

Ladies and Gentlemen,

This IR newsletter reveals how the director of the wood processing machinery industry association within the VDMA, Dr. Bernhard Dirr, sees the current situation in the industry and the outlook for 2011 both in general and in the various regions around the world. In addition, it provides you with information on how our stand-alone machines are developing, on our new management board members as well as how we support a customer as part of "HOMAG Cares".

We hope you enjoy reading this newsletter and find it informative.

Schopfloch, April 2011



Rolf Knoll
CEO

Industry outlook for 2011

Interview with Dr. Bernhard Dirr, director of the professional association for wood processing machinery of the VDMA ["Verband Deutscher Maschinen- und Anlagenbau e.V.": German Engineering Federation]

Editor: Dr. Dirr, after a very difficult year, the industry returned to the path to growth in 2010. What potential do you see in the field of wood processing machinery in 2011?

We started the new year with great impetus. This is evidenced by the most recent order figures. We expect the good level of demand to continue over the next few months. After the dramatic downturn in 2009 and the turbulent upswing in 2010, the industry is beginning to stabilize a little again.

For the industry as a whole, we anticipate growth of seven percent for the current year. From today's perspective, this is a conservative estimate. However, one should not underestimate the risks for the economy as a whole, such as the high level of public debt and unemployment in some industrial countries or uncertainties in the banking sector, in Japan and in North Africa.

Editor: And what are your expectations for the sub-area relevant to HOMAG, the secondary processing sub-area?

For the secondary processing step we see stable growth. High-end products



Dr. Bernhard Dirr – director of the professional association for wood processing machinery of the VDMA

are doing particularly well. A lot of customers in the furniture and construction component industry are investing in highly automated production lines. The buzzwords for production are batch size 1 and flexibility. But the business with standard machines is back to speed.

Editor: Will the importance of emerging countries in Asia and South America increase further?

In 2010, these markets were a particular source of impetus. Demand increased rapidly there. Untamed optimism reigns in these regions along with a deep-seated faith in their own future and abilities. This, in conjunction with a great need to catch up with regard to living space and furniture, provides the necessary impulses. These markets will continue to act as engines of growth in 2011.

Editor: How do you assess the development in other regions of the

world?

Europe's domestic market was a ray of light in 2010 and still is a strong pillar for the industry. In addition, we can see the first signs of a stable recovery in eastern Europe. In this region, it is Russia that is quick in getting back on its feet. This, in my opinion, is one of the markets with the greatest potential. In Russia, the situation is improved by higher oil and gas prices. This means that Russian banks have scope again to provide more affordable financing for customers – a very important factor that had constituted a great hindrance. North America continues to cause us concern, despite a slight upswing. Although the need for efficient technology is particularly great in that market, no fundamental recovery on the demand side is anticipated. Only when the real estate segment fully recovers will there be a sustained rise in demand for machinery.

Editor: What does the positive development in the growth markets mean for German manufacturers?

The trend over several years reveals that the geographical distance is increasing between Germany and those markets with the most dynamic growth. This constitutes a great challenge for an industry consisting of smaller units such as ours. Sales activities alone are no longer enough. The local technical service must come up to high standards. For our SMEs this is certainly the greatest challenge far from home, as a very different emphasis is put on service in Asia than in central Europe. Often enough it is difficult to find suitably qualified employees.

Editor: It is necessary to produce locally?

This depends very much on the product itself and the local competition. The producers of standard machines are more likely to be forced in this direction if they want to be successful on overseas markets. Of course, other factors also play a role, such as shipping costs or tariff-related and non-tariff-related barriers to trade. The situation is often different for providers of customized solutions, and it is not necessary to produce

locally. In any event, it will be necessary to review whether, and how, the products have to be adapted to local requirements.

But to make one thing absolutely clear: I consider a broad production base in Germany to be imperative for successful global operations. Here we have the most demanding customers in terms of technology and the best engineers. This is why this is the only place we can press forward together with innovation to ensure success on the global market.

Editor: What signals do you expect from the Ligna, the industry's leading trade fair, which takes place in May.

Every other year, the Ligna is the event in the industry and by far the largest fair for the entire global wood processing community. It will provide a great boost to the providers of equipment to the wood and furniture industry.

This is also ensured by the wood and energy prices which are on the rise worldwide and, even in emerging economies, personnel costs have become an important issue in the meantime. The manufacturers of wood products will therefore have to invest in efficient, state-of-the-art production technology to remain competitive on the global market. The most recent developments will be presented at the Ligna. In this context, one focus will be on the topic of light weight construction. This leading fair has the global reach to sharpen the international wood industry's consciousness for the issue of resource efficiency.

Editor: Thank you very much for your time, Dr. Dirr.

Stand-alone machine business even stronger

In the past fiscal year 2010, in particular in the first half of the year, we at the HOMAG Group saw strong order intake in the area of cells and production lines. In the course of the year, however, the area of stand-alone

machines picked up, thus supporting and underpinning the positive development of order intake. Demand from small and medium-sized business tended to strengthen on all markets but it took on a particular intensity in Asia and South America.

The beginning of 2011 confirms the positive trends for stand-alone machines, which means that, on the whole, we can expect a good development in the current year. The important trade fairs, DehliWood in India, FIMMA in Brazil and Interzum in China, all of which were held in the first quarter, have already contributed to these developments.

New members of HOMAG Group AG's management board



Hans-Dieter Schumacher and Dr. Markus Flik – the new members of HOMAG Group AG's management board

Hans-Dieter Schumacher has been a member of HOMAG Group AG's management board since January 15, 2011 and assumed the function of CFO on April 1. This makes him the successor to Andreas Hermann, who had already requested the supervisory board back in August 2010 to terminate his contract as of March 31, 2011 for purely personal reasons.

In his first three months in the position, Hans-Dieter Schumacher has already obtained a very good overview of the HOMAG Group and, with the help of Andreas Hermann, has intensely familiarized himself with his portfolio. He already took an active role in the briefing on the annual results and analyst conference on March 31, where he presented the 2010 financial statements to the press and analysts.

Another new member of the

management board is Dr. Markus Flik, who will become its chairman on July 1, 2011.

HOMAG Australia helps customers in need

With "HOMAG Cares", HOMAG Group wants to help its customers in difficult times too. There was such a case in Australia recently when a customer was badly affected by the severe flooding in Queensland. The customer's entire production hall was under 2.5 meters of water and all machines were unusable. To help with rebuilding production facilities, HOMAG Australia provided as many as three technicians, installed spare parts and lent the customer a machine. Intense support of this kind has enabled the customer to resume production in the meantime.

We are currently reviewing how and where we can help our customers in Japan following the devastating natural disaster there.

Financial calendar

May 13, 2011

Three-month report 2011

May 25, 2011

Annual general meeting in Freudenstadt

August 12, 2011

Six-month report 2011

November 14, 2011

Nine-month report 2011

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