

## Dear shareholder,

In the first half-year 2010, the Einhell-Group was able to increase revenues by 4.7% in comparison with the same period last year. This is due in particular to the high demand for the new product lines “Red” and “Blue”.

The excellent equity ratio and stable and solid financial structure of the Einhell-Group provide an excellent base for financing current operations and for the intended future increase in business volume.

The financial report was not subject to audit pursuant to Section 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

After the crisis in 2009, when the global economy contracted for the first time since the Second World War, the global economy is now picking up in the wake of the Chinese economy. Asia is the fastest growing region, and its motor is the Chinese economy.

Hopes for the global economy rest on the strongly growing emerging markets, where the International Monetary Fund (IMF) expects growth for the Asian economies this year of more than 9%. In contrast, the world's older industrial states, particularly the USA, appear weaker. The second consecutive fall in retail sales, an expanding export deficit and unemployment figures hovering around 10% do not rule out a double-dip recession.

Eurozone business is recovering surprisingly well from the financial crisis, and Germany is playing a key part in this. Germany as an export nation is currently profiting particularly well from the recovery in the global economy. Barometers such as the Ifo business climate index, orders and procurement manager indices also signal strong growth.

Industrial orders have seen a significant increase, with industrial order volume up by 7.7% as against the previous quarter. Industrial capacity has even returned to long-term average levels. Growth in Germany's manufacturing industry fell slightly in June. According to the German Federal Statistical Office, adjusted revenues fell by 0.3% as against the previous month. In May, there had been growth of 3.2%.

The situation in the employment markets continued to improve due to the economic recovery. Unemployment fell 0.2 percentage points in June 2010 to 7.5%. Employment figures continue to be supported by short-time working, but the application of short-time working has fallen considerably. Unemployment and below-capacity employment have increased since the financial crisis, but

remain much lower than expected. Seasonally adjusted unemployment figures in the Eurozone have risen by 0.5 percentage points over the same period last year, and stood at 10% in June 2010.

In June 2010, German exports were 28.5% higher than June 2009, and imports were also 31.7% higher. There was a particularly strong increase in exports to countries outside Europe. Whilst exporters struggled in the crisis year 2009 with the worst revenue collapse since the establishment of the Federal Republic of Germany, amounting to about 18%, they boosted revenues in the first half-year 2010 by 18.2%. The foreign trade balance showed a surplus in June 2010 of €14.1 billion.

The consumer price index for Germany rose in June 2010 by 0.9% as against the same period in the previous year. Whilst the annual inflation rate in May was still 1.2%, the inflation rate measured against the consumer price index fell slightly in June 2010. The inflation rate is still heavily influenced by price changes in the energy sector. In June 2010, the Harmonised Index of Consumer Prices (HICP) for Germany was 8% higher than in the comparable period in the previous year.

After modest sales in the spring, summer temperatures in June led to an upswing in DIY store business. Almost all DIY store departments contributed to sound half-year earnings for the DIY industry. In comparison with the first half-year 2009, the DIY industry saw increased revenues of 1.7% in the reporting period. This demonstrates stable growth in the sector for the fourth consecutive quarter.

### Business activities

#### Einhell-Group revenues over the level as last year

The Einhell-Group earned revenues of €190.0 million in the first half-year of the financial year 2010 (previous year €181.5 million). This represents an increase of €8 million as against the same period of last year.

Revenues in the domestic German market amounted to €80.5 million; in the first six months of 2009 revenues were €73.2 million. This represents a year-on-year revenue increase of 10%. The share of domestic revenues as part of total Group revenues is 42.4%.

In the European Union, revenues were €74.0 million (previous year €74.2 million). The largest markets were still Italy, Austria and Poland.

Revenues in Asia amounted to €10.4 million (previous year €10.8 million).

Other countries were able slightly increase revenues in the first half-year 2010. Revenues increased by €1.8 million to €25.1 million as against comparable periods in the previous year. The largest markets were still Turkey and Switzerland.

The share of total Group revenues provided by other countries in the first half-year 2010 was 57.6%.

## Segment growth

The Tools segment increased revenues in the first half-year 2010 by €3.2 million of €99.6 million (previous year €96.4 million). The most significant sales in this segment were generated by fixed woodworking machinery, compressed air technology machines and hand tools.

