

Dear Madam or Sir,

Find out in this latest edition of our IR newsletter how the HOMAG Group is developing in South America and how we intend to pursue our successful course in this promising market. This edition also contains information on our intelligent trade fair management system, our AGM and an award we have received for our IR work.

We hope you will find the newsletter interesting and informative, as well as an enjoyable reading experience.

Schopfloch, July 2010



Rolf Knoll
Board Spokesman

South America – Success despite the crisis

Interview with the Managing Director of the HOMAG South America sales subsidiary, Helmut Strahl

Editor: Mr Strahl, the South American region, and in particular Brazil, are increasingly regaining in importance. How do you assess the current situation?

Developments to date in 2010 have been excellent. Just in the first half of the year, we are already set to match our previous year's overall incoming orders total. Investment activity among our customers is extremely lively at present both in the woodworking shop (PRACTIVE) and the industrial machines and plants (INDUSTRY) sectors. The highly positive situation is improved still further in the case of imported machines by the strength of the Brazilian Real against the Euro. State funding programs offering favourable conditions are providing a positive impetus for our locally produced machines.

Editor: What actions are you taking to secure your long-term success in South America?

Due to the clear structure which breaks down our portfolio into the PRACTIVE and INDUSTRY machine sectors, we are able to not only approach our customers with a more targeted marketing strategy but also adjust our solution to the customer's precise terms of reference. The



Helmut Strahl – Managing Director of the
HOMAG South America Sales Subsidiary

HOMAG Group product portfolio is always oriented in line with customer production processes. A number of large-scale projects which we have already successfully completed this year testify to the degree of customer recognition we have achieved with this approach. Over recent years, we have also substantially expanded our sales and service presence.

Editor: Could you outline what you mean in more detail?

The HOMAG Group recognized the strategic significance of the South American market at a very early juncture, and took the decision to form its HOMAG South America sales subsidiary. By continuously expanding this independent sales company, we have been enabled to provide even better support for the South American region and we have an ear to the ground in the local marketplace. The new extended showroom and training suite in São Paulo offers customers the opportunity to find out live and first

hand about the efficiency of our products and services. By offering credit arrangements backed by Hermes guarantee, we are offering our customers an interesting financing model which at the same time minimizes the risk for the HOMAG Group.

Editor: Brazil is home to one of the HOMAG Group's international production locations. How does that impact on sales?

The production company HOMAG Machinery São Paulo was founded over 30 years ago. The founding fathers of our company recognized very early on just how important it is to make local products available to the local market. Having our own local production allows us to stand tall against our national competitors, to guarantee good market penetration in every price segment, and to profit directly from state funding schemes. We are also in a position to approach customers at an early juncture with machines from our entry level range, so forging long-term loyalty to the HOMAG Group.

Editor: And what does that mean in concrete terms?

As our customers grow, so do the demands on their production processes and consequently also on the machines they use. This results in follow-on orders and replacement investment in import machines. The success of this strategy always becomes evident when a customer who started off with a nationally produced machine changes over to a imported machine from the HOMAG Group. This is why it is so strategically important to continue to expand our national product portfolio also in future.

Editor: While we are on the subject of the future, how about your outlook for the coming years?

As I mentioned at the outset, in 2010 our incoming order value is set to exceed what was an already very good year in 2009 by a long margin. In view of upcoming large-scale events such as the Football World Cup 2014 in Brazil, from our perspective the positive trend is set to continue for a while to come. Strategically speak-

ing, we will be further expanding our presence in South America to ensure that we are in a position to utilize the opportunities offered throughout the whole region at the earliest possible opportunity.

Editor: Mr Strahl, thank you for taking the time to talk to us.

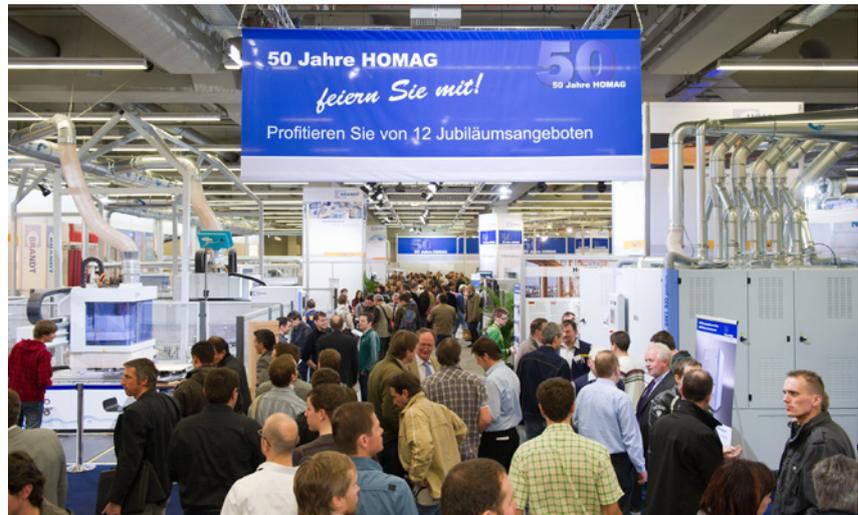
IR work of distinction

Our IR work has been recognized by the Capital Investor Relations Prize 2010. Of the 50 SDAX listed companies we were awarded 3rd place. At the award ceremony in Frankfurt, the three best companies listed at each of the Stoxx Europe 50, DAX, MDAX, TecDAX and SDAX indices received a special distinction. Board Spokesman Rolf Knoll accepted the award on behalf of the HOMAG Group. This was the 14th time that the business magazine "Capital" and the German Association of Finance Analysis and Asset Management (DVFA) have recognized the IR work of Germany's and Europe's leading corporations. A survey was carried out of just under 400 analysts and fund managers, who submitted 14,000 individual assessments on 198 companies.

Successful trade fairs through intelligent trade fair management

Once again in 2010, the HOMAG Group has been and is still due to be present at trade fairs and exhibitions around the world - despite having reduced our marketing budget by around 30 percent. We are making our mark in specifically targeted areas, including for instance the entry level machine segment. This strategy will ensure that we gain more than a proportional share of benefits from the developments taking place in emerging markets such as China. But in the established markets of Central and Western Europe too, we are sharpening up the HOMAG Group image as system supplier and strategic partner with an extensive portfolio in the lucrative service business sector and with product innovations such as **laserTec**.

At the HOLZ-HANDWERK trade fair



Lively flow of visitors to the important HOLZ-HANDWERK trade fair in Nuremberg

in Nuremberg in March 2010, we registered a record number of incoming orders (over 70 percent increase over 2008) and also an increased number of visitors to our stand (over 80 percent increase over 2008), despite substantially reduced trade fair costs. And at the industry-oriented Xylexpo fair in Milan in May, our new product presentation met with a highly positive reception from visitors. The HOMAG Group press conference with almost 50 representatives of the national and international press rounded off our highly successful trade fair appearance in Italy. Over the course of the year, once again the focus will be on cost and benefit in the field of marketing, and particularly as regards our trade fair activity, as we seek ways of achieving the greatest possible efficiency through the use of intelligent concepts.

AGM elects new Supervisory Board

The HOMAG Group AG Annual General Meeting elected its six new shareholder representatives to the Supervisory Board on May 28, 2010 as scheduled. Torsten Grede was reappointed to the Board. Newly elected board members are Dr. Horst Heidsieck, Hans Fahr, Gerhard Federer, Dr. Dieter Japs and Thomas Keller. The six employee representatives in the Supervisory Board, Reiner Neumeister, Reinhard Seiler, Ernst Esslinger, Hannelore Knowles, Jochen

Meyer and Carmen Hettich-Günther were reappointed by the court of registry. At the constituent meeting of the Supervisory Board which followed the AGM, Torsten Grede was confirmed in the office of Supervisory Board Chairman, and Reiner Neumeister as his deputy.

The AGM acceded to the proposal made by the Board of Management and the Supervisory Board that the retained profit be carried forward to new account. This and also the other agenda items were agreed by the full session with majorities of between 63.9 and 99.9 percent. Overall, around 290 shareholders attended the AGM in Freudenstadt, representing 81.4 percent of the capital stock.

Financial calendar

August 13, 2010

Six-month report 2010

November 12, 2010

Nine-month report 2010

November 23, 2010

German Equity Forum 2010

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