

STATUS REPORT OF THE EINHELL GROUP

BUSINESS ENVIRONMENT

In 2005 the world economy reached a growth of 4.3% of the global gross domestic product (GDP). This increase was mainly achieved by constantly good financing conditions which influenced positively the capital formation of private households and thus the readiness to consume and the domestic business activity. Especially the escalated oil price had a negative impact. The global growth was borne primarily by the countries China and USA whereas the business activity in Europe proceeded worse. Also in 2006 the rise of energy prices will be reflected increasingly in the world-economic development.

In the EURO zone the GDP was increased averagely by 1.3%. In addition to the high oil price mainly the weak propensity to consume on the part of the private households due to the sparsely grown available income and the low readiness to invest were the reasons for the restrained development. The public finances of the EURO-countries stayed tense, the inflation remained largely stable. For the year 2006 an acceleration of the economic development is predicted.

In Federal Germany the GDP grew only by 0.9% in 2005. As in the years before this increase was mainly achieved by the German export success. By contrast, the domestic demand stayed weak, the consumption of the private households stagnated while the tax rate went up for the fifth year in a row. Responsible for this development is on the one hand the difficult situation on the job market and on the other hand the weak income development. In 2005 the unemployment rate in Germany rose by 1.2% to 11.7%, but a majority of this increase can be explained by the purely statistical impact of the Hartz-IV-reform. Furthermore the purchasing power of the consumers decreased due to the high oil and energy prices.

In the year 2005 the turnover of the Germany-wide wholesale went up in real terms by 2.5%. Thereby the wholesale with machines, equipments and accessories managed to outclass the rest of the industry line with a growth of 8.7%.

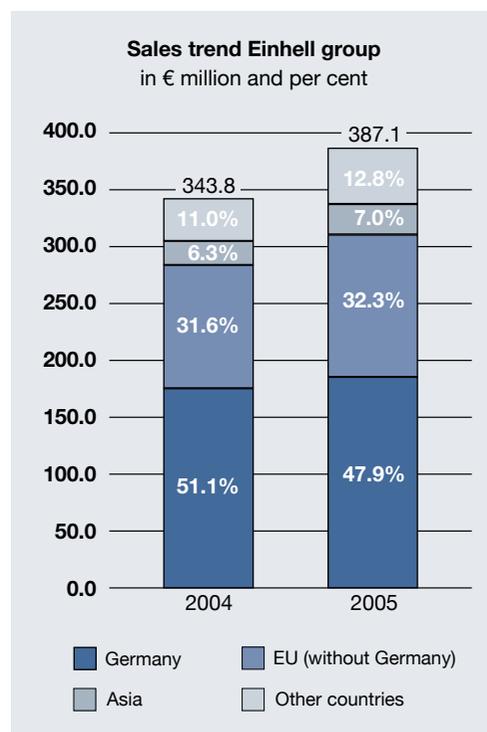
The German DIY-sector could assert itself well in the business year 2005.

After a hesitant start at the beginning of the year the last year's turnover was slightly exceeded at the end of the year. Altogether an unadjusted sales plus of 1.4% was achieved. However the sector must put up with a like-for-like slump in sales of -0.9%.

Regarding the development of the respective DIY-divisions there were partly great differences. So the class of goods "Tools and Machines" achieved a growth rate of 5.0%. By contrast in the class of goods "Garden, Camping and Leisure" the hoped-for trend reversal wasn't yet

reached. The turnover in this sector decreased by -3.3% in comparison to the prior year. The development on the DIY-market is thereby affected mainly by two factors. On the one hand the consumers still have an economical consumption attitude. On the other hand an enticement of customers by external and mainly price-aggressive suppliers takes place.

The rise of the GDP in Austria in 2005 summed up to 1.8%. As in Germany this growth can be attributed primarily to the export and the investments. The private consumption was cau-



tious in 2005, however, at the end of the year first positive signs suggested a recuperation. In spite of the increase of the GDP no recovery is in sight on the Austrian employment market. For the year 2006 an economic growth of 2.4% is anticipated.

The Italian economy stagnated in the business year 2005. However, the unemployment rate went down slightly during the previous year. The DIY-sector grew significantly in 2005, in 2006 a similar good development is expected. However, the market faces in the long run a slump in sales caused by saturation of consumer demand. The macroeconomic prospect for the next year is cautious, an increase of 1.2% of the GDP is predicted. The inflation rate of 2.1% is steady.

In 2005 the business activity in Switzerland recovered faster than expected. The increase amounted to 1.8% last year. Also for the year 2006 a rise of 1,8% of the GDP is predicted. As a result of the recovering business activity positive effects on the employment market are expected in the following years. The target of the next years aimed-at reforms is primarily the creation of a more favourable entrepreneurial environment. This shall be achieved by deregulation and administrative relieves for companies.

In Croatia the national economy continued its strong growth. The GDP-rise of about 4.0% in the year 2005 can be mainly attributed to the domestic demand. The high domestic demand led to a relative high inflation rate of 3.3% which couldn't be compensated by an increase of nearly 1% of the actual earnings. The higher employment rate had a positive effect on the domestic demand. The prognosis for the business year 2006 is very positive with a likely increase of the GDP of nearly 4%. An important incentive for this positive domestic development is the discussion concerning a possible EU-membership that started in October 2005.

In 2005 parliamentary and presidential elections took place in Poland and the governing party was replaced by the party "Right and Justice" (PiS). This party seeks a strong Polish state both on national and international level and will be also not afraid of potential showdowns. As a result of the agreed EU-budget of 2000-2013 Poland will be the biggest net-beneficiary of transfers from the EU. This development will encourage the national investments and so Poland will achieve also in the following years a fast economic growth. In 2005 the increase of the GDP amounted to 3.2%, the inflation rate to 2.2%. On annual average the unemployment rate summed up to 18.2%.

The EU-joining of Romania at the 1st January 2007 is imminent. In fact, the European Commission still criticized serious reform deficits concerning the corruption combat, the public administration and the judicial system. Nevertheless a joining on schedule is expected. A decision in this regard will be made in spring 2006.

Due to the flood catastrophe in summer 2005 the economic growth of Romania was weakened. Nevertheless the GDP went up by 3.7%. Thanks to the revaluation of the Leu early in 2005 the inflation rate could be lowered slightly. The most important support for the Romanian growth is the domestic demand which was strengthened by rising actual earnings and decreasing unemployment figures. For the business year 2006 a significant acceleration of growth is expected. So within the next year more and more international DIY-stores and super markets will be opened in Romania. The prognosis for the GDP growth is about 6.0%.

BUSINESS DEVELOPMENT

Sales increase in the Einhell group

Within the business year 2005 the Einhell group could increase its turnover by 12.6% to 387.1 million € in spite of the difficult market

environment. With this performance the group surpassed also in the past year once again the planned sales targets. The increase in sales was mainly achieved thanks to the business strategy of improved quality and the progression of the brand image. This business strategy led to an increase of market shares. The brand Einhell offers brand quality for price-conscious customers. The quality of the products orientates itself at the A-brands, whereas the price policy lies in the range of B-brands. The customers of the Einhell group are C+C markets, hyper markets and consumer markets, specialized markets and especially DIY-stores.

The parent company has its registered office in Germany. The majority of the subsidiaries have their domicile in Europe. They act predominantly as distribution companies.

The purchasing is mostly organized by subsidiaries based in Asia. There the products are also regularly quality-controlled.

The Einhell group could rise its sales both at home and abroad and it were mainly the turnovers abroad that achieved a strong growth.

The sales trend on the **primary market Germany** was increasing slightly. The domestic sales went up by 5.4% to 185.3 million €. The German proportion of the group turnover amounted to 47.9% in the business year 2005.

The group could rise its sales in the **European Union** by 15.0%. Therewith the turnover rose from 108.6 million € in the previous year to 124.9 million € in 2005. The biggest turnover sources were the companies Hans Einhell Österreich Gesellschaft m.b.H., Hansi Anhai Far East Ltd. and Einhell Italia S.r.l.

In **Asia** the sales figures could be raised from 21.8 million € to 27.1 million €. This corresponds to a sales increase of 24.3%.

In the **other countries** the sales went up by 32.4% to 49.8 million €. Here the most successful turnover sources were Einhell Schweiz

AG, Einhell Croatia d.o.o. and Einhell Romania SRL. The foreign share rose from 48.9% to 52.1%.

Increase of overall performance of both divisions

Both divisions achieved a sales increase in the business year 2005.

Especially the division "Tools" raised its turnover from 193.4 million € to 212.4 million €. The best-selling products of this division were compressors, machine sets and woodworking devices.

Sales trend according to regions

in € million	2004	2005	alteration
Domestic sales	175.8	185.3	5.4%
EU (without Germany)	108.6	124.9	15.0%
Asia	21.8	27.1	24.3%
Other countries	37.6	49.8	32.4%
Total Sales	343.8	387.1	12.6%

In spite of the strong competition in this segment also the division "Garden and Leisure" could increase its turnover by 16.2% to 174.7 million € (2004: 150.4 million €). The best sales figures in this sector achieved scarifiers, gasoline and electric chain saws, home waterworks as well as plank blockhouses and element saunas.

Sales trend according to divisions

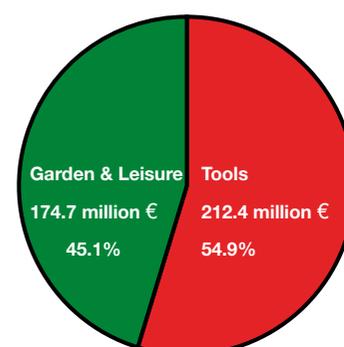
in € million	2004	2005	alteration
Tools	193.4	212.4	9.8%
Garden & Leisure	150.4	174.7	16.2%
Total Sales	343.8	387.1	12.6%

Both divisions could position themselves better on the market than the competitors. This development proves that the customers appreciate the customer-oriented innovations, the consumer-friendly, technical implementation of the customer preferences and the constantly improved quality of the Einhell products. Therefore, also in 2005, the business strategy of the Einhell group was confirmed by rising market shares.

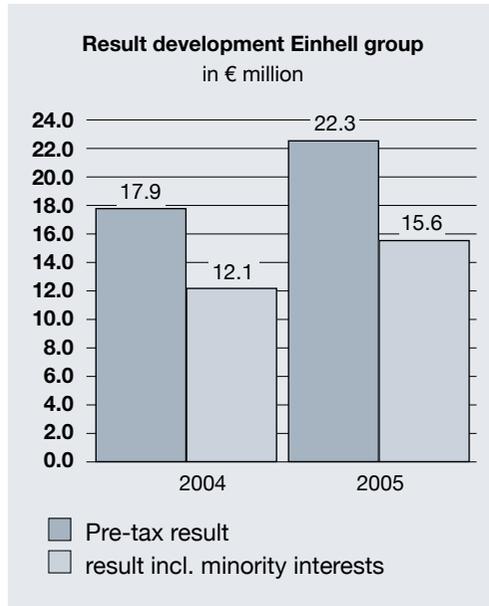
Result development

In the past fiscal year the group profit on ordinary activities went up by nearly 25% from

Sales structure according to divisions



17.9 million € to 22.3 million €. This corresponds to an operating margin of 5.8% in the business year 2005 (2004: 5.2%).



