) of the articles of incorporation and bylaws in conjunction with Sec. 179 (2) Sentence 2 AktG and, to the extent that the law provides for a majority of share capital represented in addition to the majority of votes cast, by simple majority of the share capital represented at the passing of the resolution.

Authority of the management board, in particular regarding the possibility to issue or redeem shares (No. 7):

a) **Authorization to issue shares:** The management board is not authorized to issue new shares.

b) **Authorization to purchase treasury shares:** The annual general meeting of May 28, 2010 authorized the Company pursuant to Sec. 71 (1) No. 8 AktG, with the approval of the supervisory board, to purchase treasury shares up to a total of 10 percent of the share capital, i.e., up to 1,568,800 no-par value bearer shares until April 30, 2015. The Company may not use the authorization to trade with treasury shares. The Company can exercise the authorization wholly or in part, once or several times. The management board can choose to purchase the treasury shares either a) via the stock exchange or b) through a public offer made to all shareholders.

Subject to the approval of the supervisory board, the management board is authorized to redeem the treasury shares purchased pursuant to this authorization without requiring any further resolutions by the annual general meeting. Moreover, subject to the approval of the supervisory board, treasury shares acquired on the basis of the authorization can be sold in a way other than on the stock exchange, provided that they are purchased in exchange for contributions in cash and at a price that does not fall materially short of the quoted price of the same category of the Company's shares at the time of the sale. The total imputed share in share capital attributable to the number of treasury shares sold under this authorization together with the imputed share in share capital attributable to new shares issued, while precluding subscription rights in accordance with Sec. 186 (3) Sentence 4 AktG directly or by analogy, since the resolution granting this authorization was passed, may not exceed a total of 10 percent of the share capital as of the date on which the authorization takes effect or, if lower, as of the date on which this authorization is exercised. The price at which the Company's shares are sold to third parties may not fall short by more than 5 percent (excluding incidental purchase costs) of the average closing rate of the Company's shares in XETRA trading (or a functionally comparable successor system) on the Frankfurt am Main stock exchange during the 5 trading days prior to the agreement with the third party. Subject to the approval of the supervisory board, the management board is also authorized to offer the treasury shares purchased under the authorization to third parties in the course of business combinations or for the purpose of acquiring entities, parts of entities or equity investments. Shareholders' subscription rights are thus precluded.

Material agreements of the Company in the event of a change of control as a result of a takeover bid (No. 8): HOMAG Group AG is party to an agreement governing a syndicated loan of EUR 210,000,000.00. Under this syndicated loan agreement, all sums paid must be repaid prematurely together with all other sums owed under the syndicated loan agreement upon any "Change of Control". A change of control within the present meaning is deemed to have taken place if 50 percent or more of the voting rights or 50 percent or more of the capital of a debtor is acquired by one person or a group of people acting together, with voting rights allocated in accordance with Sec. 30 WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": Securities Acquisition and Takeover Act]. The syndicate of banks approved the acquisition by Dürr Technologies GmbH in the 2014 reporting year.

For more information see glossary, pages 188 et seq.

Compensation agreements in the event of a takeover bid (No. 9): The Company has not entered into compensation agreements with the members of the management board or employees in the event of a takeover bid. With regard to the effect of the expiration of Dr. Flik's management board service agreement at the end of December 31, 2014, reference is made to the corresponding explanations in the remuneration report on page 61 et seq.

For more information see page 61 – 66

CLOSING STATEMENT BY THE MANAGEMENT BOARD ON RELATIONSHIPS WITH AFFILIATES

HOMAG Group AG has been a dependent company as defined by Sec. 312 AktG of Dürr AG, Stuttgart, Germany, since October 10, 2014. Pursuant to Sec. 312 (1) AktG, the management board of HOMAG Group AG prepared a dependent company report; this details relationships with affiliates, and closes with the following declaration:

"The management board states with regard to the dependent relationship with the constructive controlling company Dürr AG from October 10, 2014 to December 31, 2014, that the Company, in the circumstances known to it at the date on which it entered into the relevant transaction or undertook or refrained from undertaking the relevant act, received adequate consideration for each transaction and did not suffer any disadvantage which would have required compensation, by reason of undertaking or refraining from undertaking the act."

DECLARATION OF COMPLIANCE (INCLUDING CORPORATE GOVERNANCE REPORT[1]) PURSUANT TO SEC. 289A HGB

The management board of HOMAG Group AG reports on the management of the Company in this declaration in accordance with Sec. 289a HGB. At the same time, the management board and supervisory board report on the corporate governance of the Company in accordance with No. 3.10 of the German Corporate Governance Code (GCGC).

_CORPORATE GOVERNANCE AT THE HOMAG GROUP

The management board and the supervisory board as well as all of the HOMAG Group's employees feel duty-bound to the German Corporate Governance Code (GCGC), and its recommendations and suggestions are at the core of our activities. Based on the requirements of this code, the following Declaration of Compliance was issued pursuant to Sec. 161 AktG.

DECLARATION OF COMPLIANCE 2015

Declaration by the management board and supervisory board of Homag Group AG on the German Corporate Governance Code pursuant to Sec. 161 AktG.

The management board and supervisory board of Homag Group AG (hereinafter the "Company") issue the following declaration of compliance pursuant to Sec. 161 AktG with respect to the recommendations of the government commission for the German Corporate Governance Code and are responsible for its publication on the Company's website. The management board and supervisory board of Homag Group AG issued the declaration of compliance 2014, in January 2014. For the period from the date of issue of the declaration of compliance 2014 to September 29, 2014, the following declaration pertains to the recommendations of the German Corporate Governance Code (hereinafter the "Code") in the version dated May 13, 2013, as published on June 10, 2013 in the Bundesanzeiger [German Federal Gazette]. For the period as of September 30, 2014, the following declaration pertains to the recommendations of the Code in the version dated June 24, 2014, as published on September 30, 2014 in the Bundesanzeiger.

Now therefore, the management board and supervisory board of Homag Group AG declare that recommendations of the Code will be complied with and were complied with in the past. The management board and supervisory board of Homag Group AG also intend to comply with it in the future. Only the following recommendations of the Code were not complied with and will not be complied with:

1. No. 4.2.3 (4) Sentence 3 of the Code – Severance payment cap

No. 4.2.3 (4) of the Code refers to the maximum amount of payments made to a management board member on premature termination of his/her contract (severance payment cap). Pursuant to No. 4.2.3 (4) Sentence 3 of the Code, the severance payment cap should be calculated primarily on the basis of the total compensation for the past fiscal year.

The recommendation in No. 4.2.3 (4) Sentence 3 of the Code was not complied with when concluding the management board service agreement with the former CEO, Dr. Flik, as regards the fact that the severance payment cap was not calculated on the basis of the total compensation for the past fiscal year, but on the total compensation for the fiscal year in which the contract is terminated.

This deviation from the recommendation of the Code was agreed because the supervisory board and Dr. Flik concurred that Dr. Flik has a special need for protection as regards the design of the severance payment cap. This is due to the fact that the service agreement granted Homag Group AG the right to terminate the contractual arrangement with effect as early as March 31, 2014 without Dr. Flik being entitled to severance payment in such an event. Dr. Flik's need for protection resulting from this special termination right led to the design of a severance payment cap that deviates from the recommendations of the Code.

This deviation from the recommendation of the Code ended on December 31, 2014, as Dr. Flik's service agreement expired at this point in time.

1 The declaration on corporate governance did not fall within the scope of the statutory audit of the financial statements, with the exception of the remuneration report.

2. No. 4.2.3 (5) in conjunction with No. 4.2.3 (4) Sentence 3 of the Code – Change of control compensation

In accordance with No. 4.2.3 (5) in conjunction with No. 4.2.3 (4) Sentence 3 of the Code, payments promised in the event of a change of control should not exceed 150 percent of the severance payment cap, i.e., 3 years' compensation (change of control compensation). As with the severance payment cap, the calculation of the change of control compensation should be primarily based on the total compensation of the past fiscal year.

The management board service agreement of Dr. Flik deviated from this recommendation as the contract – as well as the calculation of the severance payment cap – also for the calculation of the change of control compensation takes as a basis the total compensation for the fiscal year in which the contract is terminated rather than the total compensation for the past fiscal year.

This deviation from the recommendation of the Code is likewise attributable to the special need for protection of Dr. Flik due to the special right of termination granted to the Company (cf. No. 1 above).

This deviation from the recommendation of the Code also ended on December 31, 2014, as Dr. Flik's service agreement expired at this point in time.

3. No. 3.8 (2) and (3) of the Code – D&O insurance deductibles

According to No. 3.8 (3) of the Code, the D&O insurance for the supervisory board should include a deductible, the amount of which is defined by No. 3.8 (2) of the Code.

For more information see glossary, pages 188 et seq.

The D&O insurance for the supervisory board has not contained any such deductible since January 1, 2015, meaning that the Company deviates from the recommendation in No. 3.8 (3) of the Code from this point in time onwards.

HOMAG Group AG does not believe that the already high level of commitment and sense of responsibility of the members of the supervisory board could be increased by an agreement providing for deductibles. Moreover, it would be unreasonably expensive for the six employee representatives on the supervisory board of HOMAG Group AG, which has an equal number of members representing employees and shareholders, to take out personal insurance policies at their own expense to cover the residual risk (equivalent to the deductible).

The above Declaration of Compliance by the management board and supervisory board has also been available on the website of HOMAG Group AG since January 2015.

COMPLIANCE

Conforming with the laws and regulations of all of the countries where HOMAG Group is active is a top priority for us. There are no exceptions to this rule, not even if that is customary for the industry or region. Every person working for the HOMAG Group is required to comply with the provisions of law without exception, and to practice integrity and fairness at work. This is why our principles also include in particular compliance with requirements under antitrust law, which safeguard and maintain free and equal competition. In order to further refine the important topic of compliance, anti-corruption guidelines, guidelines on antitrust-compliant conduct and instructions on how to cooperate with business partners were passed and implemented in 2014. The management board regularly reports to the supervisory board on the status quo of the compliance organization in place and the material compliance risks that arise and consults the supervisory board in this regard.

CODE OF CONDUCT

In 2014, the Company introduced a code of conduct that contains uniform guidelines for all German and foreign entities. This contains binding guidelines for the actions of the management board, middle management and all employees of the HOMAG Group in Germany and abroad. Ethical business practice, fairness and responsible and legally compliant conduct are already both a duty and a matter of course for us and all of our employees. The code of conduct are nevertheless intended to support us in our daily activities.

OBJECTIVES CONCERNING THE SUPERVISORY BOARD'S COMPOSITION

The supervisory board has set itself concrete objectives regarding its composition intended to take into consideration the purpose of the Company, its size, the composition of its workforce and its international operations. Specifically, the supervisory board has decided to set the following objectives regarding its composition, additionally to the requirements prescribed in its rules of procedure:

International nature

The supervisory board should have no less than 2 members who particularly reflect the international nature of the Company, for example by being foreign nationals or having relevant experience abroad.

Potential conflicts of interest

The supervisory board should have no less than 8 members who do not have an advisory function and are not members of the corporate boards of customers, suppliers, lenders or other business partners of the Company.

Independence

The supervisory board should have at least 3 independent members representing the shareholders who have neither personal nor business relations with the Company, its executive bodies, a controlling shareholder or an entity associated with the latter which may cause a substantial and not merely temporary conflict of interests.

Diversity

The supervisory board should have no less than 2 women appointed to it.

The supervisory board, in its current composition, meets the objectives listed above.

The election committees will not consider persons for appointment to the responsible elected boards who would reach the age of 70 in the course of the regular term of office as supervisory board member of the Company (Art. 8 (2) of the articles of incorporation and bylaws of the Company).

_MANAGEMENT AND CONTROL STRUCTURE

THE SUPERVISORY BOARD

The supervisory board of HOMAG Group AG has twelve members and in accordance with the law on codetermination consists of an equal number of shareholder and employee representatives. The representatives of the shareholders are elected by the annual general meeting, the employee representatives by the employees.

The supervisory board monitors and advises the management board on the conduct of its business. The supervisory board discusses with the management board at regular intervals the development of business and planning, the corporate strategy and its implementation as well as relevant issues concerning the risk position, risk management and compliance. The supervisory board approves the annual planning prepared by the management board and decides on ratifying the separate financial statements and approving the consolidated financial statements of the HOMAG Group. The supervisory board decides on the appointment and dismissal of the members of the Company's management board and their remuneration. If voting in the supervisory board comes to a tie, a second vote will be held on the same issue where the chairman of the supervisory board will have 2 votes in the case of another tie.

The supervisory board has set up a total of 4 committees: the audit committee, the personnel committee, the nomination committee and the mediation committee.

Audit committee: The audit committee deals in particular with monitoring the financial reporting including the accounting process, the effectiveness of the internal monitoring system and the internal audit system as well as the management board's risk management, the audit of the financial statements and compliance. The audit committee is responsible for the preliminary review of the annual financial statements and management report.

Personnel committee: The personnel committee deals in particular with the preparation of personnel decisions to be made by the supervisory board and – to the extent permitted by law – with the conclusion, amendment and termination of the employment agreements with management board members.

For more information see page 154

Nomination committee: The nomination committee is tasked with proposing suitable candidates to the supervisory board for its election nominations for the annual general meeting.

Mediation committee: In addition to the three aforementioned committees, the mediation committee legally required in accordance with Sec. 27 (3) MitbestG proposes candidates to the supervisory board if a two-thirds majority is not reached when appointing or revoking the appointment of a member of the management board (Sec. 31 (3) Sentence 1 MitbestG).

For more information see page 151 – 153

For more information see page 8 – 13

Details of the composition of the supervisory board and the supervisory board's committees are provided on pages 151 et seq. With regard to the number of meetings of the supervisory board and its committees in fiscal 2014, reference is made to the disclosures in the report of the supervisory board on pages 8 to 13 of the annual report.

www.homag-group.com/annual_general_meeting

THE MANAGEMENT BOARD

Pursuant to the articles of incorporation and bylaws of HOMAG Group AG the management board comprises at least 3 members. Otherwise, the supervisory board determines the number of management board members. The management board is responsible for the Company's business transaction and duty bound to act in its interest and to increase its long-term value.

For more information see glossary, pages 188 et seq.

The management board informs the supervisory board regularly, in a timely manner and in detail on issues of relevance for the Company concerning strategy, planning, the development of business, the risk position, risk management and compliance. Some of the significant transactions and measures governed by the rules of procedure for the management board require the supervisory board's prior approval.

Details on the composition of the management board and the allocation of responsibilities in the fiscal year 2014 are provided on page 154.

ANNUAL GENERAL MEETING

The shareholders of HOMAG Group AG exercise their rights and cast their votes at the annual general meeting. Among other things, the annual general meeting adopts resolutions on profit appropriation, the exoneration of the management board and of the supervisory board and the election of the auditor. Amendments to the articles of incorporation and bylaws and measures to increase or decrease capital, as well as the authorization to increase or decrease capital, are resolved by the annual general meeting. The shareholders have the opportunity to exercise their voting right at the annual general meeting in person or by a proxy of their choice or by a proxy appointed by HOMAG Group AG who is bound to follow instructions. Prior to the annual general meeting, all information and documents that need to be made available together with the agenda are published in accordance with the provisions of the German Stock Corporations Act and posted on our website (www.homag-group.com/annual_general_meeting).

FINANCIAL REPORTING AND ANNUAL AUDIT

The financial statements of HOMAG Group AG are prepared in accordance with the German Commercial Code (HGB), the consolidated financial statements according to International Financial Reporting Standards (IFRSs).

The auditor and group auditor are elected by the annual general meeting in accordance with the legal provisions. The supervisory board appoints the auditor chosen by the annual general meeting, determines the audit focus and sets the fees. Prior to submitting the nomination proposal for the auditor of the financial statements, the supervisory board ensures that there is no conflict of interest that may impede the auditor's work. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was appointed auditor for the fiscal year 2014.

RISK MANAGEMENT

Dealing responsibly with business risks is one of the principles of good corporate governance. The management board has extensive, group-wide and company-specific reporting and monitoring systems at its disposal that allow such risks to be identified, evaluated and managed. These systems are constantly being enhanced, adapted to changing conditions and evaluated by the auditor of the financial statements.

The risk report included in the management report on page 67 et seq. contains details on risk management. This includes the report on the accounting-related internal monitoring and risk management system as required by German commercial law.

TRANSPARENCY

HOMAG Group AG informs capital market participants and the interested public promptly, regularly and simultaneously on the Group's economic situation and new developments. The annual report, six-monthly financial report and quarterly reports are published within the periods allowed by law. If unexpected events arise at HOMAG Group AG between the regular reporting dates that could potentially have a significant influence on the market price of the HOMAG Group AG share, such events are announced in ad hoc announcements, unless the requirements of Sec. 15 (3) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] (exemption) have been met and the management board avails itself of this exemption.

_REMUNERATION REPORT

The remuneration reports considers the provisions of the German Commercial Code and the principles of the GCGC.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the supervisory board is governed by Art. 14 of the articles of incorporation and bylaws of HOMAG Group AG. For each full fiscal year of membership, the members of the supervisory board receive fixed remuneration of EUR 10,000. The members of the supervisory board also receive fixed remuneration of EUR 2,000 for each meeting.

For more information see page 67 – 74

Apart from the fixed attendance fee for each supervisory board meeting, the chairman of the supervisory board receives 3 times the fixed remuneration, the deputy one-and-a-half times that amount.

The members of the supervisory board who are also members of the audit committee receive a fixed attendance fee of EUR 2,500 for each committee meeting. The chairman of the audit committee receives twice this amount. Supervisory board members who are also members of another committee in accordance with the articles of incorporation and bylaws receive a fixed fee of EUR 1,500 per committee meeting. The chairman of a committee receives twice this amount.

Supervisory board members who do not belong to the supervisory board for the whole fiscal year are remunerated based on their length of service on the supervisory board. The fixed remuneration and the fixed attendance fees for supervisory board meetings and committee meetings are payable within one month of the annual general meeting exonerating the supervisory board for the relevant fiscal year.

The members of the supervisory board are also reimbursed for all out-of-pocket expenses as well as for any VAT payable on their remuneration and out-of-pocket expenses.

The table below shows a breakdown of the remuneration of the supervisory board for the fiscal year 2014:

_M4_Remuneration of the Supervisory Board

EUR K	Fixed remuneration	Attendance fees	Remuneration for committee work	Total remuneration
Torsten Grede, chairman [2]	23	42	3	67
Ralf W. Dieter, chairman [3, 5]	0	0	–	0
Reiner Neumeister, deputy chairman [1]	15	30	32	77
Ernst Esslinger [1]	10	18	–	28
Hans Fahr [2]	8	12	1 [4]	21
Gerhard Federer	10	20	58	88
Dr. Horst Heidsieck [2]	8	10	1 [4]	19
Carmen Hettich-Günther [1]	10	20	28	58
Dr. Dieter Japs [2]	8	14	–	22
Thomas Keller [2]	8	12	22	42
Hannelore Knowles [1]	10	20	5	35
Jochen Meyer [1]	10	20	5	35
Reinhard Seiler [1]	10	12	–	22
Dr. Anja Schuler [3]	2 [4]	6	3	11
Dr. Jochen Bernighaus [3]	2 [4]	6	5	14
Richard Bauer [3]	2 [4]	2	–	4
Dr. Hans Schumacher [3, 5]	0	0	–	0
Total	**136**	**244**	**163**	**543**

1 Employee representative
2 Until October 10, 2014
3 Since October 13, 2014
4 Deviations due to rounding differences
5 No additional remuneration for group functions

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the individual members of the management board of HOMAG Group AG is proposed by the personnel committee and decided by the supervisory board. The total remuneration of the individual members of the management board is appropriate in relation to their responsibilities and tasks as well as the situation of the Company. They do not exceed the customary remuneration without special reason. The structure of remuneration also takes into consideration the long-term development of the Company. All components of remuneration must be appropriate, both individually and as a whole, and not encourage the taking of inappropriate risks.

The remuneration of the members of HOMAG Group AG's management board is made up of a fixed salary and a variable performance-related component. The variable component consists of a short-term and a long-term incentive system and is based on indicator-based targets and the development of the share price. It is also capped. There are no stock option plans in place. The members of the management board are not remunerated for board functions at subsidiaries. There is no company pension scheme for the members of the management board. According to his service agreement with HOMAG Group, Mr. Ralph Heuwing only receives half of his non-performance-related fixed remuneration and no performance-related remuneration components on account of his current service agreement with Dürr AG. In the reporting year, loans and advances were not granted to the members of the management board, nor have any declarations of liability been made in their favor.

For more information see page 57

All service agreements with the members of the management board comply with the GCGC. Exceptions from this as regards the recommendations concerning the compensation caps and change of control are detailed on page 57 et seq. of this report, which however only apply to the service agreement of the former CEO Dr. Flik.

In the event of a termination of a management board appointment by mutual agreement, a dismissal by the supervisory board of a management board member, or if a management board member steps down from the board at the instigation of the Company, the management board member concerned receives as settlement of remuneration including fringe benefits a compensation payment of 2 years' compensation, but no more than the amount of remuneration for the residual term of the agreement. Dr. Flik's management board service agreement contains clauses that could have potentially resulted in higher severance payments under certain circumstances in the fiscal year 2014. Details of this can be found in the declaration of compliance on page 57 et seq.

No management board members are entitled to a compensation payment as defined above if the Company has a right to terminate the contract for good cause as defined in Sec. 626 BGB ["Bürgerliches Gesetzbuch": German Civil Code].

Non-performance-related fixed remuneration

The non-performance-related fixed remuneration of the members of the management board consists of an annual fixed salary and fringe benefits. The annual salary is fixed for the term of the service agreements of the management board members and is paid out in twelve equal monthly installments. The fringe benefits consist of the value of the use of a company car that must be recognized for tax purposes and the payment of insurance premiums. In addition, the employer's share of the statutory health insurance contributions is assumed, and for the statutory pension insurance the amount is assumed that the management board member would have to pay if the member were subject to compulsory insurance. Expenses incurred by the management board member while exercising his or her duties under the management board service agreement are reimbursed as prescribed in the Company's rules of procedure.

Performance-related remuneration component

The performance-related remuneration components consist of a short-term incentive (STI), and a long-term incentive (LTI).

The STI, as annual value added bonus, is based on the HOMAG value added (HVA), calculated on the basis of HOMAG Group AG's consolidated financial statements, as an indicator of the return on capital costs.

Claims to the STI are subject to the condition that a positive HVA is generated. From a HVA of more than 0 percent up to the predetermined HVA target value of 4 percent, the STI amount increases on a straight-line basis. The STI is capped at 150 percent of the actual fixed annual remuneration paid out in the fiscal year in question and is reached with a HVA of 4 percent.

The STI bonus is paid within 30 days following the annual general meeting of the Company for the relevant fiscal year at the latest.

The LTI bonus is a long-term incentive system based on the development of HOMAG Group's share price (share-price-based LTI bonus) and the development of positive HVA (HVA LTI bonus). The LTI schemes are set annually and have a term of 3 years in each case. Before introducing the LTI scheme in each respective year, the supervisory board reviews the parameters for the LTI schemes used to date for example the HVA target value, the cap and the parameters used to calculate the capital costs.

For more information see page 57

To obtain the HVA component of the LTI bonus, the cumulative HVA over 3 successive fiscal years (performance period) must be positive. From a HVA of more than 0 percent up to the predetermined HVA target value of 12 percent, the LTI amount increases on a straight-line basis. The cap is set at 43.3 percent of the actual cumulative fixed annual salary paid out during the performance period.

To obtain the share-based component of the LTI, the development of the HOMAG Group AG share price must be positive between the start of the performance period (relevant opening share price) and the end of the performance period (relevant closing share price). Assuming that the share price increases during the performance period from 0 percent to 70 percent, the share-based component of the LTI increases on a straight-line basis. The cap is set at 23.3 percent of the actual cumulative fixed annual salary paid out during the performance period.

For more information see glossary, pages 188 et seq.

If the HVA component of the LTI has developed negatively, the share-based component is reduced by a mark-down. The share-based component can be reduced by the mark-down to EUR 0, but not below.

The LTI bonus is paid no later than 30 days following the annual general meeting of the Company for the third fiscal year.

The table below shows a breakdown of the remuneration of the management board for the fiscal year 2014:

_M5_Remuneration of the Management Board Members

	Fixed remuneration		Performance-related remuneration (STI and bonuses)		Long-term incentives (LTI)		Benefits in kind		Total remuneration	
Figures in EUR k	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Ralph Heuwing	24	0	0	0	0	0	0	0	24	0
Dr. Markus Flik	561	558	416	171	673	383	9	10	1,659	1,122
Harald Becker-Ehmck	273	260	394	107	477	239	9	9	1,153	615
Jürgen Köppel	291	291	420	120	471	267	10	10	1,192	688
Hans-Dieter Schumacher	313	291	453	120	517	277	12	11	1,295	699
Total	**1,462**	**1,400**	**1,683**	**518**	**2,138**	**1,166**	**40**	**40**	**5,323**	**3,124**

The benefits granted to the management board members for the fiscal 2014 break down as follows:

_M6_Benefits Granted

	Ralph Heuwing CEO Joined: Oct. 27, 2014				Dr. Markus Flik CEO Left: Dec. 31, 2014			
Figures in EUR k	**2014**	2014 (min)	2014 (max)	2013	**2014**	2014 (min)	2014 (max)	2013
Fixed remuneration	24	24	24	0	561	561	561	558
Fringe benefits	0	0	0	0	9	9	9	10
Total	**24**	**24**	**24**	**0**	**570**	**570**	**570**	**568**
One-year variable remuneration	0	0	0	0	600	0	600	171
Multi-year variable remuneration	0	0	0	0	673	0	800	383
Performance period 2013 – 2015	0	0	0	0	0	0	0	383
Performance period 2014 – 2016	0	0	0	0	673	0	800	0
Total	**24**	**24**	**24**	**0**	**1,843**	**570**	**1,970**	**1,122**
Service cost	0	0	0	0	0	0	0	0
Total remuneration	**24**	**24**	**24**	**0**	**1,843**	**570**	**1,970**	**1,122**

Figures given for remuneration acting as a long-term incentive (LTI) are not actual values, but rather fair values on the date of granting calculated using financial modeling methods. Consequently, the full amount of the fair value of the third performance period is reported in 2014. The provision is recognized pro rata temporis. An amount of EUR 1,832 k was recognized as expenses in the financial statements (prior year: EUR 940 k). The liability pertaining to remuneration acting as a long-term incentive was valued at EUR 2,864 k as of December 31, 2014 (prior year: EUR 1,377 k).

An accrued liability of EUR 1,300 k was recognized for the LTI bonus for the first performance period 2012 to 2014. For the second performance period 2013 to 2015, the accrued liability rose to EUR 1,076 k for two-thirds of the fair value of the LTI bonus. For the third performance period 2014 to 2016, an accrued liability of EUR 488 k was recognized for first third of the fair value of the LTI bonus.

Harald Becker-Ehmck Head of Production				Jürgen Köppel Head of Sales				Hans-Dieter Schumacher CFO			
2014	2014 (min)	2014 (max)	2013	**2014**	2014 (min)	2014 (max)	2013	**2014**	2014 (min)	2014 (max)	2013
273	273	273	260	291	291	291	291	313	313	313	291
9	9	9	9	10	10	10	10	12	12	12	11
282	**282**	**282**	**269**	**301**	**301**	**301**	**301**	**325**	**325**	**325**	**302**
394	0	394	107	420	0	420	120	453	0	453	120
477	0	566	239	471	0	560	267	517	0	615	277
0	0	0	239	0	0	0	267	0	0	0	277
477	0	566	0	471	0	560	0	517	0	615	0
1,153	**282**	**1,242**	**615**	**1,192**	**301**	**1,281**	**688**	**1,295**	**325**	**1,393**	**699**
0	0	0	0	0	0	0	0	0	0	0	0
1,153	**282**	**1,242**	**615**	**1,192**	**301**	**1,281**	**688**	**1,295**	**325**	**1,393**	**699**

Allocations to the management board members for the fiscal 2014 break down as follows:

_M7_Allocations to Management Board Members

	Ralph Heuwing CEO Joined: Oct. 27, 2014		Dr. Markus Flik CEO Left: Dec. 31, 2014		Harald Becker-Ehmck Head of Production		Jürgen Köppel Head of Sales		Hans-Dieter Schumacher CFO	
Figures in EUR k	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Fixed remuneration	24	0	561	558	273	260	291	291	313	291
Fringe benefits	24	0	9	10	9	9	10	10	12	11
Total	**0**	**0**	**570**	**568**	**282**	**269**	**301**	**301**	**325**	**302**
One-year variable remuneration	0	0	416	171	394	107	420	120	453	120
Multi-year variable remuneration	0	0	479	141	0	0	396	97	425	107
Performance period 2011 – 2013			0	141	0	0	0	97	0	107
Performance period 2012 – 2014			479	0	0	0	396	0	425	0
Total	**24**	**0**	**1,465**	**880**	**676**	**376**	**1,117**	**518**	**1,203**	**529**
Service cost	0	0	0	0	0	0	0	0	0	0
Total remuneration	**24**	**0**	**1,465**	**880**	**676**	**376**	**1,117**	**518**	**1,203**	**529**

In connection with the termination of service on the management board by the former CEO Dr. Markus Flik as of November 30, 2014 due to the change of control, it was agreed to terminate his current employment contract as of December 31, 2014. The contractually arranged benefits were granted up until that date. A severance payment of EUR 3,332 k was agreed with Dr. Flik in connection with the early termination of his management board duties. This includes the right earned to the LTI bonus 2013–2015 and 2014–2016 amounting to EUR 1,249 k. In addition, a post-contractual non-compete clause was arranged with Dr. Markus Flik for a period of 12 months, i.e., until December 31, 2015. For the non-complete clause, he is entitled to compensation of EUR 574 k. He additionally receives a severance payment of EUR 1,509 k.

Shareholdings of Board Members

As of December 31, 2014, the members of the management board together held 0 shares (prior year: 1,000 shares). This is 0 percent of HOMAG Group AG's share capital (prior year: 0.01 percent). As no member of the management board held more than 1 percent of the capital as of December 31, 2014, an individual breakdown is not required.

As of December 31, 2014, the members of the supervisory board held 842,502 shares (prior year: 400 shares), which is 5.37 percent (prior year: 0.00 percent) of HOMAG Group AG's share capital. These 842,502 shares were held directly by Dr. Anja Schuler, member of HOMAG Group AG's supervisory board since October 13, 2014. Dr. Anja Schuler is a member of the Schuler/Klessmann/Dürr pool, the members of which hold a total of 25.05 percent of the shares in HOMAG Group AG. As a result, the voting rights of the other members of the pool of 19.68 percent are indirectly attributed to her pursuant to Sec. 22 (2) WpHG.

At present, there are no stock option programs or similar value-based incentive systems in place that would have to be addressed in this report pursuant to 7.1.3 GCGC.

SUBSEQUENT EVENTS

On March 5, 2015, the extraordinary general meeting of HOMAG Group AG voted in favor of the conclusion of a profit and loss transfer agreement between Dürr Technologies GmbH and HOMAG Group AG. The agreement comes into effect upon entry in the commercial register. The obligation to transfer profits will apply for the first time to the entire profit for the fiscal year beginning on January 1, 2016 or for the later fiscal year of HOMAG Group AG in which this agreement comes into effect by entry in the commercial register. The compensation pursuant to Sec. 304 AktG agreed in the domination and profit and loss transfer agreement is a gross amount of EUR 1.18 (net of corporation income tax and solidarity surcharge: EUR 1.01) per HOMAG share for a full fiscal year. The settlement amount pursuant to Sec. 305 AktG totals EUR 31.56 per HOMAG share.

At the same extraordinary general meeting, the shareholders of HOMAG Group AG appointed Mr. Ralf W. Dieter, Stuttgart, Mr. Richard Bauer, Wentorf, Dr. Jochen Berninghaus, Herdecke, Dr. Anja Schuler, Zurich, Switzerland, and Dr. Hans Schumacher, Schönaich, to the supervisory board for the period from the end of the extraordinary general meeting on March 5, 2015 until the end of the general meeting that passes a resolution on exoneration for the fourth fiscal year after the beginning of the term of office. In addition, the office of Mr. Gerhard Federer, Offenburg, which would have run until the end of annual general meeting in 2015, was also extended for a further period of office at the extraordinary general meeting 2015.

Our CFO Hans-Dieter Schumacher stepped down from the management board of HOMAG Group AG of his own volition as of March 31, 2015, in order to take on new professional challenges. Franz Peter Matheis will become a new member of the management board as of April 1, 2015. As CFO, he will be responsible for finance and IT.

RISK, OPPORTUNITIES AND FORECAST REPORT

(Including a description and explanation of the key aspects of the internal monitoring and risk management system with regard to the (group) financial reporting process pursuant to Sec. 289 (5) and Sec. 315 (2) No. 5 HGB)

As a global company, the HOMAG Group is exposed to risks but is also able to realize opportunities. Opportunities and risks can arise from both the Company's own business activities and from external factors. The HOMAG Group's opportunity and risk policy is aimed at constantly and sustainably raising the value of the Company, achieving medium-term financial goals and safeguarding its viability in the long term. It therefore constitutes a key element of company policy.

_RISK REPORT

RISK MANAGEMENT SYSTEM

The risk management system is based on the monthly reporting, project controlling and detailed segment reporting. It is based on the establishment of objectives, which are monitored based on the monthly reporting by the individual business units. This involves assessment of the individual risks that the Group and its subsidiaries must monitor and report, condensing them at corporate level, and allocating them to specific fields of risk. Unforeseen developments are communicated to the management board and supervisory board without delay. The risk inventory encompasses all relevant companies.

A total of 21 production and sales companies were audited within the framework of our internal audit over the course of the last five years. The audits were performed by local audit firms or similarly qualified firms working under contract for HOMAG Group AG. This ensures that external specialists identify risks, review internal processes and recognize potential for optimization. We audited one production company and two sales companies in the 2014 reporting year. The management board and the audit committee are informed promptly about the findings of the internal audits. Taking the reports as the point of departure, the necessary measures are decided on and initiated by the management board member responsible. The audits performed in 2014 revealed that there had not been any infringements of the legal requirements by the separate entities.

DESCRIPTION AND EXPLANATION OF THE MAIN FEATURES OF THE SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT WITH REGARD TO THE (GROUP) FINANCIAL REPORTING PROCESS (SEC. 289 (5) AND SEC. 315 (2) NO. 5 HGB)

HOMAG Group's system of internal control with regard to the (group) financial reporting process includes all principles, procedures and measures aimed at ensuring the effectiveness and efficiency of financial reporting, ensuring the compliance of financial reporting and ensuring compliance with the relevant provisions of law. This includes the internal audit system insofar as this concerns itself with financial reporting.

