

Dear shareholder,

In the first half of the financial year 2008, the Einhell Group had to deal with difficult conditions both in its domestic market in Germany and in European markets; additional hurdles were thrown up by a decision of the EU Commission.

This makes it even more pleasing that the first half-year 2008 again produced outstanding returns and the financial power of the company was further strengthened.

This was achieved in particular due to consistent growth in foreign markets.

The decision by the EU Commission in the second quarter 2008 to apply anti-dumping duties of 52 – 77% against Chinese compressors had a negative effect on revenues and income. Commodity prices also increased and this had a significant impact on revenues both within the European Union as a whole, and in the German market in particular. Despite these difficult circumstances, Group revenues remained at about the same level as in the previous year.

In light of the international outlook of the company, it is becoming more important to stress its origins and tradition. Therefore, on 20 June 2008 the Annual General Meeting of the company resolved to change the company's name from "Hans Einhell AG" to "Einhell Germany AG" with effect from 15 July 2008.

The interim half-year report was not subject to audit pursuant to §317 of the German Commercial Code (HGB), nor was it subject to review by an auditor.

Condensed Group Management Report of Einhell Germany AG

General economic conditions

In the first half of the year, the global economy was suffering from weakening growth and rising inflation. High oil prices, the fallout from the property crisis in the USA and in some European countries and ongoing turbulence in the international financial markets continued to dampen economic growth. Inflation increased in emerging markets as well, although their economic growth is still dynamic.

On the whole the start of 2008 has been successful in the euro zone, despite many forecasts to the contrary. Strong growth in Germany in particular has contributed to this, whereas the other countries of the monetary union performed considerably less well. Nevertheless, the European monetary union should expect a clear weakening of dynamic.

The German economy made a good start to the current year and has proven to be robust despite increasing negative

factors from the global economy. This also applies despite the strong one-off domestic effect caused by the mild winter, which had a strong positive effect on the economic cycle in the first quarter. The second quarter saw a significant weakening of economic activities. The effects of subduing factors from the global economy are becoming more evident at the same time.

Private consumption is still being severely affected by prices and the inflation rate reached a new high in June at 3.3%. Wages have increased significantly recently but growth has remained below consumer price increases. Therefore, there should be little scope for increases in consumer spending in the second quarter.

The employment market continues to grow but it is slowing in comparison with the previous months. The reduction in unemployment could not quite keep up with existing trends in June, but it showed a significant improvement. Demand for employees continues to be strong. However, employment market trends are likely to slow due to the pressure of economic conditions.

In May this year, building centres in Germany showed healthy revenues of over €2 billion. The Garden & Leisure segment showed particularly healthy sales. However, in the first half-year 2008, negative trends in the Tools segment continued in comparison with the previous year.

Business activities

Einhell Group revenue slightly below previous year

In the first half-year 2008, the Einhell Group achieved revenues of €200.9 million, which represents a slight fall of €5.1 million or 2.5% in comparison with the previous year.

Revenues in the domestic German market amounted to €78.3 million; in the comparable period in 2007 revenues were €85.8 million. The share of domestic revenues as part of total Group revenues is 39.0%. This reduction is due to a fall in compressor revenues and market saturation in Tools in all west European countries. In comparison with the previous year, the building centre market saw falls of 6% for Tools, though this negative growth was partly offset by revenue growth in Garden & Leisure.

Within the European Union, revenues fell slightly by €1.2 million to €82.8 million (previous year €84.0 million), which represents a fall of 1.4%. The largest markets were Poland, Italy and Austria.

Revenues in Asia in the first half-year 2008 were €8.9 million (previous year €13.5 million).

Other countries showed a significant increase in revenue to €30.9 million (previous year €22.7 million). The largest markets were Croatia, Turkey, Ukraine and Switzerland.

Interim half-yearly report to 30 June 2008



The share of total Group revenues provided by foreign countries in the first half-year 2008 was 61.0%.

Segment development

The Tools segment showed revenues in the first half-year 2008 of €104.1 million (previous year €116.5 million). The reduction was due mainly to difficult market conditions for electrical hand tools in Germany and the effect on the market of increased duties on Chinese compressors.

Strongest product sales in this segment were generators, rotary hammers and as well as compressors with a strongly decreasing sales trend.

Growth in the Garden & Leisure segment was all the more pleasing and revenues in the first half-year 2008 amounted to €96.8 million (previous year €89.5 million). The strongest sales in this segment were for the product groups lawnmowers, tillers and chain saws.

Earnings performance

In the first half-year 2008, the Einhell Group earned profits from operations amounting to €11.6 million (previous year €12.8 million). Thus pre-tax yield in the first half-year 2008 was 5.8% (previous year 6.2%).

Group net profit after minority interests in the first half of the financial year 2008 amounted to €7.8 million (previous year €8.8 million). Earnings per share are calculated at €2.1 per share (previous year €2.3 per share).

Therefore, despite a slight fall in revenues and profits, the Einhell Group demonstrates that its earning power is sound.

Personnel and social security

The continuing international expansion of the Group meant that it was able to increase its number of worldwide employees in the reporting year. The number of employees at balance sheet date increased to 1,035 (previous year 989).

The Board of Directors of Einhell Germany AG would like to thank all employees of the Einhell Group for their performance and commitment, which made it possible to achieve the excellent returns earned during the reporting period.

Financial and assets position

The most important items in the balance sheet are as follows for 30 June 2007 and 30 June 2008:

	06/2008	06/2007
	€	€
	millions	millions
Non-current assets incl. deferred tax assets	36.5	37.4
Inventories	86.8	103.0
Receivables and other assets	85.0	95.9
Cash and cash equivalents	19.7	9.5
Equity	117.8	106.6
Liabilities to banks	48.0	62.7

Investments

In the first half-year 2008 the Einhell Group made investments amounting to €1.7 million, of which €10 million was for intangible assets and €0.7 million was for property, plant and equipment. Intangible assets included in particular capitalised investment costs for products. Additions to property, plant and equipment consisted mainly of operating and office equipment.

Current assets

Goods inventories decreased as against the previous year to €86.8 million (previous year €103.0 million). Receivables and other assets decreased in the first half-year 2008 in comparison with the previous year to €85.0 million (previous year €95.9 million). The reduction in inventories and receivables generated a positive cash flow which also proves the high asset value of these positions.

Changes to Group structure

At the beginning of 2008, the first company in South America was included in the Einhell Group. Einhell Chile S.A., registered in Santiago/Chile was a newly-formed company in which Einhell Germany AG holds 90% of the shares. There were no changes to Group structure in the second quarter.

Financing

The Einhell Group mainly used non-current loans for financing purposes in the first half-year 2008. In addition to classic non-current loans, it also uses a bonded loan which was issued in the financial year 2004.

The balance sheet total at 30 June 2008 was €228.1 million and the equity ratio at balance sheet date was 51.6%.

The Einhell Group was able to extend its financial base and further improve its financial power. This provides an excellent financial base for further expansion.

Research and development

As always, research and development in the Einhell Group is directed solely to meeting customer demand. We were again able to make great progress in product development and further distance ourselves from the competition. Our absolute priority in developing new product lines is to have our own tooling and designs in all product areas, so that there can be no direct comparison with competitors' products and to offer customers the largest possible range of supplementary functions.

Dependency report

The majority of voting rights in Einhell Germany AG are held by Thannhuber AG. We confirm that Einhell Germany AG did not carry out any business transactions with Thannhuber AG in the reporting period and did not undertake or fail to undertake any measures which would have been to the disadvantage of Einhell Germany AG.

Risk report

The risks to which the Einhell Group is exposed are unchanged as against the risks in the 2007 Financial Statements. Significant risks arise for buying, sales, financing, expansion and liability. An IT-based risk management information system provides support in the identification and management of risks. The Einhell Group uses various means to manage risk including passing on risk, risk reduction and avoidance. It uses standard market tools for hedging currencies, bad debt loss insurance and hedging of changes in interest rates and variations and operates appropriate insurance management.

Outlook

Global business development

In the opinion of the International Monetary Fund (IMF), global growth will fall significantly in the second half-year 2008 and it is expected that all large economic zones will cool down in the second half-year. There should also be a slowdown in growth even in important emerging economies such as China.