The annual surplus after minorities increased by 25.6% from 11.7 million € to 14.7 million €. The ROI¹ amounts at the key date to 10.8% (2004: 10.0%).

In the fiscal year 2005 the financial result totalled to -2.8 million € (2004: -3.3 million €). In this sum the interest income of -2.4 million € (2004: -3.2 million €) is included.

The result from the currency translation adjustment amounts to -0.4 million € (2004: -0.1 million €).

Organization and administration

In the business year 2005 the focus for an increasing efficiency lay on a standardized reporting across the group. For this purpose the standardized inclusion, valuation and information regulations across the group were further expanded, actively communicated by the group controlling as well as by the group balancing and their implementation was checked. An important part of the internal reporting is the management information system (MIS) in which the different company figures are monthly notified.

The evaluation is done by the interest controlling and the group accountancy. Thus the comparability and analysis possibilities of the different figures were constantly improved.

Furthermore there exists for the whole company an internet-based cash-management system in which additionally the modules interest and currency management and liquidity

planning were integrated. There the different group companies cultivate currently their data which is controlled centrally by the parent company. That's how a transparent development also in the field cash management is achieved. Furthermore the liquidity management could be once again improved significantly.

In the business year 2005 special attention was also turned to the measure of instructing newly-hired, executive employees of the subsidiaries at the parent company in Landau. These instructions were realized by the respective responsible employee of the Hans Einhell AG. So, on the one hand, the new colleagues were able to meet their contact person at the parent company personally. On the other hand this approach allowed to clarify the concrete assignments and work flows already at the beginning.

The Hans Einhell AG faced all requirements resulting from the "Elektro-Gesetz" (Electro-Law) and the registration at the "Elektro-Altgeräte-Register" (Electric Scrap Register) was realized in due time. In addition to obeying the material prohibitions (ROHS) the Hans Einhell AG has committed itself to take part actively at the disposal and recycling of electric scrap and thus to contribute once again to the improvement of our environment.

The Einhell group disposes of a portfolio of diverse German and European patents, petty patents, design patents and brands. It is a major task of the company strategy to expand significantly the patent applications.

Personnel and Social Sector

Thanks to the growth of the group also in the reporting year the number of persons employed worldwide could be once again increased. The number of employees went up from an average of 822 to 926. Especially the sectors quality assurance and research/development were personally expanded. The turnover per employee amounted in the fiscal year 2005 to 418 thousand €.

¹ ROI (return on investment) = result of ordinary activities / total capital *100

The fluctuation of the employees of the Einhell group is constantly low what leads to very long job tenures. Regarding the salaries, the transition from conventional to modern, performance-related salary models was completed in the business year 2005. The group still encourages strongly the apprenticeship in order to generate its own management trainees.

The employees of the different group companies are an important component for the success of the Einhell group. In order to maintain and strengthen this success factor, the Einhell group exerts itself for the consequent promotion and training of its employees. The Einhell group encourages actively the professional training of the employees in external courses and seminars. Moreover at the end of the year 2005 an internal survey started in which the employees indicate their demand for EDP-training. After the finished evaluation internal necessary EDP-seminars in line with the job at the Hans Einhell AG will be offered.