Observing the customary industry standards and the legal provisions, the HOMAG Group has introduced a system of internal control and risk management for the group accounting processes to identify potential risks and mitigate them. It refines this system on an ongoing basis.

The system of internal control and risk management ensures that business events are correctly accounted for, prepared, appraised and transferred to the accounting records. Adequate staffing and equipment, suitable software instruments and unambiguous statutory requirements and internal guidelines are the basis for proper, uniform and consistent accounting process. Clear definition of fields of responsibility and various control and review mechanisms (in particular plausibility checks, application of the principle of dual control, audit procedures implemented by the internal audit department) ensure correct financial reporting.

This ensures uniform accounting in accordance with the statutory requirements, the principles of proper accounting and local GAAP and International Financial Reporting Standards and the Group's internal guidelines. It also ensures that business transactions are recorded and assessed consistently throughout the Group within the scope of publishing the financial reporting, enabling the provision of correct and reliable information.

The existing internal control and risk management system relating to the group financial reporting process essentially has the following material characteristics:

- Identification by group accounting of major areas of risk and aspects to be monitored that are particularly relevant to the (group) financial reporting process
- Measures to ensure the proper computerized processing of (group) financial reporting content and data
- Spot-testing of the completeness and accuracy of the accounting data, automated plausibility checks using suitable software tools
- Conducting suitable controls (principle of dual control, analytical audit procedures) for all accounting processes, additional audit by the internal audit department
- Review of the functionality of the internal control and risk management system with regard to the accounting process by the audit committee of the supervisory board.

OPERATING, FINANCIAL AND COMPLIANCE RISKS OF THE HOMAG GROUP AND HOMAG GROUP AG

Materiality

In the following we describe risks that could have a material effect on our business operations, financial position and results of operations, cash flow and reputation. We have classified all risks into 3 risk groups: operating risks, financial risks and compliance risks. The direction in which the arrow points shows whether the respective risk has risen, remained unchanged or fallen in the reporting year in comparison to the prior year.

Macroeconomic Risks

Economic cycles have an impact on the market for wood processing machines. Investment decisions by customers depend to a great extent on the development of the wider economy in the respective region and the situation in the respective sector. During economic downturns customers tend to postpone making

Operating Risks

_M8_Development of Operating Risks (Dec. 31, 2014/Dec. 31, 2013)

Macroeconomic Risks	Customer and Competitive Risks	Product and Development Risks	Procurement and Purchasing Risks	IT Risks	Quality Risks	Risks from the Project Business	Risks arising from the Dürr Integration
↘	↗	↘	→	↗	→	→	↗

increase ↗
unchanged →
decrease ↘

purchases of plant and machinery. Demand for services, by contrast, is less cyclical. Although we can compensate economic downturns in one region or another due to our global operations, a global economic crisis will nevertheless have a negative impact on our orders. We counter this overall economic risk by keeping our personnel capacities as flexible as possible and adjusting our production capacity to developments in the order intake and the project pipeline.

The ongoing geopolitical risks are having a negative impact on the economies of several countries and therefore also for an investment decision of our customers. Current developments in Russia and Brazil are representative of this. The continuing good market situation in the sectors served by HOMAG, reflected in our high order backlog, more than offset this risk. Thus macroeconomic risks have actually decreased for the HOMAG Group in comparison to the prior year.

Customer and Competitive Risks

The Group is not dependent on a single customer or a small group of customers, since, in most cases, the share directly generated by any one customer is less than 5 percent of total sales revenue. There is a risk that customers may default on their debts. Customer-specific risks increased slightly by the end of 2014, in line with the trend in sales revenue. We minimize this risk by obtaining prepayments based on the stage of completion of projects, by applying our strict receivables management system and by taking out credit insurance on a case-by-case basis.

Given that the market entry barriers in our industry are high, we estimate that there is a comparatively low risk of competitors encroaching on our technological lead. However, we cannot completely rule this out. The competitive risk increased only very slightly in the reporting period. It is mainly in the lower market segment for our products that the number of competitors' products is slowly increasing on the global market.

Product and Development Risks

Our innovative mid-term and long-term product strategy has safeguarded our technological leadership for many years now, but it is also associated with the risk of adverse technological developments. We counter this risk by means of close market observation and close relationships to customers who provide us early feedback in the event of new developments. Product and development risks eased in the reporting year. We prevent increases in the start-up cost of new products as much as possible using systematic procedural cycles. During product creation, each new development passes through a standardized process that is consistently defined throughout the Group. The costs of new developments are consistently recorded and the progress of development is assessed. This makes it possible to keep quality risks to a minimum already at the development stage. We put special emphasis on the predevelopment phase in 2014. This forms the bridge between the general research landscape and product development.

Procurement and Purchasing Risks

To ensure that the quality of key raw materials as well as supplied parts and components meet our standards and to avoid supply bottlenecks, we select our suppliers very carefully and usually work with them over many years. This allows us to identify financial difficulties faced by suppliers at an early stage. We also perform more far-reaching measures, such as supplier audits.

Procurement and purchasing risks were not elevated in 2014 for the HOMAG Group. It is difficult to make a reliable prediction of how steel, copper and aluminum prices will develop on account of the rapidly changing political and economic situation in many countries, as they continue to be heavily dependent on institutional investors. For this reason, the HOMAG Group exploits the global reach of its procurement activities to obtain regional price advantages. Specialized lead buyers, who operate globally, coordinate the procurement of important product groups. Prices were generally stable in 2014, although a slight increase in commodity prices is forecast for 2015. The HOMAG Group counters the negative impact of prices rises, where possible, by concluding master agreements with fixed prices and bundling demand within the Group. In this way, the HOMAG Group can profit from the higher purchase volume. A project initiated for this purpose in 2013 was successfully concluded in 2014. In addition, the further expansion of the international purchasing function is also designed to safeguard the necessary quality and to keep supply risks to a minimum in the long term.

IT Risks

The HOMAG Group counters IT-related risks, which can arise from disruptions to IT systems and the IT infrastructure, by continuously developing a reliable scalable and flexible IT systems environment. The reliability and security of information technology is of growing significance for our Group.

Threats to data security continue to rise worldwide. This increasingly applies both to the use of IT systems that support business processes and those that are used for external communication by the HOMAG Group. The risks for the HOMAG Group relate to data loss, corruption or misuse. This can lead to delays in processing orders or even impair the production output of a plant. It cannot be ruled out that this would have an impact on costs and sales revenue.

In fiscal 2014 IT risks were higher than in the past, particularly the risk of data loss, hacking or virus attacks. This includes, for example, the rise in the volume of phishing mails allegedly from banks, telecommunications providers and suppliers. In 2014, we continued to review, improve and further expand our IT security. We therefore conducted IT security audits at four subsidiaries.

In addition, we have fully centralized the malware for the entire Group and developed and introduced a method for ensuring compliance with our malware policy. In this way, compliance with the policy on all end-user devices can be kept at a very high level. Firewalls with intrusion detection system are being rolled out. We have introduced a two-factor authentication process for all end-user devices to improve data protection and information security within the Company. Currently, a system to improve IT security is being introduced to our service area, which will improve data security during remote servicing.

For more information see glossary, pages 188 et seq.

Quality Risks

Quality is prioritized at HOMAG Group. Notwithstanding this, it is not possible to completely rule out the quality risks associated with the manufacture of complex plants and machinery. In order to mitigate the risk of product liability and warranty claims we use a comprehensive total quality management system.

The quality risks did not change in 2014 in comparison to the prior year. As in the prior year, we work constantly within the Group on improving our processes, our quality assurance system and our products. The majority of our production sites are certified pursuant to DIN EN ISO 9001, which testifies to the high standard of our quality assurance system.

Risks from the Project Business

The entities of the HOMAG Group act, among other things, as general contractor for the planning of integrated production lines for customers in the woodprocessing industry. The project business brings with it various risks that, due to the complexity of the projects, the coordination and integration of various national and international parties and components, are impossible or very difficult to fully assess and/or insure prior to completion of a project. Despite meticulous planning, cost and project controlling, it cannot be ruled out that contractual penalties and/or damage claims are asserted against entities of the HOMAG Group for example as a consequence of delayed or faulty project work. This can lead to the loss of key customers and/or a loss of reputation on the market. This could also have a substantial impact on the net assets, financial position or results of operations of the HOMAG Group. In order to counter these risks, the Group has introduced a detailed project management system, a tight project control system and a regular project reporting system. In this respect, the project management and controlling system relates to internal project processes while project reporting is addressed to the management board. Both processes include scheduling and financial components.

Overall the risk from the project business has not changed for the HOMAG Group. In the second half of the year, we carried out some organizational changes. A managing director was recruited for this purpose at the largest subsidiary of the HOMAG Group, who will coordinate project business worldwide in the future. He will also take care of developing the methods and systems used in project management to further reduce the risk of processing errors in the project business in the future.

Risks arising from the Dürr Integration

Subsequent to the conclusion of the domination and profit and loss transfer agreement related to integration in the Dürr Group, there are risks for the HOMAG Group associated with the combination and harmonization of processes and structures. This could lead to frictional losses in the initial phase of adjusting structures until all processes have been harmonized. Risks can also arise from potential changes to personnel in the course of the integration. We are of the opinion that these risks are manageable. To ensure the success of the integration process we have drawn up a comprehensive integration roadmap. An overarching steering committee, a project management team and over 20 specialist integration teams composed of experts in the HOMAG Group and the Dürr Group are carrying out the integration process.

Currency Risks

Currency risks can arise from our international activities, which can negatively impact the Group's sales revenue and results of operations. In terms of the Group as a whole and also the various markets, operative risks did not change significantly in 2014 compared to the prior year. Volatility in exchange rates, such as the EUR/USD exchange rate, increased over the course of 2014. However, we minimize this risk by billing as much business in euro outside the eurozone as possible to reduce the foreign exchange exposure and keep our foreign currency positions low. We conclude project-related hedging transactions in the form of forward exchange instruments for the portion of sales revenue that we generate in foreign currencies.

Liquidity and Financing Risks

We secured our liquidity by entering into a syndicated loan agreement in September 2012 with a term of 4 years that is contingent on us complying with certain covenants. We prolonged this agreement prematurely in May 2014 until 2019 and managed to improve the terms and conditions in the process. In addition, extensive collateral was released. In this context, we

Financial Risks

_M9_Development of Financial Risks (Dec. 31, 2014/Dec. 31, 2013)

Currency Risks	Liquidity and Financing Risks	Tax Risks	Personnel Risks
→	→	↘	→

increase ↗
unchanged →
decrease ↘

currently do not see any risks to compliance with the agreed-upon covenants. To protect ourselves against interest rate changes, a portion of our loans bear a fixed interest rate and another portion of our loans is hedged until September 2016 using interest rate hedges (interest swaps). Consequently, there are no currently discernible financial risks that could jeopardize the continuation of the Group as a going concern. In connection with the investment of liquid funds, the Group is exposed to losses from credit risks if the obligations from financial instruments are not met by the counterparty. The HOMAG Group manages the resulting risk position by diversifying its portfolio and selecting its contractual parties carefully. There are no liquid funds past due or impaired at present due to default. Our net liquidity and financing risks have not changed in comparison to the prior year.

For more information see glossary, pages 188 et seq.

Tax Risks

Tax losses have been recognized in the consolidated financial statements of the HOMAG Group. The ability to use these unused tax losses depends, on the one hand, on the actual occurrence of the planned future development of earnings. On the other, the change in ownership in fiscal 2014 could play a fundamental role in the ability to utilize these unused tax losses.

As a result, the unused tax losses were completely reassessed in terms of the utilization and this was considered when recognizing and measuring them. This resulted in fewer risks being carried in the statement of financial position. However, this also adversely affected income in fiscal 2014 and the tax rate for 2014. More details on this matter can be found in the tax reconciliation in the notes to the consolidated financial statements. In general, the tax risks have diminished due to the current situation of earnings. Notwithstanding this, a tax field audit is currently being performed within the Group throughout Germany. If the tax authorities are consistent in fulfilling their duty of ensuring equality of taxation this should not give rise to any notable risks for us. We see tax-related opportunities among other things in connection with constitutionality issues relating to the interest limitation rule and a very promising ruling by the Federal Finance Court in this context handed down on December 18, 2013 which identifies these concerns very clearly. Moreover, we will cooperate closely with our new majority shareholder in order to be even better able to exploit tax potential and to counter the increasing pressure exerted by the tax authorities to increase tax revenue. In this respect, the HOMAG Group will remain an honest taxpayer, but will vehemently oppose any requests by the tax authorities worldwide that would ultimately lead to double taxation and will insist on compliance with OECD taxation principles.

Personnel Risks

As a high-tech company with international operations, the HOMAG Group is dependent on highly qualified executives and experts in key functions.

Risks in this regard relate to employee turnover and in not being able to fill vacancies adequately. This could result in negative consequences for the Group. Our personnel risks have not changed in comparison to the prior year. We counter future needs for personnel with our program to promote young talent. In addition, the HOMAG Group is well positioned on the market as an attractive employer and sets great store by training its own employees. Thanks to our targeted personnel development, we are in a good position as regards employees in light of the demographic challenges we face, particularly in Germany.

Compliance Risks

_M10_Development of Compliance Risks (Dec. 31, 2014/Dec. 31, 2013)

General Compliance Risks	Legal Risks
↘	→

increase ↗
unchanged →
decrease ↘

General Compliance Risks

At the HOMAG Group, compliance relates to all organizational and technical aspects of complying with regulatory requirements, statutory provisions as well as corporate guidelines. They primarily serve to prevent violations that may damage the Company. The CFO is responsible for compliance topics at HOMAG Group AG.

With a view to further refining the compliance organization, HOMAG Group AG has appointed a compliance officer, who reports directly to the management board. The management board, in turn, regularly reports to the supervisory board on the status quo of the compliance organization in place and the material compliance topics that arise and consults the supervisory board in this regard.

Every person working for the HOMAG Group is required to comply with the provisions of law without exception, and to practice integrity and fairness at work. This is why our principles also include in particular compliance with requirements under antitrust law, which safeguard and maintain free and equal competition.

We assess compliance risks to be at a lower level than in the prior year. In the first half of 2014, we drew up a code of conduct, a fair trade guideline and an anti-corruption guideline as well as standard procedures for cooperating with business partners. All employees worldwide are receiving face-to-face training as well as computer-based training on these issues.

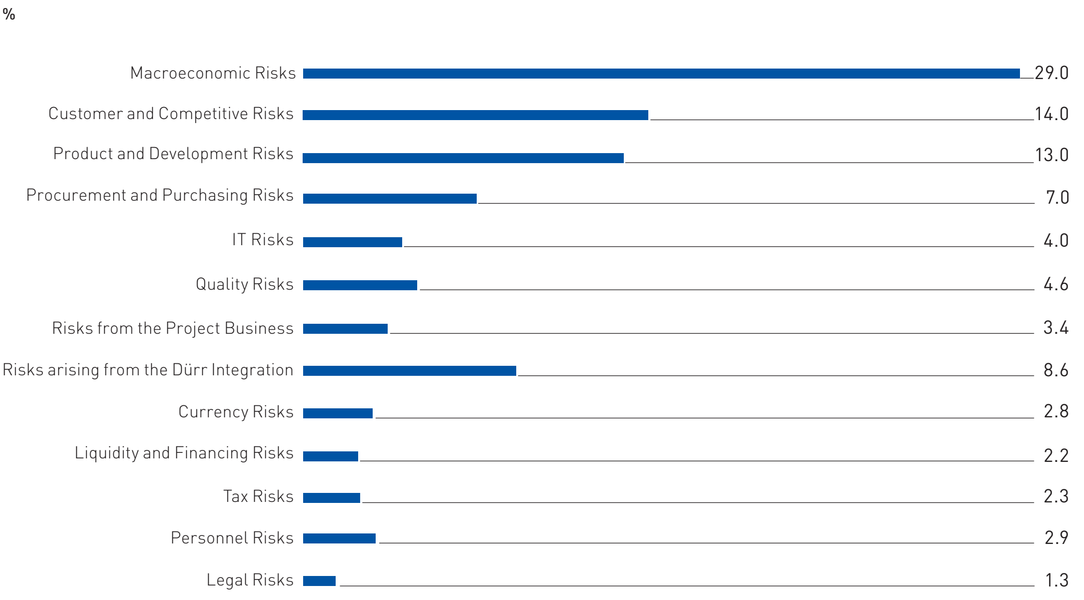
Legal Risks

One risk in our business activities relates to the assertion of warranty claims or the related bad debts. There are currently no material risks arising from bad debt or warranty claims being asserted. The risk has not changed compared to the prior year.

SHARE OF INDIVIDUAL RISK CATEGORIES IN THE GROUP'S TOTAL RISK

The diagram below presents the significant risks of relevance for the Group and discussed in the annual report weighted relative to the Group's total risks.

_M11_Risk Weighting as a Percentage of Significant Group Risks



_OPPORTUNITIES REPORT

Systematically identifying and implementing commercial opportunities that create added value constitute an important aspect of safeguarding profitable growth of our Company. We outline our most significant opportunities in the following. These are, however, only a selection of the possibilities we see.

Within the Group, it is the responsibility of the management board of HOMAG Group AG as well as the respective management of our subsidiaries to identify, analyze and implement operative opportunities. The management board has drafted a clear strategy for the HOMAG Group. It is based on an opportunities analysis from which the strategic objectives are derived. The strategy is implemented in the form of a clearly defined package of measures to facilitate exploitation of the opportunities.

REGIONAL GROWTH

The increasing importance of emerging economies mainly arises from growing purchasing power in those countries. This particularly relates to southeast Asia and parts of South and Central America. They will be among the future growth regions for the HOMAG Group, alongside China, India, Brazil and North America. We also perceive growth potential in Arab countries where we established our own sales and service company in 2014. We are already present in many up-and-coming markets with our own sales and service organizations and will deploy our activities in a targeted manner with a view to generating additional orders.

Ongoing urbanization will lead to increased demand for living space, furniture and structural elements in the these growing economies. The pursuit of a higher living standard will also gain importance.

The acquisition of the subsidiary, Stiles Machinery, Inc., in 2014 as an example further expands our position on the North American market and, in particular, significantly reinforces our sales and service organization. We also perceive additional growth potential in Russia, as soon as the political tension and economic constraints in Ukraine and Russia settle down again.

PRODUCT-SPECIFIC GROWTH

We see an increasing trend in our industry at a global level toward greater individuality and diversity of options. Intelligently networked batch size 1 systems and the field of automation and robotics will therefore be of great importance in the future. In this respect, the topic of networked production, and the associated software and control software, will significantly increase in importance. The faster implementation of this market requirement is an opportunity for us because we cover the entire woodworking process chain combined with our universal control technology and supported by our bundled development capacities.

For more information see glossary, pages 188 et seq.

On account of the greater level of individualization of the final products, we anticipate further growth in the area of packaging as each product has different dimensions that necessitate customized packaging designs.

Online trade in furniture is currently booming and flat-pack furniture is becoming exceedingly popular as a result. Flat-pack furniture may not exceed given weight ranges and it has to be easy and quick to assemble. In addition to the anticipated increase in demand for intelligent fastening systems, it will primarily be lightweight construction that gains in importance in the future. This aspect is also of importance when it comes to increased use of the internet as a channel of distribution.

We also see further opportunities in the field of service, because our customers are placing increasing importance on the availability of their plant and machinery. In this regard, we will make increasing use of mobile applications, such as our Service**App** in addition to our existing products. In comparison to competitors, we have the most closely meshed global service network in our industry.

VALUE GENERATION

We implemented a wide range of measures in 2014 to boost efficiency within our Group for the long term. This includes the purchasing project that will create record-saving potential within the Group, for example by bundling purchasing volume. A newly launched project to streamline product costs is also intended to bring about new more favorably priced solutions for new products from now on. In addition, the platform strategy, that will significantly reduce the level of complexity of the portfolio of products, will positively impact the operative earning power over the long term.

Opportunities for HOMAG Group also arise from its integration in the Dürr Group. The HOMAG Group can leverage synergies in a number of areas in close cooperation with the Dürr Group, made possible by the conclusion of the domination and profit and loss transfer agreement. In addition to benefits in purchasing or in information technology, it will be possible to exchange experience about handling project business, for example, where Dürr holds a leading position. This will give rise to methods, tools and qualifications that can be transferred to HOMAG Group AG and which should have a positive impact on the earnings of the Group. Moreover, in Dürr, the HOMAG Group has won a partner with sound financial resources.

_ OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITIES SITUATION OF THE GROUP

The assessment of the overall risk situation is performed by putting together a wider picture of all material individual risks. The overall risk potential at the end of fiscal 2014, before the measures taken by the Group, amounted to approximately 90 percent of EBIT generated in the fiscal year, before employee profit participation and extraordinary expenses. The overall risk situation for the HOMAG Group has not changed significantly as the changes in opportunities and risks virtually cancel each other out. Although temporary risks arise from the structural changes caused by the integration with Dürr, the changes also open new opportunities for us from the affiliation to a financially strong group with a great deal of experience in change processes. The development of the global economy remains of huge significance for the HOMAG Group. There is a risk in this regard related to the geopolitical uncertainties, but also growth opportunities from positive market trends in regions such as China and the US.

From their current perspective, the management board of the HOMAG Group does not see any risks to the ability of the Group to continue as a going concern. The objective of realizing opportunities for the future is firmly fixed in a comprehensive package of measures under our corporate strategy. It is our objective to add value to our Company and for our shareholders by analyzing new market opportunities.

_ FORECAST REPORT

FORECAST FOR THE DEVELOPMENT OF THE INDUSTRY

The VDMA expects German machine production to grow by 2 percent in 2015. It also perceives opportunities related to the depreciation of the euro, but also risks such as the unresolved Ukraine crisis, the unclear situation in Greece and a property bubble in China. For the wood processing machines segment, the industry association also anticipates sales growth of 3 percent.

FORECAST FOR HOMAG GROUP

Even if the situation has improved in the eurozone, there is uncertainty on how some countries will develop in the future. It is possible that undesirable political and economic developments in some countries will have a negative impact on the global economy. For this reason, our forecasts are subject to the condition that the global economy will see positive developments, as forecast by economic experts and, in particular, that there are no major disruptions to the global economy.

It is expected that the monetary policies pursued by a number of central banks will remain extremely expansive for quite some time. In September, the European Central Bank, for instance, once again reduced the key interest rate to stimulate growth in the eurozone. The currently low exchange rate for the euro makes exports cheaper on the global market and will also provide further stimulus to the economy. Based on the high share of exports in our total sales revenue, we expect the sustained weakness in the euro to have a positive effect in 2015.

We are forecasting further market growth in our sector in 2015. We expect this to be primarily generated in the regions America and Asia, particularly in the US and China. We believe there will be an increased interest in investments in capital goods, also from the LIGNA, the leading trade fair for the industry, at which we will launch a number of new innovative products. The growing global significance of automation, networking and digitalization as well as the continuing rise in demand for individual pieces of furniture, also from industrial production, will, in our opinion, translate into further growth in both our standalone machine and our project business. Service business continues to grow in significance, which is why we will continue to expand our service network.

_M12_**Forecast for the HOMAG Group**

	2014		2015
In EUR million	Forecast	Achieved	Forecast
Order intake[1]	760 – 780	803	830 – 850
Sales revenue	860 – 880	915	950 – 970
Operative EBITDA[2]	82 – 84	93	95 – 97
Net result	20 – 22	19	31 – 33

1 Order intake includes own machines incl. spare parts of the production companies and after sales segment
2 EBITDA before expenses from employee profit participation and before restructuring/non-recurring expenses

The following forecast corridors are based on a number of assumptions. Any deviations from these assumptions could lead to deviations in the actual development of business. In addition to macroeconomic developments described above, additional expenses could arise for the HOMAG Group from the integration in the Dürr Group which cannot be fully foreseen at present. Furthermore, the development of the HOMAG Group in 2015 could be impacted by the factors discussed in the risk and opportunities report (see page 67 et seq.).

We anticipate **order intake** of between EUR 830 million and EUR 850 million for 2015. With regard to the **Group's sales revenue**, we intend to generate between EUR 950 million and EUR 970 million in 2015.

We expect our **operative EBITDA before employee profit participation expenses and before extraordinary expenses** to be between EUR 95 million and EUR 97 million in 2015. We expect **EBT after employee profit participation expenses and after extraordinary expenses** to be between EUR 48 million and EUR 50 million in 2015. We expect considerable growth in the **Group's net profit** for the year and aim to reach between EUR 31 million and EUR 33 million. This above-average increase stems from the substantially lower extraordinary expense expected. The negative effects arising from the Stiles acquisition have mostly been accounted for in the 2014 result and we also anticipate lower expenses due to the acquisition by Dürr.

We expect higher capital employed in light of the increasing business volume. As a result, we expect a slight decline in **ROCE** and a slight increase in **net liabilities to banks** in 2015.

The group **headcount** will continue to rise in fiscal 2015. We intend to build up our workforce primarily in the growth markets, while in Germany we will maintain similar staffing levels to 2014.

For more information see page 67 – 76

In 2015, our **capital expenditure** will remain at the same high level of 2014. The focal point of our investment will be on the large-scale IT project ProFuture. Additional smaller investments will be made throughout the Group for the retrofitting of plant and machinery as well as building modernization projects.

For HOMAG Group AG as a separate entity, we anticipate for 2015 a **profit for the year** at the same level as the prior year. In addition, it should be noted that HOMAG Group AG does not have any operating activities.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION OF HOMAG GROUP AG

_ RESULTS OF OPERATIONS

Other operating income rose to EUR 19.8 million in the reporting year (prior year: EUR 13.3 million). The increase is primarily attributable to the rise in **write-ups recognized on financial assets** as the investment in the subsidiary WEEKE Bohrsysteme GmbH was written up by a further EUR 9.3 million (prior year: EUR 4.0 million).

Personnel expenses increased to EUR 12.7 million. (prior year: EUR 6.8 million). This includes higher management bonuses and the severance payment made to a member of the management board who left the Company in 2014. In total, as of the reporting date 2014, HOMAG Group AG had 42 **employees** (excluding management board members) (prior year: 34 employees). The number of employees in positions of strategic importance was increased in order to further optimize group-wide cooperation.

Other operating expenses came to EUR 12.2 million in the reporting year, slightly up on the prior year (EUR 10.6 million). This includes higher legal expenses and consulting fees in 2014 as well as higher incidental borrowing costs in connection with the extension of the syndicated loan agreement.

The **result from ordinary activities** of HOMAG Group AG improved from EUR 23.4 million to EUR 25.0 million compared to the prior year.

On account of the higher dividend payments from subsidiaries, **income from equity investments** rose from EUR 2.6 million to EUR 4.3 million. The **interest result** improved from EUR –2.8 million to EUR –1.7 million. This was due, among other things, to better interest rates owing to the renegotiated syndicated loan agreement and higher interest received from affiliates. The cash pool as a whole was optimized further in 2014. As a result, the additional loans drawn was lower in the reporting year.

Income taxes come to EUR –0.85 million (prior year: EUR –4.3 million). The decrease is primarily attributable to tax-free income, above all on account of the write-up of WEEKE.

All in all, HOMAG Group AG as a separate entity reports **net income for the year** 2014 of EUR 24.2 million (prior year: EUR 19.1 million). The **retained earnings** from 2013 of EUR 45.8 million were carried forward following the dividend payment of EUR 5.5 million.

_NET ASSETS AND FINANCIAL POSITION

On the **assets side, financial assets** rose from EUR 170.6 million to EUR 188.5 million. This increase stems from the formation of HOMAG US, Inc., the intercompany assumption of shares in HOMAG Machinery (São Paulo) Ltda., the capital increase at HOMAG Machinery Bangalore Pvt. Ltd., the increase in the carrying amount of the equity investment owing to the write-up of the subsidiary WEEKE Bohrsysteme GmbH, as well as the partial write-down of the carrying amount of the equity investment in HOMAG Machinery (São Paulo) Ltda.

Current assets rose to EUR 79.4 million compared to the prior year (EUR 72.0 million).

The **bank balances** increased as of December 31, 2014 to EUR 19.1 million (prior year: EUR 15.4 million).

On the **equity and liabilities side, tax provisions** decreased from EUR 8.4 million to EUR 3.5 million on account of tax payments made.

Liabilities to banks were reduced by EUR 20.0 million to EUR 57.5 million in the reporting period (prior year: EUR 77.5 million). Short-term drawings totaling EUR 20 million from Tranche B (revolving working capital credit lines) were repaid in fiscal 2014.

In contrast, **liabilities to affiliates** rose significantly to EUR 80.4 million (prior year: EUR 55.8 million). The cash pooling arrangement contributed to this change with an increase of EUR 23.7 million.

All in all, **total assets** increased in the reporting year to EUR 268.6 million (prior year: EUR 243.0 million). The more marked increase in retained earnings in comparison to total assets meant that the equity ratio improved from 39.8 percent to 43.0 percent.

CONSOLIDATED FINANCIAL STATEMENTS

DETAILED INDEX

CONSOLIDATED FINANCIAL STATEMENTS

_CONSOLIDATED INCOME STATEMENT

_G1_Consolidated Income Statement

EUR k	Note/Page	2014	2013
Sales revenue	5.1/110	**914,758**	**788,825**
Increase or decrease in inventories of finished goods and work in process		25,135	11,870
Own work capitalized	5.2/110	7,781	8,369
		32,916	20,239
Total operating performance		**947,674**	**809,064**
Other operating income	5.3/110	19,822	16,421
		967,496	**825,485**
Cost of materials	5.4/110	407,885	341,970
Personnel expenses before employee profit participation	5.5/110	335,790	286,141
Amortization of intangible assets	5.7/112	15,818	16,003
Depreciation of property, plant and equipment	5.8/112	15,565	15,372
Other operating expenses	5.9/113	147,178	124,387
		922,236	**783,873**
Operating result before employee profit participation		**45,260**	**41,612**
Expenses from employee profit participation	5.5/110	8,588	6,966
Net operating profit/loss		**36,672**	**34,646**
Profit/loss from associates	5.10/113	702	2,145
Interest income	5.13/113	1,504	2,230
Interest expenses	5.13/113	6,312	8,161
Earnings before taxes		**32,566**	**30,860**
Income taxes	5.14/113	– 12,186	– 11,820
Net profit/loss for the year		**20,380**	**19,040**
Profit/loss attributable to non-controlling interests		1,475	614
Profit/loss attributable to owners of Homag Group AG		18,905	18,426
Earnings per share attributable to owners of Homag Group AG in EUR (basic and diluted)	5.17 / 115	1.21	1.17

_CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

_G2_Consolidated Statement of Comprehensive Income

EUR k	**2014**	2013
Group net profit/loss for the year	**20,380**	**19,040**
Currency effects	2,804	–3,454
thereof share of associates	542	–370
Gains and losses from cash flow hedges	–329	–78
Taxes attributable to gains and losses from cash flow hedges	92	22
Other income and expenses that can be reclassified to the income statement under certain conditions in future periods	**2,567**	**–3,510**
Actuarial gains and losses	–710	–177
Income tax on other comprehensive income	322	23
Other income and expenses that cannot be reclassified to the income statement in future periods	**–388**	**–154**
Other comprehensive income	**2,179**	**–3,664**
Total comprehensive income	**22,559**	**15,376**
Total comprehensive income attributable to non-controlling interests	1,934	563
Total comprehensive income attributable to owners of Homag Group AG	20,625	14,813

_CONSOLIDATED STATEMENT OF FINANCIAL POSITION

_G3_Assets

EUR k	Note/Page	Dec. 31, 2014	Dec. 31, 2013
Non-current assets			
I. Intangible assets	6.1/116, 6.2/120	77,729	72,074
II. Property, plant and equipment	6.1/116, 6.3/121	128,894	124,961
III. Investments in associates	6.4/123	4,829	10,143
IV. Other financial assets		506	494
V. Receivables and other assets	6.6/123		
Trade receivables	6.6/123	1,039	1,261
Other financial assets	6.8/125	2,611	732
Other assets and prepaid expenses	6.9/125	324	55
Income tax receivables	6.10/126	946	1,353
VI. Deferred taxes	5.14/113	10,101	9,006
		226,979	**220,079**
Current assets			
I. Inventories	6.5/123	174,769	133,509
II. Receivables and other assets			
Trade receivables	6.6/123	86,929	90,512
Receivables from long-term construction contracts	6.7/125	43,967	21,538
Receivables due from associates	6.6/123	4,664	15,393
Other financial assets	6.8/125	10,797	8,327
Other assets and prepaid expenses	6.9/125	5,648	5,852
Income tax receivables	6.10/126	5,856	2,543
III. Cash and cash equivalents	6.11/126	49,986	44,939
		382,616	**322,613**
IV. Non-current assets held for sale	6.12/126	1,245	1,245
		383,861	**323,858**
Total assets		**610,840**	**543,937**

_G4_Equity and liabilities

EUR k	Note / Page	Dec. 31, 2014	Dec. 31, 2013
Equity			
I. Issued capital	6.13.1 / 126	15,688	15,688
II. Capital reserve	6.13.2 / 126	32,976	32,976
III. Revenue reserves	6.13.3 / 126	116,809	102,170
IV. Net profit/loss for the year	6.13.4 / 127	18,905	18,426
Equity attributable to owners		184,378	169,260
V. Non-controlling interests	6.13.5 / 127	10,293	8,391
		194,671	**177,651**
Non-current liabilities and provisions			
I. Non-current financial liabilities	6.14 / 128	71,950	64,003
II. Other non-current liabilities		7,163	9,222
III. Pensions and other post-employment benefits	6.16 / 129	3,290	2,923
IV. Obligations from employee profit participation	6.17 / 132	16,047	13,275
V. Other non-current provisions	6.18 / 133	7,344	5,107
VI. Deferred taxes	5.14 / 113	19,167	13,135
		124,961	**107,665**
Current liabilities and provisions			
I. Current financial liabilities	6.14 / 128	14,562	59,228
II. Trade payables		84,893	61,155
III. Prepayments		59,891	39,689
IV. Liabilities from long-term construction contracts	6.7 / 125	7,497	2,408
V. Liabilities to associates		8,062	4,493
VI. Other financial liabilities		2,911	156
VII. Other current liabilities and deferred income		89,148	66,329
VIII. Tax liabilities		5,575	9,219
IX. Pensions and other post-employment benefits	6.16 / 129	87	74
X. Other current provisions	6.18 / 133	18,582	15,870
		291,208	**258,621**
Total liabilities		**416,169**	**366,286**
Total equity and liabilities		**610,840**	**543,937**

_CONSOLIDATED CASH FLOW STATEMENT

_G5_Consolidated Cash Flow Statement

EUR k	Note/Page	2014	2013
1. Cash flow from operating activities			
Profit or loss before taxes		**32,566**	**30,860**
Income tax paid (–)		– 15,431	– 6,114
Interest result	5.13/113	4,808	5,931
Interest paid (–)		– 6,272	– 7,157
Interest received (+)		1,466	2,184
Write-downs (+)/write-ups (–) of non-current assets (netted)	5.7/112, 5.8/112	31,383	31,375
Increase (+)/decrease (–) in provisions		6,762	291
Share of profit (–) or loss (+) of associates	5.10/113	– 702	– 2,145
Dividends from associates		433	364
Gain (–)/loss (+) on disposal of non-current assets		199	– 1,835
Increase (–)/decrease (+) in inventories, trade receivables and other assets		– 329	– 18,723
Increase (+)/decrease (–) in trade payables and other liabilities		35,422	11,440
Cash flow from operating activities		**90,305**	**46,471**
2. Cash flow from investing activities			
Cash received (+) from disposals of property, plant and equipment		881	3,200
Cash paid (–) for investments in property, plant and equipment	6.1/116	– 13,580	– 7,601
Cash received (+) from disposals of intangible assets		0	2,316
Cash paid (–) for investments in intangible assets		– 15,377	– 15,912
Cash received (+) from disposals of financial assets		0	24
Cash paid (–) for the purchase of consolidated companies		– 12,161	0
Cash flow from investing activities		**– 40,237**	**– 17,973**

_G5_Consolidated Cash Flow Statement

EUR k	Note/Page	2014	2013
3. Cash flow from financing activities			
Dividends	5.18/115	–5,491	–3,922
Cash paid (–) to non-controlling interests		–32	0
Cash received (+) from equity contributions		0	305
Cash received (+) from the issue of (financial) liabilities		46,500	3,705
Cash repayment (–) of bonds and (financial) liabilities		–87,045	–27,385
Cash flow from financing activities		**–46,068**	**–27,297**
4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal 1–3)		4,000	1,201
Effect of currency translation adjustments and change in scope of consolidation on cash and cash equivalents		1,047	–1,819
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]		**49,986**	**44,939**

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

_CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

_G6_Consolidated Statement of Changes in Equity

EUR k	Issued capital	Capital reserve
Jan. 1, 2013	**15,688**	**32,976**
Other changes		
Capital increase by non-controlling interests		
Dividends paid		
Changes in non-controlling interests		
Transactions with owners		
Reclassification to revenue reserves		
Net result for the year		
Other income and expense		
Total comprehensive income		
Dec. 31, 2013	**15,688**	**32,976**
Jan. 1, 2014	**15,688**	**32,976**
Other changes		
Dividends paid		
Transactions with owners		
Reclassification to revenue reserves		
Net result for the year		
Other income and expense		
Total comprehensive income		
Dec. 31, 2014	**15,688**	**32,976**

Revenue reserves						
Revenue reserves	Other comprehensive income	Translation reserve	Group profit	Equity before non-controlling interests	Non-controlling interests	Total
90,446	–377	6,292	12,680	157,705	8,056	165,761
157				157	–26	131
				0	305	305
–3,922				–3,922	0	–3,922
507				507	–507	0
–3,415				–3,415	–507	–3,922
12,680			–12,680	0	0	0
			18,426	18,426	614	19,040
	–210	–3,403		–3,613	–51	–3,664
	–210	–3,403	18,426	14,813	563	15,376
99,868	–587	2,889	18,426	169,260	8,391	177,651
99,868	–587	2,889	18,426	169,260	8,391	177,651
–16				–16		–16
–5,491				–5,491	–32	–5,523
–5,491				–5,491	–32	–5,523
18,426			–18,426			0
			18,905	18,905	1,475	20,380
	–625	2,345		1,720	459	2,179
	–625	2,345	18,905	20,625	1,934	22,559
112,787	–1,212	5,234	18,905	184,378	10,293	194,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2014

_1. GENERAL

1.1 APPLICATION OF ACCOUNTING REQUIREMENTS

The consolidated financial statements of Homag Group AG (Homag Group) as of December 31, 2014 were prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee as adopted by the EU and applicable as of the reporting date. The supplementary provisions of Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code] were also complied with.

