

Dear Shareholders,

The Einhell Group has been able to slightly improve its business volume as against the same period in the previous year. It generated revenues of €195.2 million in the first half-year 2011. This is an increase of about 2.7% by year-on-year comparison. The pre-tax yield amounts to 6.1%.

Despite these overall positive figures, Einhell was unable to match the increase in growth of the first quarter. Uncertainties in the financial markets and the debt crisis have already had a strongly effect on consumption in some regions.

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

Economic data from Asia also provides evidence that the Asian economies have also been affected by the debt crisis in Europe and the USA. Growth of Chinese GDP has slowed from 9.7% in the first quarter 2011 to 9.5%. The government continues to emphasise qualitative rather than quantitative growth and is therefore stimulating domestic demand and imports. However, China's economists continue to be concerned about ongoing inflation. The consumer price index stood at 6.4% in June, the highest level for 35 months. Economies also cooled significantly in other industrial countries. The American economy only managed to grow by 1.3% in the second quarter, and growth in the first half-year was at the lowest level since the end of the recession. Early indicators of the Organisation for Economic Cooperation and Development (OECD) for 30 member countries fell from 102.5 points in May to 102.2 points in June 2011.

Plagued by a severe debt crisis, the Euro zone is battling with an economic downturn. A weakened German economy has significantly slowed growth in the Euro zone and economic growth was much less dynamic than at the start of the year. According to the European Statistical Office Eurostat, the GDP in the 17 Euro countries increased by only 0.2 per cent in the second quarter 2011 as against the previous quarter. Growth in the first quarter had been 0.8%. Growth varied widely between the individual countries, with Estonia (1.8%) and Finland (1.2%) faring best amongst the Euro countries. With their stagnating economic performance, France, Portugal and Hungary were at the bottom of the list. Even Germany only barely escaped zero growth.

The upswing in Germany has slowed considerably. Between the beginning of April and the end of June the German economy grew only 0.1% as against the previous quarter. Therefore the second quarter 2011 was the weakest since the height of the financial crisis. Quarter on quarter, there were positive impulses from exports and investments. However, imports grew faster than exports. The effect of this strong increase was an increase in inventories along with an overall negative effect of the trade balance on economic performance. Private consumer spending and construction investment also hindered growth. Whilst a strong springtime recovery and backlog effects mainly provided support in the construction sector in the first quarter, there were no such special influences in the second quarter. Instead, the economic environment was subject to greater strain.

There was a noticeable weakening of German export dynamics in June. According to the German Federal Office of Statistics, German exports amounted to €88.3 billion and German imports amounted to €75.6 billion. Due to the falling economic dynamics, German exports only grew by 3% in June after overall growth in the first half-year had been very positive at 16%. Month-on-month as against the figures for May 2011, exports fell by 1.2%. The export surplus in June 2011 was €12.7 billion, which is €16 billion below the balance of the previous year. National and international early indicators are currently giving mixed signals that suggest a continuing but less healthy global economic dynamic.

Sound growth in the German employment market has continued. Both, jobs and employment subject to social insurance contributions continued to increase and have improved over the level of the previous year. There were 255,000 fewer registered unemployed in June 2011 as against the previous year. Demand for staff had also increased but had lost some of its dynamics. The total unemployment rate in June 2011 amounted to 6.9%. Unemployment in the 17 Euro countries remained high in June 2011. The unemployment ratio remained at 9.9% for the fifth time in succession. However, there are considerable differences between the individual member states. Whilst Austria enjoys low unemployment rates of just 4%, Spain has really high rates of 21%.

Germany's consumer price index in June 2011 was 2.3% higher than in June of the previous year. This means that the inflation rate remained at over 2% for the fifth month in succession. After an annual high of 2.4% in April, the index increased in June by 0.1% over the previous month of May and once again this was mainly due to energy price increases. Without these price increases, the inflation rate in June 2011 would have been just +1.5%. The harmonised index of consumer prices (HVPI) for Germany was 2.4% higher in June 2011 than in June 2010. Prices within the Euro zone were rising significantly faster in comparison

with the previous year. The annual inflation rate in the Euro zone in June 2011 stood at 2.7%, as against 1.5% in the previous year.

According to a members' poll of the national association of German DIY, building and garden stores (*Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte*), German building and DIY stores were able to increase their revenues in the first half-year 2011 by a total of around 3% over the previous year.

Business activities

Einhell Group revenues slightly above previous year levels

The Einhell Group earned revenues of €195.2 million in the first half-year 2011. This represents a revenue increase over the same period in 2010 of €5.2 million.

Revenues in the domestic German market amounted to €76.0 million (previous year €80.5 million). The share of domestic revenues as part of total Group revenues is 38.9%.

In the European Union, revenues increased to €78.7 million (previous year: €74.0 million). This represents a revenue increase over the previous year of 6.4%. The largest markets were again Austria, Italy and Poland.

Asia generated revenues of €7.1 million (previous year €10.4 million).

Other countries were able to significantly increase revenues year-on-year with an increase of €8.3 million to €3.4 million (previous year: €25.1 million). The new Group companies in Australia and South America made a significant contribution towards the revenue increases.

The share of Group revenues provided by countries outside Germany amounted to 61.1% (previous year 57.6%).

Segment growth

The Tools segment increased revenues in the first six months of 2011 by €6.4 million to €106.0 million (previous year: €99.6 million). Hand tools and electrical generators generated the most significant sales in this segment.

The Garden & Leisure segment generated revenues in the first half-year 2011 of €89.2 million (previous year €90.4 million). The lawn and garden care division generated strong sales.

The sale of the products scythes, lawnmowers, scarifiers and hedge clippers were particularly strong.

Earnings

In the first half-year 2011, the Einhell Group earned profits before tax amounting to €12.0 million (previous year €12.0 million). Thus pre-tax yield amounted to 6.1% (previous year 6.3%).

The Group net profit after minority interests in the first half-year 2011 increased by €0.9 million in comparison with the previous year to €9.6 million (previous year: €8.7 million). Earnings per share are calculated at €2.5 per share (previous year €2.3 per share).

Personnel and social security

The Einhell Group had 1,127 employees across the world on 30 June 2011. This represents a total increase of 138 employees in comparison with the previous year, with staff being increased in particular in the divisions product processing, marketing and sales in 2011. Staff numbers have also risen due to the removal of the warehouse of Einhell Germany AG to Landau/Isar and also to the new companies.

The qualifications and motivation of our employees are important for Einhell to be successful and this is why we continually expand our in-house training. We also continually improve and update the content and structure of our in-house training. We place great importance on training for junior staff. We offer a dual study programme in conjunction with the Dualen 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 and commitment that allowed that good result in the first half-year 2011.

Financial and assets position

The most important items in the statement of financial positions are as follows at 30 June 2011 and 30 June 2010:

	06/2011	06/2010
	€ million	€ million
Non-current assets incl. deferred tax assets	35.1	32.6
Inventories	113.4	86.6
Trade receivables and other assets	105.5	104.1
Cash and cash equivalents	6.2	31.5
Equity	148.1	143.8
Liabilities to banks	43.7	42.6

Investments

The Einhell Group made investments in the reporting period amounting to €1.1 million (previous year: €0 million), most of which was in relation to property, plant and equipment.

Current assets

Goods inventories increased as against the previous year to €113.4 million (previous year: €86.6 million).

Trade receivables and other assets are shown after deduction of impairment for bad debts. In this reporting period, these were higher than the previous year at €84.0 million (previous year: €78.0 million).

Other assets decreased in comparison with the previous year by €4.6 million to €21.5 million.

Group structure

During this reporting period, 10% of the shares of Einhell Danmark ApS were transferred to the local Managing Director.

Financing

Einhell has non-current bank loans with bilateral agreements. Due to the excellent liquidity position of the Einhell Group, it was able to prematurely repay €20 million of the non-current loan. This demonstrates that the sustained positive growth of the Einhell Group and existing cash management has put the Group in an excellent financial position. Although the repayment was made after 30 June 2011 that loan liability had already been shown as a current liability.

Annual General Meeting of Einhell Germany AG

The Annual General Meeting of Einhell Germany AG was held on 17 June 2011 in the Stadthalle in Landau/Isar. The shareholders agreed to discharge the members of the Board of Directors and the Supervisory Board from liability. They also appointed KPMG AG Wirtschaftsprüfungsgesellschaft as auditors for the financial year 2011.

The results of voting at the meeting may be seen on the Group's website at www.einhell.com.

Corporate Governance Code

The current declaration of the Board of Directors and the Supervisory Board of Einhell Germany AG on the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (*Aktiengesetz* - AktG) is permanently available on the Company's website at www.einhell.com.

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. Growth 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 implemented 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 the main 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 signs showing a further cooling of the global economy are increasing. The corresponding indicator of the Ifo Institute for Economic Research at the University of Munich (Ifo) has worsened further. After a good first half-year, the Ifo indicator for the global economic climate has fallen by ten points to 97.7 points. The analysts from Morgan Stanley are also lowering their growth forecasts across the world. Emerging market countries are also not immune to a downturn. For this year, analysts have revised their previous forecast of an estimated 6.6% growth and now expect growth of 6.4%. This also has serious consequences for growth forecasts of other countries, as the share of global GDP of emerging market countries is already 50%.

Inflation forecasts have risen across the globe and expectations are for an average price rise of 4%.

European growth

Against a background of the smouldering debt crisis and the stagnant US economy, the risks of a further fall in

economic performance are growing. Analysts regard the future of Europe with particular scepticism. According to Morgan Stanley, GDP will only grow in 2011 by 1.7% instead of the forecast of 2.0%. They are also reducing the forecast for 2012 down from 1.2% to 0.5%. As well as tensions at the periphery of the EU due to planned cuts to be implemented by many countries, there are also fears about very high commodity prices and an overvalued Euro.

Growth in Germany

The dynamics of the German economy have cooled significantly since the rousing beginning of the year. Surprisingly, domestic demand cooled significantly in the second quarter and export dynamics are also levelled out. Further cuts in the debtor countries France and Italy can only have the effect of further slowing the important German export trade and also the economy. However, the German Federal Ministry of Finance says there is no sign of a recession in Germany. It expects the economy to weaken, but overall growth in 2011 should still be higher than forecast at the beginning of the year.

Einhell corporate strategy

Our constantly growing presence across all important regions of the world is a central competitive advantage of the Einhell Group.

We have finalised activities to set up a new Group company in Argentina. Einhell is currently negotiating with potential partners in that country. The company will probably commence operations before the end of 2011.

The last Group companies that were established are being fully integrated into the Einhell Group. Einhell is making forward-looking investments in the new companies in Australia, Norway, Brazil and Chile in the areas of personnel and IT, so that these companies are already contributing remarkable sales revenues. On the whole, these Group companies are growing as scheduled.

Due to the competence in technology and design, Einhell has varied and attractive product ranges that meet all customer wishes and requirements. Einhell also provides excellent customer services with its global service organisation. The Group employees are currently working on an international service system.

Outlook

Whilst business development in the first quarter 2011 had been positive, dynamics cooled significantly in the second quarter. The overall outlook has worsened slightly.

Above all, revenue and income figures in Germany have fallen below expectations. Sales to one important customer proved to be difficult in the second quarter 2011. This revenue fall could not be fully compensated by sales elsewhere.

With only a few exceptions, revenue growth in Eastern European markets remained below expectations.

In contrast, business growth especially in Turkey was very positive, although linked with currency turbulences. In addition, business at Einhell Croatia is progressing very well.

Revenues and income figures in Western Europe, particularly Portugal and Spain, are well below expectations. The effects of the debt crisis are very perceptible here.

However, growth in countries where there are new Group companies is good. Above all, Group companies in South America and Australia are showing good growth and are already making a significant contribution to revenues.

Contrary to previous assumptions, further growth in the financial year 2011 is afflicted by uncertainty. The ability to achieve planned revenue increases of 5-10% is heavily dependent on political and economic developments until the end of the year. The effects on private consumption in some regions of Europe will be decisive and an expansion of the financial crisis may also lead to considerable currency fluctuations.

In this regard, we must advise that planned revenue increases may not be achieved if the development of these specified external factors is not positive.

Landau a. d. Isar, 29 August 2011

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber

Consolidated statement of financial position (IFRS) to 30 June 2011 (condensed version)

Assets	30.6.2011 € thousand	30.6.2010 € thousand
NON-CURRENT ASSETS		
Intangible assets	8,977	8,718
Property, plant and equipment	17,005	16,321
Non-current financial assets	348	992
Other non-current assets	1,776	2,777
DEFERRED TAX ASSETS	7,016	3,746
	<u>35,122</u>	<u>32,554</u>
CURRENT ASSETS		
Inventories	113,440	86,647
Receivables and other current assets	105,468	104,074
Cash and cash equivalents	6,239	31,454
	<u>225,147</u>	<u>222,175</u>
	<u>260,269</u>	<u>254,729</u>

Equity and liabilities	30.6.2011 € thousand	30.6.2010 € thousand
EQUITY		
Subscribed capital	9,662	9,662
Reserves	132,875	119,614
Other cumulated equity	-2,995	2,740
Adjustment charges for foreign currency exchange	-3,432	183
Consolidated net income of shareholders of Einhell Germany AG	9,610	8,728
Consolidated equity of shareholders of Einhell Germany AG	145,720	140,927
Minority interest	2,361	2,875
	<u>148,081</u>	<u>143,802</u>
NON-CURRENT LIABILITIES		
Liabilities to banks	21,164	41,527
Provisions	1,910	2,369
Liabilities	1,668	1,849
Deferred taxes	684	1,419
	<u>25,426</u>	<u>47,164</u>
CURRENT LIABILITIES		
Provisions	14,303	13,787
Liabilities to banks	22,511	1,071
Liabilities from trade payables and other liabilities	49,948	48,905
	<u>86,762</u>	<u>63,763</u>
	<u>260,269</u>	<u>254,729</u>

Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 30 June 2011

	1.1. – 30.6.2011	1.1. - 30.6.2010
	€ thousand	€ thousand
Revenues	195,178	189,985
Other operating income	4,436	4,264
Cost of materials	-138,495	-134,875
Personnel expenses	-20,961	-18,666
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment	-1,308	-1,617
Other operating expenses	-25,738	-26,379
Net finance costs	-1,123	-702
Profit before tax	11,989	12,010
Income taxes	-2,256	-3,326
Consolidated net income/loss	9,733	8,684
Share of other shareholders in consolidated net income/loss	-123	44
Consolidated net income after share of other shareholders	9,610	8,728

Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 June 2011

in € thousand	1.1. - 30.6.2011	1.1. - 30.6.2010
Net cash from/used in operating activities		
Profit before tax	11,989	12,010
+ Depreciation and amortisation of intangible assets and property, plant and equipment	1,308	1,617
- Interest income	-176	-228
+ Interest expenses	1,003	1,339
+/- Other non-cash income and expenses	-613	1,034
Operating profit before changes in net working capital	13,511	15,772
+/- Decrease/increase in trade receivables	-22,410	-28,782
+/- Decrease/increase in inventories	-19,676	-6,387
+/- Decrease/increase in other assets	-7,609	-9,397
+/- Increase/decrease in non-current liabilities	-405	-227
+/- Increase/decrease in current liabilities	1,654	4,833
+/- Increase/decrease in trade payables	3,439	3,236
Cash flows from operating activities	-31,496	-20,952
- Taxes paid	-3,195	-1,784
+ Interest received	167	175
- Interest paid	-670	-685
Net cash flows from operating activities	-35,194	-23,246
Cash flows from investing activities		
- Payments to acquire assets	-1,135	-915
+ Proceeds from disposal of assets	108	50
- Payments for acquisition of equity investments	-554	0
+/- Increase/decrease in goodwill	53	-66
Net cash flow from investing activities	-1,528	-931
Cash flows from financing activities		
+/- Increase/decrease in loan obligations	1,294	444
+ Payments received from minority shareholders	54	0
- Payments to shareholders including minority shareholders	-2,894	-2,139
- Payments for liabilities for finance leases	-14	-32
Net cash flows for financing activities	-1,560	-1,727
Changes to capital funds due to currency exchange	59	-240
Net cash acquired from acquisitions	0	0
Net decrease/increase of cash and cash equivalents	-38,223	-26,144
Cash and cash equivalents at beginning of reporting period	44,462	57,598
Cash and cash equivalents at end of reporting period	6,239	31,454

Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 June 2011

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

1.1 Basis of consolidation

During this reporting period, 10% of the shares of Einhell Danmark ApS were transferred to the local Managing Director.

1.2 Accounting and valuation policies

The half-year report to 30 June 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 30 June 2011 amounted to €9.0 million. Property, plant and equipment amounted to €17.0 million.

2.2 Inventories

	June 2011	June 2010
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	942	1,074
Finished goods	111,262	84,745
Prepayments	1,236	828
Total	113,440	86,647

2.3 Provisions

Total provisions amount to €16,213 thousand and include non-current provisions of €1,910 thousand. Provisions include in particular provisions for warranties.

3. Notes to consolidated statement of comprehensive income

Other operating expenses

Other operating expenses as at 30 June 2011 amount to €25,738 thousand and include in particular expenses for 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

June 2011 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	106,030	89,148	195,178	0	195,178
Profit before tax (EBT)	5,850	6,139	11,989	0	11,989
Net finance costs	-610	-513	-1,123	0	-1,123

June 2010 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	99,567	90,418	189,985	0	189,985
Profit before Tax (EBT)	5,812	6,198	12,010	0	12,010
Net finance costs	-368	-334	-702	0	-702

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 2011 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	75,989	78,721	33,389	7,079	0	195,178

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

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, 29 August 2011

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber