



Einhell Germany AG

# FINANCIAL REPORT 30 JUNE 2014



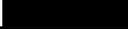
**Einhell®** WELL DONE.

Dear shareholder,

The financial report of the Einhell Group as at 30 June 2014 meets the requirements under the Securities Trading Act (WpHG) for preparing half year reports. It includes abbreviated Group interim statements, a condensed Group management report and a statement of responsibility by the legal representatives. The financial statements are consistent with the International Financial Reporting Standards (IFRS) and their interpretations, as published by the International Accounting Standards Board (IASB) and applicable in the European Union.

There might be minor deviations in this report and in other reports due to rounding of totals and the calculation of percentage figures.

### Key data for the first half of 2014

Revenue			
06.2014	212.929		0,5%
06.2013	211.970		
Profit before income taxes (before PPA)*			
06.2014	7.269		36,5%
06.2013	5.327		
Profit before income taxes (after PPA)*			
06.2014	5.270		-1,1%
06.2013	5.327		
Equity ratio			
06.2014	54,3%		-3,9%
06.2013	56,5%		
Net debt			
06.2014	21.520		-54,8%
06.2013	47.573		
Staff			
06.2014	1.311		1,1%
06.2013	1.297		

\* PPA = Purchase Price Allocation

## Condensed Group Management Report of Einhell Germany AG

### Overview of the first half of 2014

The Einhell Group was able to slightly expand its business volume in the first half of financial year 2014 and generated revenue of EUR 212.9 million. The acquisition of Ozito Industries Pty Ltd was able to compensate for the loss of revenue with Praktiker and Max Bahr and the discontinuation of business relations with a discounter.

Operating earnings before PPA effects amount to EUR 7.3 million. This is equivalent to a return on revenue of about 3.4%. Purchase price allocation (PPA) effects squeeze earnings by EUR 2.0 million. Adjusted for PPA effects, operating earnings amount to EUR 5.3 million and the pre-tax margin is roughly 2.5%.

### General economic conditions

The global economic outlook did not change in June compared to the previous month of May. As in May 2014, the leading indicator issued by the Organisation for Economic Co-operation and Development (OECD) stood at 100.5 points. The OECD states that the economic situation in the relevant region is stable overall.

The Ifo business climate index dropped to 109.7 points in June 2014, down from 110.4 points in the previous month of May. The current business situation is still deemed good, although optimism is more subdued with regard to the future business development. The German economy fears, among other things, the effects of the crises in Ukraine and Iraq.

For the first time since the beginning of 2013, the German economy has shrunk in the period from April to June 2014. The gross domestic product (GDP), adjusted for price, seasonal and calendar effects, decreased by 0.2% on the previous years period in the second quarter of 2014. The economic performance had last shown a downward trend in the first quarter of 2013.

Following moderate growth in the first quarter, the gross domestic product in the eurozone failed to show further growth in the second quarter. GDP remained unchanged compared to the previous quarter, whereas experts had expected minimal growth of 0.1%. Compared to the previous year's period, GDP grew by 0.7% in the months of April to June 2014.

Contrary to expert forecasts, industrial production in the eurozone dropped unexpectedly in June, thereby increasing the concerns regarding an ailing economy. Adjusted for seasonal effects, production declined 0.3% on the previous month, while experts had anticipated a rise in the same range.

According to the Federal Statistical Office (Destatis), the order intake in the German industry dropped by 3.2% in June 2014 compared to the previous month. Domestic orders declined by 1.9% and orders from abroad fell by 4.1%. The order intake from the eurozone was 10.4% lower than in the previous month of May, while the order intake from the other countries remained stable at the previous month's level.

German domestic demand appears to be gathering momentum. The Federal Statistical Office states that imports were 4.5% higher than in the previous month in June 2014. In June 2014, Germany exported goods worth EUR 93.4 billion and imported goods in the amount of EUR 77.0 billion. According to the Federal Statistical Office, German exports were thus 1.1% and imports 2.1% higher in June 2014 than in the previous year. Adjusted for calendar and seasonal effects, exports and imports climbed by 0.9% and 4.5%, respectively, compared to the previous month. As far as imports are concerned, this was the strongest quarterly rise since November 2010.