The consolidated financial statements have been prepared in euro (group currency). Besides the income statement, the statement of comprehensive income and statement of financial position, a cash flow statement and a statement of changes in equity have been presented separately. All values are rounded to the nearest thousand (EUR k) in accordance with commercial practice, unless otherwise indicated.

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

The consolidated financial statements are prepared as of the reporting date of the parent company's financial statements. The parent company's fiscal year is the calendar year.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

1.2 COMPANY INFORMATION

Company name and legal form

Homag Group AG (parent company for the smallest group of companies)

Registered offices

Schopfloch (Germany)

Address

Homagstrasse 3–5, 72296 Schopfloch

Business purpose and core activities

Manufacture and sale of machines for the wood processing industry and for cabinet makers. The Group's activities focus on the production and worldwide sale of woodworking and wood processing machines of all kinds as well as complete systems, i.e., woodworking lines. A subdivision develops and sells software as well as providing consulting services in the same market segment. Machines are produced for the entire production process from sawing to surface treatment and packaging for wood materials. The machines are sold to manufacturers of wood construction component materials (e.g., wooden flooring, manufacturers of prefabricated post and beam type houses and companies of the furniture industry). Homag Group machines are also used by carpenters and joiners.

Parent company for the largest group of companies

Dürr AG, Stuttgart

1.3 DATE OF AUTHORIZATION FOR ISSUE OF FINANCIAL STATEMENTS

On March 17, 2015, the management board of Homag Group AG released the 2014 consolidated financial statements and the 2014 combined management report for distribution to the supervisory board.

_2. BASIS OF PREPARATION

2.1 BASIS OF CONSOLIDATION

The 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 and measurement methods.

Under the purchase method, all significant subsidiaries are included on whose financial and business policy control can be exercised as defined by the control concept. In this case, the assets and liabilities of a subsidiary are included in full in the consolidated financial statements.

Capital consolidation is performed by offsetting the carrying amount of investments against the proportionate remeasured equity of the subsidiaries at the date of acquisition. The net assets are generally measured at the fair value on the date of purchase of all identifiable assets, liabilities and contingent liabilities. Any debit differences remaining after remeasurement are capitalized as goodwill under intangible assets pursuant to IFRS 3. The capitalized goodwill is tested annually for impairment and in the event of an impairment is written down through profit or loss. In addition, impairment tests are always conducted if there is any indication of impairment. We refer to note 4.2.1 for further explanations on goodwill.

If a credit difference results from capital consolidation, a reassessment is performed. The remeasurement of the assets and liabilities assumed including the contingent liabilities recognized is reviewed again in the course of reassessment. Any negative difference remaining after the reassessment is recognized immediately in profit or loss.

All intercompany sales revenue, expenses, income as well as receivables and liabilities are consolidated and any intercompany profits or losses from intragroup supplies or services are eliminated. Deferred taxes are recognized as required on consolidation entries.

The equity method is used when a significant influence may be exercised on the business policy of the associate, but the entity does not qualify as a subsidiary or a joint venture. Any difference between pro rata equity and the acquisition cost of the equity investment as of the date of acquisition is accounted for using the purchase method in capital consolidation.

All consolidated subsidiaries acquired after January 1, 2005 were accounted for pursuant to IFRS 3. For all business combinations completed before January 1, 2005 the accounting treatment of capital consolidation under HGB was retained pursuant to the accounting option of IFRS 1. In accordance with the general provisions of IFRS, assets and liabilities were determined as of the date of the opening IFRS statement of financial position. All differences between the closing HGB balance sheet and the opening IFRS statement of financial position were offset against the Group's revenue reserves.

2.2 ACQUISITION OF NON-CONTROLLING INTERESTS

The Homag Group treats the acquisition of non-controlling interests as equity transactions. Any difference between the acquisition cost of non-controlling interests and the proportionate value of the non-controlling interests as of the date of acquisition is recognized directly in equity under revenue reserves.

2.3 FOREIGN CURRENCY TRANSLATION

The functional currency of Homag Group AG is the euro (EUR). The financial statements of the consolidated foreign entities are translated pursuant to IAS 21 from the functional currency to euro. Since subsidiaries conduct their business independently within the economic environment of the country in which they are registered, the functional currency is generally the local currency of each entity. In the consolidated financial statements, assets and liabilities are translated at closing rates, expenses and income at annual-average rates. Any currency translation differences are recorded without effect on profit or loss in other comprehensive income. Equity and goodwill before the adoption of IFRSs are translated at historical rates.

Any translation differences arising in the statement of financial position or income statement from exchange rate differences are recognized directly in equity.

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

_3. CONSOLIDATED GROUP

In addition to Homag Group AG, the consolidated financial statements include 14 (prior year: 15) entities with registered offices in Germany and 25 (prior year: 23) entities with registered offices abroad at which Homag Group AG exercises uniform control either directly or indirectly.

Bargstedt Handlingsysteme GmbH, Hemmoor, was merged into Ligmatech Automationssysteme GmbH, Lichtenberg, in the reporting year. At the same time, the company was renamed Homag Automation GmbH.

In the reporting year, Homag US, Inc. was founded as the acquiring company for the acquisition of Stiles Machinery Inc. Homag Group AG holds 100 percent of the shares in Homag US, Inc. Homag Group AG increased its holding of voting shares in the US sales and service company Stiles Machinery, Inc. from 29.4 percent to 100 percent.

The list of shareholdings of Homag Group AG is presented in note 9.

_G7_**Exchange Rates**

	Closing rate		Average rate	
EUR 1	**Dec. 31, 2014**	Dec. 31, 2013	**2014**	2013
US dollar	1.21550	1.37670	1.32170	1.32826
Pound sterling	0.77860	0.83310	0.80340	0.84928
Australian dollar	1.48100	1.53960	1.47200	1.37749
Canadian dollar	1.40740	1.46360	1.46330	1.36852
Danish krone	7.44520	7.45990	7.45460	7.45823
Japanese yen	145.03000	144.51220	140.49080	129.65861
Swiss franc	1.20240	1.22670	1.21280	1.23091
Chinese CNY	7.43730	8.33140	8.15440	8.23188
Polish zloty	4.28200	4.15080	4.19400	4.19866
Singapore dollar	1.60590	1.73920	1.67780	1.66222
Russia ruble	72.70000	45.25820	51.93790	42.36328
Korean won	1,324.86490	1,452.96920	1,391.49930	1,459.16260
Brazilian real	3.23010	3.25190	3.10270	2.87401
Indian rupee	76.61590	85.22460	80.71200	72.22310

3.1 ASSOCIATES

Homag China Golden Field Ltd., Hong Kong, China, was included in the consolidated financial statements as of December 31, 2014. We refer to note 9 for further explanations.

3.2 CHANGES IN THE CONSOLIDATED GROUP

Via the newly founded subsidiary, Homag US, Inc., Homag Group AG increased its holding of voting shares in the US sales and service company Stiles Machinery, Inc. from 29.4 percent to 100 percent in the reporting year. The company has been fully consolidated since February 3; until then the company had been accounted for using the equity method.

3.3 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 purchased from Peter Kleinschmidt who is retiring from active business. Stiles is the leading distribution and service organization for machines and production lines for the US woodworking industry. In 2013, Stiles generated annual sales revenue of around USD 160 million. This takeover gives us direct access to the US market.

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 (equivalent to EUR 14,348 k) and was settled 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 year 2013.

The allocation of the purchase price to the acquired assets and liabilities was completed as of December 31, 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:

_G8_Stiles Machinery, Inc.: Goodwill

EUR k	
Purchase price for the acquisition	14,348
Acquisition-date fair value of the interests already held by the Homag Group	5,975
Fair value of net assets	−17,321
Goodwill	3,002

Goodwill was allocated to the Sales & Service segment and contains the positive effect for the Sales & Service area and employee know-how.

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

_G9_Stiles Machinery, Inc.: Net Assets

EUR k	Carrying amount before acquisition	Adjustment	Carrying amount after acquisition
Intangible assets	109	2,450	2,559
Property, plant and equipment	2,202	535	2,737
Inventories	27,263	2,439	29,702
Receivables and other assets	14,713	1,725	16,438
Cash and cash equivalents	2,185	0	2,185
Deferred taxes	−45	−2,010	−2,055
Non-current liabilities	−425	−3,560	−3,985
Current liabilities	−30,143	−117	−30,260
Net assets	**15,859**	**1,462**	**17,321**

The carrying amounts after acquisition correspond to fair value as of the date of first-time consolidation. The gross contractually agreed value of the acquired receivables and other assets corresponds to their fair value. Acquired receivables and other assets are considered recoverable. The main 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 allocation and to rent and lease liabilities on account of an unfavorable rental agreement as well as the recording of obligations from long-term employee profit sharing arrangements already in place at the acquired entity. Deferred taxes were recognized on differences between the fair value to be recognized and the tax base of the assets and liabilities. The calculation of the tax rate used reflects the reversal of the effects of expected tax rates. No contingent liabilities were recognized in the first-time consolidation. Agreements with the seller on compensation for unfavorable contracts meant that corresponding receivables had to be recognized.

The intangible assets acquired were measured using income-based methods. 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 amounts expected. 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:

_G10_Useful Lifes of Purchased Intangible Assets

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

The fair value of the equity interest in Stiles already held by the Homag Group as of the acquisition date totals EUR 5,975 k. The gain from the remeasurement of this equity interest comes to EUR 137 k and is disclosed in profit/loss from associates.

Stiles' profit contribution from the acquisition date until December 31, 2014 breaks down as follows:

_G11_Stiles Machinery, Inc.: Contribution to Earnings

EUR k	
Sales revenue with external customers	68,149
Profit/loss for the year	−4,448

If Stiles had already been consolidated as of January 1, 2014, the Group's sales revenue for the reporting year would have been around EUR 4,700 k higher and the Group's net profit would have been around EUR 115 k lower. The loss of EUR 4,448 k stems from subsequent effects from the purchase price allocation and the elimination of intercompany profits. The operating result at Stiles is in fact positive and totals EUR 2,108 k according to local GAAP.

_4. ACCOUNTING POLICIES

The financial statements of the subsidiaries included in the consolidated financial statements are prepared as of the same reporting date as the parent company using uniform accounting policies. In addition, the financial statements prepared in accordance with local GAAP are adjusted to the accounting policies of the Homag Group to the extent that they diverge from IFRSs.

4.1 CHANGES IN ACCOUNTING POLICIES

The accounting policies used generally correspond to the policies applied in the prior period. In addition the Group has applied the new and/or revised standards that are effective for the 2014 reporting period.

The following IFRS standards and interpretations became operative/were revised in the fiscal year 2014:

_G12_**IFRS Standards**

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to the transitional provisions for IFRS 10, IFRS 11, IFRS 12	
Amendment to IAS 28	Investment to Associates
Amendment to IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 21	Levies

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a uniform concept of control to be used in determining which entities should be included in the consolidated financial statements. IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” for the consolidated financial statements and Standing Interpretations Committee (SIC) 12 “Consolidation – Special Purpose Entities”. As of January 1, 2014, there are no changes to the entities included in the consolidated financial statements and therefore no effect on the net assets, financial position and results of operations of the Group as the application of IFRS 10 does not lead to any changes in the basis of consolidation.

IFRS 11 – Joint Arrangements

IFRS 11 governs the financial reporting by parties to a joint arrangement. It replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly controlled Entities – Non-monetary Contributions by Venturers”. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. As Dürr already measures its joint ventures and associates in accordance with the equity method and the application of IFRS 11 does not have any effect on the composition of these companies, the introduction of the standard does not have any effect on the net assets, financial position or results of operations of the Group.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 governs the disclosures required for reporting on the interests held by the reporting entity in subsidiaries, joint ventures, associates, and structured entities and results in extended disclosure requirements. This replaces the disclosure requirements previously contained in a number of standards (IAS 27, IAS 28 and IAS 31).

Amendments to the transitional provisions for IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities

These define the date of first-time adoption and the applicable version of IFRS 3 “Business Combinations” and IAS 27 “Separate Financial Statements” when applying IFRS 10 retrospectively. They also provide for exemptions in IFRS 11 and IFRS 12. The amendments do not have any effect on the consolidated financial statements.

Amendment to IAS 28 – Investments in Associates

This standard was renamed "Investments in Associates and Joint Ventures". The amended IAS 28 now incorporates SIC 13 "Jointly controlled Entities – Non-monetary Contributions by Venturers" and clarifies other issues as well. The amendments do not have any effect on the consolidated financial statements.

Amendment to IAS 39 – Financial Instruments: Recognition and Measurement

Recognition and Measurement regarding novation of derivatives and continuation of hedge accounting. Extensive regulatory changes were introduced to improve the transparency and regulatory oversight of over-the-counter (OTC) derivatives. Companies must therefore transfer derivatives to central counterparties to avoid any risks of default (novation). Previously, pursuant to IAS 39, accounting for derivatives as a hedging instrument had to be ended if the original derivate no longer existed. The International Accounting Standards Board (IASB) added a simplification to IAS 39, according to which the hedge accounting does not have to be ended if the novation of a hedging instrument with a central counterparty satisfies certain criteria. Homag does enter into OTC derivatives, but due to various exemptions, the amendment does not have any effect on the consolidated financial statements.

IFRIC 21 – Levies

The interpretation clarifies that a liability must be recognized for levies as soon as an activity established by law occurs which triggers a corresponding payment obligation. Furthermore, levies that are triggered when specific thresholds are reached are not accounted for until they are reached. The interpretation is mandatory for those reporting periods beginning on or after June 17, 2014, and will not have any effects, or no material effects, on the consolidated financial statements.

The following standards and interpretations have not yet entered into force, but have already been adopted by the EU in the comitology procedures.

_G13_**IFRS standards**

Amendment to IAS 19	Employee Benefits

Amendments to IAS 19 – Employee Benefits

The amendment governs the recording of contributions by employees or third parties to defined benefit pension plans as a reduction of service cost, if these reflect the benefits earned during the reporting period. The amended standard will become effective for reporting periods beginning on or after July 1, 2014. The amendment will only have a slight effect in the Homag Group as only a few pension plans in certain countries will be affected by the amendment.

The amendments contained in the 2010–2012 and 2011–2013 annual improvements projects are effective for reporting periods beginning on or after July 1, 2014, and will not have any effects, or no material effects, on the consolidated financial statements of the Company.

Annual Improvements to IFRSs (2010 – 2012 cycle)

IFRS 2 "Share-based Payment":

The amendment clarifies the definition of vesting conditions and market conditions.

IFRS 3 "Business Combinations":

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

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

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

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

Annual Improvements to IFRSs (2011 – 2013 cycle)

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

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

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

IAS 40 "Investment Property":
The amendment clarifies that the scope of IAS 40 and IFRS 3 "Business Combinations" is independent of each other, i.e., never mutually exclusive.

The following standards and interpretations have not yet entered into force and have not yet been adopted by the EU in the comitology procedures.

_G14_IFRS Standards

IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IFRS 15	Revenue from Contracts with Customers
Amendment to IAS 1	Presentation of Financial Statements
Amendment to IAS 27	Separate Financial Statements

IFRS 9 – Financial Instruments

IFRS 9 governs the classification and measurement of financial assets. The IASB issued the final version of IFRS 9 on July 24, 2014. The standard combines all previously published regulations with the new regulations on recognizing impairment as well as limited changes to the classification and measurement of financial assets. These new regulations are effective for reporting periods beginning on or after January 1, 2018. Homag has not yet concluded its review of what effects the application of IFRS 9 will have on the consolidated financial statements.

IFRS 11 – Joint Arrangements

The publication from May 6, 2014 clarifies that both the first-time acquisition as well as the acquisition of further interests in a joint operation in which the activity constitutes a business are to be accounted for by applying the accounting principles on business combinations in IFRS 3, except for those principles that conflict with the guidance in IFRS 11. It also clarifies that the acquirer must disclose the information required by IFRS 3 and other standards for business combinations. The amendments are effective for reporting periods beginning on or after January 1, 2016. The amendments are not expected to have any effect on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

The aim of the standard issued on May 28, 2014 concerning revenue recognition is the combination of the rules previously contained in various standards and interpretations. Common basic principles have been created that can be applied to all industries and all types of sales revenue transactions. The question of what amount and at what time/over what period of time sales revenue is to be realized is clarified with a five-step model. The standard also contains a number of other rules on details and expands the required disclosures in the notes. The new standard will become effective for reporting periods beginning on or after January 1, 2017. The first-time application is to be performed retrospectively, although there are various simplification options available. Homag has not yet concluded its review of what effects the application of IFRS 15 will have on the consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements

In the amendments from December 18, 2014, the IASB clarifies the definition of materiality in IAS 1. In addition, they clarify sub-classifications of items of the statement of financial position and the statement of comprehensive income, the presentation of subtotals and requirements regarding the structure of the notes. Furthermore, requirements regarding the presentation of significant accounting policies as an integral part of the disclosures in the notes were revoked. The amendments are effective for reporting periods beginning on or after January 1, 2016. The amendments are not expected to have any effects, or no material effects, on the consolidated financial statements.

Amendment to IAS 27 – Separate Financial Statements

The amendment again permits the equity method as an accounting option for shares in subsidiaries, joint ventures and associates in the separate financial statements of an investor. The amendments are effective for reporting periods beginning on or after January 1, 2016. The amendments do not have any effect on the consolidated financial statements as it sets out the accounting for separate financial statements.

Annual Improvements Project: In September 2014, the IASB issued the final omnibus standards with changes to existing IFRSs in the course of its annual improvements project. The annual improvements project included minor amendments or clarifications.

The amendments contained in 2012–2014 improvements project are effective for reporting periods beginning on or after July 1, 2016, and will not have any effects, or no material effects, on the consolidated financial statements of the Company.

Annual Improvements to IFRSs (2012–2014 cycle)

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations":
The amendment contains the addition of special guidance for an entity that reclassifies an asset from being "held for sale" to being "held for distribution" (or vice versa) and the addition of special guidance for when the accounting of assets held for distribution is terminated.

IFRS 7 "Financial Instruments: Disclosures" with subsequent amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards":
Inclusion of additional guidance to clarify whether a management agreement constitutes continuing involvement in a transferred asset (in order to determine disclosures required). It also clarifies the application of the amendments to IFRS 7 with respect to offsetting in condensed interim financial statements.

IAS 19 "Employee Benefits":
This amendment clarifies that high quality corporate bonds that are used in determining the discount rate for post-employment benefits are to be denominated in the currency of the amounts payable and as a result the depth of the market for high quality corporate bonds is to be assessed at currency level.

IAS 34 "Interim Financial Reporting":
The amendment clarifies the meaning of "elsewhere in the interim financial report" and requires that a disclosure must be incorporated by cross-reference if this information has not been included in the main section of the report.

_4.2 ACCOUNTING POLICIES FOR SELECTED ITEMS

4.2.1 GOODWILL

Business combinations are accounted for using the acquisition method pursuant to IFRS 3. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities) of the acquired business at fair value. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs or groups of CGUs. Each CGU or group of CGUs to which the goodwill is allocated

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a business segment determined in accordance with IFRS 8.5 "Operating Segments".

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and any goodwill is recognized in the income statement.

In the course of the impairment test, the carrying amount of a CGU (group of CGUs) is compared to the recoverable amount. The recoverable amount of the CGU (group of CGUs) is the higher of the fair value less costs to sell and the value in use. The impairment test is carried out at least once annually unless there is an extraordinary reason to conduct an impairment test over the course of the year.

For production companies of the Homag Group, the legal entities are defined as CGUs; while for sales activities of the Group, the existing goodwill was allocated to groups of CGUs (Europe, Americas and Asia/Pacific).

The impairment tests are performed on the defined (groups of) CGUs in accordance with the provisions of IAS 36 using the discounted cash flow method based on the values in use, which correspond to the recoverable amount. Data from business planning were used for this purpose. The calculation of the present value of future cash flows is based on significant assumptions, particularly with respect to future sales prices, sales quantities and costs. The plan is based on the detailed planning period up to fiscal 2019. The cash flow for 2019 was projected for the period following the detailed planning period, assuming an increase in working capital as well as in the intangible assets and property, plant and equipment for 2019 in line with the growth mark-up of 0.75 percent.

The main items of goodwill and the underlying assumptions for the impairment tests are listed in note 6.2.

4.2.2 INTERNALLY GENERATED INTANGIBLE ASSETS

The internally generated intangible assets partly concern development costs of new products. These are capitalized provided that clear allocation of costs – i.e., it is possible to determine production costs reliably – and all the other criteria of IAS 38 are met. Cost comprises the costs directly or indirectly allocable to the development process. Investment was capitalized for our enterprise software as part of our large-scale IT project ProFuture. We also invested in the development of software and production line control systems as well as a new series with a sliding chain and a new window machine.

Amortization is generally charged over an expected useful life of 5 years using the straight-line method. It is charged from the date on which economic use of the asset begins, i.e., generally upon the start of production.

Pursuant to IAS 38, research costs are treated as current expenses.

4.2.3 OTHER INTANGIBLE ASSETS

Intangible assets acquired for a consideration – mainly software – are stated at cost and amortized over their expected useful life of between 3 and 7 years using systematic, straight-line amortization. We expect the Stiles brand name to have a limited useful life. Nevertheless, the Stiles brand has an excellent reputation on the US market. For this reason, we do not plan to discontinue this brand name in the short term. As a result, the useful life was cautiously estimated at 6 years for accounting purposes. The brand name had a carrying amount of EUR 558 k as of December 31, 2014. If there are indications of impairment, the recoverability of the carrying amount is reviewed (impairment test).

4.2.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of continuing operations are stated at cost less systematic depreciation and accumulated impairment losses. The cost of self-constructed assets includes directly allocable costs as well as appropriate portions of overheads. Borrowing costs are offset as an expense; provided they are allocable to a qualifying asset, they are capitalized.

Depreciation is generally based on the following useful lives:

_G15_Amortization and Depreciation: Useful Lives

in years	
Property	15 – 30
Other equipment, plant and machinery	8 – 15
Furniture and fixtures	4 – 15

If there are indications of impairment, the recoverability of the carrying amount is reviewed (impairment test). Impairment losses are recorded on property, plant and equipment in accordance with IAS 36 to the extent that the recoverable amount of the asset falls below its carrying amount. The recoverable amount is the higher of the asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The value in use is determined for each asset individually or, if that is not possible, for the CGU to which the asset belongs. Basic assumptions must be made to determine the cash flows expected for each CGU. These include assumptions regarding financial planning and the interest rates used for discounting.

If the reasons for an impairment loss recorded in prior years no longer apply, the impairment loss is reversed. The resulting increase in the carrying amount of the asset may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

4.2.5 GOVERNMENT GRANTS

Pursuant to IAS 20, government grants are only recognized if there is reasonable assurance that they will be received and the Company will comply with the conditions attaching to them. Government grants related to assets (e.g., investment grants and subsidies) are deducted from the cost of the underlying asset. Grants related to income are recognized in the profit or loss of the period in which the expenses to be compensated for are incurred.

4.2.6 FINANCE LEASES AND OPERATING LEASES

Under finance leases, economic title is allocated to the lessee in cases in which it bears all risks and rewards incidental to ownership (IAS 17). If the economic title is allocable to the Homag Group, it is recognized as an asset at the inception of the lease at the lower of the fair value or the present value of the minimum lease payments. The leased asset is depreciated over the shorter of the lease term or its useful life, provided that it is not expected that ownership will be obtained at the end of the lease term. The discounted payment obligations resulting from the lease payments are recognized as a liability and reported under financial liabilities.

Should there be any operating leases within the Homag Group, lease or rent payments are expensed as incurred.

4.2.7 FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. These include both non-derivative financial instruments (e.g., trade receivables or payables) and derivative financial instruments (transactions to hedge against risks of changes in value).

Financial assets are recognized and derecognized on the settlement date. Financial assets are initially recognized at fair value plus transaction costs, with the exception of financial assets recognized at fair value through profit or loss. The latter are initially valued at fair value without taking transaction costs into account.

IAS 39 distinguishes between the following categories of financial instruments:

a. Assets or liabilities at fair value through profit or loss, which include the subcategories
    - aa. held for trading
    - ab. designated by the entity as at fair value through profit or loss
b. Held-to-maturity investments
c. Loans and receivables
d. Available-for-sale financial assets
e. Financial liabilities measured at amortized cost

The market value of financial instruments at fair value through profit or loss is the price obtainable on the market, i.e., the price for which the financial instrument could be exchanged between parties in an arm's length transaction. Unrealized gains and losses are recorded with an effect on income.

Loans and receivables originated by the Company that are not held for trading are classified as "Other financial assets" and measured at their amortized cost (less impairment losses) using the effective interest method.

Non-derivative financial instruments that do not satisfy the criteria for classification in another category are classified as "Available-for-sale financial assets".

Derivative financial instruments are financial contracts whose value is derived from the price of an asset (e.g., shares, obligations, money market instruments or commodities) or a reference rate (e.g., currencies, indices and interest rates). Little or no initial investment was required and they will be settled in the future. Examples of derivative financial instruments include options, forward transactions or interest rate swaps.

Gains or losses from fluctuations in the fair value of available-for-sale assets are recognized in other comprehensive income under the remeasurement reserve for investments, with the exception of impairment losses, interest determined using the effective interest method and gains and losses from the currency translation of monetary items. The latter are recognized in the income statement. If a financial asset is sold or an impairment identified, any cumulative gain or loss that had been recognized in other comprehensive income is taken to profit or loss.

Dividends are recognized in the income statement when the Group has obtained a payment claim.

Apart from loans and receivables, the Homag Group has financial instruments held for trading in the form of derivatives without a hedging relationship and derivatives as part of an effective hedge. The Group had not recognized any financial assets or liabilities at fair value through profit loss as of December 31, 2014 or December 31, 2013.

Recognition of changes in the fair value of derivative financial instruments, i.e., recognition in profit or loss or other comprehensive income, depends on whether these are designated and effective hedging instruments in accordance with IAS 39. If it is not a designated and effective hedging instrument (Hedge Accounting) pursuant to IAS 39, the changes in fair value of derivative financial instruments are recognized immediately in profit or loss. However, if there is an effective hedging relationship pursuant to IAS 39, the hedging relationship is accounted for as a hedge.

Homag Group AG applies the provisions governing hedge accounting for hedging items in the statement of financial position and future cash flows. This reduces volatility in the income statement. Depending on the type of hedged item, a distinction is drawn between fair value hedge and cash flow hedge.

Fair value hedges are used to hedge against the exposure to changes in fair value of an asset, liability or firm commitment. Cash flow hedges are used to hedge against the exposure to fluctuating cash flows. In a cash flow hedge, the effective part of the change in the value of the hedging instrument until the result of the hedged item is recognized in other comprehensive income (hedge reserve); the ineffective part of the change in the value of the hedging instrument is recognized through profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of financial or non-financial assets or liabilities, the accumulated gains or losses associated with the hedge initially remain posted to other comprehensive income but are subsequently reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

IAS 39 prescribes strict requirements for hedge accounting. These are satisfied by Homag Group AG as follows: At the inception of a hedge both the relationship between the hedging instrument and the hedged item as well as the objective and strategy for undertaking the hedge are documented. This includes a specific designation of the hedging instrument to the associated assets and liabilities or contractually agreed future transactions as well as an estimate of the effectiveness of the hedge instrument used. Hedges are continually tested for effectiveness; if a hedge becomes ineffective, its treatment under hedge accounting is immediately discontinued.

Homag Group AG also has hedges that do not satisfy the strict requirements for hedge accounting under IAS 39, but which effectively contribute to hedging financial risks in compliance with the principles of risk management. Homag Group AG does not use hedge accounting as defined in IAS 39 to recognize the monetary assets and liabilities used to hedge currency risks since the gains and losses of the hedged items to be posted to profit or loss pursuant to IAS 21 are shown together with the gains and losses from the derivatives used as hedging instruments.

Within the Homag Group, these derivative financial instruments that do not qualify for hedge accounting are classified as “held for trading” in the category “marked-to-market financial assets/liabilities at fair value” through profit or loss as of the reporting date. The market values are calculated using standardized financial modeling methods (mark-to-market method) or quoted market prices. Gains and losses from the change in the market values of these derivative financial instruments are immediately posted to profit or loss. The derivative financial instruments used by the Group that do not qualify for hedge accounting are forward exchange contracts to hedge against currency risks.

Impairment of Financial Assets

With the exception of financial assets at fair value through profit or loss, financial assets are tested for impairment at each reporting date. Financial assets are impaired if there is objective evidence of impairment as a result of 1 or more events that occurred after the initial recognition of the asset with a negative impact on the estimated future cash flows. For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the financial instrument and the present value of the expected future cash flows determined using the original effective interest rate. Losses from the measurement of available-for-sale financial assets at fair value are recognized in other comprehensive income. This does not apply in the case of permanent and/or material impairment losses or exchange losses. Such losses are recognized in profit or loss. When a financial asset classified as available for sale is derecognized, the cumulative gains and losses from fair value measurement recognized in other comprehensive income are recognized through profit or loss.

An impairment loss directly reduces the carrying amount of the assets concerned, with the exception of trade receivables, whose carrying amount is reduced via an allowance account. If a bad debt is identified, based on a debt collection agency's notification that a receivable has become uncollectible for instance, the corresponding amount is directly deducted from the receivable.

For more information see glossary, pages 188 et seq.

Reversals of Impairment Losses on Financial Assets

If, in a subsequent period, the amount of the impairment loss (other than impairment losses recognized on financial assets available for sale) decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized. The way the reversal of impairments on available-for-sale financial assets is performed depends on whether it is classified as an equity or debt instrument. Reversals of impairment losses recorded on equity instruments are posted directly to other comprehensive income while debt instruments are written up through profit or loss.

4.2.8 INVENTORIES

Raw materials, consumables and supplies are generally measured at the lower of cost or net realizable value (net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale). Work in process and finished goods are stated at the lower of cost or net realizable value. In addition to directly allocable costs, they include a proportionate share of production-related overheads. This also includes production-related depreciation, a proportionate amount of production-related administrative expenses as well as pro rata welfare costs (production-based full cost approach). Costs of conversion are determined on the basis of normal capacity.

Borrowing costs are not capitalized if there are no qualifying assets.

If the reasons for writing down inventories in the past no longer apply, the write-down is reversed and recognized as a reduction of the cost of materials.

