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 compre-hensive 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.

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

For more information see glossary, pages 188 et seq.

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 9.3 "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

	Acquisition and production cost					
EUR k	As of Jan. 1, 2013	Currency differences	Additions	Disposals	Reclassi-fications	As of Dec. 31, 2013
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 Holzbearbeitungs-systeme GmbH	10,290	10,290
HOLZMA Plattenaufteil-technik 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 Holzbearbeitungs-systeme GmbH	8.15	9.06
HOLZMA Plattenaufteil-technik 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

	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
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

	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
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

	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
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				Dec. 31, 2013			
	Currency	Carrying amount EUR k	No. of months until maturity	Effective interest rate %	Currency	Carrying amount EUR k	No. of months until maturity	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

	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
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)

		Carrying amount in statement of financial position IAS 39					
EUR k	Book value Dec. 31, 2014	Amortized cost	Acquisition cost	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	Acquisition cost	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) (2)	_ Schuler AG, Göppingen _ Körber AG, Hamburg _ Andritz AG, Graz, Österreich _ 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 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) (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		
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		

_G97_Supervisory Board

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 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.


Ralph Heuwing


Harald Becker-Ehmck


Jürgen Köppel


Hans-Dieter Schumacher

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 income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the 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]