The foreign trade balance, i.e. the balance of exports to imports, closed with a surplus of EUR 16.5 billion in June 2014. In June 2013, the foreign trade balance had stood at EUR +17.0 billion.

The number of unemployed persons in Germany dropped by 49,000 to 2,833,000 in June. According to the German Federal Labour Office, this is 32,000 persons fewer than in June 2013. The unemployment rate decreased by 0.1% to 6.5%. A decrease in unemployment in spring is normal for seasonal reasons. In June 2014, as in the previous month, this decrease was weaker than in the last few years. This is due to the mild winter. The unemployment had risen less strongly and therefore declined faster and earlier than usual.

The unemployment rate in the eurozone and the European Union declined slightly in June 2014. Adjusted for seasonal effects, the unemployment rate in the eurozone was 11.5% in June 2014, compared to 11.6% in May 2014 and 12.0% in the previous year. This is the lowest unemployment rate since September 2012. The unemployment rate in the European Union decreased to 10.2% in June, down from 10.3% in May 2014 and 10.9% in June 2013. This is the lowest unemployment rate since March 2012.

The lowest unemployment rates among the member states were reported by Austria (5.0%), Germany

(5.1%) and Malta (5.6%), while the rates were highest again in Greece (27.3%) and Spain (24.5%).

As anticipated, consumer prices in Germany rose moderately in June 2014, up 1.0% on June 2013. In May, the inflation rate of 0.9% had still stood at its lowest level since June 2010. Compared to the previous month, the price level rose by 0.3% in June 2014.

The European Central Bank targets an inflation rate of 2.0% for the entire currency region. The inflation rate is clearly below the target value.

The harmonised index of consumer prices (HICP) for Germany, which is calculated for European purposes, was 1.0% higher in June 2014 than in June 2013. Compared to the previous month, the index rose by 0.4% in June 2014.

DIY trade in Germany saw a successful start to financial year 2014. In the months from January to March 2014, German construction and DIY stores generated total gross revenue of EUR 4.09 billion. This corresponds to nominal revenue growth of 8.5%. The German association of DIY retailers (BHB) is optimistic with regard to the further course of the financial year 2014 and sees the performance to date as a confirmation of its full-year forecasts. Here, the association had predicted that the overall sector would not be able to generate growth due to the Praktiker and Max Bahr insolvency, while a large proportion of revenue would remain stable in companies active within the DIY sector.

---

### Performance report

---

---

#### Einhell Group revenue

---

From January to June 2014, the Einhell Group generated revenue of EUR 212.9 million (previous year: EUR 212.0 million). Revenue is thus at the previous year's level.

The core Einhell business reported a decline in revenue, as expected, which is mainly due to the Praktiker/Max Bahr insolvency. Moreover, a customer in the discounter market is no longer supplied, which also had a negative effect on revenue. Revenue of EUR 32.1 million generated by Ozito Industries Pty Ltd acquired last year offset the decline.

In the D/A/CH region (Germany, Austria, Switzerland), revenue dropped to EUR 89.9 million (previous year: EUR 120.7 million). The share of D/A/CH business in consolidated revenue amounts to 42.2% (previous year: 56.9%). The decline in the D/A/CH region was caused by the Praktiker/Max Bahr insolvency. In addition, the Group discontinued business relations with a customer in the discounter sector.

Revenue in the rest of Europe rose to EUR 69.4 million (previous year: EUR 64.4 million). Turkey, Italy and the UK are among the largest sales markets in this area.

In Asia, revenue amounted to EUR 9.1 million (previous year: EUR 7.1 million).

The other countries and South America improved their revenue figures compared to the previous year with a EUR 24.7 million increase to EUR 44.5 million (previous year: EUR 19.8 million). This includes revenue of Ozito Industries Pty Ltd.

### Segment development

In the Tools segment, revenue amounted to EUR 119.2 million in the first six months of the 2014 financial year (previous year: EUR 122.0 million). The most significant sales in this segment were generated by products in the electric power tools, compressed air technology and wood processing ranges. kwb tools products are reported in the Tools segment.