4.2.9 LONG-TERM CONSTRUCTION CONTRACTS

Construction contracts that satisfy the criteria of IAS 11 are accounted for using the percentage of completion (PoC) method. As a result, the criteria of IAS 11 are satisfied within the Homag Group whenever customer-specific contracts have a lower degree of standardization. This can be assumed, for instance, whenever a significant amount of material expenses are incurred for made-to-order contracts. The stage of completion to be recognized is calculated per contract, generally using the cost-to-cost method. The corresponding profit on the construction contract is recognized on the basis of the percentage of completion calculated in this way. These contracts are recognized under receivables or liabilities from long-term construction. If the work in process exceeds the prepayments, construction contracts are reported on the asset side under receivables from long-term construction. If the balance is negative after deducting the prepayment, the item is reported under liabilities from long-term construction. If the total costs are expected to exceed total income, the expected losses are expensed immediately. If the profit on the construction contract cannot be determined reliably, sales revenue is only recognized to the extent of the contract costs incurred.

4.2.10 RECEIVABLES AND OTHER ASSETS

Receivables and other assets are measured at acquisition cost less appropriate write-downs for all recognizable specific risks. Non-current non-interest-bearing receivables are measured at acquisition cost using the effective interest rate method.

4.2.11 DEFERRED TAXES

Deferred taxes are set up in accordance with IAS 12 on all temporary differences between the carrying amounts in the consolidated statement of financial position and the tax base of the assets and liabilities (liability method) as well as for unused tax losses, provided they are capable of being used in the next 4 years (prior year: 5 years) based on current business planning and have no history of loss. The effects from the change in the planning horizon are immaterial. Deferred taxes are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the IFRS accounting profit nor the taxable profit or loss. Deferred tax liabilities are not recorded for taxable temporary differences arising from initial recognition of goodwill (from a business combination) either. Deferred tax assets for accounting and measurement differences as well as for unused tax losses are only recorded to the extent that it is sufficiently probable that these differences will lead to realization of the corresponding benefit in the future. Deferred taxes are determined on the basis of the tax rates that apply or that are expected to apply based on the current or expected legislation in the individual countries at the time of realization. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are netted if, and only if, the entity has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity by the same taxation authority. Deferred taxes are recorded as tax income or expense in the statement of income unless they relate to items recorded in other comprehensive income; in this case, the deferred taxes are also recorded in other comprehensive income.

4.2.12 NON-CURRENT ASSETS HELD FOR SALE

The Group classifies non-current assets or disposal groups as non-current assets held for sale when the criteria of IFRS 5 are fulfilled. In such cases, the assets or disposal groups are no longer amortized or depreciated, but are instead measured at the lower of carrying amount and fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered through a sales transaction rather than through continuing use. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

The Group reports these assets and disposal groups separately in the statement of financial position.

4.2.13 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pensions and similar obligations comprise pension commitments from defined benefit plans. The obligations are calculated using the projected unit credit method. This method considers not only the pensions and future claims known on the reporting date to determine the obligations but also future anticipated increases in pensions. The calculation is based on actuarial opinions prepared annually taking account of biometric assumptions. The amount recognized as a defined benefit liability is net of the fair value of plan assets as of the reporting date.

Actuarial gains and losses are recognized outside profit or loss in the period in which they occur under other comprehensive income. Service cost is disclosed under personnel expenses and interest expenses under the corresponding item in the income statement.

In the case of the defined contribution plans, the Homag Group has no additional obligation other than payment of contributions to the insurance companies or other special purpose funds.

4.2.14 OBLIGATIONS FROM EMPLOYEE PROFIT PARTICIPATION

Some companies of the Homag Group grant their employees the option of acquiring a silent participation in the Company. The participation is typically financed through the granting of loans by the Company; and the loans are repaid via the profit participation rights of participating employees.

Employees that acquire silent participations are entitled to participate in the profits of the Company as recognized in the financial statements prepared according to commercial law. This profit participation is partly used to repay the loan granted, and the remaining amount is paid out to the participating employee. Loss allocations reduce future profit allocations. Employee benefits in connection with the silent participation program qualify as employee benefits within the meaning of IAS 19. If profit allocable to an employee is paid out directly, this is treated as a short-term employee benefit. If the profit allocable to the employee is used to repay the loan used to finance the silent participation, the Company recognizes another long-term employee benefit, which matures upon termination of the silent participation. This is generally the case when the employee leaves the Company.

The present value of the obligations from employee profit participation is determined by taking account of biometric data based on actuarial principles.

Expenses from employee profit participation are disclosed separately on the face of the income statement. This includes any interest income generated in connection with this from the issue of loans as well as changes to the obligation owing to discounting.

4.2.15 SHARE-BASED PAYMENTS

Management board members are granted share appreciation rights that can only be settled in cash (cash-settled share-based payment transactions within the meaning of IFRS 2.30 et seq.).

The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date using an option price model (for details, reference is made to note 5.6 “Total remuneration of the supervisory board and management board”). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognized in the income statement.

4.2.16 OTHER PROVISIONS

Other provisions are set up if there is a present legal or constructive obligation to third parties from a past event. It must be possible to estimate the amount reliably and it must be probable that there will be an outflow of resources.

Non-current provisions due in more than 1 year are stated at their settlement amount discounted to the reporting date, in cases where the time value of money is significant.

4.2.17 LIABILITIES

Liabilities are recorded at amortized cost. Non-current liabilities not subject to interest due in more than 1 year are discounted using the effective interest method. In the interest-bearing liabilities, transaction costs from the syndicated loan agreement are also measured using the effective interest method.

4.2.18 BORROWING COSTS

Borrowing costs are recognized as an expense when incurred. Pursuant to IAS 23, borrowing costs in connection with the construction of a qualifying asset are capitalized. No borrowing costs as defined by IAS 23 were incurred in the reporting year.

4.2.19 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Homag Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Discounts and rebates are taken into account. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Goods

Sales revenue from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This is generally the case upon dispatch of the goods. If, apart from delivery, the transaction also includes assembly of the delivered goods, sales revenue is recognized once assembly at the client's premises has been completed (i.e., after acceptance by the customer) – provided the transaction does not qualify as a long-term construction contract within the meaning of IAS 11.

Long-term Construction Contracts

Sales revenue from long-term construction contracts is recognized pursuant to IAS 11 by reference to the stage of completion.

Interest Income

Interest income is recognized when interest accrues.

4.2.20 ASSUMPTIONS AND ESTIMATES

Estimates and assumptions have to be made in the consolidated financial statements that have an effect on the amount and disclosure of the assets and liabilities, income and expenses and contingent liabilities reported. The actual values may in some cases differ from the assumptions and estimates. Changes are generally recognized in income pursuant to IAS 8, as and when better information is available.

In the process of applying the accounting policies, the management board made the following assumptions and estimates which had a significant effect on the amounts recognized in the financial statements:

Development Costs

Development costs are capitalized in accordance with the accounting policy explained in the section "Accounting Policies". Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. The carrying amount of capitalized development costs came to EUR 25,755 k as of December 31, 2014 (prior year: EUR 26,713 k).

Goodwill

The Group tests goodwill for impairment at least once a year. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating a value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was EUR 17,601 k as of December 31, 2014 (prior year: EUR 14,240 k). We refer to note 6.2 for further information.

Receivables

In the course of determining specific bad debt allowances, receivables that could potentially be impaired are assessed and an impairment loss recognized if needed. Impairments of doubtful debts are largely based on estimates and judgments of individual receivables which take into account the credit standing and payment arrears of individual customers as well as current economic developments and historical experience of default.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. We refer to note 5.14 for further information.

Non-current Assets Held for Sale

A non-current asset is classified as held for sale inter alia if it is expected to be sold within a year and the asset is offered for purchase at a price that is reasonable in relation to its fair value.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Assumptions have to be made with regard to the timing of the sale and the fair value less costs to sell.

Management estimates the timing of the sale based on the progress of negotiations. The fair value less costs to sell of non-current assets held for sale is verified by external appraisals.

Pensions and Other Post-employment Benefits

The cost of providing post-employment benefits under defined benefit plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, mortality rates and future pension increases. As these plans are of a long-term nature, such estimates are highly uncertain. As of December 31, 2014, the provision for pensions and other post-employment benefits amounted to EUR 3,377 k (prior year: EUR 2,997 k). We refer to note 6.16 for further information.

Employee Profit Participation

The obligations from employee profit participation are determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates and expected retirement age of employees. The liabilities from employee profit participation as of December 31, 2014 amounted to EUR 16,047 k (prior year: EUR 13,275 k). We refer to note 6.17 for further information.

Accrued Liabilities and Provisions

When measuring provisions and accrued liabilities – particularly relating to project/product risks as well as litigation and tax risks – assumptions and estimates play an important role in assessing the probability of utilization and the obligation amount. For ongoing cases, the Homag Group recognizes provisions if it is probable that an obligation will arise that will lead to a future outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. The status of legal disputes is continually reassessed, also in consultation with external lawyers. An assessment can change in line with new findings, resulting in a need to adjust the amount of the provision or accrued liability in response to new developments.

Share-based Payments

Within the Homag Group, the cost of issuing share appreciation rights to management board members is measured at the fair value of the share appreciation rights on the date they are issued. An appropriate measurement method must be determined to estimate the fair value for the issue of equity instruments; this depends on the conditions of issue. It is also necessary to determine appropriate input data used in this measurement method, including in particular the expected option life, the volatility and the dividend yield as well as related assumptions. The assumptions and methods applied are disclosed in note 5.6.

4.2.21 CASH FLOW STATEMENT

The cash flow statement in accordance with IAS 7 shows the development of cash inflows and outflows separately and is divided into cash flow from operating, investing and financing activities. Cash flows from operating activities were determined from the consolidated financial statements of the Homag Group using the indirect method. This involves eliminating all non-cash expenses – mainly depreciation or amortization and changes in provisions – as well as non-cash income from the net profit for the year and adding changes in operating assets and liabilities. Cash flow from investing and financing activities is determined using the direct method.

The cash and cash equivalents presented in the cash flow statement contain cash and cash equivalents shown in the statement of financial position, i.e., cash in hand, checks and bank balances which can be disposed of within 3 months. Cash and cash equivalents comprise the following:

_G16_Cash and Cash Equivalents

EUR k	2014	2013
Cash on hand	340	75
Checks	1	79
Bank balances	49,645	44,785
	49,986	**44,939**

Cash and cash equivalents are not subject to any significant restrictions on their disposal.

_5. NOTES TO INDIVIDUAL INCOME STATEMENT ITEMS

5.1 SALES REVENUE

The following table shows the breakdown of sales revenue by geographical region:

_G17_Sales Revenue by Region

EUR k	2014	2013
Central Europe (incl. Germany)	210,862	230,599
Western Europe	169,170	131,824
Eastern Europe	177,918	171,204
North America	168,684	69,864
South America	20,187	37,236
Asia/Pacific	157,465	137,956
Africa	10,472	10,142
Total [1]	**914,758**	**788,825**

1 Conversion to allocation of sales revenue by geographical segment in 2014 similar to order intake. The prior-year figures have been restated accordingly.

The location of the customer is used to determine allocation to the regions. Sales revenue contains the amounts charged to customers for goods and services less any sales deductions and discounts. Under long-term construction contracts, sales revenue of EUR 240,164 k (prior year: EUR 279,651 k) was recorded from customized construction contracts in the reporting year using the percentage of completion method. The allocation to business units is presented in note 7.4 Segment Reporting.

5.2 OWN WORK CAPITALIZED

Own work capitalized is principally a result of the capitalization of development costs pursuant to IAS 38.

5.3 OTHER OPERATING INCOME

Other operating income comprises the following:

_G18_Other Operating Income

EUR k	2014	2013
Exchange rate gains	8,036	3,158
Income from private car usage	2,609	2,527
Income from cost allocations to third parties	2,308	2,474
Commission received	1,938	575
Income from the reversal of specific bad debt allowances	851	1,513
Canteen revenue	677	636
Income from cost reimbursements	469	1,019
Gains on disposal of non-current assets	455	2,188
Other income	2,479	2,331
	19,822	**16,421**

5.4 COST OF MATERIALS

_G19_Cost of Materials

EUR k	2014	2013
Cost of raw materials, consumables and supplies and purchased goods	384,170	322,632
Cost of purchased services	23,715	19,338
	407,885	**341,970**

5.5 PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

_G20_Personnel Expenses

EUR k	2014	2013
Wages and salaries	285,615	241,957
Social security, pension and other benefit costs	50,175	44,184
thereof pension benefits	17,719	16,959
thereof employer contribution to statutory pension insurance	16,715	15,983
	335,790	**286,141**

Personnel expenses include refunds from the Federal Employment Agency in Germany of EUR 114 k (prior year: EUR 68 k). These refunds are for government-subsidized reduced working hours as well as for social security expenses for various German production companies borne by the employer.

In accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance," these refunds are disclosed net of the associated costs.

_G21_Expenses from Employee Profit Participation

EUR k	2014	2013
Result from employee profit participation	8,588	6,966

Expenses from employee profit participation mainly include allocations to profit or loss pursuant to the German Commercial Code.

The average number of employees for the year in the Homag Group was:

_G22_Number of Employees

	Germany	Outside Germany	Total 2014	Total 2013
Wage earners	1,621	427	2,048	1,992
Salaried employees	1,876	1,249	3,125	2,712
Trainees	309	0	309	334
	3,806	**1,676**	**5,482**	**5,038**

5.6 TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Total Remuneration of the Supervisory Board

The remuneration of the supervisory board members in fiscal 2014 amounted to EUR 543 k (prior year: EUR 364 k). This does not contain a performance-based remuneration component. As in the prior year, all remuneration is current.

Total Remuneration of the Management Board

The remuneration within the meaning of IAS 24 paid to the management board can be broken down as follows:

_G23_Total Remuneration of the Management Board

EUR k	2014	2013
Current remuneration	3,185	1,958
Long-term-incentives (LTI)	1,832	940
Severance payments	2,758	0
	7,775	**2,898**

Since a positive value-added – the basic requirement – was satisfied for the short-term incentive (STI), a performance-based component of EUR 1,683 k will be paid out under this program for 2014 following the 2014 annual general meeting. In the reporting year, EUR 518 k was paid for 2013. The STI is capped at 150 percent of the actual fixed annual remuneration paid out in the fiscal year in question and is reached with a HVA (Homag Value Added) of 4 percent.

The expense of EUR 1,832 k recognized in total in profit or loss in fiscal year 2014 in connection with share-based payments (prior year: EUR 940 k) relates exclusively to cash-settled share-based payment transactions within the meaning of IFRS 2.30 et seq.

Obtaining the cash settlement is subject to the condition precedent that cumulative positive value added is generated in the reporting period (return on capital employed minus weighted average cost of capital). This LTI is determined on a straight-line basis and capped at 12 percent of the value added.

Another component of the LTI bonus is tied to the development of the Homag Group share during the reference period. To this end, the increase in the value of the share between the beginning of the performance period (relevant opening price) and the end of the performance period (relevant closing price) is determined. If the relevant closing price exceeds the relevant opening rate by up to 70 percent, the second part of the LTI falls due for payment. If the HVA component of the LTI has developed negatively, the share-based component is reduced by a mark-down. However, the share-based LTI cannot be reduced by the mark-down to below EUR 0.

The share appreciation rights have a contractual term from 2012 through 2014 for the first performance period, from 2013 through 2015 for the second performance period and from 2014 through 2016 for the third performance period. The fair value of the share appreciation rights is determined as of the date of issue using a binominal model and taking into account the conditions under which the instruments were granted. The expenses for the benefits received or the debt to settle these benefits are recognized over the vesting period. The liability is remeasured at each reporting date and on the grant date, with changes in fair value recognized in the income statement.

The following tables present the parameters underlying the measurement of share appreciation rights for the fiscal year ended December 31, 2014:

_G24_First Performance Period 2012 through 2014

	2013
Dividend yield (in %)	2.51
Expected volatility (in %)	32.00
Risk-free interest rate (in %)	0.13
Expiry of options	Dec. 31, 2014
Relevant opening price (in EUR)	10.06

_G25_Second Performance Period 2013 through 2015

	2014	2013
Dividend yield (in %)	2.05	2.80
Expected volatility (in %)	25.00	34.00
Risk-free interest rate (in %)	–0.10	0.24
Expiry of options	Dec. 31, 2015	Dec. 31, 2015
Relevant opening price (in EUR)	12.96	12.96

_G26_Third Performance Period 2014 through 2016

	2014
Dividend yield (in %)	2.49
Expected volatility (in %)	29.00
Risk-free interest rate (in %)	–0.10
Expiry of options	Dec. 31, 2016
Relevant opening price (in EUR)	19.21

The remuneration of the members of the management board for fiscal year 2014 in accordance with HGB amounted to EUR 5,323 k (prior year: EUR 3,124 k). This includes a performance-based remuneration component of EUR 3,821 k (prior year: EUR 1,684 k), of which EUR 2,138 k pertained to long-term incentives (LTI) (prior year: EUR 1,166 k). One management board member received compensation of EUR 2,083 k for the premature termination of his contract (prior year: EUR 0 k). Figures given for the LTI are not actual values, but rather fair values on the date of granting calculated using financial modeling methods. The share-based payments relate exclusively to cash-settled share-based payment transactions, meaning the volume disclosures are not of consequence. As regards the disclosures pursuant to Sec. 314 No. 6a Sentences 5 to 8 HGB, we refer to the combined management report of Homag Group AG and the Group (note “Remuneration Report”).

Remuneration of Former Board Members

Pension provisions of EUR 715 k (prior year: EUR 662 k) were set up for former members of the management board of IMA AG, which was merged into Homag Group AG in 1999. The pension payments made amounted to EUR 61 k in the past fiscal year (prior year: EUR 60 k).

5.7 AMORTIZATION OF INTANGIBLE ASSETS

_G27_Amortization of Intangible Assets

EUR k	2014	2013
Amortization of intangible assets	15,309	15,624
Impairment charges on intangible assets	509	379
	15,818	**16,003**

5.8 DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

_G28_Depreciation of Property, Plant and Equipment

EUR k	2014	2013
Depreciation of property, plant and equipment	15,328	15,357
Impairment charges on property, plant and equipment	237	15
	15,565	**15,372**

5.9 OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

_G29_Other Operating Expenses

EUR k	2014	2013
Travel expenses and entertainment	24,934	17,648
Sales commissions, special direct selling costs	12,183	13,741
Legal expenses and consulting fees, license fees and patent costs	11,375	8,201
Transportation expenses	11,088	11,346
Rental and lease expenses	10,225	8,483
Exchange rate losses	9,055	5,961
Maintenance	8,986	7,689
Advertising and trade fair expenses	7,906	8,319
Incidental personnel expenses	5,047	4,503
Office supplies, postage and telecommunication costs	4,983	4,350
Bad debt allowances for trade receivables	2,365	1,461
Insurance costs	2,882	2,177
Construction costs	1,995	955
Expenses from money transactions	1,484	1,588
Donations, fees, dues and contributions	1,205	931
Other taxes	1,108	1,137
Cleaning costs	980	899
Bad debt	935	660
Losses on disposals of non-current assets	655	353
Sundry other expenses	27,787	23,985
	147,178	**124,387**

5.10 PROFIT/LOSS FROM ASSOCIATES

The profit/loss from associates is attributable to Homag China Golden Field Ltd., Hong Kong, China (EUR 578 k; prior year: EUR 1,195 k) as well as Stiles Machinery Inc., Grand Rapids, USA (EUR 124 k; prior year: EUR 950 k). In 2014, the profit from the investment result from Stiles Machinery Inc. relates to the gain on remeasurement of the shareholding held to date and the earnings for the month of January 2014.

5.11 NO DISCLOSURE

5.12 NO DISCLOSURE

5.13 INTEREST INCOME/INTEREST EXPENSES

_G30_Interest Income/Interest Expenses

EUR k	2014	2013
Interest income on loans granted and other receivables	97	645
Other interest and similar income	1,395	1,585
Total interest income of all financial receivables which were not recognized by the Company for mark-to-market measurement	**1,492**	**2,230**
Interest income	1,492	2,230
Interest expenses from		
liabilities to banks	– 3,987	– 5,654
obligations from finance leases	– 247	– 259
Interest expenses from increasing the discount on transaction costs	– 639	– 762
Other interest and similar expenses	– 809	– 905
Total interest expenses of all financial liabilities which were not recognized by the Company for mark-to-market measurement	**– 5,682**	**– 7,580**
Interest expenses from increasing the discount on provisions	– 431	– 408
Interest expenses from derivative financial instruments	– 187	– 173
Interest expenses	**– 6,300**	**– 8,161**
Net interest	**– 4,808**	**– 5,931**

5.14 TAXES ON INCOME AND DEFERRED TAXES

Tax Expense

Income tax expenses are classified by origin as follows:

_G31_Tax Expense

EUR k	2014	2013
Current taxes	8,960	8,535
Deferred taxes		
from temporary measurement differences	1,621	92
from unused tax losses and interest carried forward	1,605	3,193
	12,186	**11,820**

The tax expense based on the earnings before taxes of EUR 32,566 k (prior year: EUR 30,860 k) and on the applicable consolidated tax rate for the Homag Group entities in Germany of 28.075 percent (prior year: theoretical tax rate of 28.075 percent) is reconciled to the current tax expense as follows:

_G32_Tax Reconciliation Statement

EUR k	**2014**	2013
Theoretical tax expense (–)/ income (+)	– 9,143	– 8,664
Differences due to the tax rate	449	271
Tax reductions (+)/tax increases (–) due to tax-free income or non-deductible expenses	– 1,969	– 220
Change in valuation allowance on deferred taxes on losses and interest carried forward and on timing differences	– 2,276	– 2,402
Use of unrecognised loss carryforwards	438	478
Other differences	315	– 1,283
Income taxes (actual tax expense (–)/income (+))	**– 12,186**	**– 11,820**

Other differences partly result from the tax income for prior years amounting to EUR 253 k (prior year: tax income of EUR 18 k).

Deferred taxes were not recognized on the profits of EUR 70,878 k (prior year: EUR 47,706 k) retained by subsidiaries since it is planned to use these profits to secure and expand the volume of business at these entities.

The deferred taxes recognized without effect on profit or loss amount to EUR 592 k (prior year: EUR 178 k). These deferred taxes recognized without effect on profit or loss are reported in the statement of comprehensive income and primarily relate to deferred taxes recognized on actuarial gains and losses.

Deferred Tax Assets and Liabilities

The total amount of deferred tax assets and liabilities from temporary measurement differences within the Group is essentially allocated to the following items:

_G33_Deferred Taxes

	Deferred tax assets		Deferred tax liabilities	
EUR k	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
Intangible assets and property, plant and equipment	874	829	13,116	13,086
Inventories	7,671	3,303	3,523	2,127
Current receivables and other assets	1,164	1,669	11,130	826
Other assets	530	605	232	111
Non-current financial liabilities	1,144	1,511	478	449
Non-current liabilities and provisions	5,530	4,503	0	14
Sundry current liabilities and deferred income	8,396	5,485	486	152
Other current provisions	2,128	450	4,414	4,818
Other liabilities	2,151	3,091	10,405	10,727
	29,588	**21,446**	**43,784**	**32,310**
Netting	– 24,617	– 19,175	– 24,617	– 19,175
Deferred taxes from temporary measurement differences	4,971	2,271	19,167	13,135
Deferred taxes on unused tax losses	5,130	6,735	–	–
	10,101	**9,006**	**19,167**	**13,135**

Valuation allowances on the carrying amount of the deferred tax assets are recorded if realization of the expected benefits from the deferred taxes is not sufficiently probable. The estimate made can be subject to change over time, which can then lead to a write-up in subsequent periods. The change in write-downs on loss and interest carryforwards had a EUR 2,276 k effect on the tax expense (prior year: EUR 2,402 k). The change in write-downs on the temporary differences had a EUR 149 k effect on the tax expense (prior year: EUR 443 k).

As of December 31, 2014, the existing unused tax losses on which deferred tax assets were recognized were for corporate income tax (EUR 11,485 k; prior year: EUR 21,401 k), for trade tax (EUR 10,805 k; prior year: EUR 20,182 k) and on foreign unused tax losses (EUR 3,775 k; prior year: EUR 2,514 k). There were unused tax losses on which no tax assets were recognized because they could not be utilized for corporate income tax (EUR 19,306 k; prior year: EUR 49,685 k), for trade tax (EUR 18,767 k; prior year: EUR 45,878 k) and for foreign taxes (EUR 23,119 k; prior year: EUR 23,139 k).

The German unused tax losses can be carried forward for an indefinite period. Of the total amount of unused tax losses abroad of EUR 26,894 k, a partial amount of EUR 24,246 k can be carried forward for an indefinite period. Unused tax losses of EUR 2,648 k expire in the next 2 to 5 years.

5.15 NO DISCLOSURE

5.16 NO DISCLOSURE

5.17 EARNINGS PER SHARE

The basic earnings per share is determined pursuant to IAS 33 by dividing the profit attributable to the shareholders of Homag Group AG by the weighted average number of shares outstanding. Earnings per share after non-controlling interests came to EUR 18,905 k (prior year: EUR 18,426 k) and led to earnings per share of EUR 1.21 (prior year: EUR 1.17). There is no difference between diluted and basic earnings.

The following table contains the values underlying the calculation of earnings per share:

_G34_**Earnings per Share**

	2014	2013
Profit/loss attributable to the owners of Homag Group AG for the calculation of basic earnings in EUR k	18,905	18,426
Earnings per share in EUR	1.21	1.17
Basic earnings per share pursuant to IAS 33 in EUR	**1.21**	**1.17**
Weighted average number of shares (basis for the calculation of earnings per share)	15,688,000	15,688,000

There have been no transactions involving ordinary shares between the reporting date and the date on which the consolidated financial statements were prepared.

5.18 DIVIDENDS PAID AND PROPOSED

In 2014, a dividend of EUR 5,490,800.00 was paid for fiscal 2013.

A proposal will be submitted to the annual general meeting on May 8, 2015 to appropriate the retained earnings of EUR 64,481,837.91 disclosed in the financial statements of Homag Group AG as of December 31, 2014 as follows:

- Distribution of a dividend of EUR 0.40 per participating no-par value share for the 15,688,000 participating no-par value shares, or EUR 6,275,200.00 in total
- Carry forward of EUR 58,206,637.91 to new account

_G35_**Appropriation of Profits**

EUR k	**2014**	2013
Dividend distribution	6,275	5,491
Carry forward to new account	58,207	40,317
	64,482	**45,808**

in EUR	**2014**	2013
Dividend per participating no-par value share	0.40[1]	0.35

1 Proposed

_6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 INTANGIBLE ASSETS/PROPERTY, PLANT AND EQUIPMENT

Changes in the non-current assets of the Homag Group 2014

_G36_Statement of Changes in Non-current Assets 2014

	Acquisition and production cost						
EUR k	As of Jan. 1, 2014	Currency differences	Changes in basis of con-solidation	Additions	Disposals	Reclassi-fications	As of Dec. 31, 2014
I. Intangible assets							
1. Industrial rights	64,414	382	2,559	3,158	– 497	802	70,818
thereof leases	5,872	2	0	0	– 111	– 21	5,742
2. Goodwill	16,855	359	3,002	0	0	0	20,216
3. Internally generated intangible assets	58,914	0	0	7,492	– 3,024	540	63,922
4. Prepayments	12,076	1	0	4,722	– 278	– 1,342	15,179
	152,259	**742**	**5,561**	**15,372**	**– 3,799**	**0**	**170,135**
II. Property, plant and equipment							
1. Land, land rights and buildings	163,750	1,541	1,030	4,503	– 1,309	294	169,809
thereof leases	4,000	0	0	0	0	0	4,000
2. Technical equipment and machines	75,018	993	0	2,375	– 3,341	168	75,213
thereof leases	15,326	– 7	0	10	0	0	15,329
3. Other equipment, furniture and fixtures	76,640	801	1,707	7,736	– 4,807	303	82,380
thereof leases	7,629	-2	0	2,116	– 1,095	0	8,648
4. Prepayments and assets under construction	565	– 14	0	1,048	0	– 765	834
	315,973	**3,321**	**2,737**	**15,662**	**– 9,457**	**0**	**328,236**
	468,232	**4,063**	**8,298**	**31,034**	**– 13,256**	**0**	**498,371**

1 Includes impairment losses of EUR 509 k
2 Includes impairment losses of EUR 237 k

Amortization and depreciation						Carrying amounts
As of Jan. 1, 2014	Currency differences	Additions	Disposals	Reclassi-fications	As of Dec. 31, 2014	**As of Dec. 31, 2014**
46,420	-144	7,204	– 496	– 1	52,983	17,835
3,033	0	658	– 111	– 1	3,579	2,163
2,615	0	0	0	0	2,615	17,601
31,150	0	8,614 [1]	– 2,956	0	36,808	27,114
0	0	0	0	0	0	15,179
80,185	**-144**	**15,818**	**– 3,452**	**– 1**	**92,406**	**77,729**
79,928	336	5,168 [2]	– 1,213	0	84,219	85,590
500	0	111	0	0	611	3,389
54,982	552	4,072	– 3,057	– 12	56,537	18,676
11,148	– 6	917	0	0	12,059	3,270
56,102	608	6,325	– 4,462	13	58,586	23,794
5,479	– 2	1,059	– 1,079	0	5,457	3,191
0	0	0	0	0	0	834
191,012	**1,496**	**15,565**	**– 8,732**	**1**	**199,342**	**128,894**
271,197	**1,352**	**31,383**	**– 12,184**	**0**	**291,748**	**206,623**

Changes in the non-current assets of the Homag Group 2013

_G37_Statement of Changes in Non-current Assets 2013

EUR k	As of Jan. 1, 2013	Currency differences	Additions	Disposals	Reclassi-fications	As of Dec. 31, 2013
	Acquisition and production cost					
I. Intangible assets						
1. Industrial rights	53,385	– 113	7,757	– 1,314	4,699	64,414
thereof leases	2,237	0	3,539	1	95	5,872
2. Goodwill	16,855	0	0	0	0	16,855
3. Internally generated intangible assets	52,307	0	7,622	– 1,991	976	58,914
4. Prepayments	14,140	0	4,743	– 1,132	– 5,675	12,076
	136,687	**– 113**	**20,122**	**– 4,437**	**0**	**152,259**
II. Property, plant and equipment						
1. Land, land rights and buildings	165,160	– 921	2,267	– 2,954	198	163,750
thereof leases	4,000	0	0	0	0	4,000
2. Technical equipment and machines	76,698	– 304	754	– 2,193	63	75,018
thereof leases	15,329	– 3	0	0	0	15,326
3. Other equipment, furniture and fixtures	78,023	– 723	5,484	– 6,194	50	76,640
thereof leases	8,107	– 33	1,496	– 1,941	0	7,629
4. Prepayments and assets under construction	441	0	435	0	– 311	565
	320,322	**– 1,948**	**8,940**	**– 11,341**	**0**	**315,973**
	457,009	**– 2,061**	**29,062**	**– 15,778**	**0**	**468,232**

1 Includes impairment losses of EUR 310 k
2 Includes impairment losses of EUR 69 k
3 Includes impairment losses of EUR 15 k

	Amortization and depreciation					Carrying amounts
	As of Jan. 1, 2013	Currency differences	Additions	Disposals	As of Dec. 31, 2013	As of Dec. 31, 2013
	40,528	– 194	7,400 [1]	– 1,314	46,420	17,994
	2,237	0	796	0	3,033	2,839
	2,615	0	0	0	2,615	14,240
	23,751	0	8,603 [2]	– 1,204	31,150	27,764
	0	0	0	0	0	12,076
	66,894	**– 194**	**16,003**	**– 2,518**	**80,185**	**72,074**
	78,426	– 315	4,767 [3]	– 2,950	79,928	83,822
	389	0	111	0	500	3,500
	52,711	– 161	4,508	– 2,076	54,982	20,036
	9,931	– 2	881	0	10,810	4,516
	56,591	– 502	6,097	– 6,084	56,102	20,538
	6,362	– 12	1,055	– 1,926	5,479	2,150
	0	0	0	0	0	565
	187,728	**– 978**	**15,372**	**– 11,110**	**191,012**	**124,961**
	254,622	**– 1,172**	**31,375**	**– 13,628**	**271,197**	**197,035**

6.2 INTANGIBLE ASSETS

Intangible assets broken down by region developed as follows:

_G38_Intangible Assets by Region

EUR k	Dec. 31, 2014	Dec. 31, 2013
Central Europe (incl. Germany)	68,470	68,856
Western Europe	1,198	1,153
Eastern Europe	121	167
North America	6,115	333
South America	319	308
Asia/Pacific	1,506	1,257
Total	**77,729**	**72,074**

See glossary for more information

As of the reporting date, intangible assets of EUR 66,976 k pertain to Germany (prior year: EUR 67,350 k).The development of the individual items of intangible assets is presented in the statement of changes in non-current assets.

In the reporting year, impairment losses of EUR 509 k were charged on intangible assets (prior year: EUR 379 k).

The prepayments made mainly contain assets under construction in connection with capital expenditure on software products or our large-scale IT project ProFuture. In total, EUR 21,093 k was invested in the project, of which the amount of EUR 2,707 k pertains to 2014. Unchanged on the prior year, the useful life is still 5 years.

Goodwill

The disclosed goodwill of EUR 17,601 k (prior year: EUR 14,240 k) is allocable to groups of CGUs as follows:

_G39_Goodwill

EUR k	Dec. 31, 2014	Dec. 31, 2013
CGUs/groups of CGUs		
Homag Holzbearbeitungssysteme GmbH	10,290	10,290
HOLZMA Plattenaufteiltechnik GmbH	23	23
Homag Automation GmbH	115	115 [1]
Sales Europe	2,634	2,634
Sales Americas	3,627	266
Sales Asia/Pacific	912	912
Total	**17,601**	**14,240**

1 formerly Bargstedt Handlingsysteme GmbH

Goodwill was allocated to individual groups of CGUs based on the income expected to be generated at each entity that was acquired. The increase in the Sales Americas group on the prior year stems from the acquisition of Stiles. Goodwill from the acquisition totals EUR 3,002 k. This gave rise to currency effects of EUR 359 k as of the reporting date.

The WACC pre-tax discount rates underlying the impairment tests performed as of the reporting date December 31, 2014 are presented in the following table:

_G40_Discount Rates

Planning period %	Dec. 31, 2014 2015–2019	Dec. 31, 2013 2014–2018
CGUs/groups of CGUs		
Homag Holzbearbeitungssysteme GmbH	8.15	9.06
HOLZMA Plattenaufteiltechnik GmbH	8.08	9.15
Homag Automation GmbH	8.10	9.12 [1]
Sales Europe	8.04	8.87
Sales Americas	8.16	9.46
Sales Asia/Pacific	8.13	8.79

1 formerly Bargstedt Handlingsysteme GmbH

The recoverable amount of the cash-generating units is determined based on the value in use. The value in use of each of the activities exceeded the net assets assigned to it. The calculation is based on cash flow forecasts for a planning period of 5 years. Cash flows after the 5-year period are extrapolated using a growth rate of 0.75 percent (prior period: 1.0 percent) based on the long-term growth rate of the units. Based on appropriate sensitivity analyses, there was no need to recognize impairment losses.

The equity costs were determined uniformly for all CGUs based on a peer group selected specifically for the Homag Group. The borrowing costs were determined using a risk-free maturity-related base rate plus a mark-up for interest risk adjusted to the peer group's credit rating.

With regard to the assessment of value in use of CGUs, management believes that no reasonably possible change in any of the underlying key assumptions would cause the carrying value of the remaining CGUs to materially exceed their recoverable amount.

Internally Developed Software and Other Development Costs

The capitalized development costs comprise new machine projects in the field of control technology performed at several of the Group's production companies. Following implementation of the preconditions for determining the cost of development work, production cost was determined in accordance with IAS 38.

In the fiscal year 2014, expensed research and development costs totaled EUR 22,886 k (prior year: EUR 20,719 k).

6.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down by region as follows:

_G41_Property, Plant and Equipment by Region

EUR k	Dec. 31, 2014	Dec. 31, 2013
Central Europe (incl. Germany)	92,409	94,356
Western Europe	11,082	11,686
Eastern Europe	5,654	3,368
North America	5,412	1,894
South America	2,007	2,145
Asia/Pacific	12,330	11,512
Total	**128,894**	**124,961**

As of the reporting date, property, plant and equipment of EUR 87,265 k pertains to Germany (prior year: EUR 89,178 k). The classification of the items of property, plant and equipment condensed in the statement of financial position and their development in the reporting year are presented in the statement of changes in non-current assets. The focus of capital expenditure is detailed in the management report. As in the prior year, no grants and subsidies were deducted from the cost of property, plant and equipment in the past fiscal year.

In the reporting period, impairment losses within the meaning of IAS 36 amounting to EUR 237 k (prior year: EUR 15 k) were recorded on property, plant and equipment.

Assets are capitalized as follows in connection with finance lease agreements with the entities of the Homag Group as lessees:

_G42_Finance Leases

EUR k	Carrying amount Dec. 31, 2014	Carrying amount Dec. 31, 2013
Intangible assets	2,163	2,839
Land, land rights and buildings	3,389	3,500
Technical equipment and machines	3,270	4,516
Other equipment, furniture and fixtures	3,191	2,150
	12,013	**13,005**

The underlying interest rates of the agreements vary depending on the date on which the agreements were concluded between 1.85 percent and 7.51 percent p.a. The payments due in the future from finance lease arrangements, the corresponding interest components and the present value of future lease payments, which are accounted for under financial liabilities accordingly, are shown in the table below:

_G43_Finance Lease Present Value/Terms

EUR k	Due in less than 1 year	Due in between 1 and 5 years	Due in more than 5 years	Dec. 31, 2014 Total	Dec. 31, 2013 Total
Minimum lease payments	3,701	3,981	912	8,594	9,796
Discount amounts	191	298	74	563	692
Present values	**3,510**	**3,683**	**838**	**8,031**	**9,104**

Some agreements include purchase options.

Obligations from Rent and Lease Agreements (Operating Leases)

The terms to maturity of minimum lease payments under non-cancelable operating leases and rent agreements are as follows:

_G44_Operating Leases: Terms

EUR k [1]	Dec. 31, 2014	Dec. 31, 2014
Due in less than 1 year	6,995	4,977
Due in between 1 and 5 years	14,588	10,465
Due in more than 5 years	5,716	1,284
	27,299	**16,726**

1 In the prior year, currency translation was performed using average rates. In the reporting year, currency translation was performed using closing rates (prior-year figures were restated accordingly).

The main lease agreements (operating leases) primarily relate to land and buildings, the vehicle fleet and IT. For most companies fixed rent and lease payments have been agreed, such that the installments paid do not vary over the term of the leases owing to developments on the capital market. The minimum lease payments are based on the economic life. Purchase options and contingent rents have not been agreed. The lease agreements do not contain any restrictions on distributing dividends, raising borrowed capital or entering into new lease agreements.

The following amounts from operating lease obligations were recognized in profit or loss in the fiscal year:

_G45_Operating Leases: Expense

EUR k	2014	2013
Minimum lease payments	10,225	8,483

Government Grants

The government grants and subsidies deducted from the cost of subsidized assets developed as follows:

_G46_Subsidies (December 31, 2014)

	Acquisition and production cost			Amortization and depreciation				Carrying amount
EUR k	As of Jan. 1, 2014	Disposals	As of Dec. 31, 2014	As of Jan. 1, 2014	Additions	Disposals	As of Dec. 31, 2014	**As of Dec. 31, 2014**
II. Property, plant and equipment								
1. Land, land rights and buildings	1,111	0	1,111	480	41	0	521	590
2. Technical equipment and machines	– 30	6	– 24	– 25	– 5	7	– 23	– 1
	1,081	**6**	**1,087**	**455**	**36**	**7**	**498**	**589**

_G47_Subsidies (December 31, 2013)

	Acquisition and production cost			Amortization and depreciation				Carrying amount
EUR k	As of Jan. 1, 2013	Disposals	As of Dec. 31, 2013	As of Jan. 1, 2013	Additions	Disposals	As of Dec. 31, 2013	As of Dec. 31, 2013
II. Property, plant and equipment								
1. Land, land rights and buildings	1,111	0	1,111	438	42	0	480	631
2. Technical equipment and machines	36	66	– 30	46	– 4	67	– 25	– 5
	1,147	**66**	**1,081**	**484**	**38**	**67**	**455**	**626**

6.4 INVESTMENTS IN ASSOCIATES

The following table provides an overview of the financial information of entities accounted for using the equity method:

_G48_Homag China Golden Field Ltd., Hong Kong/China

EUR k	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	6,729	3,319
Current assets	75,425	58,676
thereof cash and cash equivalents	16,188	18,557
Non-current liabilities	0	55
Current liabilities	63,675	45,033
thereof financial liabilities	4,625	729
Equity	**18,479**	**16,906**
Carrying amount [1]	**4,829**	**4,142**
Total sales revenue	123,594	131,065
Amortization, depreciation and impairment	–429	–347
Financial result	–296	–521
Income taxes	–358	–193
Net profit	1,814	4,744

1 The difference between the pro rata equity and carrying amounts stems from currency differences.

_G49_Stiles Machinery, Inc., USA

EUR k	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	0	3,110
Current assets	0	52,501
thereof cash and cash equivalents	0	2,202
Non-current liabilities	0	398
Current liabilities	0	32,508
thereof financial liabilities	0	0
Equity	**0**	**22,705**
Carrying amount [1]	**0**	**6,001**
Total sales revenue	0	120,187
Amortization, depreciation and impairment	0	–362
Financial result	0	-55
Income taxes	0	–1,851
Net profit	0	3,208

1 The difference between the pro rata equity and carrying amounts stems from currency differences.

The associate had no contingent liabilities as of December 31, 2014. There are no limitations with respect to dividend distributions. Sales revenue and earnings after tax are reported for the entire fiscal year.

6.5 INVENTORIES

_G50_Inventories

EUR k	Dec. 31, 2014	Dec. 31, 2013
Raw materials, consumables and supplies	55,679	47,192
Work in process	20,265	29,644
Finished goods, merchandise	92,546	53,995
Prepayments	6,279	2,678
	174,769	**133,509**

Valuation allowances of EUR –1,645 k (prior year: EUR 419 k) were recognized on inventories through profit or loss in 2014. Inventories carried at fair value less costs to sell, i.e., on which impairment losses have been charged, amount to EUR 82,837 k (prior year: EUR 65,049 k). No inventories were pledged as collateral on loans in the reporting period (prior year: EUR 97,076 k).

6.6 RECEIVABLES AND OTHER ASSETS

_G51_Receivables and Other Assets

	Dec. 31, 2014			Dec. 31, 2013		
		Due in			Due in	
EUR k	Total	less than 1 year	more than 1 year	Total	less than 1 year	more than 1 year
Trade receivables	87,968	86,929	1,039	91,773	90,512	1,261
Receivables from long-term construction contracts	43,967	43,967	0	21,538	21,538	0
Receivables from associates	4,664	4,664	0	15,393	15,393	0
Other financial assets	13,408	10,797	2,611	9,059	8,327	732
Other assets and prepaid expenses	5,972	5,648	324	5,907	5,852	55
Income tax receivables	6,802	5,856	946	3,896	2,543	1,353
	162,781	**157,861**	**4,920**	**147,566**	**144,165**	**3,401**

Income tax receivables mainly concern the corporate income tax credits recognized as well as current income tax refund claims.

No trade receivables were sold under factoring agreements (prior year: EUR 5,634 k). There were no factoring agreements as of the reporting date.

Impairment losses recognized on trade receivables from third parties and associates developed as follows:

_G52_Impairment of Receivables

EUR k	2014	2013
As of January 1	**8,410**	**12,602**
Exchange rate effects	108	– 258
Charge for the year	– 1,305	– 3,882
Unused amounts written off	– 851	– 1,513
Increase in impairments recognized in profit or loss	2,365	1,461
Changes in the consolidated group	267	0
As of December 31	**8,994**	**8,410**

Bad debt allowances are recognized on trade receivables on each reporting date based on estimates of the credit ratings of individual debtors. Any changes in the credit ratings between the granting of the payment terms and the reporting date are taken into account. The bad debt allowances are utilized when management is of the opinion that the receipt of payment can no longer be expected or if insolvency procedures have been opened on the debtor's assets. If the bad debt incurred exceeds the amount provided for, the excess amount is recognized immediately in profit or loss. If management is of the opinion that the credit rating of debtors in arrears has improved or if payment is received, any impairment loss recognized in the past is reversed accordingly.

The following table presents bad debt expenses on trade receivables and income from payments received from bad debts that had been written off:

_G53_Trade Receivables (1)

EUR k	2014	2013
Bad debt expenses	– 935	– 660
Income from the receipt of payments on receivables that have been written off	149	33

All changes in bad debt allowances, expenses from writing off bad debts and income from receivables that had been written off are recognized in other operating income or other operating expenses.

The maturity profile of trade receivables from third parties and associates as well as receivables from long-term construction contracts is presented in the following table:

_G54_Trade Receivables (2)

EUR k	Dec. 31, 2014	Dec. 31, 2013
Receivables neither past due nor impaired	92,735	87,084
Receivables past due but not impaired		
less than 90 days	26,686	27,471
90 to 179 days	4,998	4,162
180 to 365 days	4,361	3,158
1 year or more	1,830	3,666
Total receivables past due but not impaired	**37,875**	**38,457**
Impaired receivables	14,983	11,573
Trade receivables, gross	**145,593**	**137,114**
Impairment losses	– 8,994	– 8,410
Net amount/carrying amount of trade receivables	**136,599**	**128,704**

There was no indication as of the reporting date that any impairment losses needed to be recognized on the trade receivables recorded as not impaired.

Trade receivables are generally non-interest-bearing and are on 14 to 180 days' terms. Most trade receivables are secured by retention of title of the goods delivered.

6.7 LONG-TERM CONSTRUCTION CONTRACTS

In the receivables from long-term construction contracts, the sales revenue recognizable in accordance with the percentage of completion is offset against the prepayments received for each contract. As of the reporting date, contract costs incurred for long-term construction contracts and profits disclosed of EUR 125,858 k (prior year: EUR 41,844 k) were offset against prepayments received of EUR 89,388 k (prior year: EUR 22,714 k). This resulted in receivables of EUR 43,967 k (prior year: EUR 21,538 k) and liabilities of EUR 7,497 k (prior year: EUR 2,408 k).

6.8 OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

_G55_**Other Financial Assets**

	Dec. 31, 2014			Dec. 31, 2013		
		Thereof due in			Thereof due in	
EUR k	Total	less than 1 year	more than 1 year	Total	less than 1 year	more than 1 year
Other non-derivative financial assets						
Loans extended	204	56	148	244	80	164
Receivables from factoring agreements	0	0	0	563	563	0
Sundry	12,761	10,298	2,463	8,205	7,637	568
Derivative financial assets	443	443	0	47	47	0
	13,408	**10,797**	**2,611**	**9,059**	**8,327**	**732**

The sundry other non-derivative financial assets essentially contain input tax receivables.

The derivative financial assets concern receivables from derivative currency and interest transactions totaling EUR 443 k (prior year: EUR 47 k).

Other financial assets do not include any items that are past due but not impaired.

The fair value hierarchy is presented in note 7.1.1.

6.9 OTHER ASSETS AND PREPAID EXPENSES

Other assets and prepaid expenses break down as follows:

_G56_Other Assets and Prepaid Expenses

EUR k	Dec. 31, 2014 Total	Dec. 31, 2014 Thereof due in less than 1 year	Dec. 31, 2014 Thereof due in more than 1 year	Dec. 31, 2013 Total	Dec. 31, 2013 Thereof due in less than 1 year	Dec. 31, 2013 Thereof due in more than 1 year
Excise duties claims	4,127	4,127	0	4,301	4,301	0
Prepaid expenses	1,845	1,521	324	1,606	1,551	55
	5,972	**5,648**	**324**	**5,907**	**5,852**	**55**

6.10 INCOME TAX RECEIVABLES

_G57_Income Tax Receivables

EUR k	Dec. 31, 2014 Total	Dec. 31, 2014 Thereof due in less than 1 year	Dec. 31, 2014 Thereof due in more than 1 year	Dec. 31, 2013 Total	Dec. 31, 2013 Thereof due in less than 1 year	Dec. 31, 2013 Thereof due in more than 1 year
Income tax claims	**6,802**	5,856	946	**3,896**	2,543	1,353

The income tax receivables primarily concern receivables from current income taxes and corporate income tax credits that will flow to the Group in the years 2015 through 2017.

6.11 CASH AND CASH EQUIVALENTS

Bank deposits payable on demand are reported in the item as well as checks and cash.

In connection with the investment of liquid funds and the portfolio of derivative financial assets, the Group is exposed to losses from credit risks should the obligations from financial instruments not be met.

The Homag Group manages the resulting risk position by diversifying its portfolio and selecting its contractual parties carefully. No cash and cash equivalents or derivative financial assets were past due or impaired due to credit defaults.

6.12 NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale as of the reporting date pertain to land and buildings of a company from the Industry segment, which is subject to the requirements of IFRS 5. The sale is scheduled to be completed within a year. As the fair value less costs to sell of all assets exceeded their carrying amount, it was not necessary to recognize an impairment loss.

6.13 EQUITY

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

6.13.1 ISSUED CAPITAL

As of December 31, 2014, the issued capital amounted to EUR 15,688 k (prior year: EUR 15,688 k). It has been fully paid in and is split into 15,688,000 no-par value bearer shares with an imputed value of EUR 1 each.

6.13.2 CAPITAL RESERVES

As of December 31, 2014, the capital reserve amounted to EUR 32,976 k (prior year: EUR 32,976 k).

6.13.3 REVENUE RESERVES

The revenue reserves of EUR 116,809 k (prior year: EUR 102,170 k) contain the profits generated in the past by the companies included in the consolidated financial statements, to the extent that they were not distributed. Some goodwill resulting from business combinations before January 1, 2005 was also offset against the revenue reserves. The credit differences from business combinations that arose in the course of the preparation of the opening IFRS statement of financial position and the currency differences reclassified as of January 1, 2005 are also disclosed here.

Differences resulting from the purchase of non-controlling interests are also reported under revenue reserves.

The revenue reserves column of other comprehensive income contains the differences from the currency translation without effect on income of financial statements of foreign subsidiaries from January 1, 2005 onwards as well as actuarial gains and losses from the valuation of pension and other post-employment benefits and changes from the measurement of cash flow hedges less tax effects.

6.13.4 GROUP PROFIT/LOSS FOR THE YEAR

This item contains the profit or loss of the period.

6.13.5 NON-CONTROLLING INTERESTS

Non-controlling interests contain the parts of equity attributable to the minority shareholders. Non-controlling interests are determined using imputed shareholdings, taking indirect shareholdings into account. Non-controlling interests increased from EUR 8,391 k in 2013 to EUR 10,293 k in 2014. The shareholding of the non-controlling interests breaks down as follows:

_G58_**Shareholdings**

%	**Dec. 31, 2014**	Dec. 31, 2013
Benz GmbH Werkzeugsysteme	51.00	51.00
Homag eSolution GmbH	51.00	51.00
Weinmann Holzbausystemtechnik GmbH	75.90	75.90
Homag Machinery (Shanghai) Co. Ltd.	81.25	81.25
Homag Korea Co. Ltd.	54.55	54.55
BENZ INCORPORATED	51.00	51.00

The following tables contain financial information on the main subsidiaries with non-controlling interests above and beyond the information contained in the consolidated statement of changes in equity. The non-controlling interests in the equity and the net profit for the year shown there amount to 49.00% (Benz GmbH Werkzeugsysteme) and 18.75% (Homag Machinery (Shanghai) Co. Ltd.), respectively.

_G59_**Benz GmbH Werkzeugsysteme, Haslach i.K.**

EUR k	**Dec. 31, 2014**	Dec. 31, 2013
Non-current assets	6,584	6,586
Current assets	13,884	13,185
Non-current liabilities	8,619	9,226
Current liabilities	3,426	3,531
Equity	**8,423**	**7,014**
Total sales revenue	35,904	33,745
Net result	1,409	796
Amortization, depreciation and impairment	1,202	1,596
Cash flow (in the narrow sense)	2,611	2,392

_G60_**Homag Machinery (Shanghai) Co. Ltd., Shanghai/China**

EUR k	**Dec. 31, 2014**	Dec. 31, 2013
Non-current assets	12,571	11,202
Current assets	20,873	16,139
Non-current liabilities	0	0
Current liabilities	13,404	12,072
Equity	**20,040**	**15,269**
Total sales revenue	45,379	36,612
Net result	2,832	1,431
Amortization, depreciation and impairment	1,017	1,090
Cash flow (in the narrow sense)	3,849	2,521

6.14 FINANCIAL LIABILITIES

_G61_Terms of Financial Liabilities

EUR k	Dec. 31, 2014 Total	Dec. 31, 2014 Thereof due in less than 1 year	Dec. 31, 2014 Thereof due in more than 1 year	Dec. 31, 2013 Total	Dec. 31, 2013 Thereof due in less than 1 year	Dec. 31, 2013 Thereof due in more than 1 year
Liabilities to banks	78,481	11.052[1]	67,429	114,127	55.968[1]	58,159
Lease liabilities	8,031	3,510	4,521	9,104	3,260	5,844
	86,512	**14,562**	**71,950**	**123,231**	**59,228**	**64,003**

1 An amount of EUR 5,000 k relating to the existing syndicated loan agreement is reported under current liabilities (prior year: EUR 35,500 k)

Liabilities to banks break down as follows:

_G62_Financial Liabilities due to Banks

	Dec. 31, 2014 Currency	Dec. 31, 2014 Carrying amount EUR k	Dec. 31, 2014 No. of months until maturity	Dec. 31, 2014 Effective interest rate %	Dec. 31, 2013 Currency	Dec. 31, 2013 Carrying amount EUR k	Dec. 31, 2013 No. of months until maturity	Dec. 31, 2013 Effective interest rate %
Several loans	EUR	7,398	up to 88	3.46 – 6.04	EUR	10,642	up to 83	3.44 – 5.90
Loan	USD	12,341	48	Libor + margin	USD	–	–	–
Loan	DKK	283	39	2.21	DKK	354	57	1.61
Syndicated loan A from 2012	EUR	55,025	53	Euribor + margin	EUR	55,373	33	Euribor + margin
Syndicated loan C from 2012	EUR	–	–	–	EUR	35,500	3[1]	2.78 – 2.84
Overdraft facility/syndicated loan from 2012	EUR	2,554	–	1.63 – 2.35	EUR	226	3	3.28
Overdraft facility/euro loan	Various	880	–	0.5 – 11.0	Various	12,032	–	1.15 – 7.75
		78,481				**114,127**		

1 An amount of EUR 35,500 k relating to the existing syndicated loan agreement is reported under current liabilities.

The syndicated loan and the overdraft facilities are subject to variable interest arrangements. The Group's liquidity is secured under a syndicated loan agreement that is contingent on compliance with certain covenants. In the reporting year, the syndicated loan agreement was prolonged until May 2019. Collateral has been pledged for liabilities to banks. For further details, please refer to note 7.3.

The fair values of financial liabilities are presented in table 7.1.

6.15 NO DISCLOSURE

6.16 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

With respect to company pension plans a distinction is made between defined benefit and defined contribution plans.

In the Homag Group, the German companies in particular incur expenses for defined contribution plans in the form of contributions to the statutory pension insurance. On a small scale, there are also agreements with employees about the company financing of post-employment benefits in the form of direct insurance. In fiscal 2014, expenses for defined contribution plans in the Homag Group totaled EUR 17,719 k (prior year: EUR 16,959 k). EUR 27 k of this amount relates to management board members in the fiscal year (prior year: EUR 26 k).

The Company's obligation from defined benefit plans consists of fulfilling the commitments made to current and former employees.

The defined benefit obligation was calculated using actuarial methods for which estimates are unavoidable. Besides assumptions about life expectancy (for German pension obligations pursuant to the 2005 G mortality tables by Heubeck), the premises listed below have been applied.

In the case of funded pension schemes, plan assets are deducted from the pension obligations, which are calculated using the projected unit credit method. If the plan assets exceed the benefit obligations, IAS 19 requires that an asset item be disclosed under other assets. If the assets do not cover the obligation, the net obligation is recognized as a liability under pension provisions.

Actuarial gains and losses may result from increases or decreases in the present value of a defined benefit obligation or the fair value of any related plan assets. Such increases or decreases may be due to changes in calculation parameters, changes in estimates regarding the risk pattern of the pension obligations and variances between the actual and the estimated income from the plan assets. Actuarial gains and losses are recognized in other comprehensive income in the period in which they occur.

The pension provisions concern obligations from future and current post-employment benefits to current and former employees of the Homag Group as well as their surviving dependants. Only the German companies have such obligations. One foreign group company has obligations to pay termination benefits. In our estimation there are no special risks pertaining to the pension plan that could burden the Company.

Both types of obligation are defined benefit obligations. The obligations are measured above all on the basis of the length of service of the employees. The main parameters for the defined benefit obligation are presented in the table below:

_G63_Pension Obligations

%	Dec. 31, 2014	Dec. 31, 2013
Discount rate	2.0	3.4
Rate of pension increase	2.0	2.0

Changes in defined benefit obligations and the fair value of plan assets in 2014:

_G64_Pension Obligation (Dec. 31, 2014)

		Pension costs recognized in profit or loss					
EUR k	Jan. 1,2014	Current service cost	Past service cost	Interest expense	Return on plan assets	Subtotal recognized in the profit or loss for the period	Benefits paid
Present value of defined benefit obligation	–4,185	–108	19	–136	0	–225	532
Fair value of plan assets	1,188	0	0	0	39	39	112
Defined benefit liability	**–2,997**	**–108**	**19**	**–136**	**39**	**–186**	**420**

Changes in defined benefit obligations and the fair value of plan assets in 2013:

_G65_Pension Obligation (Dec. 31, 2013)

		Pension costs recognized in profit or loss				
EUR k	Jan. 1,2013	Current service cost	Interest expense	Return on plan assets	Subtotal recognized in the profit or loss for the period	Benefits paid
Present value of defined benefit obligation	–4,666	–94	–169	0	–263	947
Fair value of plan assets	1,226	0	0	46	46	110
Defined benefit liability	**–3,440**	**–94**	**–169**	**46**	**–217**	**837**

Current service cost is reported under personnel expenses, while the interest expense and expected returns on plan assets are reported on a net basis in the financial result.

Only one company has plan assets in the form of employer's pension liability insurance. Of the pension obligations, a total of EUR 2,236 k (prior year: EUR 2,091 k) relates to obligations not covered by plan assets.

	Remeasurement gains/losses (–) recognized in other comprehensive income			
	Actuarial gains and losses from changes in financial assumptions	Experience adjustments	Subtotal included in other comprehensive income	**Dec. 31, 2014**
	– 450	– 293	– 743	– 4,525
	0	33	33	1,148
	– 450	**– 260**	**– 710**	**– 3,377**

	Remeasurement gains/losses (–) recognized in other comprehensive income			
	Actuarial gains and losses from changes in financial assumptions	Experience adjustments	Subtotal included in other comprehensive income	Dec. 31, 2013
	– 161	– 42	– 203	– 4,185
	0	26	26	1,188
	–161	**–16**	**–177**	**–2,997**

A quantitative sensitivity analysis of key assumptions as of December 31, 2014 is presented in the following:

_G66_Sensitivity Analysis

	Discount rate		Future pension increases	
EUR k	+ 0.5% increase	– 0.5% decrease	+ 0.25% increase	– 0.25% decrease
Effect on defined benefit obligation	– 408	470	59	– 57

The following amounts are expected to be paid out in the coming years to settle defined benefit obligations:

_G67_Expected Payment of Defined Benefit Obligations

EUR k	**2014**	2013
Within the next 12 months	292	283
Between 1 and 5 years	1,159	1,136
Between 5 and 10 years	1,977	1,994

At the end of the reporting period, the average term of defined benefit obligations stood at 10 years (prior year: 9 years).

6.17 OBLIGATIONS FROM EMPLOYEE PROFIT PARTICIPATION

For general explanations on silent employee participation, we refer to note 4.2.14.

The obligation to the employees was measured on the basis of an actuarial appraisal based on the following assumption:

_G68_Assumption Regarding Employee Profit Participation

%	**Dec. 31, 2014**	Dec. 31, 2013
Discount factor	2.40	3.80

6.18 OTHER PROVISIONS

_G69_Other Provisions

EUR k	Dec. 31, 2014			Dec. 31, 2013		
		Thereof due in			Thereof due in	
	Total	**less than 1 year**	**more than 1 year**	Total	less than 1 year	more than 1 year
Provisions for personnel matters	5,337	637	4,700	5,468	826	4,642
Provisions for production and sales	11,784	11,784	0	13,195	13,195	0
Sundry other provisions	8,805	6,161	2,644	2,314	1,849	465
Other provisions	**25,926**	**18,582**	**7,344**	**20,977**	**15,870**	**5,107**

The provisions relating to production and sales mainly contain provisions for warranty risks.

The personnel provisions mainly contain obligations for long-service bonuses.

Other provisions developed as follows:

_G70_Development of Other Provisions

EUR k	As of Jan. 1, 2014	Changes in basis of consolidation	Translation difference	Utilized	Reversed	Increased	**As of Dec. 31, 2014**
Provisions for personnel matters	5,468	0	11	-863	– 28	749	5,337
Provisions for production and sales	13,195	0	57	– 8,935	– 998	8,465	11,784
Sundry other provisions	2,314	3,640	260	– 1,637	– 301	4,529	8,805
Other provisions	**20,977**	**3,640**	**328**	**– 11,435**	**– 1,327**	**13,743**	**25,926**

The expenses resulting from the unwinding of the discount on other provisions came to EUR 295 k in the fiscal year (prior year: EUR 239 k).

_7. OTHER EXPLANATIONS

7.1 FINANCIAL INSTRUMENTS

_G71_Book Values, Carrying Amounts and Fair Values by Measurement Category (Dec. 31, 2014)

EUR k	Book value Dec. 31, 2014	Carrying amount in statement of financial position IAS 39: Amortized cost	Carrying amount in statement of financial position IAS 39: Acquisition cost	Carrying amount in statement of financial position IAS 39: Fair value	Carrying amount according to IAS 11	Carrying amount according to IAS 17	Fair value Dec. 31, 2014
Assets							
Cash and cash equivalents	49,986	49,986					49,986
Trade receivables	87,968	87,968					87,968
Receivables from associates	4,664	4,664					4,664
Receivables from long-term construction contracts	43,967				43,967		43,967
Other financial assets	506 [1]		506				–
Other non-derivative financial assets	12,965	12,965					12,965
Derivative financial assets							
Derivatives without hedge relationship	443			443			443
Equity and liabilities							
Trade payables	84,893	84,893					84,893
Liabilities from long-term construction contracts	7,497				7,497		7,497
Liabilities due to associates	8,062	8,062					8,062
Financial liabilities							
Liabilities to banks	78,481	78,481					78,955
Lease liabilities	8,031					8,031	8,623
Derivative financial liabilities							
Derivatives without hedge relationship	2,505			2,505			2,505
Derivatives with hedge relationship	406			406			406
Thereof combined according to the measurement categories in accordance with IAS 39							
Loans and receivables	155,615	155,615					155,615
Held-for-sale financial assets	474		474				–
Financial assets held for trading	443			443			443
Financial liabilities measured at amortized cost	171,436	171,436					171,910
Financial liabilities held for trading	406			406			406

1 EUR 32 k pertains to loans

_G72_Book Values, Carrying Amounts and Fair Values by Measurement Category (Dec. 31, 2013)

EUR k	Book value Dec. 31, 2013	Carrying amount in statement of financial position IAS 39: Amortized cost	Carrying amount in statement of financial position IAS 39: Acquisition cost	Carrying amount in statement of financial position IAS 39: Fair value	Carrying amount according to IAS 11	Carrying amount according to IAS 17	Fair value Dec. 31, 2013
Assets							
Cash and cash equivalents	44,939	44,939					44,939
Trade receivables	91,773	91,773					91,773
Receivables from associates	15,393	15,393					15,393
Receivables from long-term construction contracts	21,538				21,538		21,538
Other financial assets	494		494				–
Other non-derivative financial assets	9,012	9,012					9,012
Derivative financial assets							
Derivatives without hedge relationship	47			47			47
Equity and liabilities							
Trade payables	61,155	61,155					61,155
Liabilities from long-term construction contracts	2,408				2,408		2,408
Liabilities due to associates	4,493	4,493					4,493
Financial liabilities							
Liabilities to banks	114,127	114,127					114,560
Lease liabilities	9,104					9,104	9,680
Derivative financial liabilities							
Derivatives without hedge relationship	79			79			79
Derivatives with hedge relationship	77			77			77
Thereof combined according to the measurement categories in accordance with IAS 39							
Loans and receivables	161,117	161,117					161,117
Held-for-sale financial assets	494		494				–
Financial assets held for trading	47			47			47
Financial liabilities measured at amortized cost	179,775	179,775					180,208
Financial liabilities held for trading	79			79			79

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

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

As regards financial liabilities, the fair value of non-current liabilities due to banks bearing a fixed interest rate and of finance lease liabilities is determined based on the present value of the expected future cash flows. Discounting is based on the prevailing market interest rates with reference to the terms concerned; terms are classified into those falling due between 1 and 5 years and terms of more than 5 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.

7.1.1 FAIR VALUE HIERARCHY

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.

Whether a reclassification between the various levels in the hierarchy is necessary is determined as of each reporting date. No reclassifications were necessary in 2014.

Financial assets at fair value through profit or loss:

_G73_Financial Instruments: Assets (1)

	Dec. 31, 2014				Dec. 31, 2013			
EUR k	**Total**	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Derivatives without hedge relationship	443	0	443	0	47	0	47	0

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

_G74_Financial Instruments: Assets (2)

	Dec. 31, 2014				Dec. 31, 2013			
EUR k	**Total**	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	49,986	49,986	0	0	44,939	44,939	0	0
Trade receivables	87,968	0	87,968	0	91,773	0	91,773	0
Receivables from associates	4,664	0	4,664	0	15,393	0	15,393	0
Receivables from long-term construction contracts	43,967	0	43,967	0	21,538	0	21,538	0
Other non-derivative financial assets	12,965	0	12,965	0	9,012	0	9,012	0
	199,550	**49,986**	**149,564**	**0**	**182,655**	**49,989**	**137,716**	**0**

Financial liabilities at fair value through profit or loss:

_G75_Financial Instruments: Liabilities (1)

	Dec. 31, 2014				Dec. 31, 2013			
EUR k	**Total**	**Level 1**	**Level 2**	**Level 3**	Total	Level 1	Level 2	Level 3
Derivatives without hedge relationship	2,505	0	2,505	0	79	0	79	0
Derivatives without hedge relationship	406	0	406	0	77	0	77	0
	2,911	**0**	**2,911**	**0**	**156**	**0**	**156**	**0**

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

_G76_Financial Instruments: Liabilities (2)

	Dec. 31, 2014				Dec. 31, 2013			
EUR k	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Trade payables	84,893	0	84,893	0	61,155	0	61,155	0
Liabilities from long-term construction contracts	7,497	0	7,497	0	2,408	0	2,408	0
Liabilities due to associates	8,062	0	8,062	0	4,493	0	4,493	0
Liabilities to banks	78,955	0	78,955	0	114,560	0	114,560	0
Lease liabilities	8,623	0	8,623	0	9,680	0	9,680	0
	188,030	**0**	**188,030**	**0**	**192,296**	**0**	**192,296**	**0**

Measurement of the financial instruments held as of December 31 at fair value gave rise to the following total gains and losses:

Total gains (+) and losses (–) recognized in profit or loss from assets measured at fair value:

_G77_Derivatives (through Profit or Loss) (1)

EUR k	2014	2013
Derivatives without hedge relationship	363	42

Total gains (+) and losses (–) recognized in profit or loss from liabilities measured at fair value:

_G78_Derivatives (through Profit or Loss) (2)

EUR k	2014	2013
Derivatives without hedge relationship	– 2,228	– 71

Gains and losses from measuring derivatives without hedge relationship at fair value are presented either under other operating income/expenses or in the financial result.

7.1.2 NET GAINS OR NET LOSSES

The following table presents the net gains (+) or net losses (–) from financial instruments recognized in the income statement:

_G79_Net Gains or Net Losses

EUR k	2014	2013
Financial assets and financial liabilities at fair value through profit and loss	– 73	– 29
Loans and receivables	– 2,300	– 574
Financial liabilities at amortized cost	– 1,056	– 2,983

The net gains and net losses from financial assets and financial liabilities at fair value through profit or loss include the results of changes in fair value and from interest income and expenses from these financial instruments.

The net gains and net losses from loans and receivables and mainly include results from impairment losses.

As regards financial liabilities amortised at cost, the net gains and net losses are primarily attributable to currency differences.

In fiscal 2014, the sum of the positive market values of derivative financial instruments recognized in profit or loss came to EUR 443 k (prior year: EUR 47 k), while the sum of their negative market values came to EUR 2,505 k (prior year: EUR 79 k).

In the course of its business operations, the Homag Group is exposed to interest and currency risks. One aim of the risk management system is to hedge against adverse effects to the financial performance of the Group. Customary market instruments such as interest and forward exchange contracts are used for this purpose. Uniform group policies govern the handling of transactions as well as the strict functional segregation between trade, handling and monitoring. Due to its international outlook, the Homag Group is exposed to currency risks for various foreign currencies. Consequently, the hedging strategy focuses on a general hedge of foreign currency amounts at the time a claim or obligation denominated in foreign currency arises. For this purpose, derivative financial instruments are entered into with banks or cash inflows are offset against cash outflows. The hedged items can relate to forecast transactions, for which hedging instruments with short terms to maturity (<1 year) are used to hedge against their respective exchange rate risks. Within the Homag Group, derivative financial instruments are only used to hedge against currency and interest risks from the operating business or reduce the resulting financing requirements. In the reporting period, the Homag Group recognized changes in the market value of derivative financial instruments in profit or loss, unless they were designated to an effective hedging relationship, in which case they were recognized directly in equity. The market values of derivative financial instruments are disclosed under "other financial assets" or "other financial liabilities".

7.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General Information on Financial Risks

The Group's principal financial instruments, other than derivative financial instruments, comprise bank loans and overdrafts, finance leases and trade payables. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various financial assets such as trade receivables and cash and loans granted, which arise directly from its operations.

The Group contracts derivative financial instruments to minimize the financial risks. The use of derivative financial instruments is regulated by the group guidelines which have been approved by the management board. In addition, there are fundamental rules in place governing the investment of excess liquidity. The Group does not contract or trade in financial instruments, including derivative financial instruments, for speculation purposes.

The main risks to the Group arising from the financial instruments comprise credit and liquidity risks as well as the interest risks and currency risks included in the area of financial market risk. The management agrees policies for managing each of these risks which are summarized below.

Credit Risk

Credit risk describes the risk of financial loss resulting from counterparties failing to discharge their contractual payment obligations. Credit risk involves both the direct risk of default and the risk of a deterioration in creditworthiness, linked to the risk of a concentration of individual risks.

The Group trades only with creditworthy third parties. It is group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The existing trade receivables are due from a large number of customers distributed across different regions. The majority of debtors are entities active in the wood processing industry (including the furniture industry and cabinet makers) as well as wholesale machine retailers; title is generally retained on the goods delivered. Credit insurance is concluded on a case-by-case basis. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group is not exposed to significant credit risk from any individual contractual party or group of contractual parties with similar characteristics. There are no liquid funds past due or impaired at present due to default.

The maximum credit risk from financial assets (including derivatives with positive market value) is equivalent to the carrying amounts recognized in the statement of financial position. As of December 31, 2014, the maximum risk of default is equivalent to the financial assets described in the table "Book values, carrying amounts and fair values by measurement category" totaling EUR 200,499 k (prior year: EUR 183,196 k). The Group has not issued any financial guarantees that could increase its credit risk exposure.

Liquidity Risk

Liquidity risk describes the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group continually monitors the risk of being faced with a shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and finance lease agreements. The Group controls its liquidity by maintaining sufficient cash and cash equivalents and lines of credits at banks in addition to cash inflows from operating activities. In addition, the main group entities have access to liquid funds via a syndicated loan agreement in place between Homag Group AG and a syndicate of banks. This syndicated loan agreement has a term of 53 months and is tied to compliance with agreed covenants. From the syndicated loan agreement and bilateral agreements entered into between the group entities and banks, the Group had undrawn lines of credit of EUR 163,079 k as of December 31, 2014. In the prior year, the Group had undrawn lines of credit of EUR 127,141 k. Bank deposits were deducted from the amounts drawn in some cases. In addition, the Group has free lines of credit for guarantee insurance of EUR 50,400 k (prior year: EUR 44,479 k).

The table below summarizes the maturity profile of the Group's financial liabilities at year end. The cash flow reports the repayment plus interest based on contractual undiscounted payments.

_G80_**Expected Cash Flows 2014**

	Estimated cash flows in the year/years				**Carrying amount**
EUR k	2015	2016	2017 – 2019	2020 et seq.	**Dec. 31, 2014**
Trade payables	84,893	0	0	0	84,893
Liabilities from long-term construction contracts	7,497	0	0	0	7,497
Liabilities due to associates	8,062	0	0	0	8,062
Financial liabilities					
Liabilities to banks	16,038	7,976	14,011	43,381	78,481
Lease liabilities	3,701	1,539	2,442	912	8,031
Derivative financial liabilities					
Derivatives without hedge relationship	2,505	0	0	0	2,505
Derivatives with hedge relationship	243	153	0	0	406

_G81_Expected Cash Flows 2013

	Estimated cash flows in the year/years				Carrying amount
EUR k	2014	2015	2016 – 2018	2019 et seq.	Dec. 31, 2013
Trade payables	61,155	0	0	0	61,155
Liabilities from long-term construction contracts	2,408	0	0	0	2,408
Liabilities due to associates	4,493	0	0	0	4,493
Financial liabilities					
Liabilities to banks	57,849 [1]	9,688	52,684	2,470	114,127
Lease liabilities	3,544	3,200	1,936	1,116	9,104
Derivative financial liabilities					
Derivatives without hedge relationship	79	0	0	0	79
Derivatives with hedge relationship	149	136	85	0	77

1 An amount of EUR 35,500 k relating to the existing syndicated loan agreement is reported under current liabilities.

The derivative financial instruments disclosed in the tables above are net undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

_G82_Expected Cash Flows 2014/Derivatives

	Cash flows expected in the year/years				**Carrying amount**
EUR k	2015	2016	2017 – 2019	2020 et seq.	**Dec. 31, 2014**
Inflows	40,339	0	0	0	
Outflows	– 42,844	0	0	0	
Net	– 2,505	0	0	0	2,505

_G83_Expected Cash Flows 2013/Derivatives

	Cash flows expected in the year/years				Carrying amount
EUR k	2014	2015	2016 – 2018	2019 et seq.	Dec. 31, 2013
Inflows	5,372	0	0	0	
Outflows	– 5,451	0	0	0	
Net	– 79	0	0	0	79

Financial Market Risks

As regards financial market risks, the Group's activities mainly comprise financial risks from exchange rate and interest rate fluctuations.

Currency Risk

Exposure to currency risks stems from the Group's global orientation and the resulting cash flows in different currencies subject to exchange rate fluctuations. These primarily relate to the USD exchange rate.

Approximately 29 percent (prior year: 21 percent) of the Group's sales revenue is generated in currencies other than the euro. The year-on-year increase in the share of sales revenue generated in currencies other than the euro is attributable to Stiles. Currency risks for sales revenue generated in volatile currencies are hedged close to the market at the respective sales companies, rather than centrally. It is group policy not to enter into forward contracts until a firm commitment is in place.

Overall, the currency risk to which the Group is exposed is manageable, since a large portion of sales revenue is generated in Europe and invoices are in some cases issued in euro, even for countries outside of the euro zone. The currency risk on the cost side is limited to current costs of the group companies outside of the euro zone.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate between the euro and all other currencies of the Group's earnings before tax due to changes in the fair value of monetary assets and liabilities (non-derivative and derivative). All other variables remain constant. Since no changes in the value of financial instruments denominated in foreign currencies are recognized directly in equity, exchange rate fluctuations do not affect equity directly.

_G84_**Sensitivity of Financial Instruments**

EUR k **Effect on EBT**	**2014**	2013
Appreciation of EUR against other currencies +10%	–3,495	–2,494
Depreciation of EUR against other currencies –10%	2,859	2,040

The sensitivity analysis only includes outstanding monetary items denominated in foreign currency, and adjusts the currency translation as of the end of the period to account for a 10 percent change in the exchange rate. The sensitivity analysis includes obligations from financial instruments or receivables and assets, mostly of foreign group entities denominated in a currency other than the functional currency, as well as derivative financial instruments.

The hypothetical effect of key currencies on earnings breaks down into the following currency sensitivity components:

_G85_**Exchange Rate Volatility (1) 2014**

EUR k **Effect on EBT**	**2014**
10% appreciation of the EUR against the Polish zloty	–492
10% appreciation of the EUR against the US dollar	–1,098
10% appreciation of the EUR against the Australian dollar	–295
10% appreciation of the EUR against the South Korean won	–72
10% appreciation of the EUR against the Swiss franc	–242
10% appreciation of the EUR against the Japanese yen	–556
10% depreciation of the EUR against the Chinese yuan	–145
10% appreciation of the EUR against the pound sterling	–69
10% appreciation of the EUR against the Thai baht	39
10% appreciation of the EUR against the Russian ruble	–79
10% appreciation of the EUR against the New Zealand dollar	–267
10% appreciation of the EUR against the Canadian dollar	–219
Total	**–3,495**

_G86_**Exchange Rate Volatility (2) 2014**

EUR k **Effect on EBT**	**2014**
10% depreciation of the EUR against the Polish zloty	402
10% depreciation of the EUR against the US dollar	898
10% depreciation of the EUR against the Australian dollar	241
10% depreciation of the EUR against the South Korean won	59
10% depreciation of the EUR against the Swiss franc	198
10% depreciation of the EUR against the Japanese yen	455
10% depreciation of the EUR against the Chinese yuan	118
10% depreciation of the EUR against the pound sterling	56
10% depreciation of the EUR against the Thai baht	–32
10% depreciation of the EUR against the Russian ruble	65
10% depreciation of the EUR against the New Zealand dollar	219
10% depreciation of the EUR against the Canadian dollar	180
Total	**2,859**

_G87_Exchange Rate Volatility (1) 2013

EUR k **Effect on EBT**	2013
10% appreciation of the EUR against the Polish zloty	– 60
10% appreciation of the EUR against the US dollar	– 467
10% appreciation of the EUR against the Australian dollar	– 223
10% appreciation of the EUR against the South Korean won	– 153
10% appreciation of the EUR against the Singapore dollar	53
10% appreciation of the EUR against the Swiss franc	– 120
10% appreciation of the EUR against the Japanese yen	– 219
10% depreciation of the EUR against the Chinese yuan	– 770
10% appreciation of the EUR against the pound sterling	– 43
10% appreciation of the EUR against the Thai baht	39
10% appreciation of the EUR against the Russian ruble	– 52
10% appreciation of the EUR against the Canadian dollar	– 162
10% appreciation of the EUR against the Brazilian real	– 317
Total	**– 2,494**

_G88_Exchange Rate Volatility (2) 2013

EUR k **Effect on EBT**	2013
10% depreciation of the EUR against the Polish zloty	49
10% depreciation of the EUR against the US dollar	382
10% depreciation of the EUR against the Australian dollar	182
10% depreciation of the EUR against the South Korean won	125
10% depreciation of the EUR against the Singapore dollar	– 43
10% depreciation of the EUR against the Swiss franc	98
10% depreciation of the EUR against the Japanese yen	179
10% depreciation of the EUR against the Chinese yuan	630
10% depreciation of the EUR against the pound sterling	35
10% depreciation of the EUR against the Thai baht	– 32
10% depreciation of the EUR against the Russian ruble	43
10% depreciation of the EUR against the Canadian dollar	133
10% depreciation of the EUR against the Brazilian real	259
Total	**2,040**

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's non-current financial liabilities with variable interest rates. The group policy is to manage its interest cost using a mix of fixed and variable rate debts. In addition, the risk of rising interest rates is hedged by contracting interest derivatives (interest rate swaps).

In 2014, Homag Group AG entered into interest rate swaps for existing loans of originally EUR 60,000 k drawn under the syndicated loan agreement concluded in 2012 (as of the reporting date: EUR 52,500 k). 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 swap. 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 following table presents the contractual maturities of the payments of the aforementioned interest rate swaps:

_G89_Interest Rate Swaps

Start	End	Nominal volume EUR k	Reference interest rate
Mar. 4, 2013	Sep. 6, 2016	13,125	3-month Euribor
Mar. 4, 2013	Sep. 6, 2016	17,500	3-month Euribor
Mar. 4, 2013	Sep. 6, 2016	17,500	3-month Euribor
Mar. 4, 2013	Sep. 6, 2016	4,375	3-month Euribor
Total		**52,500**	

Repayments of EUR 2,500 k are made every 6 months.

The effectiveness of the hedge is tested prospectively and retrospectively using the critical terms match method. All hedges of this kind were effective as of the reporting date.

As of December 31, 2014, 19.2 percent of the financial liabilities entered into were subject to fixed rates of interest (prior year: 18.5 percent).

The table below shows the sensitivity of pre-tax consolidated profit or loss to a reasonably possible change in the interest rates (due to the effect on the variable interest loans and variable interest receivables). As a rule, a change of +/–25 base points is made. If this is not possible on account of the low level of interest rates, an interest rate level of zero is assumed. All other variables remain constant. Group equity is not affected directly.

_G90_Sensitivity of Interest Rates

	2014		2013	
Change in interest rate in base points	+25	– 25	+25 [1]	– 25 [1]
Effect on group earnings before taxes (EUR k)	– 129	134	– 272	37

1 In order to present comparable figures, the interest rates in 2013 were adjusted to +/–25 base points.

The Group only has a very minor volume of financial instruments subject to variable interest rates and not denominated in euro.

Derivative Financial Instruments

The following table provides an overview of the derivative financial instruments contracted to hedge the risk of fluctuations in exchange rates and interest rates:

_G91_Hedging Derivative Financial Instruments

	2014		2013	
EUR k	**Nominal value**	**Fair value**	Nominal value	Fair value
Currency hedges with a term of less than 1 year	41,982	– 2,062	7,468	– 32
Currency hedges with a term of between 1 and 5 years	0	0	0	0
Currency hedges with a term of more than 5 years	0	0	0	0
Total currency-related transactions	**41,982**	**– 2,062**	**7,468**	**– 32**
Interest hedges with a term of less than 1 year	0	0	0	0
Interest hedges with a term of between 1 and 5 years	52,500	–406	57,500	– 77
Interest hedges with a term of more than 5 years	0	0	0	0
Total interest-related transactions	**52,500**	**– 406**	**57,500**	**– 77**
Total derivatives	**94,482**	**– 2,468**	**64,968**	**– 109**

The currency hedges solely relate to Euro.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies and methods as of December 31, 2013 and December 31, 2014.

The capital structure is regularly monitored using various indicators. The indicators include EBITDA, EBT, ROCE and net liabilities to banks. Net borrowing comprises financial liabilities, plus other interest-bearing liabilities recognized in the statement of financial position less cash and cash equivalents.

7.3 CONTINGENT LIABILITIES

The Group provided the following collateral:

_G92_Collateral

EUR k	Dec. 31, 2014	Dec. 31, 2013
Group-owned land and buildings	19,421	57,674
Group-owned technical equipment and machines	415	10,265
Group-owned other equipment, furniture and fixtures	0	10,852
Inventories	0	97,076
Trade receivables	0	71,617
	19,836	**247,484**

The syndicated loan agreement no longer included any collateral as of the reporting date. In the prior year, collateral was pledged to secure the syndicated loan agreement.

In addition, obligations of the Group from finance lease agreements (cf. 6.3) are secured by rights of the lessors on the leased assets. The leased assets are recognized at a carrying amount of EUR 12,013 k (prior year: EUR 13,005 k).

Additional obligations and contingent liabilities of the Group break down as follows:

_G93_Contingent Liablities

EUR k	2014	2013
Guarantees to fulfill contractual obligations	38,477	32,763
Liabilities from guarantees	4,436	4,113
Liabilities from warranty agreements/take-back obligations under lease agreements	762	829
Litigation risks	65	21
Other obligations	5,662	3,599
	49,402	**41,325**

No provisions were made to cover contingent liabilities, as their utilization is deemed unlikely.

Litigation Risks

Three German companies recognized a provision totaling EUR 725 k for litigation risks with customers. Management aims to settle out of court. A foreign sales company recognized a provision of EUR 800 k to provide for litigation risks, mainly with public authorities. In addition, three companies in Germany have recognized a provision for a total of EUR 455 k for labor court cases.

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 2 years, nor are they involved in any such proceedings at present. The entities concerned have recognized provisions and bad debt allowances at suitable amounts to account for any financial burdens from other litigation or arbitration proceedings, or there is sufficient security to cover these items.

7.4 SEGMENT REPORTING

The Group's segment reporting is in line with the provisions of IFRS 8.

As a result, the Homag Group is organized into the business segments Industry, Cabinet Shops, Sales & Service and Other.

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

_G94_Segment Reporting

	Industry		Cabinet Shops		Sales & Service	
EUR k	**2014**	2013	**2014**	2013	**2014**	2013
Third-party sales revenue	324,932	305,563	83,094	88,569	407,744	259,576
Sales revenue with group companies from other segments	158,715	114,233	119,229	83,347	3,551	3,182
Sales revenue with investments recognized at equity	27,113	50,932	7,465	28,560	202	100
Total sales revenue	**510,760**	**470,728**	**209,788**	**200,476**	**411,497**	**262,858**
Cost of materials	– 219,989	– 220,609	– 115,789	– 113,461	– 319,045	– 191,087
Personnel expenses	– 172,746	– 162,511	– 58,958	– 57,320	– 70,719	– 40,714
EBITDA [1]	**63,982**	**54,530**	**12,443**	**11,435**	**29,895**	**11,456**
Non-recurring expenses [2]	– 404	– 775	– 849	– 75	– 12,469	– 1,483
Depreciation of property, plant and equipment and amortization of intangible assets	– 19,233 [4]	– 20,484 [3]	– 6,669	– 6,086	– 2,822	– 2,133
Result from employee profit participation	– 7,176	– 6,044	– 1,007	– 501	– 389	– 364
Share in result of associates	124	950	0	0	578	1,195
Interest result	– 1,627	– 1,749	– 656	– 388	– 495	– 410
Segment result [6]	**34,866**	**26,428**	**3,262**	**4,385**	**14,298**	**8,261**
Assets						
Investments in associates	0	6,001	0	0	4,829	4,142
Capital expenditure [7]	19,111	17,720	3,617	4,321	5,276	1,004
Segment assets	**377,092**	**361,801**	**117,216**	**124,993**	**261,233**	**155,103**
Segment liabilities	**229,287**	**226,124**	**55,474**	**57,155**	**177,428**	**89,788**
Employees [8]	**2,619**	**2,609**	**995**	**984**	**1,054**	**725**

1 Operative EBITDA before result from employee profit participation and before restructuring/non-recurring expenses
2 Included in personnel expenses, cost of materials and other operating expenses
3 Includes impairment losses of EUR 379 k
4 Includes impairment losses of EUR 746 k
5 Includes impairment losses of EUR 15 k
6 The segment result corresponds to earnings before tax.
7 Capital expenditure relates to additions to property, plant and equipment and intangible assets without leasing.
8 Average headcount for the year

The Industry segment comprises those entities whose core business activities center on the provision of system solutions for industrial companies. The segment offers end-to-end, optimally aligned systems comprising machines, handling, data links, information technology and logistics and covers 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 success factors of this segment include simple operation and flexible applications at a competitive price.

The Sales & Service 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 all times, and allows them to benefit from fast on-site service.

The Other segment primarily comprises the holding activities of Homag Group AG, foreign production facilities in regions with potential for the future, the services division with the software and consulting portfolio of SCHULER Consulting GmbH and the timber frame house construction division.

Other		Total segments		Consolidation		Group	
2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
25,150	23,729	840,920	677,437	0	0	840,920	677,437
43,712	36,241	325,207	237,003	– 325,207	– 237,003	0	0
39,058	31,796	73,838	111,388	0	0	73,838	111,388
107,920	**91,766**	**1,239,965**	**1,025,828**	**– 325,207**	**– 237,003**	**914,758**	**788,825**
– 69,213	– 54,179	– 724,036	– 579,336	316,151	237,366	– 407,885	– 341,970
– 33,367	– 25,596	– 335,790	– 286,141	0	0	– 335,790	– 286,141
–4,035	**– 2,061**	**102,285**	**75,360**	**– 9,108**	**402**	**93,177**	**75,762**
– 2,812	– 442	– 16,534	– 2,775	0	0	– 16,534	– 2,775
– 2,659	– 2.672[5]	– 31,383	– 31,375	0	0	– 31,383	– 31,375
– 16	– 57	– 8,588	– 6,966	0	0	– 8,588	– 6,966
0	0	702	2,145	0	0	702	2,145
– 2,030	– 3,384	– 4,808	– 5,931	0	0	– 4,808	– 5,931
– 11,552	**– 8,616**	**40,874**	**30,458**	**– 8,308**	**402**	**32,566**	**30,860**
0	0	4,829	10,143	0	0	4,829	10,143
4,553	1,268	32,557	24,313	0	0	32,557	24,313
329,285	**299,695**	**1,084,826**	**941,592**	**– 473,986**	**– 397,655**	**610,840**	**543,937**
186,121	**174,167**	**648,310**	**547,234**	**– 232,141**	**– 180,948**	**416,169**	**366,286**
814	**720**	**5,482**	**5,038**	**0**	**0**	**5,482**	**5,038**

Sales revenue rose in all segments. In the Sales & Service segment, an increase of EUR 148,639 k was reported (56.5 percent). Of this amount, EUR 126,906 k relates to Stiles Machinery Inc., which was included as an associate in the prior year. In the Industry segment the absolute increase amounted to EUR 40,032 k (8.5 percent). Homag Holzbearbeitungssysteme GmbH generated the largest increase (up EUR 21,916 k or 6.4 percent). The increases in the Cabinet Shops and Other segments came to EUR 9,312 k (up 4.6 percent) and EUR 16,154 k (up 17.6 percent), respectively.

Operative EBITDA before employee profit participation expenses developed favorably for the most part across all segments. In the Sales & Service segment, operative EBITDA increased by EUR 18,439 k (up 161 percent), while the Industry segment reported an increase of EUR 9,452 k (up 17.3 percent) and the Cabinet Shops segment saw operative EBITDA improve by EUR 1,008 k (up 8.8 percent). Operative EBITDA in the Other segment decreased by EUR 1,974 k. In the Industry segment, Homag Holzbearbeitungssysteme GmbH generated the largest improvement in earnings (up EUR 8,975 k or 24.5 percent). In 2014, Stiles joined the Sales & Service segment, which resulted in added earnings of EUR 3,997 k in operative EBITDA.

7.5 FEES AND SERVICES PROVIDED BY THE GROUP AUDITORS

In accordance with German law, the group auditors are proposed by the supervisory board and elected by the annual general meeting. Once the group auditors have been elected, the supervisory board engages them, approves the conditions and scope of the audit of the financial statements as well as all audit fees, and monitors the independence of the group auditors. In 2013 and 2014, the annual general meeting elected Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, as the group auditors for the fiscal years 2013 and 2014.

The following table presents all of the fees invoiced by the group auditor for the last 2 fiscal years in the following categories: (1) statutory audit, i.e., fees in connection with the statutory audit performed by the auditor in accordance with the articles of incorporation and bylaws or regulatory requirements invoiced in the fiscal years in question; (2) other assurance work, i.e., fees for attestation and related services closely tied to the audit of the financial statements and not disclosed in the statutory audit item; (3) tax advisory services, i.e., fees for professional services to ensure compliance with tax provisions, tax advice and tax planning; and (4) other services, i.e., all other products and services not included under the items statutory audit, other assurance work or tax advisory services. This primarily relates to support for the internal audit and advisory services in connection with the new syndicated loan agreement. All amounts in the table below are net of VAT.

_G95_Audit Fees

EUR k	2014	2013
Statutory audit	675	712
Other assurance services	2	2
Tax advisory services	211	241
Other services	217	216
	1,105	**1,171**

The fees for tax advisory services including service fees contain fees for advisory and support services for filing tax returns.

7.6 SUBSEQUENT EVENTS

On March 5, 2015, the extraordinary general meeting of HOMAG Group AG agreed to the conclusion of a profit and loss transfer agreement between Dürr Technologies GmbH and Homag Group AG. The agreement comes into effect upon entry in the commercial register. The obligation to transfer profits will apply for the first time to the entire profit for the fiscal year beginning on January 1, 2016 or for the later fiscal year of HOMAG Group AG in which this agreement comes into effect by entry in the commercial register. The compensation pursuant to Sec. 304 AktG ["Aktiengesetz": German Stock Corporations Act] agreed in the domination and profit and loss transfer agreement is a gross amount of EUR 1.18 (net of corporation income tax and solidarity surcharge: EUR 1.01) per Homag share for a full fiscal year. The settlement amount pursuant to Sec. 305 AktG totals EUR 31.56 per Homag share.

At the same extraordinary general meeting, the shareholders of Homag Group AG appointed Mr. Ralf W. Dieter, Stuttgart, Mr. Richard Bauer, Wentorf, Dr. Jochen Berninghaus, Herdecke, Dr. Anja Schuler, Zurich, Switzerland and Dr. Hans Schumacher, Schönaich, to the supervisory board for the period from the end of the extraordinary general meeting on March 5, 2015 until the end of the general meeting that passes a resolution on exoneration for the fourth fiscal year after the beginning of the term of office. In addition, the office of Mr. Gerhard Federer, Offenburg, which would have run until the end of the annual general meeting in 2015, was also extended for a further period of office at the extraordinary general meeting 2015.

Our CFO Hans-Dieter Schumacher is stepping down from the management board of HOMAG Group AG of his own volition as of March 31, 2015, in order to take on new professional challenges. Franz Peter Matheis will become a new member of the management board from April 1, 2015. As CFO, he will be responsible for finance and IT.

7.7 RELATED PARTIES

In accordance with IAS 24, persons or entities which are in control of or controlled by the Homag Group must be disclosed, unless they are already included as consolidated entities in the consolidated financial statements of the Homag Group. Control exists if a shareholder owns more than one half of the voting rights in Homag Group AG or, by virtue of a provision of the articles of incorporation and bylaws or of an agreement, has the power to control the financial and operating policies of Homag Group's management.

The disclosure requirements under IAS 24 also extend to transactions with associates as well as transactions with persons who have significant influence on the Homag Group's financial and operating policies, including close family members and intermediate persons. Significant influence is deemed to be exerted on the financial and operating policies of the Homag Group by persons holding a seat on the management board or the supervisory board of Homag Group AG, or another key management position.

In the fiscal year 2014, the Homag Group is affected by the disclosure requirements of IAS 24 solely with respect to business relationships with associates, members of the management board and the supervisory board as well as shareholders that hold more than 20 percent of the shares in the parent company, Homag Group AG.

The total remuneration of the employee representatives on the supervisory board – comprising wages, salaries, benefits in kind and profit distributions in connection with employee profit participation schemes – amounted to EUR 399 k in the reporting year (prior year: EUR 364 k). Moreover, there are liabilities from employee profit participation of EUR 105 k (prior year: EUR 90 k) attributable to members of the supervisory board.

A consulting agreement was concluded in 1999 with the former chairman of the supervisory board and current honorary chairman of the supervisory board of Homag Holzbearbeitungssysteme GmbH. This agreement was canceled effective March 31, 2012. The follow-up agreement entered into effect on April 1, 2012. In the fiscal year, he received remuneration of EUR 30 k in connection with the consulting agreement (prior year: EUR 30 k). As honorary chairman of the supervisory board, Mr. Gerhard Schuler also receives remuneration that corresponds to that of the members of the supervisory board of EUR 10 k (prior year: EUR 10 k).

The following table shows the deliveries of goods and services between entities in the consolidated group and related parties of the Homag Group:

_G96_**Related Party Disclosures**

	Services and supplies rendered by the Group for related parties		Services and supplies received by the Group from related parties	
EUR k	**2014**	2013	**2014**	2013
Associates	73,869	111,565	1,546	6,018
Non-consolidated affiliates	344	0	0	0

The services provided by the Group to related parties are included in sales revenue and other operating income. The services received by the Group from related parties are included in cost of materials and other operating expenses.

Transfer prices for intercompany sales revenue are determined using a market-based approach in compliance with the arm's length principle. The related entities are sales and service companies that sell machines and spare parts manufactured by other group entities. The services received by the Group from associates essentially relate to cross-charged assembly and trade fair costs which were incurred by the related entities.

7.8 CORPORATE GOVERNANCE

A declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG was issued by the management board and the supervisory board in January 2015. An up-to-date version is made permanently available to shareholders on Homag Group AG's homepage at www.homag-group.de.

_8. COMPANY BOARDS

8.1 SUPERVISORY BOARD

(1) Membership in statutory supervisory boards and
(2) Membership in other comparable domestic and foreign control bodies of entities that do not belong to the HOMAG Group (as of December 31, 2014)

_G97_Supervisory Board

Torsten Grede, Frankfurt am Main[2] Chairman of the supervisory board Spokesperson of the management board of Deutsche Beteiligungs AG, Frankfurt am Main	(2)	_ Clyde Bergemann Power Group, Inc., Delaware, USA _ Treuburg Beteiligungsgesellschaft mbH, Ingolstadt, since April 9, 2014 _Treuburg GmbH & Co. Familien KG, Ingolstadt, since April 9, 2014
Ralf W. Dieter, Stuttgart[3] Chairman of the supervisory board CEO of Dürr AG, Stuttgart	(1)	_ Schuler AG, Göppingen _ Körber AG, Hamburg _ Andritz AG, Graz, Österreich _ Carl Schenck AG, Darmstadt (chairman) _ Dürr Systems GmbH, Stuttgart (chairman)
	(2)	_ Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai, V.R. China (supervisor)
Reiner Neumeister, Wildberg[1] Deputy chairman of the supervisory board Main representative and managing director of IG Metall trade union, Freudenstadt and main representative and managing director of IG Metall trade union, Villingen-Schwenningen		
Richard Bauer, Wentorf[3] CEO of Körber AG, Hamburg	(1)	_ Hauni Maschinenbau AG, Hamburg (chairman)
	(2)	_ United Grinding, Bern, Switzerland (chairman) _ Körber Medipak, Winterthur, Switzerland (chairman)
Dr. Jochen Berninghaus, Herdecke[3] Lawyer, auditor, tax advisor, law firm Spieker & Jaeger, Dortmund	(1)	_ Geno Bank eG, Essen (deputy chairman)
	(2)	_ Kludi Gruppe, Menden _ MWH Märkisches Werk, Halver _ Halbach-Gruppe, Schwerte
Ernst Esslinger, Alpirsbach[1] Head of IT engineering at Homag Holzbearbeitungssysteme GmbH, Schopfloch		
Dipl.-Ing. Hans Fahr, Munich[2] Business consultant	(1)	_ Sumida AG, Obernzell (chairman) _ Oechsler AG, Ansbach
	(2)	_ König Metall GmbH, Gaggenau _ Vollack Management Holding GmbH, Karlsruhe _ BOA Luxembourg Investment S.a.r.l., Luxembourg, Luxembourg
Gerhard Federer, Offenburg Former CEO of Schunk GmbH, Heuchelheim		
Dr. Horst Heidsieck, Büdingen[2] Managing partner of Value Consult Management- und Unternehmensberatungsgesellschaft mbH, Büdingen and managing director of DOMINO GmbH, Büdingen	(1)	_ Mansfelder Kupfer und Messing GmbH, Hettstedt (chairman), until March 31, 2014
Carmen Hettich-Günther, Rottenburg[1] Strategic sourcing employee and chair of the works' council of Homag Holzbearbeitungssysteme GmbH, Schopfloch		
Dr. Dieter Japs, Reichenberg[2] Consulting engineer	(2)	_ Leitz GmbH & Co. KG, Oberkochen _ Vollert Anlagenbau GmbH, Weinsberg

_G97_Supervisory Board

Thomas Keller, Freiburg [2] Managing director and regional director at Privat- und Firmenkundenbank Württemberg and spokesperson for Stuttgart of Deutsche Bank AG, Stuttgart	(1) (2)	_ GEZE GmbH, Leonberg _ Deutsche Clubholding GmbH, Frankfurt am Main _ Gühring oHG, Albstadt _ Cronimet Holding GmbH, Karlsruhe
Hannelore Knowles, Calw [1] Chair of the group works' council of Homag Group AG, Schopfloch and chair of the works' council of HOLZMA Plattenaufteiltechnik GmbH, Calw-Holzbronn		
Jochen Meyer, Herzebrock-Clarholz [1] Deputy chairman of the group works' council of Homag Group AG, Schopfloch, Chairman of the group work's council of Weeke Bohrsysteme GmbH, Herzebrock-Clarholz, until February 28, 2014 and chairman of the works' council of Weeke Bohrsysteme GmbH, Herzebrock-Clarholz, since March 1, 2014		
Dr. Anja Schuler, Zurich, Switzerland [3] Specialist for psychiatry and psychotherapy, Basel, Switzerland		
Dr. Hans Schumacher, Schönaich [3] CEO of Dürr Systems GmbH, Stuttgart		
Reinhard Seiler, Lemgo [1] Main representative of IG Metall trade union, Detmold, until April 30, 2014	(1)	_ Dorma Holding GmbH & Co. KGaA, Ennepetal, until July 31, 2014

1 Employee representative
2 until October 10, 2014
3 since October 13, 2014

SUPERVISORY BOARD COMMITTEES

_G98_Supervisory Board Committees

Audit committee	_ Gerhard Federer (chairman) _ Carmen Hettich-Günther [1] _ Reiner Neumeister [1] _ Thomas Keller until October 10, 2014 _ Dr. Jochen Berninghaus since October 24, 2014
Personnel committee	_ Torsten Grede (chairman) until October 10, 2014 _ Ralf W. Dieter (chairman) since October 24, 2014 _ Hannelore Knowles [1] _ Jochen Meyer [1] _ Reiner Neumeister [1] _ Hans Fahr until October 10, 2014 _ Dr. Horst Heidsieck until October 10, 2014 _ Dr. Anja Schuler since October 24, 2014 _ Gerhard Federer since October 24, 2014
Nomination committee	_ Torsten Grede (chairman) until October 10, 2014 _ Ralf W. Dieter (chairman) since October 24, 2014 _ Hans Fahr until October 10, 2014 _ Dr. Dieter Japs until October 10, 2014 _ Dr. Anja Schuler since October 24, 2014 _ Richard Bauer since October 24, 2014
Mediation committee pursuant to Sec. 27 (3) MitbestG ["Mitbestimmungsgesetz": German Codetermination Act]	_ Torsten Grede (chairman) until October 10, 2014 _ Ralf W. Dieter (chairman) since October 24, 2014 _ Jochen Meyer [1] _ Reiner Neumeister [1] _ Dr. Horst Heidsieck until October 10, 2014 _ Gerhard Federer since October 24, 2014

1 Employee representative

8.2 MANAGEMENT BOARD

(1) Membership in statutory supervisory boards and

(2) Membership in other comparable domestic and foreign control bodies of entities that do not belong to the Homag Group (as of December 31, 2014)

_G99_Management Board

Dr.-Ing./U. Cal. Markus Flik, Stuttgart/ Freudenstadt Chairman and board member for corporate development, research and development, communication and management until November 30, 2014	(1) (2)	_ Benteler International AG, Salzburg, Austria _ Trumpf GmbH + Co. KG Ditzingen, since January 1, 2014 _ TRUMPF GmbH + Co. KG und Berthold Leibinger GmbH, Ditzingen
Ralph Heuwing, Stuttgart Board member since October 27, 2014 and chairman since December 1, 2014 for corporate development, research and development, communication and management	(1) (2)	_ MCH Management Capital Holding AG, Munich _ Carl Schenk AG, Darmstadt _ Dürr India Pvt. Ltd., Chennai, India
Harald Becker-Ehmck, Nagold Board member for production, procurement, quality management and affiliates		
Jürgen Köppel, Beckum Board member for service, marketing		
Hans-Dieter Schumacher, Tuttlingen CFO and board member for IT, personnel		

_9. LIST OF SHAREHOLDINGS

_G100_List of Shareholdings – Germany

	Status	Currency	Issued capital Dec. 31, 2014	Share in capital % Dec. 31, 2014
Direct shareholdings				
Homag Holzbearbeitungssysteme GmbH, Schopfloch	(fc)	EUR	30,000,000.00	100.00
SCHULER Consulting GmbH, Pfalzgrafenweiler	(fc)	EUR	5,150,000.00	100.00 [1]
Torwegge Holzbearbeitungsmaschinen GmbH, Löhne	(fc)	EUR	1,600,000.00	100.00 [2]
HOLZMA Plattenaufteiltechnik GmbH, Calw	(fc)	EUR	5,600,000.00	100.00 [3]
Brandt Kantentechnik GmbH, Lemgo	(fc)	EUR	4,000,000.00	100.00
Weeke Bohrsysteme GmbH, Herzebrock-Clarholz	(fc)	EUR	17,550,000.00	100.00
BENZ GmbH Werkzeugsysteme, Haslach i.K.	(fc)	EUR	25,000.00	51.00
Homag eSolution GmbH, Schopfloch	(fc)	EUR	50,000.00	51.00
Indirect shareholdings				
Homag Finance GmbH, Schopfloch	(fc)	EUR	7,200,000.00	100.00
Homag Automation GmbH, Lichtenberg/Erzgb. (formerly: Ligmatech Automationssysteme GmbH)	(fc)	EUR	6,650,000.00	100.00
Friz Kaschiertechnik GmbH, Weinsberg	(fc)	EUR	2,400,000.00	100.00
Weinmann Holzbausystemtechnik GmbH, St. Johann-Lonsingen	(fc)	EUR	1,000,000.00	75.90
Homag GUS GmbH, Schopfloch	(fc)	EUR	100,000.00	100.00
Homag India GmbH, Schopfloch	(nc)	EUR	400,000.00	100.00
Homag Vertrieb & Service GmbH, Schopfloch	(fc)	EUR	300,000.00	100.00
Hüllhorst GmbH, Barntrup	(nc)	EUR	255,645.94	100.00
Futura GmbH, Schopfloch	(nc)	EUR	25,000.00	100.00

1 thereof 94.00% held by Homag Holzbearbeitungssysteme GmbH and 6.00% by Homag Group AG
2 thereof 39.95% held by Homag Holzbearbeitungssysteme GmbH and 60.05% by Homag Group AG
3 thereof 54.46% held by Homag Holzbearbeitungssysteme GmbH and 45.54% by Homag Group AG
(fc) Fully consolidated
(nc) Not consolidated

_G101_List of Shareholdings – Other Countries

	Status	Currency	Issued capital Dec. 31, 2014	Share in capital % Dec. 31, 2014
Direct shareholdings				
Homag Machinery Bangalore Pvt. Ltd., Bangalore/India	(fc)	INR EUR	190,000,000.00 2,479,903.00	100.00 [1]
Homag Machinery (São Paulo) Maquinas Especiais para Madeira Ltda., Taboão da Serra/Brazil	(fc)	BRL EUR	6,812,180.00 2,108,968.76	100.00
Homag US, Inc., Grand Rapids/USA	(fc)	USD EUR	8,133,948.00 6,691,853.56	100.00
Homag Machinery Środa Sp. z o.o., Środa Wielkopolska/Poland	(fc)	PLN EUR	6,001,000.00 1,401,447.92	100.00
Indirect shareholdings				
Holzma Plattenaufteiltechnik S.A., Unipersonal L'Ametlla del Valles/Spain	(fc)	EUR	2,047,748.40	100.00
Homag Machinery (Shanghai) Co. Ltd., Shanghai/China	(fc)	CNY EUR	70,715,635.06 9,508,240.23	81.25
Homag Austria Gesellschaft mbH, Oberhofen am Irrsee/Austria	(fc)	EUR	370,000.00	100.00
Homag Italia S.p.A., Giussano/Italy	(fc)	EUR	1,100,000.00	100.00
Homag France S.A.S., Schiltigheim/France	(fc)	EUR	1,500,000.00	100.00
Homag Asia (PTE) Ltd., Singapore/Singapore	(fc)	SGD EUR	100,000.00 62,270.38	100.00
Homag Canada Inc., Mississauga, Ontario/Canada	(fc)	CAD EUR	4,367,800.00 3,103,453.18	100.00
Homag Polska Sp. z o.o., Środa Wielkopolska/Poland	(fc)	PLN EUR	1,050,000.00 245,212.52	100.00
Homag Japan Co. Ltd., Higashiosaka/Japan	(fc)	JPY EUR	206,000,000.00 1,420,395.78	100.00
Homag Danmark A/S, Galten/Denmark	(fc)	DKK EUR	1,970,000.00 264,600.01	100.00
Homag U.K. Ltd., Castle Donington/UK	(fc)	GBP EUR	2,716,778.00 3,489,311.58	100.00
Homag Korea Co. Ltd., Bucheon-city/Korea	(fc)	KRW EUR	320,970,000.00 242,266.21	54.55
Homag Group Trading SEE EOOD (formerly: Holzma Tech GmbH), Plovdiv/Bulgaria	(nc)	BGN EUR	370,000.00 189,224.44	100.00
Stiles Machinery, Inc., Grand Rapids/USA	(fc)	USD EUR	19,749.00 16,247.63	100.00
Weeke North America Inc., Grand Rapids/USA	(fc)	USD EUR	20,000.00 16,454.13	100.00

1 thereof 99.99% held by Homag Group AG and 0.01% by Homag Holzbearbeitungssysteme GmbH
(fc) Fully consolidated
(nc) Not consolidated

_G102_List of Shareholdings – Other Countries

	Status	Currency	Issued capital Dec. 31, 2014	Share in capital % Dec. 31, 2014
Homag España Maquinaria S. A., Llinars del Vallés (Barcelona)/Spain	(fc)	EUR	1,211,300.00	100.00
Homag China Golden Field Ltd., Hong Kong/China	(e)	HKD EUR	27,000,000.00 2,864,417.57	25.00
Homag South America Ltda., Taboão da Serra/Brazil	(fc)	BRL EUR	16,260,031.00 5,033,909.48	100.00
Homag Australia Pty. Ltd., Sydney/Australia	(fc)	AUD EUR	7,209,158.62 4,867,764.09	100.00
Homag (Schweiz) AG, Höri/Switzerland	(fc)	CHF EUR	200,000.00 166,334.00	100.00
OOO "FAYZ-Homag GUS", Taschkent/Usbekistan	(nc)	USD EUR	174,000.00 126,389.19	33.00
OOO "Homag Russland", Moscow/Russia	(fc)	RUB EUR	357,215.00 4,913.55	100.00
Homag India Private Ltd., Bangalore/India	(fc)	INR EUR	312,511,010.00 4,078,931.53	99.90
HA Malaysia SDN Bhd, Puchong/Malaysia	(fc)	MYR EUR	500,000.00 117,652.60	100.00
HA (Thailand) Co. Ltd., Bangkok/Thailand	(fc)	THB EUR	2,000,000.00 50,041.28	100.00
BENZ INCORPORATED, Charlotte/USA	(fc)	USD EUR	100.00 82.27	100.00 [1]
Howard S. Twichell Company, Inc., Coppell/Texas/USA	(fc)	USD EUR	589,016.21 484,587.59	100.00
Homag Equipment Machinery Trading L.L.C., Dubai/United Arab Emirates	(nc)	AED EUR	300,000.00 67,198.28	80,00 [2]
Homag New Zealand Limited, Auckland/New Zealand	(nc)	NZD EUR	100.00 64.47	100.00

1 Direct and indirect calculated share in capital: 51.00%
2 Voting rights 100%
(fc) Fully consolidated
(nc) Not consolidated
(e) Consolidated using the equity method

_10. OTHER NOTES

Pursuant to Sec. 264 (3) HGB, the following companies are exempted from the duty to publish their financial statements: Brandt Kantentechnik GmbH, Lemgo, Homag Automation GmbH, Lichtenberg, HOLZMA Plattenaufteiltechnik GmbH, Calw, and Homag Holzbearbeitungssysteme GmbH, Schopfloch.

DECLARATION OF THE LEGAL REPRESENTATIVES (GROUP)

_DECLARATION OF THE LEGAL REPRESENTATIVES

DECLARATION PURSUANT TO SEC. 297 (2) SENTENCE 4 HGB AND SEC. 316 (1) SENTENCE 6 HGB ["HANDELSGESETZBUCH": GERMAN COMMERCIAL CODE]

We confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and that the group management report, which has been combined with the management report of the Company, gives a true and fair view of the business performance including the results of operations and the situation of the Group and describes the significant opportunities and risks and the anticipated development of the Group in accordance with the applicable financial reporting framework.

Schopfloch, March 17, 2015
Homag Group AG

The management board

Ralph Heuwing

Harald Becker-Ehmck

Jürgen Köppel

Hans-Dieter Schumacher

AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS (GROUP)

_AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report, which has been combined with the management report of the Company:

"We have audited the consolidated financial statements prepared by Homag Group AG, Schopfloch, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which has been combined with the management report of Homag Group AG, for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Stuttgart, March 17, 2015
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Blesch	Difflipp
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SEPARATE FINANCIAL STATEMENTS AG

DETAILED INDEX

FINANCIAL STATEMENTS (AG)

_INCOME STATEMENT (AG)

_F1_Income Statement (AG)

EUR	2014	2013
Other operating income	19,840,723.63	13,299,276.09
Personnel expenses		
Wages and salaries	–12,108,099.92	–6,379,480.37
Social security, pension and other benefit costs	–561,103.95	–437,696.53
Amortization of intangible assets and depreciation of property, plant and equipment	–215,331.62	–167,287.56
Other operating expenses	–12,254,312.52	–10,632,937.14
	–5,298,124.38	**–4,318,125.51**
Income from equity investments	4,279,836.95	2,563,000.00
Income from profit and loss transfer agreement	28,764,547.95	29,415,422.44
Other interest and similar income	1,038,508.83	778,250.87
Write-downs on financial assets	–1,000,000.00	–1,500,000.00
Interest and similar expenses	–2,738,495.53	–3,567,316.87
Profit from ordinary activities	**25,046,273.82**	**23,371,230.93**
Extraordinary expenses	–22,989.00	–22,991.00
Extraordinary result	**–22,989.00**	**–22,991.00**
Income taxes	–850,515.08	–4,302,611.72
Other taxes	–8,022.13	18,265.96
Net income for the year	**24,164,747.61**	**19,063,894.17**
Profit brought forward from prior year	40,317,090.30	26,743,996.13
Retained earnings	**64,481,837.91**	**45,807,890.30**

_BALANCE SHEET (AG)

_F2_Balance Sheet (AG) – Assets

EUR	Dec. 31, 2014	Dec. 31, 2013
A. Fixed assets		
I. Intangible assets		
1. Purchased industrial and similar rights	667,461.00	286,212.00
II. Property, plant and equipment		
1. Furniture and fixtures	44,486.00	35,038.00
III. Financial assets		
1. Shares in affiliates	188,490,425.65	170,606,500.23
2. Equity investments	0.00	1.00
	188,490,425.65	**170,606,501.23**
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	28,814.70	5,614.70
2. Receivables from affiliates	53,882,346.17	54,438,916.22
3. Other assets	6,406,451.64	2,141,125.31
	60,317,612.51	**56,585,656.23**
II. Bank balances	19,071,385.90	15,420,389.64
C. Prepaid expenses	**14,062.50**	**77,920.00**
Total assets	**268,605,433.56**	**243,011,717.10**

_F3_Balance Sheet (AG) – Equity and liabilities

EUR	Dec. 31, 2014	Dec. 31, 2013
A. Equity		
I. Issued capital	15,688,000.00	15,688,000.00
II. Capital reserves	33,799,650.00	33,799,650.00
III. Revenue reserves		
Other revenue reserves	1,456,134.50	1,456,134.50
IV. Retained earnings	64,481,837.91	45,807,890.30
	115,425,622.41	**96,751,674.80**
B. Provisions		
1. Pension provisions	590,121.00	572,354.00
2. Tax provisions	3,546,196.16	8,435,108.39
3. Other provisions	6,182,994.09	3,205,540.32
	10,319,311.25	**12,213,002.71**
C. Liabilities		
1. Liabilities to banks	57,500,000.00	77,500,000.00
2. Trade payables	407,657.27	287,176.72
3. Liabilities to affiliates	80,434,059.42	55,807,804.84
4. Liabilities to indirect investees and investors	0.00	2,030.00
5. Other liabilities	4,518,783.21	445,028.03
	142,860,499.90	**134,042,039.59**
D. Deferred income	**0.00**	**5,000.00**
Total equity and liabilities	**268,605,433.56**	**243,011,717.10**

NOTES TO THE FINANCIAL STATEMENTS (AG) FOR FISCAL YEAR 2014

_GENERAL INFORMATION

These financial statements were prepared in accordance with Sec. 242 et seq. and 264 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] as well as in accordance with the relevant provisions of the AktG [“Aktiengesetz”: German Stock Corporation Act]. The Company qualifies as a large corporation pursuant to Sec. 267 (3) HGB.

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

In order to improve the clarity of the financial statements, we have summarized individual items in the balance sheet and in the income statement, and have disclosed them separately in the notes to the financial statements. For the same reason, we have also indicated in the notes where individual items are related to “thereof” items.

_ACCOUNTING POLICIES

The following accounting and valuation methods, which have remained unchanged in comparison to the prior year, have been used to prepare the financial statements.

The balance sheet classification complies with Sec. 266 (2) and (3) HGB.

Purchased **intangible assets** are capitalized at acquisition cost and, if they have a limited life, are reduced by amortization in accordance with their useful lives using the straight-line method.

Property, plant and equipment are measured at cost and, if they have a limited life, are depreciated in accordance with their useful lives using the straight-line method.

With regard to **financial assets**, equity investments are recorded at the lower of cost or net realizable value assuming that any impairment in value is permanent. The market value is reviewed based on the calculation of the individual subsidiaries’ earnings value using current five-year planning. The values used in the budget are based on numerous assumptions, so that the calculation of fair value is based on discretionary decisions and on projections of future business developments.

Receivables and other assets are always stated at their nominal value.

Pension provisions are determined using the projected unit credit method and the 2005 G mortality tables. Discounting was calculated using the mean market interest rate of 4.66 percent (prior year: 4.89 percent) for a remaining term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions]. Expected pension increases were again taken into account at 2.0 percent.

Exercising the option under Art. 67 (1) Sentence 1 EGHGB ["Einführungsgesetz zum Handelsgesetzbuch": Introductory Law of the German Commercial Code], the allocation amount resulting from the change in the accounting for provisions pursuant to Sec. 249 (1) Sentence 1 and Sec. 253 (1) Sentence 2, (2) HGB due to the BilMoG ["Bilanzrechtsmodernisierungsgesetz": German Accounting Law Modernization Act] is spread evenly over a period of 5 years.

Tax provisions and **other provisions** account for all uncertain liabilities and potential losses from pending transactions. They are recorded at the settlement amount deemed necessary according to prudent business judgment. Provisions due in more than 1 year are discounted.

Liabilities are stated at the settlement amount.

To determine **deferred taxes** arising due to timing or temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and deferred tax liabilities are determined and subsequently offset against each other. The option to recognize deferred tax assets was not exercised. Deferred taxes were calculated using a tax rate of 28.4 percent.

When **hedge accounting** is used in accordance with Sec. 254 HGB, the following accounting and valuation principles apply:

Economic hedging relationships are accounted for by designating hedges. When it is possible to apply either the net method, under which offsetting changes in value attributable to the hedged risk are not accounted for, or the gross method, where offsetting changes in value attributable to the hedged risk of both the hedged item and the hedging instrument are accounted for, the net method is applied. Offsetting positive and negative changes in value are not recognized in the income statement.

_NOTES TO THE BALANCE SHEET

FIXED ASSETS

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets.

_F4_Statement of Changes in Fixed Assets

	Acquisition and production cost			
EUR	Jan. 1, 2014	Additions	Disposals	Dec. 31, 2014
I. Intangible assets				
1. Purchased industrial and similar rights	780,658.41	582,362.00	0.00	1,363,020.41
II. Property, plant and equipment				
1. Furniture and fixtures	53,841.00	23,666.62	1,507.24	76,000.38
III. Financial assets				
1. Shares in affiliates	186,010,553.72	9,620,925.42	0.00	195,631,479.14
2. Equity investments	4,274,310.74	0.00	4,274,310.74	0.00
	190,284,864.46	9,620,925.42	4,274,310.74	195,631,479.14
	191,119,363.87	**10,226,954.04**	**4,275,817.98**	**197,070,499.93**

	Accumulated amortization, depreciation and write-downs					Carrying amounts	
	Jan. 1, 2014	Additions	Disposals	Write-ups	Dec. 31, 2014	**Dec. 31, 2014**	Dec. 31, 2013
	494,446.41	201,113.00	0.00	0.00	695,559.41	667,461.00	286,212.00
	18,803.00	14,218.62	1,507.24	0.00	31,514.38	44,486.00	35,038.00
	15,404,053.49	1,000,000.00	0.00	9,263,000.00	7,141,053.49	188,490,425.65	170,606,500.23
	4,274,309.74	0.00	4,274,309.74	0.00	0.00	0.00	1.00
	19,678,363.23	1,000,000.00	4,274,309.74	9,263,000.00	7,141,053.49	188,490,425.65	170,606,501.23
	20,191,612.64	**1,215,331.62**	**4,275,816.98**	**9,263,000.00**	**7,868,127.28**	**189,202,372.65**	**170,927,751.23**

FINANCIAL ASSETS

The composition of the shareholdings of Homag Group AG is presented in the following list of shareholdings:

_F5_ List of Shareholdings – Germany

	Currency	Issued capital Dec. 31, 2014	Share in capital % Dec. 31, 2014	Equity EUR k Dec. 31, 2014	Net profit EUR k 2014
Direct shareholdings					
Homag Holzbearbeitungssysteme GmbH, Schopfloch	EUR	30,000,000.00	100.00	82,284	PLTA
SCHULER Consulting GmbH, Pfalzgrafenweiler	EUR	5,150,000.00	100.00 [1]	534	142
Torwegge Holzbearbeitungsmaschinen GmbH, Löhne	EUR	1,600,000.00	100.00 [2]	– 477	– 122
HOLZMA Plattenaufteiltechnik GmbH, Calw	EUR	5,600,000.00	100.00 [3]	14,025	EAV
Brandt Kantentechnik GmbH, Lemgo	EUR	4,000,000.00	100.00	19,602	EAV
Weeke Bohrsysteme GmbH, Herzebrock-Clarholz	EUR	17,550,000.00	100.00	29,018	111
BENZ GmbH Werkzeugsysteme, Haslach i. K.	EUR	25,000.00	51.00	7,460	1,535
Homag eSolution GmbH, Schopfloch	EUR	50,000.00	51.00	995	212
Indirect shareholdings					
Homag Finance GmbH, Schopfloch	EUR	7,200,000.00	100.00	46,482	11,575
Homag Automation GmbH, (formerly: Ligmatech Automationssysteme GmbH), Lichtenberg/Erzgeb.	EUR	6,650,000.00	100.00	15,488	PLTA
Friz Kaschiertechnik GmbH, Weinsberg	EUR	2,400,000.00	100.00	2,927	– 123
Weinmann Holzbausystemtechnik GmbH, St. Johann-Lonsingen	EUR	1,000,000.00	75.90	1,707	– 1,069
Homag GUS GmbH, Schopfloch	EUR	100,000.00	100.00	100	PLTA
Homag India GmbH, Schopfloch	EUR	400,000.00	100.00	1 [4]	– 1 [4]
Homag Vertrieb & Service GmbH, Schopfloch	EUR	300,000.00	100.00	1,211	73
Hüllhorst GmbH, Barntrup	EUR	255,645.94	100.00	264 [4]	3 [4]
Futura GmbH, Schopfloch	EUR	25,000.00	100.00	25	0

1 Thereof 94.00% held by Homag Holzbearbeitungssysteme GmbH and 6.00% by Homag Group AG.
2 Thereof 39.95% held by Homag Holzbearbeitungssysteme GmbH and 60.05% by Homag Group AG.
3 Thereof 54.46% held by Homag Holzbearbeitungssysteme GmbH and 45.54% by Homag Group AG.
4 Figures from fiscal year from January 1 to December 31, 2013.
PLTA Profit and loss transfer agreement with Homag Group AG or Homag Holzbearbeitungssysteme GmbH or Homag Finance GmbH

_F6_List of Shareholdings – Other Countries

	Currency	Issued capital Dec. 31, 2014	Share in capital % Dec. 31, 2014	Equity EUR k Dec. 31, 2014	Net profit EUR k 2014
Direct shareholdings					
Homag Machinery Bangalore Pvt. Ltd., Bangalore/India	INR EUR	190,000,000.00 2,479,903.00	100.00[5]	99,761 1,302	– 29,060 – 360
Homag Machinery (São Paulo) Maquinas Especiais para Madeira Ltda., Taboão da Serra/Brazil	BRL EUR	6,812,180.00 2,108,968.76	100.00	8,958 2,773	– 302 – 97
Homag US, Inc., Grand Rapids/USA	USD EUR	8,133,948.00 6,691,853.56	100.00	7,713 6,346	– 421 – 319
Homag Machinery Środa Sp. z o.o., Środa Wielkopolska/Poland	PLN EUR	6,001,000.00 1,401,447.92	100.00	25,387 5,929	4,759 1,135
Indirect shareholdings					
Holzma Plattenaufteiltechnik S.A., Unipersonal L'Ametlla del Valles/Spain	EUR	2,047,748.40	100.00	3,583	1,020
Homag Machinery (Shanghai) Co. Ltd., Shanghai/China	CNY EUR	70,715,635.06 9,508,240.23	81.25	143,959 19,356	20,436 2,506
Homag Austria Gesellschaft mbH, Oberhofen am Irrsee/Austria	EUR	370,000.00	100.00	664	– 191
Homag Italia S.p.A., Giussano/Italy	EUR	1,100,000.00	100.00	1,129	– 69
Homag France S.A.S., Schiltigheim/France	EUR	1,500,000.00	100.00	5,048	1,920
Homag Asia (PTE) Ltd., Singapore/Singapore	SGD EUR	100,000.00 62,270.38	100.00	4,307 2,682	876 522
Homag Canada Inc., Mississauga, Ontario/Canada	CAD EUR	4,367,800.00 3,103,453.18	100.00	8,165 5,801	1,087 743
Homag Polska Sp. z o.o., Środa Wielkopolska/Poland	PLN EUR	1,050,000.00 245,212.52	100.00	6,968 1,627	5,621 1,340
Homag Japan Co. Ltd., Higashiosaka/Japan	JPY EUR	206,000,000.00 1,420,395.78	100.00	654,500 4,513	49,704 354
Homag Danmark A/S, Galten/Denmark	DKK EUR	1,970,000.00 264,600.01	100.00	11,109 1,492	9,283 1,245
Homag U.K. Ltd., Castle Donington/England	GBP EUR	2,716,778.00 3,489,311.58	100.00	2,403 3,086	761 947
Homag Korea Co. Ltd., Bucheon-city/Korea	KRW EUR	320,970,000.00 242,266.21	54.55	2,058,696 1,554	642,417 462
Homag Group Trading SEE EOOD, (formerly: Holzma Tech GmbH), Plovdiv/Bulgaria	BGN EUR	370,000.00 189,224.44	100.00	1,090 557	609 311
Stiles Machinery Inc., Grand Rapids/USA	USD EUR	19,749.00 16,247.63	100.00	22,579 18,576	2,786 2,108
Weeke North America Inc., Grand Rapids/USA	USD EUR	20,000.00 16,454.13	100.00	– 72 – 59	176 133

5 Thereof 99.99% held by Homag Group AG and 0.01% by Homag Holzbearbeitungssysteme GmbH.

_F7_ List of Shareholdings – Other Countries

	Currency	Issued capital Dec. 31, 2014	Share in capital % Dec. 31, 2014	Equity EUR k Dec. 31, 2014	Net profit EUR k 2014
Homag España Maquinaria S. A., Llinars del Vallés (Barcelona)/Spain	EUR	1,211,300.00	100.00	999	904
Homag China Golden Field Ltd., Hong Kong/China	HKD EUR	27,000,000.00 2,864,417.57	25.00	174,183 [6] 18,479	18,597 [6] 1,814
Homag South America Ltda., Taboão da Serra/Brazil	BRL EUR	16,260,031.00 5,033,909.48	100.00	– 5,142 – 1,592	– 1,865 – 601
Homag Australia Pty. Ltd., Sydney/Australia	AUD EUR	7,209,158.62 4,867,764.09	100.00	2,418 1,633	218 148
Homag (Schweiz) AG, Höri/Switzerland	CHF EUR	200,000.00 166,334.00	100.00	7,243 6,024	1,704 1,405
OOO „FAYZ-Homag GUS“, Taschkent/Usbekistan	USD EUR	174,000.00 126,389.19	33.00	– [7] – [7]	– [7] – [7]
OOO „Homag Russland“, Moscow/Russia	RUB EUR	357,215.00 4,913.55	100.00	– 9,768 – 134	– 37,610 – 724
Homag India Private Ltd., Bangalore/India	INR EUR	312,511,010.00 4,078,931.53	99.90	52,880 690	19,725 244
HA Malaysia SDN Bhd, Puchong/Malaysia	MYR EUR	500,000.00 117,652.60	100.00	– 926 – 218	165 38
HA (Thailand) Co. Ltd., Bangkok/Thailand	THB EUR	2,000,000.00 50,041.28	100.00	2,586 65	589 14
BENZ INCORPORATED, Charlotte/USA	USD EUR	100.00 82.27	100.00 [8]	274 225	133 101
Howard S. Twichell Company, Inc., Coppell/Texas/USA	USD EUR	589,016.21 484,587.59	100.00	712 586	232 176
Homag Equipment Machinery Tranding L.L.C., Dubai/United Arab Emirates	AED EUR	300,000.00 67,198.28	80.00 [9]	– 1,376 – 308	– 1,676 – 345
Homag New Zealand Limited, Auckland/New Zealand	NZD EUR	100.00 64.47	100.00	0 0	0 0

6 Preliminary figures
7 Not available
8 Exactly calculated share in capital: 51%
9 In derogation from this, voting rights 100%

RECEIVABLES AND OTHER ASSETS

_F8_Receivables and Other Assets

EUR k	Dec. 31, 2014	Dec. 31, 2013
Trade receivables	29	6
thereof due in more than one year	0	0
Receivables from affiliates	53,882	54,439
thereof due in more than one year	0	0
Other assets	6,407	2,141
thereof due in more than one year	390	576
	60,318	**56,586**

Of the receivables from affiliates, an amount of EUR 1,511 k (prior year: EUR 1,581 k) relates to trade and EUR 23,544 k (prior year: EUR 23,442 k) to loans (including cash pooling).

DEFERRED TAXES

Deferred taxes were calculated using a tax rate of 28.4 percent. Deferred tax assets mainly stem from accounting differences in pension provisions and other provisions. Deferred tax assets have not been recognized.

ISSUED CAPITAL

As of the reporting date, the issued capital of Homag Group AG, Schopfloch, came to EUR 15,688 k (prior year: EUR 15,688 k). It is divided into 15,688,000 no-par value shares with an imputed value of EUR 1.00 each.

CAPITAL RESERVES

The capital reserve of Homag Group AG, Schopfloch, remained unchanged at EUR 33,800 k as of the reporting date.

REVENUE RESERVES

The revenue reserves of Homag Group AG, Schopfloch, remained unchanged at EUR 1,456 k as of the reporting date.

RETAINED EARNINGS

_F9_Total Assets

EUR k	
Carried forward January 1, 2014	45,808
Profit distribution	–5,491
	40,317
Net income for 2014	24,165
December 31, 2014	**64,482**

PENSION PROVISIONS

The pension provisions pertain to 3 individual contractual commitments to former members of the management board of IMA AG which was merged into Homag Group AG in 1999. The pension payments made in the reporting year for these former board members come to EUR 61 k (prior year: EUR 60 k).

The allocation amount pursuant to Art. 67 (1) Sentence 1 EGHGB, which is spread evenly over a period of 5 years, was added in the reporting year in full. There is no longer a deficit to be eliminated by recognizing provisions in future periods pursuant to Art. 67 (2) EGHGB.

OTHER PROVISIONS

Other provisions account for recognizable risks; provisions are set up for the following items:

- Bonuses
- Outstanding invoices
- Remuneration of the supervisory board
- Other personnel expenses
- Cost of preparing the financial statements, including the annual report

LIABILITIES

_F10_Liabilities

EUR k	Due in: less than 1 year	Due in: 1 to 5 years	Due in: more than 5 years	Total: Dec. 31, 2014	Total: Dec. 31, 2013
1. Liabilities to banks	5,000	52,500	0		
(prior year)	(25,000)	(52,500)	(0)	57,500	(77,500)
2. Trade payables	408	0	0		
(prior year)	(287)	(0)	(0)	408	(287)
3. Liabilities to affiliates	80,434	0	0		
(prior year)	(55,808)	(0)	(0)	80,434	(55,808)
4. Liabilities to other investees and investors	0	0	0		
(prior year)	(2)	(0)	(0)	0	(2)
5. Other liabilities	4,519	0	0		
(prior year)	(445)	(0)	(0)	4,519	(445)
thereof for taxes	2,303	0	0		
(prior year)	(215)	(0)	(0)	2,303	(215)
thereof for social security	2	0	0		
(prior year)	(1)	(0)	(0)	2	(1)

As regards the amounts accrued in connection with the syndicated loan agreement (EUR 57,500 k; prior year: EUR 77,500 k) and the related collateral we refer to the disclosures made under contingent liabilities.

Of the liabilities to affiliates, EUR 727 k (prior year: EUR 1,114 k) relates to trade payables and EUR 76,517 k (prior year: EUR 52,833 k) to liabilities in connection with cash pooling and loans.

CONTINGENT LIABILITIES

_F11_Contingent Liabilities

EUR k	Dec. 31, 2014	Dec. 31, 2013
From guarantees	51,248	37,147
thereof for liabilities of affiliates	51,248	37,147
From warranties	4,436	4,359
thereof in favor of affiliates	4,436	4,359
	55,684	**41,506**

The guarantees mainly pertain to guarantees obtained by subsidiaries from credit insurers resulting in joint liability.

Under the syndicated loan agreement concluded in September 2012 and amendments from May 16, 2014 between Homag Group AG, Schopfloch, Homag Holzbearbeitungssysteme GmbH, Schopfloch, and a syndicate of banks, Homag Group AG assigned the following collateral: Guarantee. The funds drawn under the prolonged syndicated loan agreement amount to EUR 60,000 k. Following the scheduled redemption as of September 30, 2014, the funds drawn amount to EUR 57,500 k and are reported under liabilities to banks. In addition, affiliates had drawn a total of EUR 9,907 k under the syndicated loan agreement as of the reporting date.

The risk of a claim relating to the above contingent liabilities is deemed to be low because of the net assets, financial position and results of operations of the companies for which the guarantee has been given.

OTHER FINANCIAL OBLIGATIONS

There are also other financial obligations from leases amounting to EUR 200 k. The lease agreements expire between 2015 and 2017.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGES

Interest-related transactions pertain to interest rate swaps with a nominal value of EUR 52,500 k in total. The interest rate risk on a variable-interest (3-month EURIBOR) bank liability of originally EUR 60,000 k was hedged (December 31, 2014: EUR 52,500 k). Micro hedges were formed.

The changes in value of the hedged items and hedging instruments of EUR 406 k are expected to offset each other over the term of the hedge because risk positions (hedged items) are hedged immediately after their inception. This means that the critical contractual terms and conditions (and in turn the determinants of the value) of the hedged item and hedging instrument match in each case (nominal value, variable interest rate, interest adjustment and payment terms, term, expiry date). None of the items have a carrying amount owing to their designation to hedges. The assessment of the effectiveness of hedges was based on the critical-terms-match method. Fair values were determined using the mark-to-market method.

_F12_**Derivative Financial Instruments and Hedges**

Hedging instrument	End date	End date (EUR k)	Fair value (EUR k)
Interest swap	2016	13,125	– 101
Interest swap	2016	17,500	– 141
Interest swap	2016	17,500	– 130
Interest swap	2016	4,375	– 34
Total		**52,500**	**– 406**

_NOTES TO THE INCOME STATEMENT

OTHER OPERATING INCOME

Other operating income contains income relating to other periods from the release of provisions amounting to EUR 4 k (prior year: EUR 80 k) and other items relating to other periods of EUR 56 k (prior year: EUR 338 k). Also included are write-ups to the equity investment Weeke Bohrsysteme GmbH, Herzebrock-Clarholz, amounting to EUR 9,263 k (prior year: EUR 4,000 k).

PERSONNEL EXPENSES

Pension expenses totaled EUR 20 k (prior year: EUR 29 k) and relate to 3 beneficiaries.

INCOME FROM INVESTMENTS AND PROFIT AND LOSS TRANSFER AGREEMENTS

All items pertain to affiliates.

WRITE-DOWNS ON FINANCIAL ASSETS

These concern extraordinary write-downs on Homag Machinery (São Paulo) Maquinas Especiais para Madeira Ltda., Taboão da Serra, Brazil.

INTEREST RESULT

Interest income of EUR 998 k (prior year: EUR 727 k) was received from affiliates, while interest expenses of EUR 249 k (prior year: EUR 134 k) were attributable to affiliates. The interest expenses in connection with unwinding the discount on pension provisions amount to EUR 37 k (prior year: EUR 35 k).

EXTRAORDINARY EXPENSES

The application of Art. 66 and Art. 67 (1) to (5) EGHGB (transitional BilMoG provisions) leads to the following extraordinary expenses:

Pursuant to Art. 67 (1) EGHGB, the difference between the previous GAAP and BilMoG accounting treatment is determined at the start of the reporting year. The difference has to be accrued by at least 1/15 (distribution amount) per year and by December 31, 2024 at the latest. The distribution amount is expensed over 5 years at EUR 23 k per annum under "Extraordinary expenses" pursuant to Art. 67 (7) EGHGB.

