

Dear Shareholders,

Over the past quarter, the Einhell Group has been on track to meet its targets for the financial year 2011. Year-on-year revenues were increased by 4.3% and there was a pre-tax yield of 6.0%.

Einhell enjoys increasing levels of customer awareness. In Eastern European countries, it has now a market-leading position despite difficult economic conditions. Einhell has also become a significant force in emerging markets.

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

The global economy grew significantly in the first quarter 2011. The Organisation for Economic Cooperation and Development (OECD) estimates that general domestic product (GDP) in the leading economic nations (excluding Japan) increased by 3.2%. The OECD forward-looking indicator to 30 member countries increased in March 2011 by 0.2 points to 103.2. According to the Austrian Institute of Economic Research (Wifo), South America and Asia have not only returned to pre-crisis levels of economic performance but have even started to grow again at previous levels.

The business climate in the euro zone continued to improve at the beginning of the year. Economic growth was better than expected due to unexpectedly good growth in Germany and France. According to the European statistical authority Eurostat, GDP for the quarter improved by 0.8%, which is a year-on-year improvement of 2.5%. Economists were predicting growth of only 0.6% or rather 2.2%. Inflation increased due to rising commodity prices. The EU Commission increased its inflation forecast for the euro zone by 0.4 percentage points to 2.6%.

The German economy profited disproportionately from the global economic recovery due to its high export dependency. According to the German Federal Statistical Office, seasonally-adjusted real GDP increased by 1.5% as against the previous quarter. Significant growth came from building investment in particular, but also from capital spending and private consumption.

Due to strong demand from Europe, German exporters sold more in March to other countries than in the history of the Federal Republic. In the first quarter, German companies increased their exports by around 4% in comparison with

the fourth quarter 2010. According to the German Federal Office of Statistics, in March 2011 exports amounted to €98.3 billion and imports totalled €79.4 billion. Therefore exports were 15.8% higher and imports were 16.9% higher than in the same month of the previous year. Compared to March 2010, exports to EU countries rose by 16.0% and imports from EU countries increased by 21.1%. Exports to other countries increased by 15.4% and imports by 9.9%. There was an export surplus in March 2011 of €18.9 billion, which is €1.9 billion better than the same month of the previous year. The industry association BGA expects export revenues to exceed 1,000 billion for the first time in 2011.

Throughout the entire first quarter, new orders in the industry increased as against the fourth quarter 2010 by 2.3%. This continues the improving trend but is slightly lower and settling down after the recovery phase after the economic collapse. Production in German commerce also improved in March. In comparison to the fourth quarter 2010, the production increased by 2.6%.

Employment markets are profiting mainly from the stable improvement of the German economy. Year-on-year there were 350,000 fewer registered unemployed in March 2011. Employment and jobs with social security contributions continued to increase and were well above the level of the previous year. The labour demand also increased. The total unemployment ratio in March 2011 was 7.6%. Unemployment rates in the euro zone remained stable, but were still high at 9.9%.

The German state also profits from the strong employment markets. The German Federal Ministry of Finance expects additional income of around €130 billion through to 2014 from Federal, provincial and local governments.

The German consumer price index in March 2011 was +2.1% higher than in the same month of the previous year. The index had also recorded 2.1% in February 2011. This was mainly due to new price rises for energy. Without taking this into account, the inflation rate in March 2011 would have been just +1.0. The harmonised index of consumer prices (HVPI) for Germany was 2.3% higher in March 2011 than in March of the previous year. Prices continued to rise in the EU. The annual inflation rate in the EU was 3.1% in March 2011 as against 2.0% in the previous year.

After a successful financial year 2010 with an increase in gross revenues of 3%, 2011 also saw a promising start in the Do-it-yourself-industry. There was already an increase in revenues of almost 3% by the end of February. The optimistic mood indicates a positive outlook for 2011.

Business activities

Einhell Group revenues significantly above previous year levels

In the first three months of the financial year 2011, the Einhell Group earned revenues of €94.6 million (previous year €90.7 million). This represents a year-on-year revenue increase of €3.9 million.

Revenues in the domestic German market amounted to €36.6 million (previous year €39.5 million). The share of domestic revenues as part of total Group revenues is 38.7%.

In the European Union, revenues increased to €39.8 million (previous year €34.3 million). This represents a revenue increase over the previous year of 16%. The largest markets were again Austria, Italy and Poland.

Asia generated revenues of €2.1 million (previous year €5.4 million).

Other countries were able to significantly increase revenues year-on-year with an increase of €4.6 million to €16.1 million (previous year €11.5 million). The largest markets were again Turkey and Switzerland.