In the Garden & Leisure segment, revenue came out to EUR 93.7 million (previous year: EUR 90.0 million). Strong sales were mainly generated with lawn and garden care products. Lawn mowers, lawn scarifiers as well as trimmers and scythes sold particularly well.

### Earnings development

In the first six months of financial year 2014, the Einhell Group generated operating earnings of EUR 5.3 million (previous year: EUR 5.3 million). The pre-tax margin is 2.5% (previous year: 2.5%).

Purchase price allocation (PPA) effects took earnings down by EUR 2.0 million. Without PPA effects, operating earnings would have amounted to EUR 7.3 million and the pre-tax margin to 3.4%.

Consolidated net profit after minority interest amounts to EUR 3.4 million in the period under review (previous year: EUR 3.7 million). Earnings per share amount to EUR 0.9 (previous year: EUR 1.0).

Ozito Industries Pty Ltd has a deviating financial year ending on 30 June 2014. The earn out calculations were revised on the basis of the actual results and the adjusted planning, resulting in an adjustment of the previously posted liabilities by EUR 0.3 million. The adjustment was recognised in other operating income.

The gross profit margin improved compared to the previous year. This is mainly due to the discontinuation of business with a customer in the discount sector.

Compared to the prior-year period, personnel expenses increased moderately, now amounting to EUR 27.8 million (previous year: EUR 26.8 million). Adjusted for the personnel expenses related to the acquisition of Ozito, personnel expenses have fallen considerably.

Other expenses of EUR 32.3 million (previous year: EUR 29.9 million) exceed the prior-year level. This is driven, amongst other factors, by the newly acquired business in Australia, which is more freight intensive, as well as higher trade fair related expenses.

Financial costs of EUR -1.9 million exceed the prior-year level. The financial result is adversely impacted by higher financial costs in countries with a high inflation rate and a correspondingly high interest level.

### Personnel and HR services

On 30 June 2014, the Einhell Group had 1,311 employees worldwide (previous year: 1,297). The acquisition of Ozito Industries Pty Ltd and its affiliated business activities added 106 employees to the Einhell Group in July 2013.

The Board of Directors would like to take this opportunity to thank all employees for their personal commitment and excellent work.

### Financial and assets position

The most important items in the statements of financial position as at 30 June 2014 and 30 June 2013 are as follows:

	06/2014	06/2013
	in EUR million	in EUR million
Non-current assets incl. deferred tax assets	52.9	37.0
Inventories	105.4	108.9
Receivables and other assets	100.3	127.0
Cash and cash equivalents	28.8	19.2
Equity	156.0	164.8
Liabilities to banks	50.4	66.8

### Investments

In the period under review, the Einhell Group made investments amounting to EUR 1.1 million (previous year: EUR 1.6 million). Most investments refer to intangible assets and property, plant and equipment.

---

## Current assets

---

Goods inventories were down on the previous year to EUR 105.4 million (previous year: EUR 108.9 million). Inventories at Ozito Industries Pty Ltd amounted to EUR 15.1 million at the reporting date. This means that, adjusted for the acquisition, inventories were significantly reduced thanks to a more stringent inventory management and the consolidation of warehouses across several group companies.

Trade receivables are shown after deduction of impairment for bad debts. Trade receivables decreased by EUR 20.0 million to EUR 77.9 million in the period under review (previous year: EUR 97.9 million), driven by higher revenue in the regions with shorter debtor terms.

Other current assets decreased to EUR 22.4 million, down from EUR 29.0 million in the previous year.

Cash and cash equivalents amount to EUR 28.8 million on the reporting date (previous year: EUR 19.2 million). Compared to the previous year, liabilities to banks were reduced considerably from EUR 66.8 million to EUR 50.4 million.

---

## Group structure

---

10% of shares in Einhell Australia Pty. Ltd. were acquired from the local managing director in the period under review. Einhell Germany AG therefore now owns 100% of the shares in this company.

---

## Investor Relations

---

On 5 May 2014 Einhell Germany AG took part in the Small Cap Forum/Spring Conference in order to talk to analysts and investors. The presentation addressed the figures as at 31 December 2013 and gave an outlook for the planned development of the Group.