The risks for the global economy are diverse, taking in account the consequences of the crisis in the financial markets and therefore the credit supply. Rising global inflation is also causing ever greater cause for concern.

The international financial crisis, the weak US-economy and the high exchange rate of the euro are also having a drastic effect on economic growth in the euro zone.

In Germany, first indications from building centre companies still show positive tendencies for the start of the second half-year.

Further expansion

The Einhell Group sees opportunities above all in continued organic growth. Therefore, in the second half of the year it will continue to work on the setting up of Einhell subsidiaries in the Middle East, France, Scandinavia and Slovakia. Securing new partners and intensifying cooperation with the aim of taking over the company as a subsidiary also plays a decisive role. South American markets in particular look to be particularly lucrative.

The implementation of the individual elements of the IT and service strategy is on schedule. Group management anticipates growth in the segments Tools and Garden & Leisure in coming years. Especially the development of new products in these two segments based strictly on customer needs for both segments will strengthen this growth.

Einhell Group remains on course for success

The first half of the financial year 2008 for the Einhell Group was marked by the difficult situation on the domestic market and in Western Europe; foreign business managed to meet targets in particular due to strong expansion in other countries. In light of the current situation, The Board of Directors expects that planned Group target revenues for 2008 of €400 - €420 million will not be met. This is due mainly to the forecast revenue falls for compressors until 31 December 2008 of about €20 million. Group revenues to 31 December 2008 will probably be at the same levels as the previous year and it is expected that there will be a pre-tax yield of 5 - 6 %.

Landau a. d. Isar, 29 August 2008

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Dr. Markus Thannhuber

Jan Teichert
York Boeder

Consolidated balance sheet (IFRS) to 30 June 2008 (condensed version)

Assets	Selected note	30.6.2008 € thousand	30.6.2007 € thousand
NON-CURRENT ASSETS			
Intangible assets	2.1.	11,090	11,095
Property, plant and equipment		16,375	17,344
Non-current financial assets		976	955
Other non-current assets		3,152	3,966
		4,916	4,027
DEFERRED TAX ASSETS			
		36,509	37,387
CURRENT ASSETS			
Inventories	2.2.	86,819	103,016
Receivables and other current assets		85,041	95,886
Cash and bank balances and cheques		19,702	9,524
		191,562	208,426
		<u>228,071</u>	<u>245,813</u>

Equity and liabilities	Selected note	30.6.2008 € thousand	30.6.2007 € thousand
EQUITY			
Subscribed capital		9,662	9,662
Capital reserve		26,677	26,677
Retained earnings		60,631	52,117
Minority interest		5,495	3,915
Other cumulated equity		-955	-136
Adjustment charges for foreign currency exchange		-3,153	-1,076
Consolidated net income		19,403	15,437
		117,760	106,596
NON-CURRENT LIABILITIES			
Non-current liabilities to banks		15,250	15,787
Bonded loans		30,000	30,000
Non-current provisions	2.3.	2,147	2,078
Non-current liabilities		3,053	2,183
Deferred taxes		1,637	2,020
		52,087	52,068
CURRENT LIABILITIES			
Current provisions	2.3.	21,686	23,044
Current liabilities to banks		2,708	16,924
Current liabilities from trade payables and other liabilities		33,830	47,181
		58,224	87,149
		<u>228,071</u>	<u>245,813</u>

Consolidated income statement (IFRS) for the period from 1 January to 30 June 2008

	Selected note	1.1. - 30.6.2008	1.1. - 30.6.2007
		€ thousand	€ thousand
Revenues		200,894	205,973
Increase or decrease in finished and unfinished goods		-109	0
Capitalised costs		0	0
Other operating income		3,050	3,089
Cost of materials		-144,207	-148,312
Personnel expenses		-18,443	-16,087
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment		-1,798	-1,907
Other operating expenses	3.1.	-26,019	-28,541
Net finance costs		-1,786	-1,396
Profit from operations		11,582	12,819
Income taxes		-2,979	-3,502
Consolidated net income		8,603	9,317
Share of other shareholders in consolidated net income		-782	-556
Consolidated net income less share of other shareholders		7,821	8,761
Retained earnings from previous year		11,582	6,676
Transfer to other retained earnings		0	0
Consolidated net profit		<u>19,403</u>	<u>15,437</u>

Consolidated cash flow statement (IFRS) for the period from 1 January to 30 June 2008

in € thousand	1.1. - 30.6.2008	1.1. - 30.6.2007
Net cash from/used in operating activities		
Profit before taxes	11,582	12,819
+ Depreciation and amortisation of intangible assets and property, plant and equipment	1,798	1,907
- Interest income	-346	-370
+ Interest expenses	1,780	1,630
+/- Other non-cash income and expenses	9	-8
Operating profit before changes of net working capital	14,823	15,978
+/- Decrease/increase in trade receivables	-6,439	-25,527
+/- Decrease/increase in inventories	13,447	-26,907
+/- Decrease/increase in other assets	3,333	-631
+/- Increase/decrease in non-current liabilities	-181	1,974
+/- Increase/decrease in current liabilities	3,091	4,641
+/- Increase/decrease in trade payables	-12,348	16,818
Cash flows from operating activities	15,726	-13,654
- Taxes paid	-3,955	-5,170
+ Interest received	207	216
- Interest paid	-1,661	-1,355
Net cash flows from operating activities	10,317	-19,963
Cash flows from investing activities		
- Payments to acquire assets	-1,749	-10,475
+ Proceeds from disposal of assets	26	39
- Payments for acquisition of equity investments	-795	-4,806
+ Increase in goodwill	285	5,332
Net cash flow from investing activities	-2,233	-9,910
Cash flows from financing activities		
+/- Increase/decrease in loan obligations	120	15,893
- Payments to shareholders including minority shareholders	-3,271	-2,894
- Payments for liabilities for finance leases	-25	-31
Net cash flows for financing activities	-3,176	12,968
Changes to capital funds due to currency exchange	202	-172
Net cash acquired from acquisitions	0	276
Net decrease/increase of cash and cash equivalents	5,110	-16,801
Cash and cash equivalents at beginning of period	14,592	26,325
Cash and cash equivalents at end of period	19,702	9,524

Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the first half-year from 1 January to 30 June 2008

1. Principles and methods used in consolidated financial statements

1.1 Basis of consolidation

A new company in South America was included in the Group consolidation from the beginning of 2008. Einhell Germany AG holds 90% of the shares of Einhell Chile S.A. of Santiago, Chile.

1.2. Accounting and valuation policies

The half-yearly report to 30 June 2008 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2007.

2. Notes to balance sheet

2.1. Non-current assets

Intangible assets at 30 June 2008 amounted to €11.1 million. Property, plant and equipment amounted to €16.4 million.

2.2. Inventories

	June 2008	June 2007
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	837	2,237
Work in progress	110	222
Finished goods (at cost) less impairment	85,679	100,264
Prepayments	193	292
Total	86,819	103,015

2.3 Provisions

Total provisions amount to € 23,833 thousand and include non-current provisions of €2,147 thousand. Provisions include in particular provisions for guarantees, credits to customers and tax provisions.

3 Notes to income statement

3.1 Other operating expenses

Other operating expenses as at 30 June 2008 amount to €26,019 thousand and include in particular postage of goods, guarantees, customer services, impairment, advertising and product design.

4. Segment reporting

4.1. Segment reporting by segment

June 2008 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	104,070	96,824	200,894	0	200,894
Operating segment revenues (EBIT)	6,183	7,185	13,368	0	13,368
Group net profit	3,551	4,270	7,821	0	7,821

June 2007 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	116,499	89,474	205,973	0	205,973
Operating segment revenues (EBIT)	8,212	6,003	14,215	0	14,215
Group net profit	5,073	3,688	8,761	0	8,761

“Reconciliation” shows income and expenses which are not directly attributable to segments.

EBIT consists of earnings from ordinary operations and financial earnings (including currency effects).

4.2 Segment reporting by region

Segment reporting by region is as follows:

June 2008 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	78,259	82,823	30,892	8,920	0	200,894

June 2007 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	85,826	83,984	22,724	13,439	0	205,973

“Reconciliation” shows income and expenses which are not directly attributable to segments.

5. Statement of responsibility

To the best of our knowledge the interim consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the Group and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Landau, 29 August 2008

The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder