

Dear Madam or Sir,

The HOMAG Group is currently profiting to an above-average degree from the positive developments in the industry. This is undoubtedly due not only to our broad-based, innovative product portfolio but also to our global presence. We are represented in all the world's important markets, enabling us to respond selectively to local developments taking place in the different regions. Taking the example of Canada, we have illustrated how we take an individual approach to local market circumstances, and how we are expanding our service sector in the economic crisis. To safeguard further growth also in the future markets, we are currently concentrating investment particularly in China and India. By implementing these and other measures, we are ensuring that we are on a stable path for growth.

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

Schopfloch, November 2010



Rolf Knoll
Board Spokesman

Canada – the crisis as an opportunity

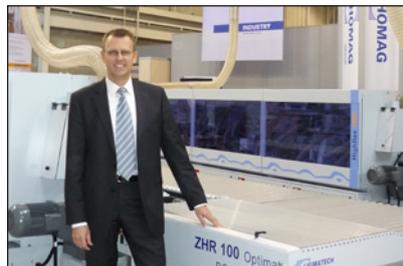
Interview with the CEO of our
HOMAG Canada sales subsidiary
Christian Vollmers

Editor: Mr Vollmers, the severe economic crisis of the past year appears to be safely behind us in many parts of the world. Does that apply to North America too?

The collapse of the US bank Lehman Brothers in September 2008 is often viewed as the start of the global financial and economic collapse. In fact, the USA had already been in recession from the beginning of 2008, and in my opinion this is a crisis from which the USA has still not yet fully recovered. The situation is somewhat more positive in Canada. As I understand it, unlike the situation in most of the industrial countries, the financial markets in Canada did not have to contend with losses and write-offs in the billions. However, the Canadian economy does focus heavily on the US American market, and the current slow-down in consumer spending currently hitting the US has placed some large Canadian corporations under threat.

Editor: What strategy do you have in place at HOMAG Canada?

We felt the effects of the slowdown in our industrial and production business (INDUSTRY) from very early on, and



Christian Vollmers – CEO of Sales Subsidiary
HOMAG Canada

shifted the focus of our activity to the cabinet shop (PRACTIVE) and service sectors. Despite a significant drop in sales revenue in the INDUSTRY sector, HOMAG Canada still succeeded in returning positive pre-tax results in 2009, and by the middle of 2010 we had already managed to exceed our ambitious target for the whole year. A third of our sales were generated in the high-margin service sector.

Editor: How do you explain the success you have achieved in the service sector?

Unlike all our competitors, who responded to the crisis by laying off workers and reducing output, we were able to hold on to all our staff and to invest in the service and aftersales sector. We reinforced our team by taking on additional service technicians and specialists, and

expanded our infrastructure. For example we enhanced our repair services by doubling our workshop area. We also added new service products such as a machine breakdown insurance or a data backup program which allows our customers to secure their IT databases. In some cases, extending our service portfolio required buying in special tools and measuring instruments. Some of the necessary training for service technicians took place in Germany. The success we are currently enjoying shows that this investment was right.

Editor: How does the future look to you?

Our strategy is not only steering us more safely through what are still very turbulent economic times, it will also place us in the very best position to benefit from the upturn which is bound to come - let's say we are in pole position. We have made use of the past 24 months to increase our efficiency and make us more effective and to address market requirements more closely. The longer the upturn takes in coming, the steeper it is likely to be. When our customers find their production departments up to full capacity utilization again and really have to go ahead with replacement investment programs that are long overdue but kept being postponed due to the recession, and when machines are urgently needed to keep up with expanding production, our competitors will have missed the boat in terms of hiring and training service personnel. Training an experienced service technician takes anywhere between 12 and 24 months. Benefiting from the preparations we have made, we will emerge strengthened from the crisis with a higher market share which we will extend still further.

Editor: And what does that mean in concrete terms?

HOMAG Group machines offer a number of clear unique selling points and provide our customers with a substantial competitive benefit. But a machine is only as efficient as the service network behind it. The concentrated service competence of the entire HOMAG Group, both in Germany with the production companies and locally through sales and service companies like HOMAG

Canada, provides our customers with a decisive competitive edge. In North America, service is a major success factor. Our 38-strong service and customer care team will not only ensure our profitability during the crisis, it will make that essential difference for us compared to our competitors during the upturn period, and have a positive knock-on impact on our new machine business.

Editor: Can you tell us when you expect the crisis to end in North America?

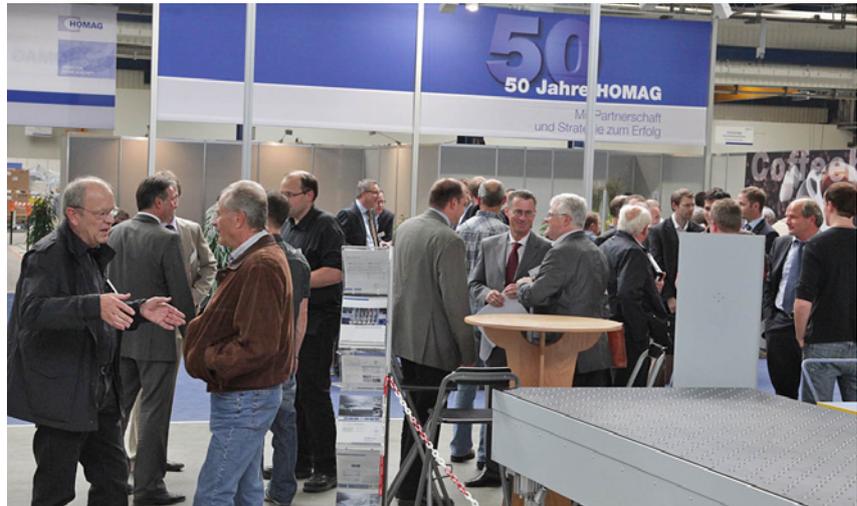
Unfortunately it is impossible for me to say when the crisis will be over. But I can assure you that at HOMAG Canada, we are thoroughly prepared for the end of the crises and the following upturn, and with every passing day we are expanding our lead over our competitors.

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

Record visitor attendance at our in-house exhibitions

During the last week in September, four of our subsidiaries staged their annual in-house exhibitions. The response and also the number of orders intake provided further confirmation of our strong business performance in 2010 to date and the positive mood of the industry. The 2,400 guests who passed through the doors of HOMAG Holzbearbeitungssysteme GmbH alone set a new visitor record.

The in-house exhibitions offer visitors from the furniture and structural element industry, as well as joiners and cabinet makers a mixture of product presentations, specialist talks and the opportunity to hold in-depth background talks with our HOMAG Group experts. Once again, visitors had the chance to see an array of innovations both for the stand-alone machines and also the complete production lines for the furniture and flooring industry. In the high-growth surface technology segment, for instance, we were able to present a totally new kind of gluing technology. With its low production costs and high environmental compatibility,



Record visitor attendance at the HOMAG Group in-house exhibitions

this technology offers both economic and ecological benefits.

The current market shift was reflected in the visitor structure. Around half those attending the in-house exhibitions were from outside of Germany.

Investment in future regions

The future regions Asia and South America are increasingly gaining economic ground. We are tapping into the enormous potential for growth in these regions by extending our own sales network, and also by expanding existing local production plants and establishing new ones, which will allow us to respond to the growing demand for individual quality products. For this, in October 2010 an investment budget of eight million Euro to the end of 2011 was approved.

Global sourcing

As a globally active company with an export share of around 80 percent, global sourcing management is another highly significant factor for the HOMAG Group. This is an area we are continuously expanding within the framework of our globalization activities. As long ago as 2007, for instance, we opened our own regional purchasing office in Shanghai, securing local supplier selection and support in China. Today, six Chinese colleagues are now working in this office on behalf of the German purchasing

departments. We are currently developing another purchasing team in Bulgaria to coordinate our activities in Southeastern Europe, which can be utilized by all our Group companies. The main focus of sourcing activity in this region is on simple welded assemblies and machined parts. The savings potential this provides compared to comparable suppliers in Western Europe is around 30 percent.

Financial calendar

March 31, 2011

Publication of the 2010 Annual Report, Press Conference on the Financial Results in Stuttgart, Analysts Conference in Frankfurt am Main

May 13, 2011

Three-months Report 2011

May 25, 2011

Annual General Meeting in Freudenstadt

August 12, 2011

Six-months Report 2011

November 14, 2011

Nine-months Report 2011

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