---

## Financing

---

The financial requirements of the Einhell Group are driven in particular by the level of inventories and trade receivables. Stock turnover rates of inventories and the maturities of trade receivables play a major role here and have a significant impact on the financial requirements.

The Einhell Group utilised the favourable interest level in financial year 2013 for refinancing. The Group concluded long-term bilateral loan agreements totalling EUR 30.0 million with several banks, securing long-term financing until 2018 on very favourable conditions. As scheduled, EUR 20.0 million was paid back

in July 2014 for long-term loans concluded in financial year 2009.

A highly positive factor here is that the new financing did not require the provision of securities.

---

## Note to the financial report

---

The financial report was subjected to neither a review pursuant to Section 317 of the German Commercial Code (HGB) nor an audit.

---

## Corporate Governance Code

---

The current Declaration of the Board of Directors and the Supervisory Board of Einhell Germany AG on the German Corporate Governance Code pursuant to section 161 of the Stock Corporation Act (AktG) is permanently available on the Company's website at [www.einhell.com](http://www.einhell.com).

---

## Risk report

---

As part of its international operations, Einhell is subject to numerous risks that are inherent in all entrepreneurial activities.

The risk management process in the Einhell Group is split into two stages. The first stage is the decentralised recognition of risks in subsidiaries and the various departments of Einhell Germany AG by the risk officers appointed by the Board of Directors.

They are responsible for risk identification and evaluation. The critical aspect here for the Einhell Group is identification, since no risk planning can be undertaken for risks that have not yet been identified.

The internal control system comprises integrated process controls and internal control systems.

The domestic controlling, investment controlling, finance, Group accounting and legal departments constitute the internal management system of the Einhell Group.

The Einhell Group companies make a forecast in the relevant financial year to budget the following financial year. Based on differentiated revenue planning, the corresponding costs of sales and other costs are budgeted. These projected figures are collated for the Group into a budgetary statement of income.

The actual figures from the individual companies are processed on a monthly basis. As a result, a complete consolidated statement of income is devised that compares the budgeted and actual figures and allows for their analysis.

The development of order intake, margins etc. is also reported for all companies on a monthly basis. The comparison is discussed with the members of the Board of Directors and with the managers of the separate divisions and companies. The analysis of the budgeted and actual figures permits relevant measures to be developed and implemented.

The internal control system comprises integrated process controls and process-independent controls.

In addition to automated IT process controls, manual controls also form an important part of integrated process measures which are, for example, also carried out by the internal audit department. The Supervisory Board, the Group auditors and other audit bodies are involved in carrying out process-independent controls within the Einhell Group.

The audit of the consolidated financial statements by the Group auditors in particular is the main process-independent control measure with respect to Group accounting processes.

The Einhell Group operates internationally and is thus exposed to market risks from changes to interest rates and exchange rates.

The Group uses derivative financial instruments to manage these risks. The guidelines used for managing the associated risks are implemented with the approval of the Board of Directors by a central treasury department working in close cooperation with the Group companies.

In conclusion, there are no risks that endanger the future of the Group as a going concern according to the Board of Directors' assessment.

---

### Forecast

---

---

#### Global economic development

---

The International Monetary Fund (IMF) has lowered its global economic growth forecast for 2014 to 3.4%. This is 0.3% below the economic forecast from April 2014.

The main reasons for the more pessimistic forecast are the geopolitical risks in the Middle East and the Ukraine, in addition to a weak economic development in the USA and China.

---

#### Development in Europe

---

According to the United Nations, the economic development in Europe will recover somewhat this year. After years of recession, the euro states can now expect 1.1% growth this year and 1.5% in 2015.

The high unemployment in Europe will only be reduced very slowly, as economic growth is too weak to trigger substantial employment effects.

Forecasts by the International Monetary Fund (IMF) state that the inflation rate in the eurozone is still falling. In 2014 and 2015, the IMF now merely expects inflation rates of 0.7% and 1.2%, respectively. The IMF has again revised its forecast downwards. According to the projections, the European Central Bank's price stability target of 2.0% will not be achieved. Low inflation rates increase the pressure on issuing banks to ease their monetary policy even further. However, the President of the Bundesbank states that we are not yet facing a risk of deflation.