The Garden & Leisure segment also saw a slight increase in revenues in comparison with the first half-year 2009. Revenues in the first six months of the fiscal year 2010 amounted to €90.4 million (previous year €85.1 million). The strongest sales in this segment were for the garden care, water technology and lawnmower segments.

## Earnings

The Einhell-Group earned profits from operations amounting to €12.0 million in the period January to June 2010 (previous year €9.8 million). The pre-tax yield increased to 6.3% (previous year 5.4%).

The Group net profit after minority interests in the first half-year 2010 increased by €1.4 million in comparison with the previous year to €8.7 million. Earnings per share are calculated at €2.3 per share (previous year €1.9 per share).

## Personnel and social security

The number of employees at reporting date decreased as against the previous year by 21 to 989.

The Board of Directors would like to take this opportunity to thank all employees, as it is their performance and commitment that have made it possible to achieve the sound returns earned during this reporting period.

## Financial and assets position

The most important items in the statement of financial position are as follows at 30 June 2010 and 30 June 2009:

	06/2010	06/2009
	€ millions	€ millions
Non-current assets incl. deferred tax assets	32.6	33.4
Inventories	86.6	90.0
Receivables and other assets	104.1	81.9
Cash and cash equivalents	31.5	22.1
Equity	143.8	125.0
Liabilities to banks	42.6	46.5

## Investments

In this reporting period, the Einhell-Group made investments amounting to €0.9 million, most of which was with respect to property, plant and equipment.

## Current assets

Goods inventories decreased as against the previous year to €86.6 million (previous year €90.0 million). Trade receivables and other assets increased in this reporting period in comparison with the previous year to €1041 million (previous year €81.9 million).

## Changes to Group structure

In the first half-year 2010, 10% of the shares in Einhell Australia were transferred to the local managing director. Einhell also took over all shares in Einhell Middle East Trading FZC and the company became a fully owned Group subsidiary.

## Annual General Meeting of Einhell Germany AG

The Annual General Meeting of Einhell Germany AG was held in Landau a. d. Isar on 18 June 2010. The main issues of the Annual General Meeting were a review of the financial year 2009 and outlook for the current financial year 2010. The meeting proceeded in an orderly fashion and all agenda items were approved by shareholders with a convincing majority vote.

## Dependency report

Thannhuber AG holds the majority of voting rights in Einhell Germany AG. We hereby 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 that 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 2009 Financial Statements. Significant risks arise in particular for purchasing, sales, financing, expansion and liability. The departments domestic controlling, investment controlling, finance, Group accounting and legal form the internal control system of the Einhell-Group. The risk management system as an integral component of the internal control system is designed to prevent the risk of misstatement in Group bookkeeping and external reporting in the Group accounting and is designed to provide early warning of any risk. 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.

## Forecast

### Global business development

Prospects for global growth in 2010 have improved but it remains to be seen whether the improvement is sustainable. Risks to the global economy come, of all places, from growth driver China. If it's local economy overheats and sets off a property market bubble, this could endanger recovery of the global economy.

The outlook for the US economy is also uncertain. The weak real estate market and high unemployment are regarded as decisive brakes on the US economy. Additionally, many European countries are burdened with high public debt. Drastic cuts may permit deficits to be lowered, but they also hinder the economic upturn.

However, the mood in Germany is rosier. According to a forecast of the International Monetary Fund, German economy growth in 2010 will be above the Eurozone average. After surprisingly good order volumes, experts are again revising their figures upwards and anticipate economic growth in Germany of 2.5% or more.

The Exporters Association BGA expects revenue increases of up to 10% for exports in 2010, particularly as global trade has stabilised due to low interest rates and numerous economic stimulus programmes. German businesses are also profiting from the weaker Euro, which reduces the price of German products in important markets.

However, a number of risks to the economy mean that the positive figures from the first half-year must be viewed with some caution. The latest business figures give rise to optimism, but it should also be realised that the global economy has profited from one-off effects that are now wearing off. On the one hand, production was strongly advantaged as many companies are refilling their warehouses after the crisis. Secondly, there are still positive effects from state support measures. The Board of the European Central Bank also recognises risks that the problems in the financial markets could return and other problems could arise from rising oil and commodity prices.

### Corporate strategies

The expansion strategy of the Einhell-Group will be more moderate in the future. Whilst we set up numerous subsidiaries over the past few years, in the future Einhell will concentrate on establishing the new Group companies in their relative markets and on development of the business in South America. Business operations in Chile, the first sales company in South America, are progressing well. The

new subsidiary Einhell Brasil has begun operations as scheduled. We are also currently holding discussions with other countries in South America.

The strategic goals of the Einhell-Group of increasing its profile as an electrical tool and garden machinery supplier remain unchanged. The corporate aim is to strengthen Einhell products as listed goods in DIY stores. Einhell is to strengthen its presence in building and DIY stores under the motto "Quality for the price conscious".

## Outlook

The past half-year 2010 has shown positive growth in revenues and earnings.

However, the Einhell-Group is still feeling the impact of steep increases in freight costs. Maritime transportation rates in US dollars have become much more expensive in recent months. Increased commodity prices have also had an effect on prices. Yet despite these poorer conditions and the uncertain global economic recovery, Einhell expects to improve on 2009 revenues and earnings.

Therefore, Einhell is raising its forecast, which previously predicted equivalent revenues and earnings to 2009 levels. Proceeding on the assumption that no extreme negative external effects will occur before the end of the year, the Board of Directors is expecting 2010 revenues to increase by about 5% over the previous year. The pre-tax revenue yield would amount to about 5-6% under these conditions.

It is conceivable that improved market conditions in procurement, commodities, currencies and freights will have further potential. These factors currently mean that we cannot exclude risks to gross profit margins.

The Board of Directors is positive about future development. Einhell has a strong market position, solid balance sheet and financial structures and extensive know-how about operations and extending into new markets.

Landau a. d. Isar, 26 August 2010

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber  
York Boeder

## Consolidated statement of financial position (IFRS) to 30 June 2010 (condensed version)

Assets	30.6.2010 € thousand	30.6.2009 € thousand
<b>NON-CURRENT ASSETS</b>		
Intangible assets	8,718	10,643
Property, plant and equipment	16,321	14,321
Non-current financial assets	992	984
Other non-current assets	2,777	2,874
<b>DEFERRED TAX ASSETS</b>	3,746	4,617
	<u>32,554</u>	<u>33,439</u>
<b>CURRENT ASSETS</b>		
Inventories	86,647	89,982
Receivables and other current assets	104,074	81,883
Cash and bank balances and cheques	31,454	22,122
	<u>222,175</u>	<u>193,987</u>
	<u>254,729</u>	<u>227,426</u>

Equity and liabilities	30.6.2010 € thousand	30.6.2009 € thousand
<b>EQUITY</b>		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	92,937	84,232
Other cumulated equity	2,740	-452
Adjustment charges for foreign currency exchange	183	-5,248
Consolidated net income of shareholders of Einhell Germany AG	8,728	7,267
Consolidated equity of shareholders of Einhell Germany AG	140,927	122,138
Minority interest	2,875	2,832
	<u>143,802</u>	<u>124,970</u>
<b>NON-CURRENT LIABILITIES</b>		
Non-current liabilities to banks	41,527	1,884
Non-current provisions	2,369	2,131
Non-current liabilities	1,849	2,665
Deferred taxes	1,419	1,325
	<u>47,164</u>	<u>8,005</u>
<b>CURRENT LIABILITIES</b>		
Current provisions	13,787	14,243
Current liabilities to banks	1,071	44,633
Current liabilities from trade payables and other liabilities	48,905	35,575
	<u>63,763</u>	<u>94,451</u>
	<u>254,729</u>	<u>227,426</u>

# Interim half-yearly report to 30 June 2010



## Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 30 June 2010

	1.1. - 30.6.2010	1.1. - 30.6.2009
	€ thousand	€ thousand
Revenues	189,985	181,485
Increase or decrease in finished and unfinished goods	0	0
Capitalised costs	0	0
Other operating income	4,264	3,672
Cost of materials	-134,875	-128,709
Personnel expenses	-18,666	-17,463
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment	-1,617	-1,668
Other operating expenses	-26,379	-24,875
Net finance costs	-702	-2,683
<b>Profit from operations</b>	<b>12,010</b>	<b>9,759</b>
Income taxes	-3,326	-2,409
<b>Consolidated net income</b>	<b>8,684</b>	<b>7,350</b>
<b>Share of other shareholders in consolidated net income</b>	<b>44</b>	<b>-83</b>
<b>Consolidated net income less share of other shareholders</b>	<b>8,728</b>	<b>7,267</b>

## Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 June 2010

in € thousand	1.1. - 30.6.2010	1.1. - 30.6.2009
<b>Net cash from/used in operating activities</b>		
Profit before taxes	12,010	9,759
+ Depreciation and amortisation of intangible assets and property, plant and equipment	1,617	1,668
- Interest income	-228	-174
+ Interest expenses	1,339	1,406
+/- Other non-cash income and expenses	1,034	878
<b>Operating profit before changes in net working capital</b>	<b>15,772</b>	<b>13,537</b>
+/- Decrease/increase in trade receivables	-28,782	-10,557
+/- Decrease/increase in inventories	-6,387	22,809
+/- Decrease/increase in other assets	-9,397	3,491
+/- Increase/decrease in non-current liabilities	-227	-328
+/- Increase/decrease in current liabilities	4,833	168
+/- Increase/decrease in trade payables	3,236	-15,698
<b>Cash flows from operating activities</b>	<b>-20,952</b>	<b>13,422</b>
- Taxes paid	-1,784	-4,508
+ Interest received	175	83
- Interest paid	-685	-1,345
<b>Net cash flows from operating activities</b>	<b>-23,246</b>	<b>7,652</b>
<b>Cash flows from investing activities</b>		
- Payments to acquire assets	-915	-1,152
+ Proceeds from disposal of assets	50	21
- Payments for acquisition of equity investments	0	-2,980
+/- Increase/decrease in goodwill	-66	445
<b>Net cash flow from investing activities</b>	<b>-931</b>	<b>-3,666</b>
<b>Cash flows from financing activities</b>		
+/- Increase/decrease in loan obligations	444	245
+ Payments received from minority shareholders	0	0
- Payments to shareholders including minority shareholders	-2,139	-2,239
- Payments for liabilities for finance leases	-32	-15
<b>Net cash flows for financing activities</b>	<b>-1,727</b>	<b>-2,009</b>
Changes to capital funds due to currency exchange	-240	174
Net cash acquired from acquisitions	0	0
<b>Net decrease/increase of cash and cash equivalents</b>	<b>-26,144</b>	<b>2,151</b>
Cash and cash equivalents at beginning of reporting period	57,598	19,971
<b>Cash and cash equivalents at end of reporting period</b>	<b>31,454</b>	<b>22,122</b>

## Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 June 2010

### 1. Notes to principles and methods used in consolidated financial statements

#### 1.1 Basis of consolidation

During this reporting period, 10% of the shares in Einhell Australia were transferred to the local managing director. Einhell also took over all shares in Einhell Middle East Trading FZC and the company became a fully owned group subsidiary.

#### 1.2 Accounting and valuation policies

The interim half-yearly report to 30 June 2010 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2009.

### 2. Notes to statement of financial position

#### 2.1 Non-current assets

Intangible assets at 30 June 2010 amounted to €8.7 million. Property, plant and equipment amounted to €16.3 million.

#### 2.2 Inventories

	June 2010	June 2009
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	1,074	1,168
Work in progress	0	0
Finished goods (at cost less impairment)	84,745	88,493
Prepayments	828	321
<b>Total</b>	<b>86,647</b>	<b>89,982</b>

#### 2.3 Provisions

Total provisions amount to €16,156 thousand and include non-current provisions of €2,369 thousand.

Provisions include in particular provisions for guarantees, and tax provisions.

### 3. Notes to consolidated statement of comprehensive income

#### Other operating expenses

Other operating expenses as at 30 June 2010 amount to €26,379 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 2010 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	99,567	90,418	189,985	0	189,985
Profit from operations (EGT)	5,812	6,198	12,010	0	12,010
Net finance costs	-368	-334	-702	0	-702

June 2009 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	96,440	85,045	181,485	0	181,485
Profit from operations (EGT)	4,106	5,653	9,759	0	9,759
Net finance costs	-1,425	-1,258	-2,683	0	-2,683

Reconciliation shows income and expenses that are not directly attributable to segments.

## 4.2 Segment reporting by region

Segment reporting by region is as follows:

June 2010 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	80,545	73,932	25,092	10,416	0	189,985

June 2009 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	73,232	74,172	23,331	10,750	0	181,485

Reconciliation shows income and expenses that 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 a. d. Isar, 26 August 2010

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
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