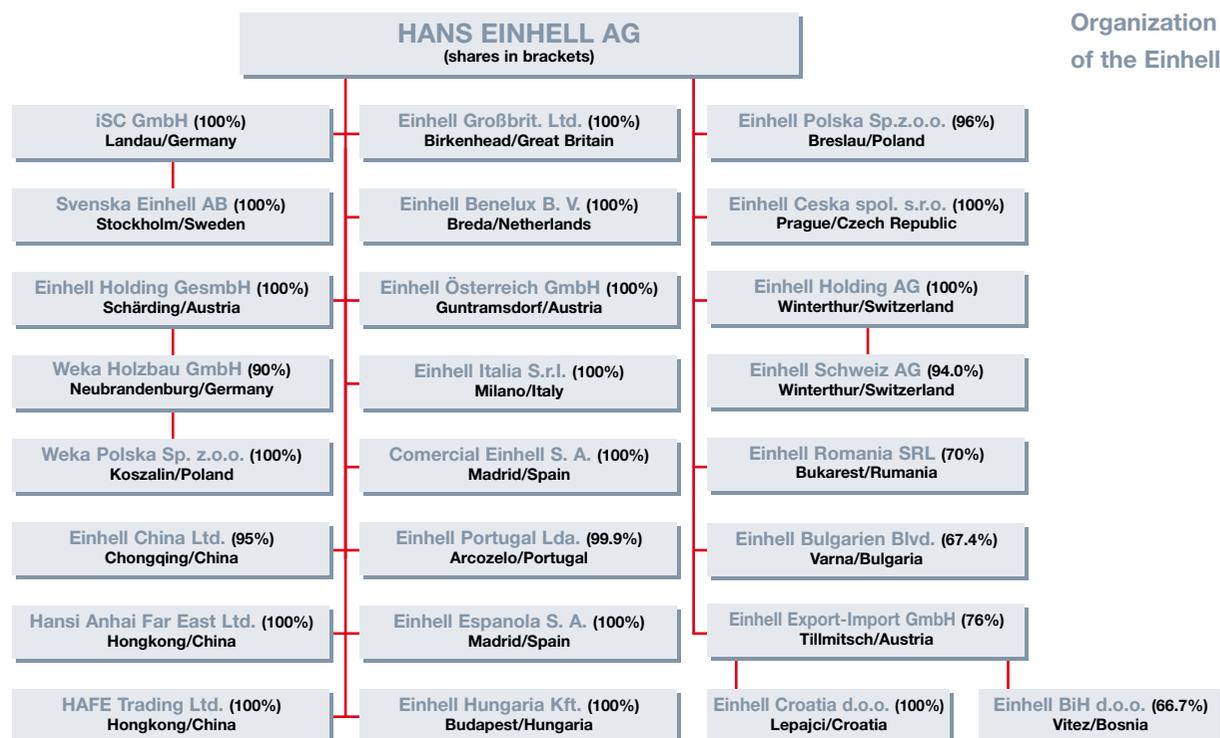
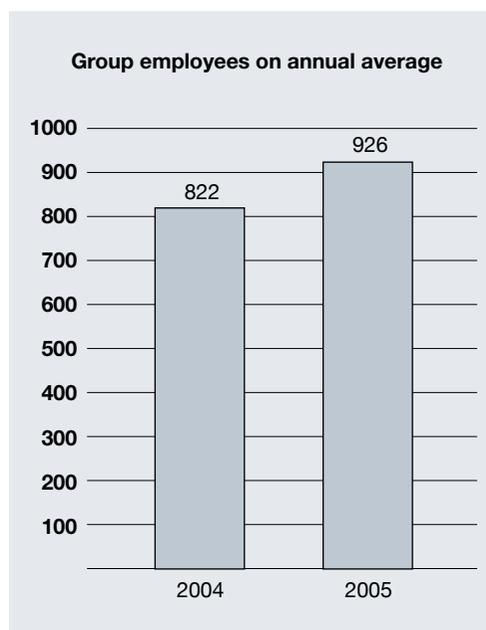
The executive board of the Einhell group expresses its gratitude towards all employees

for their performance and commitment. Only thanks to their efforts the excellent result in the year under review could be achieved.

Statement to Corporate Governance

The Corporate Governance Codex, elaborated by a government commission in Germany, shall contribute to a better transparency of the German regulations for company management and controlling for national and international investors.

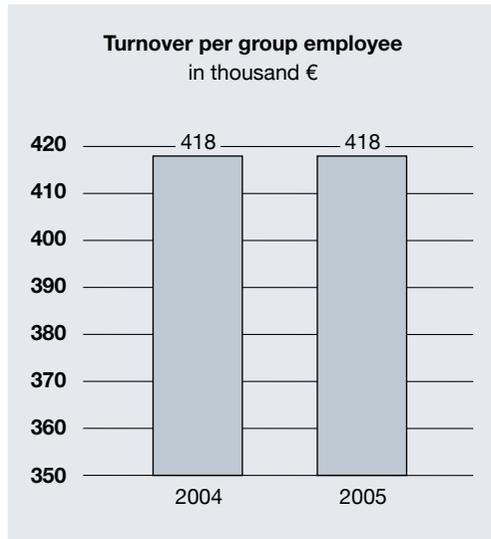
With the voluntary release of the Corporate Governance declaration Einhell obliged itself to guarantee a responsible, on a lasting added value oriented governance and control of the company. It creates transparency for the legal and company-specific business environment and encourages therefore the confidence



Organization Chart of the Einhell group

of its national and international investors, its business partners and employees as well as the confidence of the public.

With this in mind the basic principles of the Einhell group regulate the relation to its share-

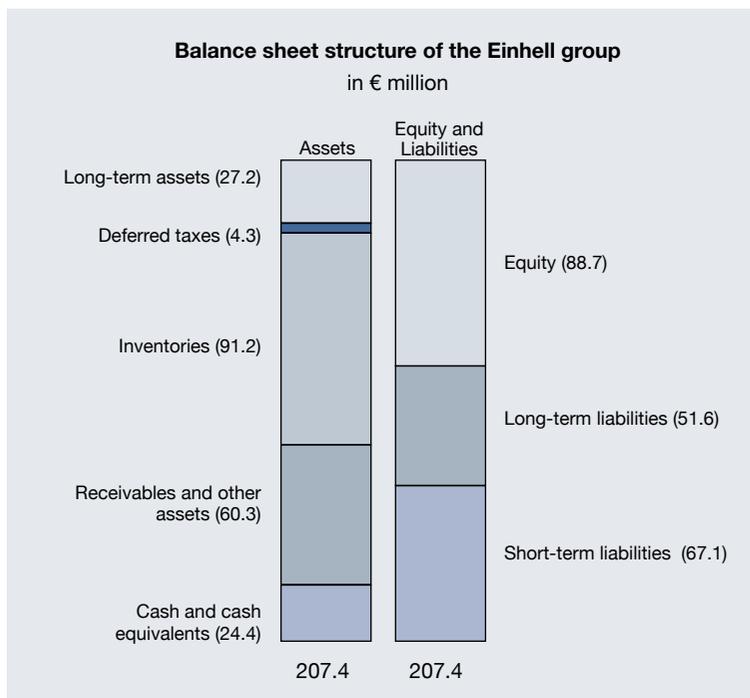


holders and to the social and political surrounding of the company, the efficient cooperation between the executive board and the supervisory board and the demands concerning transparency and financial statements.