---

#### Development in Germany

---

The International Monetary Fund has increased its growth forecast for the largest economy in the eurozone. Compared to its projections from April 2014, the IMF raised its growth forecast for the German gross domestic product to 1.9% for 2014 and to 1.7% for 2015, respectively.

According to market researchers, consumer spending will continue to contribute significantly to overall economic growth in 2014. The GfK consumer research association relates that people expect the good economic situation to bring up salaries in the current year.

Since the inflation will presumably show a moderate trend, consumers will have more money in real terms, with the corresponding positive effect on spending power.

Following a surprising decline in exports in the past year, experts believe that exports will increase again in the current year. This is due to improved business prospects in the home market of Europe.

---

#### Outlook

---

Forecasts for developments in 2014 are still fraught with high uncertainty. Positive trends are visible in some markets relevant to the Einhell Group. The trends on the global markets, however, remain highly uncertain and unpredictable. This applies to both economic changes and political developments. As these types of developments are unpredictable, the internationally active Einhell Group's forecasts are also marked by the uncertainty described above.

The German domestic market shows a relatively stable development, although revenue losses due to the insolvency of Praktiker/Max Bahr and the discontinuation of business with a customer from the discounter sphere cannot be offset.

The situation in the region Southern and Eastern Europe has stabilised. Despite the challenging economic situation in some of the countries, the majority of Group companies in this region generated encouraging revenue and earnings.

In South America, which is deemed to be one of the growth markets, the Einhell Group was able to set up a strategic positioning by establishing new subsidiaries. These have already generated significant revenue. The new subsidiaries in South America, which are still being established and therefore feature high start-up costs, at all have still not been able to contribute positively to consolidated net profit, though.

The Einhell Group is planning to consolidate additional parts of individual subsidiaries. First warehouse locations have been merged and the Group has already implemented consolidation measures in the field of administration.

The Board of Directors' assumptions and forecasts are based on the information currently available. The future business development depends on numerous factors, especially on the political developments in the crisis regions and the trends on the currency markets. Based on the currently prevailing market conditions, however, we continue to expect revenue of EUR 420-430 million and a pre-tax margin of 2-3%.

Landau a. d. Isar, 27 August 2014

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr Markus Thannhuber

Consolidated statement of financial position (IFRS) as at 30 June 2014 (abbreviated)

Assets	30.06.2014 € thousand	30.06.2013 € thousand
<b>NON-CURRENT ASSETS</b>		
Intangible assets	26,772	10,558
Property, plant and equipment	17,725	17,544
Financial assets	367	362
Other non-current assets	2,235	2,578
Deferred tax assets	5,805	5,910
	<u>52,904</u>	<u>36,952</u>
<b>CURRENT ASSETS</b>		
Inventories	105,424	108,888
Trade receivables	77,918	97,940
Other assets	22,389	29,041
Cash and cash equivalents	28,842	19,181
	<u>234,573</u>	<u>255,050</u>
	<u>287,477</u>	<u>292,002</u>

Equity and liabilities	30.06.2014 € thousand	30.06.2013 € thousand
<b>EQUITY</b>		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	124,984	124,811
Other reserves	-7,791	763
	<u>153,532</u>	<u>161,913</u>
Equity of shareholders of Einhell Germany AG	153,532	161,913
Minority interests	2,515	2,936
	<u>156,047</u>	<u>164,849</u>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	2,617	2,633
Liabilities from debt capital	30,000	20,392
Deferred tax liabilities	3,571	1,228
Other liabilities	11,638	1,169
	<u>47,826</u>	<u>25,422</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	31,803	28,422
Provisions	11,352	9,599
Liabilities from debt capital	20,362	46,362
Other liabilities	20,087	17,348
	<u>83,604</u>	<u>101,731</u>
	<u>287,477</u>	<u>292,002</u>