The share of total Group revenues provided by other countries in the reporting period was 61.3%.

Segment growth

The Tools segment increased revenues in the first three months of 2011 by €2.5 million to €48.1 million (previous year €45.6 million). The most significant sales in this segment were generated by wood processing products, compressed air technology and hand tools. Electrical generators and compressors also saw strong sales.

The Garden & Leisure segment also saw a slight increase in revenues in comparison with the previous year. Revenues at 31 March 2011 amounted to €46.5 million (previous year €45.1 million). Strong sales were generated by the lawn and garden care division, particularly the product groups lawnmowers, trimmers, scarifiers and hedge clippers.

Earnings

In the period January to March 2011, the Einhell Group earned profits before tax amounting to €5.7 million (previous year €5.9 million). Thus pre-tax yield amounted to 6.0% (previous year 6.5%).

The Group net profit after minority interests in the first quarter of the financial year 2011 increased by €0.1 million in comparison with the previous year to €4.4 million (previous year €4.3 million). Earnings per share are calculated at €1.2 per share (previous year €1.1 per share).

Personnel and social security

The Einhell Group had 1,080 employees on 31 March 2011. This represents an increase of 98 employees as against the previous year. There are 366 employees in Germany (previous year 321). Recruitment in 2011 was mainly in the division's product processing, marketing and sales.

The qualifications and motivation of the employees are important for Einhell to be successful and this is why Einhell continually expand its in-house training. Einhell also continually improve and update the content and structure of its in-house training. Einhell place great importance on training for junior staff and offers a dual study programme in conjunction with the Duales Hochschule Baden-Württemberg Stuttgart. A management trainee programme also prepares junior staff for international operations and improves their specialist knowledge.

The Board of Directors would like to take this opportunity to thank all Group employees for their sound performance that allowed for such a good result in the first quarter of the financial year 2011.

Financial and assets position

The most important items in the statement of financial positions are as follows at 31 March 2011 and 31 March 2010:

	03/2011	03/2010
	€ million	€ million
Non-current assets incl. deferred tax assets	35.8	33.5
Inventories	113.7	84.0
Receivables and other assets	110.5	108.9
Cash and cash equivalents	7.0	20.0
Equity	144.9	138.7
Liabilities to banks	51.0	42.2

Investments

The Einhell Group made investments in the reporting period amounting to €0.5 million (previous year €0.4 million), most of which was with respect to property, plant and equipment.

Current assets

Goods inventories increased as against the previous year to €113.7 million (previous year €84.0 million).

Trade receivables and other assets are shown after deduction of impairment for bad debts. In this reporting period these were less than the previous year at €87.9 million (previous year €89.0 million).

Other assets increased in comparison with the previous year by €2.7 million to €22.6 million.

Group structure

There were no changes to Group structure in this reporting period.

Investor relations

On 3 May 2011 Einhell Germany AG took part in the Entry and General Standard conference in Frankfurt am Main in order to interact with analysts and investors. The presentation addressed the figures from the annual report 2010 and an outlook for the first quarter 2011.

Dependency report

As previously notified in 2002 pursuant to Section 21 (1) of the Securities Trading Act (Wertpapierhandelsgesetz - WpHG), the shareholding of Thannhuber AG with its registered office in Landau a. d. Isar exceeded the threshold of 75% of the ordinary shares.

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 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 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 financial accounting figures from the single-entity companies are prepared on a monthly basis. A complete profit and loss statement is prepared that compares the budgeted and actual figures and allows for analysis of the figures. Development of orders and margins is also shown for all companies on a monthly basis. This comparison is discussed with the members of the Board of Directors and with the managers for the separate divisions and companies. The analysis of the budgeted and actual figures permits corresponding measures to be developed and taken to control these risks.

The internal control system comprises integrated process controls and controls that are external to processes. 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 auditing controls external to the process controls within the Einhell Group. In particular, the audit of Group financial statements by the Group auditors is an important external control with respect to the Group accounting processes.

The Einhell Group operates internationally and this exposes it 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 risk management are implemented with the approval of the Board of Directors by a central treasury department working in close conjunction with the Group companies.

In summary, in the opinion of the Board of Directors there are no risks that endanger the future of the Group as a going concern.

Forecast

Global business development

The current growth in the global economy continues but is growing weaker. Dynamics in Europe and the USA are still strongly affected by recovery effects after the financial crisis. When they come to an end, along with the expiry of strong political impulses, the global economy will decline during the course of the year. The International Monetary Fund (IMF) estimates that the global economy will grow by 4.4% in 2011 and 4.5% in 2012, after growth of 5% in 2010. However, this is a two-speed recovery. Whilst industrial countries showed growth of 2.4%, emerging markets are forecast growth of 7.5%.

However, the global economy is increasingly affected by the following factors: high oil prices, the financial situation of the peripheral euro states, interest rate policies in emerging market countries and the increase of base rates in Europe.

European growth

Driven by the strong German economy, the upturn in Europe will continue. The International Monetary Fund (IMF) expects growth in Europe of 2.4% for 2011 and 2.6% for 2012. However, the highly indebted crisis countries will probably remain in recession. The greatest risk for economic development is the tension in the euro countries. Until now, decisive action has prevented an expansion of the public deficit and financial crisis, but the danger of a further expansion is not yet over.

German growth

The economic upswing has been more intensive in the first quarter 2011 than expected. With GDP growth of 1.5%, the German economy has not only started well into 2011, but has also exceeded pre-crisis levels. The dynamic will reduce over the course of the year but growth of 3% for the full year is very probable. Therefore, the German economy remains as the main driver of the European economy. Economists believe that the upturn will continue into 2012.

Einhell corporate strategy

The core strategy of the strategy paper that sets out the goals for the next five years is international expansion, with all the activities that it entails. Einhell sees good opportunities for the future in the implementation of this clearly defined strategy.

Market entry into the strategically important region – the South American market – has already been made. This future growth driver will also be further expanded in future years.

At the moment Einhell is setting up another Group company in Argentina that possibly commences its operations in 2011.

For new Group companies that have recently been set up, the focus is on full integration into the Group. The new companies in Australia, Norway and in South America are being increasingly integrated into the product and sales strategies, financing and IT of the Group.

Einhell also plans to take up a position in North African markets in the near future. In addition to the United Arab Emirates, there are also plans to expand our presence in the Middle East into countries such as Egypt and Saudi Arabia. Einhell also intends to expand activities in India and South Africa.

Provision of a global service organisation is necessary in order to provide the best global service for Einhell customers. Therefore, some of the Group employees are working on the development of an international service system. An excellent customer service available to customers worldwide will further distance Einhell from its competitors.

Outlook

Business development in the first quarter of the financial year was positive.

However, there was discernable difference in development in the different countries of the Group. In countries in the South and East of Europe in particular, revenues are still below pre-crisis levels.

In particular, the strong price increases on the international commodity markets are impacting on the Einhell Group. Einhell expects that commodity prices will continue to see strong rises that will affect prices and will, at the very least, impact on revenues. The risks from the stability of the Chinese Renminbi and the Euro are also difficult to estimate.

In recent years, the Einhell Group has demonstrated that it is well placed to overcome any risks that arise. Einhell will continue to optimise all divisions of the company in the future, and seeks to be flexible with respect to changes in the economic climate. Therefore, Einhell looks optimistically towards the future.

The Einhell Group expects revenue increases of 5-10% for the financial year 2011 as against 2010. With respect to profitability, Einhell expects a similar pre-tax profit yield to 2010.

Einhell is on track to meet its targets for 2011.

Landau a. d. Isar, 23 May 2011

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber

Financial Report to 31 March 2011



Consolidated statement of financial position (IFRS) to 31 March 2011 (condensed version)

Assets	31.3.2011 € thousand	31.3.2010 € thousand
NON-CURRENT ASSETS		
Intangible assets	8,965	9,002
Property, plant and equipment	17,052	16,596
Non-current financial assets	367	992
Other non-current assets	1,835	3,003
DEFERRED TAX ASSETS	7,531	3,858
	<u>35,750</u>	<u>33,451</u>
CURRENT ASSETS		
Inventories	113,737	84,022
Receivables and other current assets	110,541	108,879
Cash and cash equivalents	6,951	20,039
	<u>231,229</u>	<u>212,940</u>
	<u>266,979</u>	<u>246,391</u>

Equity and liabilities	31.3.2011 € thousand	31.3.2010 € thousand
EQUITY		
Subscribed capital	9,662	9,662
Reserves	135,769	121,752
Other cumulated equity	-4,223	1,692
Adjustment charges for foreign currency exchange	-2,967	-1,785
Consolidated net income of shareholders of Einhell Germany AG	4,412	4,282
Consolidated equity of shareholders of Einhell Germany AG	142,653	135,603
Minority interest	2,245	3,107
	<u>144,898</u>	<u>138,710</u>
NON-CURRENT LIABILITIES		
Liabilities to banks	41,148	41,543
Provisions	1,886	2,383
Liabilities	2,268	1,855
Deferred taxes	1,092	958
	<u>46,394</u>	<u>46,739</u>
CURRENT LIABILITIES		
Provisions	14,089	13,700
Liabilities to banks	9,808	674
Liabilities from trade payables and other liabilities	51,790	46,568
	<u>75,687</u>	<u>60,942</u>
	<u>266,979</u>	<u>246,391</u>

Financial Report to 31 March 2011



Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 31 March 2011

	1.1. - 31.3.2011	1.1. - 31.3.2010
	€ thousand	€ thousand
Revenues	94,641	90,738
Other operating income	2,460	2,138
Cost of materials	-67,709	-63,806
Personnel expenses	-10,554	-9,198
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment	-669	-837
Other operating expenses	-12,428	-12,492
Net finance costs	-61	-611
Profit before tax	5,680	5,932
Income taxes	-1,221	-1,676
Consolidated net income/loss	4,459	4,256
Share of other shareholders in consolidated net income/loss	-47	26
Consolidated net income after share of other shareholders	4,412	4,282

Financial Report to 31 March 2011



Consolidated statement of cash flows (IFRS) for the period from 1 January to 31 March 2011

in € thousand	1.1. - 31.3.2011	1.1. - 31.3.2010
Net cash from/used in operating activities		
Profit before taxes	5,680	5,932
+ Depreciation and amortisation of intangible assets and property, plant and equipment	669	837
- Interest income	-138	-129
+ Interest expenses	316	758
+/- Other non-cash income and expenses	346	481
Operating profit before changes in net working capital	6,873	7,879
+/- Decrease/increase in trade receivables	-26,185	-40,043
+/- Decrease/increase in inventories	-19,686	-8,467
+/- Decrease/increase in other assets	-9,086	-4,499
+/- Increase/decrease in non-current liabilities	370	-206
+/- Increase/decrease in current liabilities	895	6,077
+/- Increase/decrease in trade payables	3,136	3,289
Cash flows from operating activities	-43,683	-35,970
- Taxes paid	-1,380	-707
+ Interest received	120	104
- Interest paid	-458	-334
Net cash flows from operating activities	-45,401	-36,907
Cash flows from investing activities		
- Payments to acquire assets	-530	-465
+ Proceeds from disposal of assets	66	15
- Payments for acquisition of equity investments	-204	0
+/- Increase/decrease in goodwill	0	0
Net cash flow from investing activities	-668	-450
Cash flows from financing activities		
+/- Increase/decrease in loan obligations	8,529	63
+ Payments received from minority shareholders	0	34
- Payments to shareholders including minority shareholders	0	0
- Payments for liabilities for finance leases	-13	-17
Net cash flows for financing activities	8,516	80
Changes to capital funds due to currency exchange	42	-282
Net cash acquired from acquisitions	0	0
Net decrease/increase of cash and cash equivalents	-37,511	-37,559
Cash and cash equivalents at beginning of reporting period	44,462	57,598
Cash and cash equivalents at end of reporting period	6,951	20,039

Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 31 March 2011

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

1.1 Basis of consolidation

There were no changes to the companies included in the consolidation in this reporting period.

1.2 Accounting and valuation policies

The first quarter report to 31 March 2011 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2010.

2. Notes to statement of financial position

2.1 Non-current assets

Intangible assets at 31 March 2011 amounted to €9.0 million. Property, plant and equipment amounted to €17.1 million.

2.2 Inventories

	March 2011	March 2010
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	882	716
Finished goods	109,815	82,700
Prepayments	3,040	606
Total	113,737	84,022

2.3 Provisions

Total provisions amount to €15,975 thousand and include non-current provisions of €1,886 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 31 March 2011 amount to €12,428 thousand and include in particular postage of goods, warranties, customer services, impairment, advertising and product design.

4. Segment reporting

The identification of reportable operating segments pursuant to IFRS 8 is based on the concept of the Management Approach. Segmentation of the Einhell Group into the segments Garden & Leisure and Tools mirrors internal controls and reporting of the Einhell Group.

4.1 Segment reporting by segment

March 2011 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	48,119	46,522	94,641	0	94,641
Profit before tax (EBT)	2,500	3,180	5,680	0	5,680
Net finance costs	-31	-30	-61	0	-61

March 2010 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	45,589	45,149	90,738	0	90,738
Profit before Tax (EBT)	2,573	3,359	5,932	0	5,932
Net finance costs	-307	-304	-611	0	-611

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:

March 2011 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	36,645	39,767	16,140	2,089	0	94,641

March 2010 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	39,493	34,289	11,569	5,387	0	90,738

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, 23 May 2011

Einhell Germany AG
The Board of Directors

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