Against the background of new experiences and legal prescriptions as well as

further developed national and international standards, the Corporate Governance basic principles of the Einhell group are regularly checked and adjusted if necessary.

The declaration can be looked up at the internet site of the Einhell AG (www.einhell.com).



RESULT SITUATION

In the business year 2005 the Einhell group could increase its result significantly. Therefore mainly the following three strategical steps were important: expansion, product strategy and cost-controlling.

In the past fiscal year the Einhell group expanded its exposure in Eastern Europe by the acquisition of the Romanian and Bulgarian partner. At the 01.01.2006 a new company was founded in the Ukraine.

Thanks to its success in the last year, the product line "Limited Edition" was completed by further compact problem solutions in 2005. Another important step was and is the further expansion of the product group "New Generation".

Finally a cost-controlling was introduced across the group in order to provide clear and standardized targets in the different cost sectors for all group companies. This task was already in 2005 an important strategical step and will be also pushed in the future years.

The earnings before interest and taxes (EBIT) amounted to 25.2 million € in the business year 2005 and increased by 18.9% in comparison to the prior year. The proportion of goods and material employed and costs stayed nearly unchanged.

With the result of the fiscal year 2005 the planning could be surpassed. The executive board was very content with this development.

FINANCIAL AND ASSETS POSITION

The most important items of the balance sheet presented themselves in the business years 2004 and 2005 as follows:

In Mio. EUR	2004	2005
Fixed assets	25.1	26.4
Stock	78.8	91.2
Trade receivables	51.6	44.4
Cash on hand	2.1	24.5
Equity	68.8	88.7
Bank liabilities	48.3	47.4

Investments

The investments amounted to 5.4 million € in the business year 2005. At the intangible assets and also at the tangible assets 2.7 million € were recorded as additions. At the intangible assets the investments consisted mainly of Goodwill Romania and development costs. At the tangible assets it was mainly invested in buildings, machines as well as in additional stockrooms.

The depreciations decreased compared to the previous year by 0.4 million € to 3.9 million €. This reduction is mainly based on the goodwill amortization according to IFRS 3 which was no longer permitted in 2005.

The cash-flow from investment activity went down considerably from -9.2 million € to -5.0 million €. That can be mainly attributed to the fact that in the business year 2004 already high payments on account were effected for tangible assets. In 2005 these payments were rebooked to the respective position.

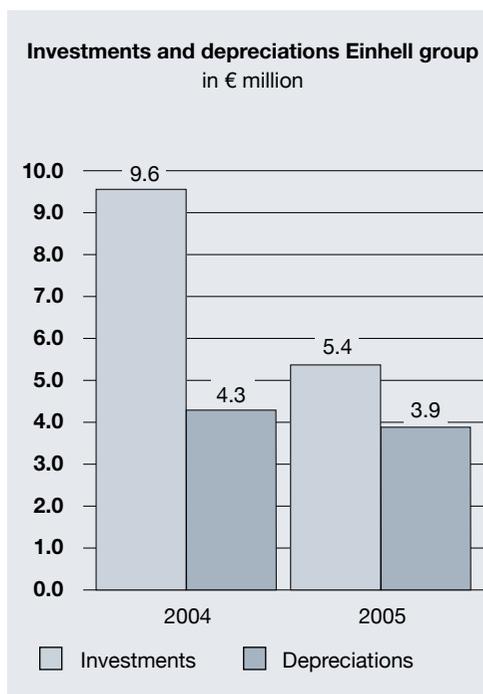
Current assets

Due to the sales increase the stock went up in the fiscal year 2005. The trade receivables decreased because of the further intensified debtor management and the implemented factoring.

The cash-flow from current business activity lay at 30.1 million € (2004: 0.2 million €). Thereby primarily the risen result and the decrease of the trade receivables had a cash-flow-increasing effect whereas the higher stock had a cash-flow-decreasing effect.

Acquisitions

In the business year 2005 the Einhell group grew also organically thanks to the acquisition of existing partner enterprises and accordingly the foundation of new Einhell companies. This included both the majority interest at Einhell Romania SRL and the foundation of the company HAFE Trading Ltd. in Hong Kong. At the beginning of the fiscal year 2006 the company Einhell-Ukraine GmbH was founded.



Financing

For the Einhell group it is very important to ensure the planned growth by means of an appropriate financing structure. Thereby both the sales increase and the interest acquisitions shall be secured.

Thanks to the capital increase and the raising of the bonded loan within the business year 2004, the financing structure of the Einhell group in the fiscal year 2005 was excellent. Both measures contributed to the assurance of the long-term financing. The most important liquidity, balance and P&L key data were maintained during the year under review or even improved. In addition to the long-term bonded loan the Einhell group finances itself mainly by long-term bank liabilities. The financing is effected predominantly in EUR. The Einhell group sees no difficulties in fulfilling the amortizations according to the loan contracts.

The cash-flow from financing activity summed up to -3.2 million € (2004: 10.2 million €). Here mainly the decrease of the loan liabilities and the dividend payment were essential.

The total assets amounted to 207.4 million € at the 31st of December 2005 (2004:

178.3 million €). The equity ratio counted 42.8% (2004: 37.6%). Here attention should be paid to the fact that since 2005 the minority interests according to IFRS have to be assigned to the equity.

Purchasing

At the 21st of July 2005 the Chinese central bank informed that the fixed attachment of the Yuan to the USD would be abandoned. Therewith the bank of issue accepts fluctuations of +/- 0.3% around a reference rate of the USD which is newly defined every day. With this step the Yuan was up-valued by 2.1% compared to the USD. Due to this revaluation naturally also the prices of the products went up, which the Einhell group purchases from China. Experts assume that further revaluations will take place within the next years. This could entail a further consumption slowdown. The Einhell group responds to this development with a respective prompt and at the same time flexible adjustment of the calculation bases.

The Einhell products are predominantly manufactured in Far East. The quality requirements that the Einhell group demands from its suppliers are determined by customer preferences. The monitoring of the adherence to the quality requirements is done by the Chinese subsidiaries by means of regular and severe controls on site.

This closeness to the suppliers offers improvement potentials from which profit not only the group but also the producers. In order to conduct the orders of the group companies correctly, the technicians of the Chinese subsidiary check also the shipment of the products.

The Einhell group disposes of numerous suppliers by what a dependency from particular suppliers is avoided. In the business year 2005 the cooperation with the Chinese suppliers was good, so no noteworthy change was necessary.

RESEARCH AND DEVELOPMENT

In the business year 2005 the expenses for Research and Development summed up to 2.3 million €. In 2005 1.2 million € of these expenses were activated as development costs. Altogether 23 employees were engaged in this sector.

In 2005 in the division "Tools" as well as in the division "Garden and Leisure" the focus lay on the development of the product line "New Generation". The devices of this product line are characterized by high quality and modern design for low prices.

Another focal point in the division "Garden and Leisure" was the expansion and updating of the existing pump and home waterworks programs. Furthermore a new greenhouse series was developed and the heating and climate assortment was expanded.

In the division "Tools and Machines" the development focus lay, in addition to the products of the "New Generation" line, on the updating and expansion of the product line Bavaria hand tool. Thereby key articles are equipped with additional product specifications as a LED-display, laser functions etc. Another development focus was the expansion and extension of the woodworking assortment.

Regarding the development for 2006 further market launches of garden devices and tools of the product line "New Generation" are pending. Furthermore in the division "Garden and Leisure" new electrical chain saws shall be developed and the water technique program shall be expanded. In 2006 in the division "Tools" the focus will lie on the introduction of new private brand and laser assortments.

SUPPLEMENTARY REPORT

At the end of the period under review until the completion of this status report, no events took place which are important for the reporting.

DEPENDENCY REPORT

The majority of the shares of the Hans Einhell AG belong to the Thannhuber AG. We declare that the Hans Einhell AG had no legal transactions with the Thannhuber AG within the period under review and did not take or omit any measures that would have put the Hans Einhell AG at a disadvantage.

RISK REPORT

The risk management system

Each entrepreneurial action is connected with risks. In this spirit it is the target of the Einhell group to identify and to control efficiently these risks thanks to the risk management. Thereto it is important to detect and to minimize exposures at an early level and, at the same time, to use the offered chances purposefully and successfully. That's the only way to lead a group value-oriented. The therefore necessary information must be supplied by a well-structured risk management system, both for individual enterprises and for the whole group.

The task of a risk management system consists in the registration, analysis, valuation and documentation of risks. The risk management system of the Einhell group is built on two steps. At the first step the risks are registered and quantified at the respective company. After that the risks are gathered centrally across the group at the parent company, they are analysed, valued and documented. The reporting for the risk management is done at regular intervals, structured according to the separate functional areas. For the respective functional area a risk officer was determined who is responsible for the continuous implementation of the risk management process. The central risk management at the group's parent company is responsible for the description of the overall risk within the group and for the reporting to the executive board.

Potential risks are valued by the determination of the amount of damages and the occurrence probability of the damage, what

allows the quantification both of the maximal and the expected amount of damages.

In addition to the identification and analysis of the risks, also the risk coping is an important point of the risk management system. The risk coping consists of the risk prevention as well as of the risk control. The risk prevention is only possible in a limited way as all economic chances are connected with risks. At the risk control the focus lies on the risk minimization. Thereby it is fallen back on measures from the active risk management (e.g. minimization of the occurrence probability of the damage or of the potential amount of damages) and from the passive risk management (e.g. transfer of the risk to insurances).

For the standardized registration, valuation and documentation of the risks within the group, the parent company delivered a risk management manual to the risk officers, in which the processes, structures and responsibilities are exactly defined.

Purchasing risks

The purchasing risks consist mainly of price, delivery and currency risks. As the Einhell group maintains already long lasting relationships with its suppliers, the price and delivery risks can be minimized. Thanks to continuous controls these suppliers are integrated in the quality system of the Einhell group. A dependency of the Einhell group on individual suppliers does not exist. The risk of currency fluctuations at the purchasing is handled, if possible, by hedges in the form of forward transactions and options dealing. The currency hedging is carried out according to the IFRS prescriptions for Hedge Accounting for the respective hedging periods.

Sales market risks

The Einhell group faces at the sales market mainly the risk of bad debts and of the sales volume. The Einhell group meets the solvency risk with the conclusion of Hermes credit insurances. The risk of the decrease of the sales volume is reduced by innovative products which fulfill the customer preferences

concerning design, functional equipment and price-performance-ratio. So the Einhell group manages also in economic difficult times to increase its sales and to gain new market shares.

Financial risks

The Einhell group steers a constant growth course which is determined by investments and acquisitions. Thereby naturally risks are emerging in connection with the financing of this growth. In order to cope with these financial risks the Einhell group chooses long-term as well as short-term financing strategies. In addition to the bonded loans which was already issued in the prior business year, there exist also long-term loans at credit institutes. In the short-term sector the Einhell group disposes mainly of classical credit lines which were only used partially in the business year 2005.

In the year under review the equipment of the Einhell group both with liquid means and equity was very good.

The risks which can result for the Einhell group from changes in interest rates and their fluctuations, are controlled with the aid of derivative financial instruments like interest-swap- and interest-cap-arrangements.

The growth of the Einhell group is achieved, amongst others, thanks to acquisitions. The risks that are connected with these acquisition decisions are already minimized in the run-up as the take-over candidates are long-term partners of the Einhell group. Therewith it is achieved that the new group companies are integrated in the group structures and strategies right from the very beginning. More-over, at the companies whose acquisition is at issue, elaborateness checks ("Due Diligence") take place which are realized by internal employees of the interest controlling assisted by external consultants.

Commitment risks

At the Einhell group commitment risks exist mainly in relation with product liability. The main supply market for Einhell products is the

People's Republic China. In order to ensure the quality at site, a quality assurance system was built in China that controls the production directly at the supplier and creates correspondent product instructions.

The still remaining risk concerning claims from product liability was safeguarded in an economic reasonable way by respective assurances. In the year under review, as in the year before, no noteworthy product liability claims occurred.

FORECAST REPORT

Worldwide development

The German Federal Ministry of Economy and Employment estimates the growth of the GDP at about 1.5% in the year 2006. This increase in turn is mainly borne by the export, whereas the signs for a recovery of the domestic demand accumulate. However, the private consumption will stay weak also in the next year. Thereby also the typical business activity risks like the development of the oil price will persist.

In 2006 the favourable business activity development will have also a positive impact on the job market, mainly because also the reforms have a gradually relieving effect on the employment market. On an annual average the unemployment figures will decrease slightly. The Federal Government tries to push forward this development by measures like the flexibilization of the dismissal protection and the integration of long-term unemployed.

The Federal Government plans the modernization and therefore also the international competitiveness of the tax system within the next years. The vertices of a business tax reform shall be presented until autumn 2006. An adoption of the White Paper will take place at the earliest in summer 2007.

Among the business activity risks rank primarily the rising energy costs. The worldwide demand for energy will continue its rise also in 2006. The import dependency of Germany has a negative impact mainly on the oil and gas prices.

Also the European Union faces economic challenges within the next years. In order to stimulate the growth across Europe all-embracing structural reforms are necessary. Thereto belongs the fortification of the competitiveness and innovation ability as well as the combat of unemployment and poverty. In this regard the Lisbon-strategy, which was revised in spring 2005, focusses on lasting growth and employment.

According to the „Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte e.V.“ the development of the DIY-market will mainly depend on the fact if DIY-stores succeed to enthuse their customers for the design of house and apartment. Thereby mainly the two customer groups women and generation 50+ are attractive target groups. However, there will be consolidations in the DIY-sector within the next years. Like in the remaining retail trade the customer satisfaction in connection with the factor price will decide on the market success.

Einhell continues growing

Within the past business year the Einhell group could even exceed its ambitious targets. Also for the next fiscal year 2006 the group considers itself well-armed against the rather difficult business environment. The sales shall be increased also in the current business year. This growth shall be achieved on the one hand thanks to a sales increase of the already existing Einhell societies. On the other hand further company acquisitions and foundations are planned for the future years. Thereby, in addition to the solid financing, the focus lies mainly on qualitative and strategical expansion targets.

Another important component for the future sales increase are product improvements, innovations and the separation from competitive products. Within the next years the brand Einhell will be upgraded to an unmistakable product name. Thanks to a distinctive design and the equipment of the products with unique features, the Einhell group will conti-

nue to stand out from the crowd of competitors and will increase the customer loyalty.

Thereby the efforts of the Einhell group will concentrate also on further improvements regarding quality and customer service in order to further increase the customer satisfaction.

The Einhell group sees its chances mainly in Eastern Europe. There the group is already well presented by existing companies. Further companies are planned. The management of the group assumes that both the sector “Tools” and the sector “Garden and Leisure” will develop positively within the next years. Thereby both sectors of the Einhell group will profit mainly by the further development of the product line “New Generation”. For the next year a turnover of about 400 million € at a continuous rate of return is aspired. Until the year 2008 a turnover of about 500 million € shall be achieved.

The strategical targets of the Einhell group still consist in the specialization in key goods and key target groups, the listing as most powerful supplier at all international DIY-chains within the next five years as well as the target to become the most innovative and fastest supplier of garden equipment and electric tools of the industry line.

Proposal on the allocation of the net profit

The executive board and the supervisory board of the Hans Einhell AG propose the general meeting to carry out a distribution of 2,516,416.00 € from the net profit of the Hans Einhell AG, that amounts to 6,517,478.80 €. This corresponds to a dividend of 0.70 € per preference share and 0.64 € per ordinary share. The remaining amount of 4,001,062.80 € shall be carried forward.

Landau a.d. Isar, March 17th 2006

The executive board

Andreas Kroiss

Jan Teichert

GROUP BALANCE SHEET (IFRS) FOR THE YEAR TO 31ST DECEMBER 2005

ASSETS	Appendix	31.12.2005 EUR	31.12.2004 EUR
FIXED ASSETS	(2.1)		
Intangible Assets			
Development costs, concessions, commercial protection rights and similar rights and values as well as licences over such rights and values	(2.2)	3,514,729.81	3,320,898.44
Goodwill	(2.3)	1,672,025.01	935,185.54
Prepaid expenses		25,964.37	290.00
		<u>5,212,719.19</u>	<u>4,256,373.98</u>
Tangible Assets			
Land, rights equivalent to land and constructions including the constructions on foreign land		14,378,001.75	12,920,740.19
Technical plants and machinery		2,413,725.27	2,410,975.12
Other plants, company and shop equipment		3,307,995.60	2,605,653.79
Prepaid expenses and plants under construction		140,496.26	1,977,449.86
		<u>20,240,218.88</u>	<u>19,914,818.96</u>
Financial assets			
Shares of the fixed assets		935,760.06	923,249.40
		<u>935,760.06</u>	<u>923,249.40</u>
Other long-term assets		788,042.44	613,182.47
		<u>788,042.44</u>	<u>613,182.47</u>
DEFERRED TAX ASSETS	(2.4)	4,302,476.09	4,770,058.84
		<u>31,479,216.66</u>	<u>30,477,683.65</u>
CURRENT ASSETS			
Inventories	(2.5)		
Raw materials and auxiliary materials		2,936,643.13	5,849,836.48
Unfinished products, unfinished services		533,420.25	574,751.46
Finished products and goods		87,505,430.73	69,651,664.49
Prepaid expenses		215,434.02	2,694,621.58
		<u>91,190,928.13</u>	<u>78,770,874.01</u>
Accounts receivable and other assets	(2.6)		
Trade accounts receivable		44,438,613.15	51,602,122.77
Other assets		15,833,049.25	15,344,520.51
		<u>60,271,662.40</u>	<u>66,946,643.28</u>
Cash in hand			
balances at credit institutes and cheques	(2.7)	24,455,432.78	2,113,274.55
		<u>175,918,023.31</u>	<u>147,830,791.84</u>
		<u>207,397,239.97</u>	<u>178,308,475.49</u>

EQUITY AND LIABILITIES	Appendix	31.12.2005 EUR	31.12.2004 EUR
EQUITY			
Subscribed capital	(2.8)	9,662,464.00	9,662,464.00
Capital reserves	(2.10)	26,676,696.37	26,676,696.37
Surplus reserves			
Legal reserve		54,708.23	54,708.23
Other surplus reserves		20,346,000.00	15,923,000.00
Minority interests	(2.11)	3,080,295.02	1,832,751.47
Other accumulated equity	(2.12)	1,215,392.66	-2,383,644.00
Adjustments due to exchange rates		165,389.90	-2,359,566.75
Retained earnings		<u>27,537,650.68</u>	<u>19,420,038.91</u>
		<u>88,738,596.86</u>	<u>68,826,448.23</u>
LONG-TERM LIABILITIES			
Long-term liabilities towards credit institutes	(2.13)	16,548,401.83	873,577.72
Promissory note loan	(2.13)	30,000,000.00	30,000,000.00
Employee retirements plans	(2.14)	1,802,604.00	1,541,894.00
Other accruals	(2.15)	258,015.92	217,237.04
Long-term liabilities	(2.17)	1,244,839.60	209,071.09
Deffered tax liabilities	(2.4)	<u>1,762,850.06</u>	<u>2,179,817.49</u>
		<u>51,616,711.41</u>	<u>35,021,597.34</u>
SHORT-TERM LIABILITIES			
Tax provisions		6,340,269.94	3,710,519.86
Other accruals	(2.15)	20,563,108.48	14,639,534.59
Short-term liabilities towards credit institutes	(2.16)	813,592.12	17,446,326.76
Trade payables	(2.17)	30,096,665.63	24,398,097.17
Other liabilities	(2.17)	<u>9,228,295.53</u>	<u>14,265,951.54</u>
		<u>67,041,931.70</u>	<u>74,460,429.92</u>
		<u>207,397,239.97</u>	<u>178,308,475.49</u>

GROUP PROFIT AND LOSS ACCOUNT STATEMENT (IFRS) FOR THE TIME FROM JANUARY 1ST TILL DECEMBER 31ST 2005

	Appendix	01.01. - 31.12.2005 EUR	01.01. - 31.12.2004 EUR
Sales revenue	(3.1)	387,147,728.03	343,810,902.86
Decrease (2004: increase) of finished or unfinished goods		-192,368.21	227,655.64
Other operating income	(3.2)	5,326,460.51	3,418,716.87
Material costs			
Expenses for raw materials and auxiliary materials and for delivered goods		-272,091,738.62	-243,330,068.53
Expenses for delivered services		-270,513.08	-205,831.16
Personnel expenses	(3.3)		
Wages and salaries		-28,579,439.83	-25,729,382.07
Social duties and expenses for retirement benefits and support		-5,081,936.65	-4,919,683.12
Depreciations on intangible assets of fixed assets and on tangible assets	(2.1)	-3,941,876.49	-4,309,753.29
Other operating expenses	(3.4)	-57,133,110.83	-47,762,896.91
Financial result	(3.5)	-2,836,495.85	-3,301,216.70
Result of ordinary activities		<u>22,346,708.98</u>	<u>17,898,443.59</u>
Taxes on income and profit	(3.6)	-6,358,038.39	-5,470,485.72
Other taxes		-405,629.75	-348,517.95
Annual result of the group		<u>15,583,040.84</u>	<u>12,079,439.92</u>
Profit attributed to minority interests		<u>-903,453.07</u>	<u>-418,957.28</u>
Annual group result after being attributed to minority interests		<u>14,679,587.77</u>	<u>11,660,482.64</u>
Retained earning from the previous year		17,281,062.91	10,782,556.27
Classification in other surplus reserves		<u>-4,423,000.00</u>	<u>-3,023,000.00</u>
Retained earnings		<u>27,537,650.68</u>	<u>19,420,038.91</u>