---

**Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 30 June 2014**

	01.01. - 30.06.2014	01.01.- 30.06.2013
	€ thousand	€ thousand
Revenue	212,929	211,970
Other operating income	4,447	2,908
Cost of materials	-147,788	-150,039
Personnel expenses	-27,759	-26,794
Depreciation	-2,414	-1,396
Other operating expenses	-32,284	-29,917
Financial result	-1,861	-1,405
<b>Profit before income taxes</b>	<b>5,270</b>	<b>5,327</b>
Income taxes	-1,893	-1,738
<b>Consolidated net profit</b>	<b>3,377</b>	<b>3,589</b>
<b>Share of minority shareholders in consolidated net income/loss</b>	<b>-12</b>	<b>-119</b>
<b>Thereof share in consolidated net profit/loss of shareholders of Einhell Germany AG</b>	<b>3,389</b>	<b>3,708</b>

**Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 June 2014**

in € thousand	01.01. - 30.06.2014	01.01.- 30.06.2013
<b>Cash flows from/used in operating activities</b>		
Profit before taxes	5,270	5,327
+ Depreciation and amortisation of intangible assets and property, plant and equipment	2,414	1,396
- Interest income	-90	-76
+ Interest expenses	1,059	797
+/- Other non-cash expenses and income	2,873	1,078
<b>Operating profit before changes in net working capital</b>	<b>11,526</b>	<b>8,522</b>
+/- Decrease/increase in trade receivables	-13,760	-32,822
+/- Decrease/increase in inventories	666	15,043
+/- Decrease/increase in other assets	-668	-2,560
+/- Increase/decrease in non-current liabilities	-321	-722
+/- Increase/decrease in current liabilities	148	2,795
+/- Increase/decrease in trade payables	-20,876	-4,609
<b>Cash flows from/used in operating activities</b>	<b>-23,285</b>	<b>-14,353</b>
- Taxes paid	-2,472	-2,437
+ Interest received	84	39
- Interest paid	-773	-682
<b>Net cash from/used in operating activities</b>	<b>-26,446</b>	<b>-17,433</b>
<b>Cash flows from/used in investing activities</b>		
- Payments to acquire assets	-1,148	-1,569
+ Net cash acquired from acquisitions	0	0
- Payments for investments	0	0
+ Proceeds from disposal of assets	48	148
+/- Increase/decrease in goodwill	0	126
+ Proceeds from disposal of consolidated companies	0	0
- Cash-outflow from changes to companies included in the consolidation	0	0
<b>Net cash from/used in investing activities</b>	<b>-1,100</b>	<b>-1,295</b>
<b>Cash flows from/used in financing activities</b>		
+/- Increase/decrease in financial liabilities	-1,090	34,650
- Payments for acquisition of equity investments	-96	-728
+ Proceeds from minority shareholders	20	108
- Dividend payments to shareholders of Einhell Germany AG	-1,384	-2,139
- Dividend payments to minority shareholders	0	0
- Payments for liabilities for finance leases	-2	-3
<b>Net cash used in financing activities</b>	<b>-2,552</b>	<b>31,888</b>
Changes to cash and cash equivalents due to currency exchange	-66	403
<b>Net decrease/increase in cash and cash equivalents</b>	<b>-30,164</b>	<b>13,563</b>
Cash and cash equivalents at beginning of reporting period	59,006	5,618
<b>Cash and cash equivalents at end of reporting period</b>	<b>28,842</b>	<b>19,181</b>

**Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 June 2014**

**1. Principles and methods used in preparing the consolidated financial statements**

**1.1 Basis of consolidation**

The consolidated financial statements comprise Einhell Germany AG and the companies it controls. IAS 27 defines control as the power to govern the financial and operating policies so as to obtain benefits from a company's activities. If the Group holds more than 50% of the voting rights of a company, either directly or indirectly, it is deemed to control such company, unless such assumption is refuted. Companies that are acquired or sold during the course of a financial year are included in the consolidated financial statements as from the date of acquisition until the date of sale.

10% of shares in Einhell Australia Pty. Ltd. were acquired from the local managing director in the period under review. Einhell Germany AG therefore now owns 100% of the shares in this company.

**1.2 Accounting and valuation principles**

The report as at 30 June 2014 applies the same accounting and valuation principles as were used in the annual financial statements 2013.

**2. Notes to statement of financial position**

**2.1 Non-current assets**

Intangible assets and property, plant and equipment are valued at acquisition or manufacturing cost and are recognised in the statement of financial position less accumulated depreciation.

Intangible assets amount to EUR 26.8 million as at 30 June 2014, while property, plant and equipment amount to EUR 17.7 million.

**2.2 Inventories**

	June 2014	June 2013
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	296	282
Finished goods	103,875	106,798
Prepayments	1,253	1,808
<b>Total</b>	<b>105,424</b>	<b>108,888</b>

Inventories are valued at the lower of acquisition or manufacturing cost or net realisable value.

**2.3 Cash and cash equivalents**

Cash and cash equivalents include bank balances, cheques and cash in hand.

**2.4 Provisions**

Provisions total amount to EUR 13,969 thousand. This includes non-current provisions of EUR 2,617 thousand.

Provisions refer in particular to provisions for warranty.

**2.5 Liabilities**

Upon addition, liabilities are valued at fair value of the consideration received; subsequent valuation is performed at amortised cost. Liabilities in foreign currencies are recognised at the reporting date rate or hedging rate as at the reporting date.

**3. Notes to the consolidated statement of income**

**Other operating expenses**

Other operating expenses amount to EUR 32,284 thousand as at 30 June 2014. This pertains primarily to expenses for the shipping of goods, warranties, customer service, impairment, advertising and product design.

**4. Segment reporting**

The identification of reportable operating segments pursuant to IFRS 8 is based on the so-called management approach concept. The division of the Einhell Group into two segments reflects a representation of business areas as well as the Group's internal management and reporting structures. The segments are "Tools" and "Garden & Leisure".

Income and expenses that cannot be directly allocated to the individual segments are shown in the reconciliation item.

#### 4.1 Segment reporting by division

June 2014 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenue	119,202	93,727	212,929	0	212,929
Profit from ordinary activities (POA)	1,061	4,209	5,270	0	5,270
Financial result	-1,680	-181	-1,861	0	-1,861
Scheduled depreciation	1,459	955	2,414	0	2,414
Non-cash income	-197	-148	-345	0	-345
Non-cash expenses	2,312	906	3,218	0	3,218
Inventories	69,448	35,976	105,424	0	105,424

June 2013 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenue	121,955	90,015	211,970	0	211,970
Profit from ordinary activities (POA)	839	4,488	5,327	0	5,327
Financial result	-1,175	-230	-1,405	0	-1,405
Scheduled depreciation	792	604	1,396	0	1,396
Non-cash income	-53	-32	-85	0	-85
Non-cash expenses	801	362	1,163	0	1,163
Inventories	67,246	41,642	108,888	0	108,888

The Tools segment includes electronic hand tools and stationary tools as well as hand-held tools and general electronic tools accessories. Garden & Leisure comprises garden and water technology as well as cooling and heating technology.

#### 4.2 Segment reporting by region

The geographic allocation of revenue is based on the registered office of the invoice recipient. The decisive factor is the market where the revenue is generated. The following table shows segment reporting by region:

June 2014 in € thousand	D/A/CH region	Other Europe	Asia	South America	Other countries	Group
<b>External revenue</b>	89,871	69,385	9,065	10,115	34,493	212,929
<b>Non-current assets</b>	14,887	13,746	522	892	17,052	47,099

June 2013 in € thousand	D/A/CH region	Other Europe	Asia	South America	Other countries	Group
<b>External revenue</b>	120,696	64,399	7,128	12,181	7,566	211,970
<b>Non-current assets</b>	15,587	13,968	533	672	282	31,042

#### 5. Statement of responsibility

To the best of our knowledge, we assure that the interim consolidated financial statements give a true and fair view of the net assets, financial position and earnings situation of the Group and that the interim Group management report accurately reflects the actual development and performance of the business and the position of the Group and describes the principal risks and opportunities associated with the Group's expected development in the remaining months of the financial year.

Landau a. d. Isar, 27 August 2014

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr Markus Thannhuber

Einhell Germany AG  
Wiesenweg 22  
D-94405 Landau a. d. Isar

Phone (0 99 51) 942-0  
Fax (0 99 51) 17 02

[investor-relations@einhell.com](mailto:investor-relations@einhell.com)  
[www.einhell.com](http://www.einhell.com)