_OTHER NOTES

MEMBERS OF THE SUPERVISORY BOARD

(1) Membership in statutory supervisory boards and

(2) Membership in other comparable domestic and foreign control bodies of entities that do not belong to the HOMAG Group (as of December 31, 2014)

_F13_Supervisory Boards

Torsten Grede, Frankfurt am Main [2] Chairman of the supervisory board Spokesperson of the management board of Deutsche Beteiligungs AG, Frankfurt am Main	(2)	_ Clyde Bergemann Power Group, Inc., Delaware, USA _ Treuburg Beteiligungsgesellschaft mbH, Ingolstadt, since April 9, 2014 _ Treuburg GmbH & Co. Familien KG, Ingolstadt, since April 9, 2014
Ralf W. Dieter, Stuttgart [3] Chairman of the supervisory board CEO of Dürr AG, Stuttgart	(1) (2)	_ Schuler AG, Göppingen _ Körber AG, Hamburg _ Andritz AG, Graz, Austria _ Carl Schenck AG, Darmstadt (chairman) _ Dürr Systems GmbH, Stuttgart (chairman) _ Dürr Paintshop Systems Engineering (Shanghai) Co. Ltd., Shanghai, V.R. China (supervisor)
Reiner Neumeister, Wildberg [1] Deputy chairman of the supervisory board Main representative and managing director of Freudenstadt branch of IG Metall trade union, Freudenstadt and main representative and managing director of the Villingen-Schwenningen branch of IG Metall trade union, Villingen-Schwenningen		
Richard Bauer, Wentorf [3] CEO of Körber AG, Hamburg	(1) (2)	_ Hauni Maschinenbau AG, Hamburg (chairman) _ United Grinding, Bern, Switzerland (chairman) _ Körber Medipak, Winterthur, Switzerland (chairman)
Dr. Jochen Berninghaus, Herdecke [3] Lawyer, auditor, tax advisor, law firm Spieker & Jaeger, Dortmund	(1) (2)	_ Geno Bank eG, Essen (deputy chairman) _ Kludi Gruppe, Menden _ MWH Märkisches Werk, Halver _ Halbach-Gruppe, Schwerte
Ernst Esslinger, Alpirsbach [1] Head of IT engineering at Homag Holzbearbeitungssysteme GmbH, Schopfloch		
Dipl.-Ing. Hans Fahr, Munich [2] Business consultant	(1) (2)	_ Sumida AG, Obernzell (chairman) _ Oechsler AG, Ansbach _ König Metall GmbH, Gaggenau _ Vollack Management Holding GmbH, Karlsruhe _ BOA Luxembourg Investment S.a.r.l., Luxembourg, Luxembourg
Gerhard Federer, Offenburg Former CEO of Schunk GmbH, Heuchelheim		

_F13_Supervisory Boards

Dr. Horst Heidsieck, Büdingen [2] Managing partner of Value Consult Management- und Unternehmensberatungsgesellschaft mbH, Büdingen and managing director of DOMINO GmbH, Büdingen	(1)	_ Mansfelder Kupfer und Messing GmbH, Hettstedt (chairman), until March 31, 2014
Carmen Hettich-Günther, Rottenburg [1] Strategic sourcing employee and chair of the works' council of Homag Holzbearbeitungssysteme GmbH, Schopfloch		
Dr. Dieter Japs, Reichenberg [2] Consulting engineer	(2)	_ Leitz GmbH & Co. KG, Oberkochen _ Vollert Anlagenbau GmbH, Weinsberg
Thomas Keller, Freiburg [2] Managing director and regional director at Privat- und Firmenkundenbank Württemberg and spokesperson for Stuttgart of Deutsche Bank AG, Stuttgart	(1) (2)	_ GEZE GmbH, Leonberg _ Deutsche Clubholding GmbH, Frankfurt am Main _ Gühring oHG, Albstadt _ Cronimet Holding GmbH, Karlsruhe
Hannelore Knowles, Calw [1] Chair of the Group's works' council of Homag Group AG, Schopfloch and chair of the works' council of HOLZMA Plattenaufteiltechnik GmbH, Calw-Holzbronn		
Jochen Meyer, Herzebrock-Clarholz [1] Deputy chairman of the group works' council of Homag Group AG, Schopfloch Chairman of the group work's council of Weeke Bohrsysteme GmbH, Herzebrock-Clarholz, until February 28, 2014 and works' council of Weeke Bohrsysteme GmbH, Herzebrock-Clarholz, since March 1, 2014		
Dr. Anja Schuler, Zurich, Schweiz [3] Specialist for psychiatry and psychotherapy, Basel, Switzerland		
Dr. Hans Schumacher, Schönaich [3] CEO of Dürr Systems GmbH, Stuttgart		
Reinhard Seiler, Lemgo [1] Main representative of IG Metall trade union, Detmold, until April 30, 2014	(1)	_ Dorma Holding GmbH & Co. KGaA, Ennepetal, until July 31, 2014

1 Employee representative
2 until October 10, 2014
3 since October 13, 2014

SUPERVISORY BOARD COMMITTEES

_F14_Supervisory Board Committees

Audit committee	_ Gerhard Federer (chairman) _ Carmen Hettich-Günther [1] _ Reiner Neumeister [1] _ Thomas Keller until October 10, 2014 _ Dr. Jochen Berninghaus since October 24, 2014
Personnel committee	_ Torsten Grede (chairman) until October 10, 2014 _ Ralf W. Dieter (chairman) since October 24, 2014 _ Hannelore Knowles [1] _ Jochen Meyer [1] _ Reiner Neumeister [1] _ Hans Fahr until October 10, 2014 _ Dr. Horst Heidsieck until October 10, 2014 _ Dr. Anja Schuler since October 24, 2014 _ Gerhard Federer since October 24, 2014
Nomination committee	_ Torsten Grede (chairman) until October 10, 2014 _ Ralf W. Dieter (chairman) since October 24, 2014 _ Hans Fahr until October 10, 2014 _ Dr. Dieter Japs until October 10, 2014 _ Dr. Anja Schuler since October 24, 2014 _ Richard Bauer since October 24, 2014
Mediation committee pursuant to Sec. 27 (3) MitbestG ["Mitbestimmungsgesetz": German Codetermination Act]	_ Torsten Grede (chairman) until October 10, 2014 _ Ralf W. Dieter (chairman) since October 24, 2014 _ Jochen Meyer [1] _ Reiner Neumeister [1] _ Dr. Horst Heidsieck until October 10, 2014 _ Gerhard Federer since October 24, 2014

1 Employee representative

MEMBERS OF THE MANAGEMENT BOARD

(1) Membership in statutory supervisory boards
and
(2) Other comparable domestic and foreign control bodies of entities that do not belong to the HOMAG Group (as of December 31, 2014)

_F15_Management Board

Dr.-Ing./U. Cal. Markus Flik, Stuttgart/ Freudenstadt Chairman and board member for corporate development, research and development, communication and management until November 30, 2014	(1) (2)	_ Benteler International AG, Salzburg, Austria _ Trumpf GmbH + Co. KG Ditzingen, since January 1, 2014 _ TRUMPF GmbH + Co. KG und Berthold Leibinger GmbH, Ditzingen
Ralph Heuwing, Stuttgart Board member since October 27, 2014 and chairman since December 1, 2014 corporate development, research and development, communication and management	(1) (2)	_ MCH Management Capital Holding AG, Munich _ Carl Schenk AG, Darmstadt _ Dürr India Pvt. Ltd., Chennai, India
Harald Becker-Ehmck, Nagold Board member for production, procurement, quality management and affiliates		
Jürgen Köppel, Beckum Board member for sales, service and marketing		
Hans-Dieter Schumacher, Tuttlingen Board member for finance, IT and personnel		

TOTAL REMUNERATION OF MANAGEMENT AND SUPERVISORY BOARD MEMBERS

The remuneration of the members of the management board for fiscal year 2014 amounted to EUR 5,323 k (prior year: EUR 3,124 k). This includes a performance-based remuneration component of EUR 3,821 k (prior year: EUR 1,684 k), of which EUR 2,138 k pertained to long-term incentives (LTI) (prior year: EUR 1,166 k). One management board member received compensation of EUR 2,083 k for the premature termination of his contract (prior year: EUR 0 k).Figures given for the LTI are not actual values, but rather fair values on the date of granting calculated using financial modeling methods. The share-based payments relate exclusively to cash-settled share-based payment transactions, meaning the volume disclosures are not relevant. As regards the disclosures pursuant to Sec. 285 No. 9a Sentences 5 to 8 HGB, we refer to the combined management report of Homag Group AG and the Group.

In connection with the termination of service on the management board by the former CEO Dr. Markus Flik as of November 30, 2014 due to the change of control, it was agreed to terminate his current employment contract as of December 31, 2014. The contractually arranged benefits were granted up until that date. A compensation payment of EUR 3,332 k was agreed with Dr. Flik in connection with the early termination of his management board duties. This includes the right earned to the LTI bonus 2013–2015 and 2014–2016 amounting to EUR 1,249 k. In addition, a post-contractual non-compete clause was arranged with Dr. Markus Flik for a period of 12 months, i.e., until December 31, 2015. For the non-complete clause, he is entitled to compensation of EUR 574 k. He additionally receives a severance payment of EUR 1,509 k.

The remuneration of the supervisory board members in fiscal 2014 amounted to EUR 543 k (prior year: EUR 364 k). As in the prior year, all remuneration is current.

HEADCOUNT

_F16_Annual Average Headcount

	Number
Salaried employees	41
Management board members	4
Total	**45**

GROUP RELATIONSHIPS

HOMAG Group AG, Schopfloch, prepares consolidated financial statements published in the Bundesanzeiger [German Federal Gazette] for the smallest group of companies in accordance with Sec. 315a HGB (IFRS). The consolidated financial statements for the largest group of companies are prepared by Dürr Aktiengesellschaft, Stuttgart, also in accordance with Sec. 315a HGB (IFRS) and published in the Bundesanzeiger.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

A declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG was issued by the management board and the supervisory board in January 2015. An up-to-date version is made permanently available to shareholders on Homag Group AG's homepage at www.homag-group.com.

www.homag-group.com

AUDIT FEES

The annual financial statements of Homag Group AG, the main German subsidiaries and the consolidated financial statements were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditor's fee is not disclosed in accordance with Sec. 285 (1) No. 17 HGB. The total fees paid to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart are disclosed in the consolidated financial statements of Homag Group AG.

NOTIFICATIONS SUBJECT TO MANDATORY DISCLOSURE

The following notifications were issued pursuant to Sec. 21 (1) in conjunction with Sec. 26 (1) Sentence 1 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]:

- On December 14, 2010, Gerhard Schuler, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of December 9, 2010 his voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the threshold of 25% of the voting rights and amounted to 25.000019% on that date (3,922,003 voting rights).

  14.67% of the voting rights (2,300,959 voting rights) are allocable to Gerhard Schuler pursuant to Sec. 22 (2) WpHG.

  Voting rights from the following shareholders whose share in voting rights in Homag Group AG amounts to 3% or more respectively are allocable to Gerhard Schuler:
  - Mareike Hengel,
  - Dr. Anja Schuler,
  - Silke Schuler-Gunkel,
  - Erich und Hanna Klessmann Stiftung.

- On December 14, 2010, Mareike Hengel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of December 9, 2010 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the threshold of 25% of the voting rights and amounted to 25.000019% on that date (3,922,003 voting rights).

  21.70% of the voting rights (3,404,834 voting rights) are allocable to Mareike Hengel pursuant to Sec. 22 (2) WpHG.

  Voting rights from the following shareholders whose share in voting rights in Homag Group AG amounts to 3% or more respectively are allocable to Mareike Hengel:
  - Gerhard Schuler,
  - Dr. Anja Schuler,
  - Silke Schuler-Gunkel,
  - Erich und Hanna Klessmann Stiftung.

- On December 14, 2010, Dr. Anja Schuler, Switzerland, informed us pursuant to Sec. 21 (1) WpHG that as of December 9, 2010 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the threshold of 25% of the voting rights and amounted to 25.000019% on that date (3,922,003 voting rights).

  21.70% of the voting rights (3,404,834 voting rights) are allocable to Dr. Anja Schuler pursuant to Sec. 22 (2) WpHG.

  Voting rights from the following shareholders whose share in voting rights in Homag Group AG amounts to 3% or more respectively are allocable to Dr. Anja Schuler:
  - Gerhard Schuler,
  - Mareike Hengel,
  - Silke Schuler-Gunkel,
  - Erich und Hanna Klessmann Stiftung.

- On December 14, 2010, Silke Schuler-Gunkel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of December 9, 2010 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the threshold of 25% of the voting rights and amounted to 25.000019% on that date (3,922,003 voting rights).

  21.70% of the voting rights (3,404,834 voting rights) are allocable to Silke Schuler-Gunkel pursuant to Sec. 22 (2) WpHG.

  Voting rights from the following shareholders whose share in voting rights in Homag Group AG amounts to 3% or more respectively are allocable to Silke Schuler-Gunkel:
  - Gerhard Schuler,
  - Mareike Hengel,
  - Dr. Anja Schuler,
  - Erich und Hanna Klessmann Stiftung.

- On December 14, 2010, Erich und Hanna Klessmann Stiftung, Gütersloh, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of December 9, 2010 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the threshold of 25% of the voting rights and amounted to 25.000019% on that date (3,922,003 voting rights).

  20.22% of the voting rights (equivalent to 3,172,551 voting rights) are allocable to Erich und Hanna Klessmann Stiftung pursuant to Sec. 22 (2) WpHG.

  Voting rights from the following shareholders whose share in voting rights in Homag Group AG amounts to 3% or more respectively are allocable to Erich und Hanna Klessmann Stiftung:
  - Gerhard Schuler,
  - Mareike Hengel,
  - Dr. Anja Schuler,
  - Silke Schuler-Gunkel.

- Dürr Aktiengesellschaft, Stuttgart, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on October 10, 2014 and amounted to 75.76% on that date (11,885,556 voting rights).

  53.71% of the voting rights (8,426,254 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

  The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in Homag Group AG exceeds 3% or more: Dürr Technologies GmbH with registered offices in Stuttgart.

  22.05% of the voting rights (3,459,302 voting rights) are allocable to the company pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: pool of voting rights including with Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung.

- Dürr Technologies GmbH, Stuttgart, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the voting rights on October 10, 2014 and amounted to 75.76% on that date (11,885,556 voting rights).

  22.05% of the voting rights (3,459,302 voting rights) are allocable to the company pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: pool of voting rights including with Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung.

- On October 13, 2014, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, fell below the threshold of 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, DBAG Fund V International GmbH & Co. KG, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the threshold of 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, DBG Investment Team GmbH & Co. KG, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the threshold of 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, DBAG Fund IV GmbH & Co. KG, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest granted on the basis of shares in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the threshold of 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, DBG Advisors V Verwaltungs GmbH, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, DBG Advisors IV GmbH & Co. KG, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the threshold of 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, DBG Advisors V GmbH & Co. KG, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the threshold of 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, Deutsche Beteiligungs AG, Frankfurt am Main, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 13, 2014, the LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, fell below the threshold of 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

- On October 15, 2014, Anna GbR, Freudenstadt, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to the company pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Lea Gunkel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to Ms. Gunkel pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Mira Gunkel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to Ms. Gunkel pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Hengel MST GbR, Freudenstadt, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to the company pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Simon Hengel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 his voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to Mr. Hengel pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Tobias Hengel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 his voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to Mr. Hengel pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Runa Schuler, Switzerland, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to Ms. Schuler pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Wood Generations GbR, Freiburg, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 its voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to the company pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

- On October 15, 2014, Luisa Gunkel, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of October 10, 2014 her voting interest in Homag Group AG, Schopfloch, Germany, ISIN: DE 0005297204, WKN: 529720, exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% of the voting rights and amounted to 25.05% on that date (3,929,942 voting rights).

  25.05% of the voting rights (3,929,942 voting rights) are allocable to Ms. Gunkel pursuant to Sec. 22 (2) WpHG. The voting rights allocated to it are held by the following shareholders whose share in the voting rights in Homag Group AG exceeds 3% or more: Gerhard Schuler, Mareike Hengel, Silke Schuler-Gunkel, Dr. Anja Schuler, Erich und Hanna Klessmann Stiftung, Dürr Technologies GmbH.

DECLARATION OF THE LEGAL REPRESENTATIVES (AG)

_DECLARATION OF THE LEGAL REPRESENTATIVES

DECLARATION PURSUANT TO SEC. 264 (2) SENTENCE 3 HGB AND SEC. 289 (1) SENTENCE 5 HGB ["HANDELSGESETZBUCH": GERMAN COMMERCIAL CODE]

We confirm that, to the best of our knowledge, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the management report of the Company, which has been combined with the group management report, gives a true and fair view of business performance including the results of operations and the situation of the Company, and describes the main opportunities and risks and anticipated development of the Company in accordance with the applicable financial reporting framework.

Schopfloch, March 17, 2015
Homag Group AG

The management board

Ralph Heuwing   Harald Becker-Ehmck

Jürgen Köppel   Hans-Dieter Schumacher

AUDIT OPINION ON THE ANNUAL FINANCIAL STATEMENTS (AG)

_AUDIT OPINION

We have issued the following opinion on the financial statements and the management report of the Company, which has been combined with the group management report:

"We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which has been combined with the group management report, of Homag Group AG, Schopfloch, for the fiscal year from January 1 to December 31, 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation and bylaws are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of articles of incorporation and bylaws and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Stuttgart, March 17, 2015
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Blesch	Difflipp
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

REVIEW OF 2014

Q1

ORDER INTAKE OF EUR 229.3 MILLION
SALES REVENUE OF EUR 204.8 MILLION
OP. EBITDA OF EUR 15.1 MILLION
NET PROFIT FOR THE PERIOD OF EUR 2.5 MILLION
SHARE AS OF MARCH 31, 2014 = EUR 19.01

Acquisition of the remaining shares in the sales and service organization Stiles Machinery, Inc., combination of the production companies BARGSTEDT and LIGMATECH to become Homag Automation GmbH: bundling of activities in the areas of handling, assembly, packaging and robotics. The largest trade fair in 2014 – the HOLZ-HANDWERK in Nuremberg – is a success.

Q2

ORDER INTAKE OF EUR 214.5 MILLION
SALES REVENUE OF EUR 225.8 MILLION
OP. EBITDA OF EUR 20.9 MILLION
NET PROFIT FOR THE PERIOD OF EUR 4.9 MILLION
SHARE AS OF JUNE 30, 2014 = EUR 24.01

Conclusion of a new syndicated loan agreement with a term of 5 years. Both the syndicate of banks led by Commerzbank, Deutsche Bank and UniCredit as well as the volume of EUR 210 million are identical to the former agreement; annual general meeting resolves to pay out dividend of EUR 0.35 per share.

Q3

ORDER INTAKE OF EUR 203.2 MILLION
SALES REVENUE OF EUR 202.9 MILLION
OP. EBITDA OF EUR 28.2 MILLION
NET PROFIT FOR THE PERIOD OF EUR 8.8 MILLION
SHARE AS OF SEPT. 30, 2014 = EUR 27.15

On July 15, 2014, Dürr announced its intent to acquire a majority shareholding in HOMAG Group AG; international visitors to several in-house trade fairs enthusiastic.

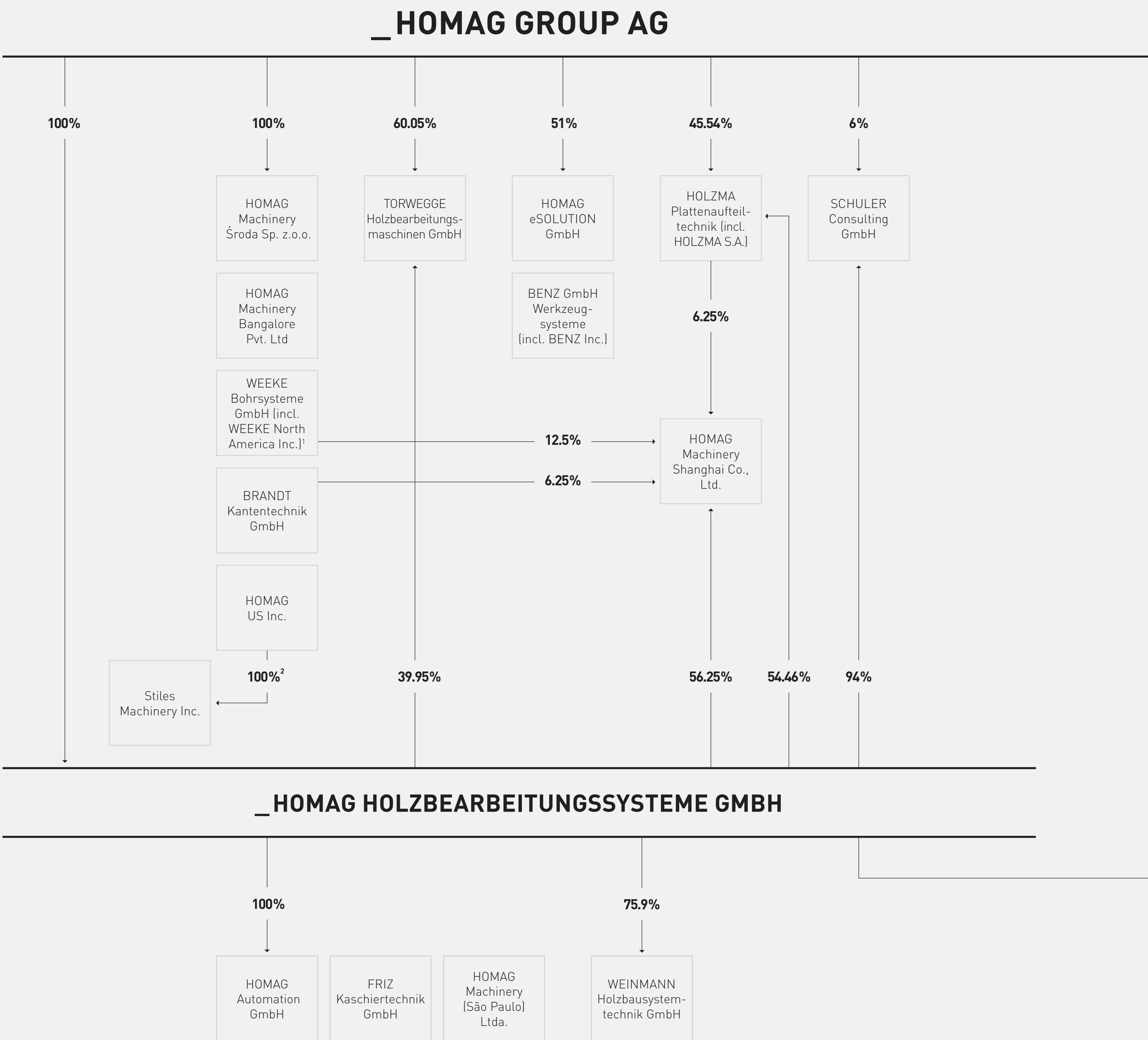
Q4

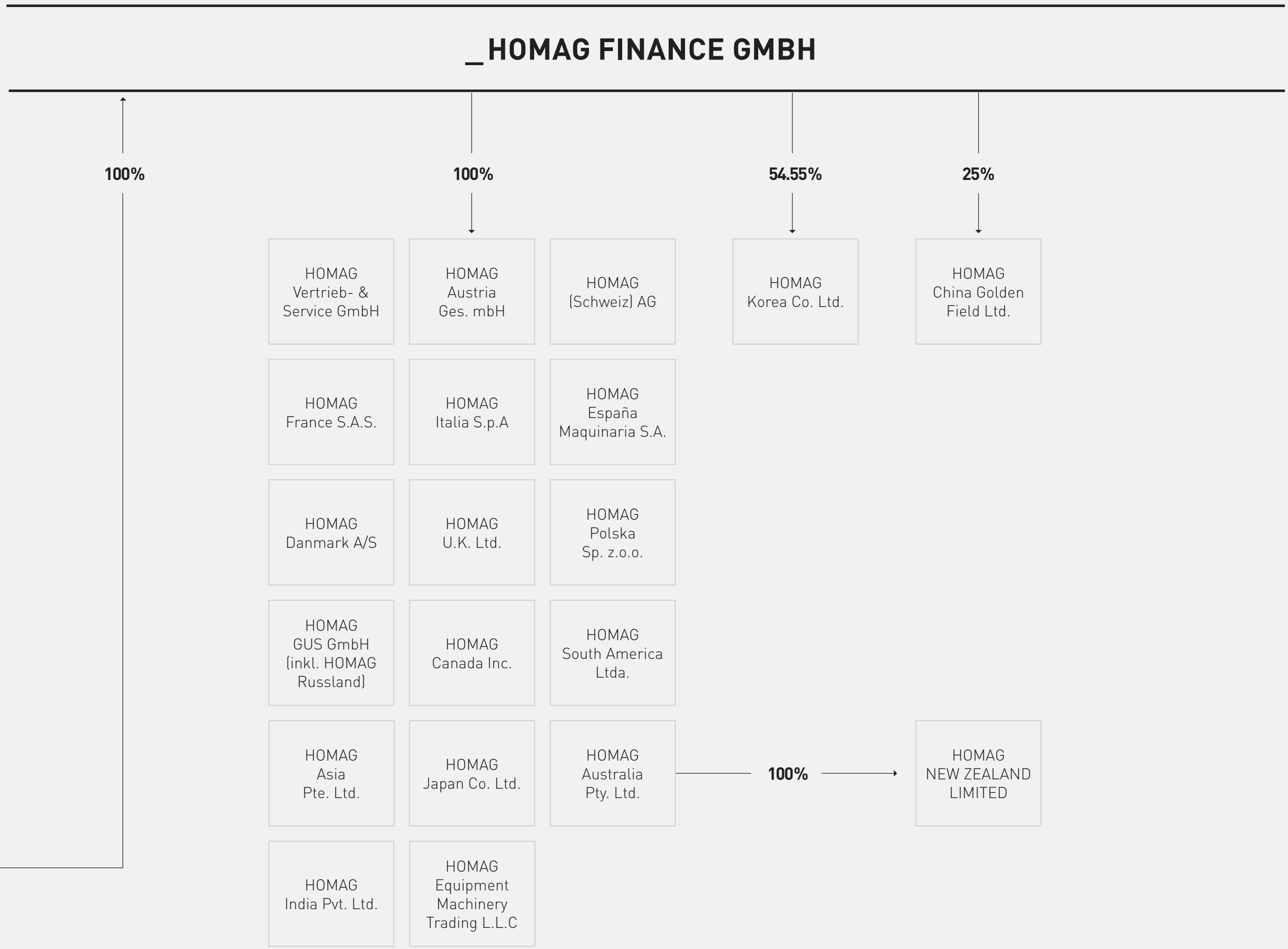
ORDER INTAKE OF EUR 155.5 MILLION
SALES REVENUE OF EUR 253.1 MILLION
OP. EBITDA OF EUR 26.7 MILLION
NET PROFIT FOR THE PERIOD OF EUR 2.7 MILLION
SHARE AS OF DEC. 30, 2014 = EUR 30.00

Dürr holds a majority shareholding in the HOMAG Group from October 10; 5 new supervisory board members were appointed on the shareholder side by court ruling as result of the changed majority situation; Ralf W. Dieter, CEO of Dürr AG, is the new chairman of the supervisory board, Dr. Markus Flik steps down from the management board, Ralph Heuwing, member of the management board of Dürr AG, becomes new CEO of HOMAG Group AG.

COMPANY STRUCTURE

_AS OF DECEMBER 31, 2014





1 Shares are partly held by Weeke Bohrsysteme GmbH (51%), HOMAG Holzbearbeitungssysteme GmbH (30%) and Stiles Machinery Inc. (19%).
2 Holding of voting shares

GLOSSARY

_TECHNOLOGY

BATCH SIZE 1 MANUFACTURING
Production of products with tailored specifications in batch sizes of one.

CNC PROCESSING CENTER
Computer numerical controlled (CNC) machining centers that allow several processing steps to be executed on a workpiece, such as sawing, milling, drilling and/or edge banding.

ECOPLUS TECHNOLOGY
Smart standby systems help reduce electricity consumption of plant and machinery thus increasing the efficiency of workflows – comparable to the start/stop systems used in cars. In total, HOMAG Group AG's **eco**Plus technology encompasses more than 100 measures geared to increasing the energy and resource efficiency of HOMAG Group's products.

INDUSTRY 4.0
This term describes the factory of the future, which is understood to be a smart factory marked by changeability and resource efficiency as well as the integration of customers and business partners into business and value added processes.

INTRUSION DETECTION SYSTEM (IDS)
System for the detection of attacks to computer systems and/or networks. To this end, the IDS system detects and logs.

LASERTEC
Production technique patented by the HOMAG Group in which the edge material to be joined is activated using a laser before being pressed directly onto the workpiece.

PRODUCTION LINES
Linked-in plant and machinery using a standardized control system in the field of throughfeed technology.

SEALTEC
In the sealTec process, a fluid with water-repellent properties is applied to the narrow surface of furniture components prior to edge banding. This prevents the ingress of moisture through the glue joint to the furniture components.

SERVICEBOARD
The Service**Board** application allows customers to transmit service issues with the machine in real time to the HOMAG Group's service center by means of video diagnosis.

WOODWOP
Workshop-oriented programming system specifically tailored to the needs of the furniture industry and cabinet makers.

5-AXIS TECHNOLOGY
CNC processing centers with 5 controlled main axes namely 3 linear axes (X, Y, Z) and 2 rotating axes (A-axis and C-axis). This technology affords complete flexibility as every pointwithin the machine's workspace can be reached from any angle. This enables sawing anddrilling from any angle.

_FINANCE

AUTHORIZED CAPITAL
Amount of capital that the annual general meeting of a stock corporation has authorized in advance for the purpose of executing any capital increases in exchange for contributions either in cash and/or in kind by three-quarter majority resolution.

CHANGE OF CONTROL
Contractual clause in service and employment agreements of the members of the management board and middle management granting them a special right to terminate their contract and a previously agreed compensation payment in the event of change of control.

CODE OF CONDUCT
The code of conduct contains binding guidelines for the actions of the management board, middle management and all employees of the Homag Group.

CORPORATE GOVERNANCE
Legal and constructive regulations for the responsible governance and supervision of a company. The German Corporate Governance Code contains excerpts of the legal provisions as well as recommendations (“should” provisions) and suggestions (“can” provisions).

DIRECTORS AND OFFICERS LIABILITY (D&O INSURANCE)
Liability insurance that a company can obtain for its corporate bodies and management staff.

EARNINGS PER SHARE
Defined as the Group`s earnings after non-controlling interests divided by the average number of shares outstanding.

EBIT
Earnings before interest and taxes, equivalent to earnings from operating activities.

EBT
Earnings before taxes, equivalent to earnings from ordinary activities.

FINANCIAL RESULT
Includes for instance interest income and expenses, profit/loss from associates as well as effects from financing activities.

FREE CASH FLOW
Determined as the operating cash flow plus cash flow from investing activities and is a measure of the amount of liquid assets that a company has at its disposal.

HOMAG GROUP ACTION PROGRAM (HGAP)
The objective of the HGAP is to improve cross-location and cross-functional co-operation in the Homag Group and to translate these improvements into cost advantages. This program brings together a wide variety of measures across all operating companies that are being implemented locally but coordinated centrally by the specialist departments.

HOMAG VALUE ADDED (HVA)
HVA is a percentage metric determined from the return on capital employed (ROCE) less the weighted average cost of capital (WACC). It is used as a calculation basis for determining the variable remuneration of the supervisory and management boards.

IFRS
International Financial Reporting Standards (IFRS) are accounting standards applicable internationally and are intended to allow comparability of consolidated financial statementsfrom country to country.

LONG-TERM INCENTIVE (LTI)
Long-term variable remuneration component for members of the management and supervisory boards. It is performance-based and linked to various parameters.

OECD
The Organization for Economic Cooperation and Development is an international organization that promotes market economics. It provides the forum for a standing intergovernmental conference enabling an intense exchange of views of current economic and monetary policy issues affecting all participants and contributing to improved coordination of national economic policy measures.

OPERATING CASH FLOW
Change in cash and cash equivalents due to operating activities.

OPERATIVE EBITDA
Metric used to assess the results of operations of the HOMAG Group. Earnings before interest, taxes, amortization and depreciation is adjusted for employee profit participation expenses and extraordinary expenses.

PERCENTAGE-OF-COMPLETION (POC) METHOD
Under the PoC method, the contribution to results (sales revenue and earnings) from large-scale plant and machinery is recognized based on the stage of production as of the cut-off date.

PROFUTURE
Major IT project of the HOMAG Group that is divided into several subprojects and encompasses the end-to-end reengineering of the complete order handling process in connection with the modernization of the IT systems.

ROCE
Return on Capital Employed (ROCE) is defined as earnings before interest and taxes (EBIT) before employee profit participation expenses and before extraordinary expenses as a percentage of capital employed.

SECONDARY WOOD PROCESSING
Segment of the woodworking machines industry in which the HOMAG Group operates. It concerns secondary processing of wood, as opposed to primary processing, which includes the manufacture of machines for sawmills for instance.

SHORT-TERM INCENTIVE (STI)
Short-term variable remuneration component for members of the management and supervisory boards. It is performance-based and linked to various parameters.

SYNDICATED LOAN AGREEMENT
The loan agreement concluded in September 2012 by the HOMAG Group with a syndicate of banks led by Commerzbank, Deutsche Bank and uniCredit. The new agreement has a term of 4 years and secures the Group's liquidity with a volume of EUR 210 million.

WACC
Weighted average cost of capital is calculated as the weighted average cost of equity and debt capital. It is calculated as the weighted mean cost of capital.

GRAPHS AND TABLES

_TITLE

_COMBINED MANAGEMENT REPORT

_CONSOLIDATED FINANCIAL STATEMENTS

_SEPARATE FINANCIAL STATEMENTS AG

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FINANCIAL CALENDAR

May 8, 2015	Annual general meeting in Freudenstadt
May 13, 2015	Three-months report 2015
August 13, 2015	Six-months report 2015
November 12, 2015	Nine-months report 2015

DISCLAIMER

Service: Our annual 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 annual report contains certain statements relating to the future. Futureoriented 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 annual report, it cannot be guaranteed that the same will hold true in the future.

Other information: This annual 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. Any places in the text where only the masculine form has been used refer to both genders.

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