

Dear shareholder,

After the crisis year 2009, which tipped Germany and the entire global economy into the deepest recession in the post-war period, the effects are still being felt by the Einhell Group. Nevertheless, we were still able to report an excellent net profit margin. This shows that the Group can still generate consistent and healthy earnings even under continuing difficult general economic conditions.

Due to the traditional excellent equity base and stable and solid financial structure of the Einhell Group, the Board of Directors does not envisage any difficulties in having insufficient financial resources for current operations or the possibility of business volume increasing in the future.

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 has improved better than expected during the first months of 2010, but rates of improvement vary. Some richer countries are showing only sluggish recovery, whilst many emerging market and developing countries are showing strong improvements. The International Monetary Fund (IMF) expects positive growth in Asia in particular. It is forecasting growth in those countries of 8.7% in 2010.

In the first three months of 2010, economies in the euro zone also showed growth of 0.2% over the previous quarter, though there were significant regional differences. Industrial production continues to recover and has developed as expected.

The German economy is recovering. Compared with the collapse in the previous year, economic output has increased. The price-adjusted gross domestic product (GDP) rose by 1.7% in the first quarter 2010 in comparison with the first quarter 2009. The seasonally adjusted GDP increased slightly by 0.2% in the first quarter 2010 as against the previous quarter.

The effects of the economic crisis on German employment markets remain moderate. Unemployment figures fell in March due to the spring recovery, and also after seasonal adjustments. The unemployment rate decreased by 0.2 points to 8.5%. However, retail sales are not picking up despite lower unemployment figures. According to the German Federal Statistical Office, revenues declined in March by 1.8% in comparison with the previous month. However, economic recovery continues even with continuing weak consumer demand.

In March, the trade surplus registered a surprisingly strong increase over the previous month, due mainly to a strong increase in exports. Dynamic foreign markets resulted in one of the strongest increases in German exports over the past 20 years. However, despite a total increase of 11.3% in the first quarter, in real terms exports are still about 15% below their pre-crisis levels.

The German business climate index of the Ifo Institute for Economic Research increased from 98.2 to 101.6 points, its highest level since March 2008.

The consumer price index for Germany rose in March 2010 by 1.1% as against the same month in the previous year. This means that prices are increasing again. In February, the increase as against the previous month was still 0.6%. The rising inflation rate is due mainly to price increases in the energy sector. For the first time in a year prices for foodstuffs are above the level of the previous year.

Due to renewed bad weather at the beginning of the year, there was another slow start to spring business for building and DIY stores again this year. Cold wintry weather and low temperatures with ongoing snowfall affected revenue figures. Despite revenue falls in the first months, the German federation of DIY, building and garden centres (*Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte*) anticipates stable revenues for 2010 at the level of the previous year.

Business activities

Einhell Group revenues remain at same level as last year

In the first three months of the financial year 2010, the Einhell Group earned revenues of €90.7 million (previous year €90.8 million). This was almost equal to the revenue figures for the previous year.

Revenues in the domestic German market amounted to €39.5 million; in the comparable period in 2009 revenues were €36.8 million. This represents a year-on-year revenue increase of around 7%. The share of domestic revenues as part of total Group revenues is 43.5%.

In the European Union, revenues fell by €2.2 million to €34.3 million (previous year: €36.5 million). The largest markets were again Italy, Austria and Poland.

Revenues in Asia decreased to €5.4 million (previous year €6.1 million) in comparison with the previous year.

Other countries were able slightly increase revenues over comparable periods in the previous year. Revenues increased by €0.1 million to €11.5 million. The largest markets were again Turkey and Switzerland.

The share of total Group revenues provided by other countries in the first quarter 2010 was 56.5%.

Segment growth

The Tools segment earned revenues in the first three months of 2010 of €45.6 million (previous year: €46 million). The most significant sales in this segment were generated by fixed wood working tools and hammer drills.

The Garden & Leisure segment saw a slight increase in revenues in comparison with the previous year. Revenues in the first quarter 2010 amounted to €45.1 million (previous year €44.2 million). The strongest sales in this segment were for the product groups petrol lawnmowers, electric lawnmowers and electric hedge trimmers.

Earnings

In the period January to March 2010, the Einhell Group earned profits from operations amounting to €5.9 million (previous year €4.8 million). Thus pre-tax yield increased to 6.5% (previous year 5.3%).

The Group net profit after minority interests in the first quarter of the financial year 2010 increased by €0.7 million in comparison with the previous year to €4.3 million. Earnings per share are calculated at €1.1 per share (previous year €1.0 per share).

Personnel and social security

The number of employees at reporting date decreased by 37 to 982.

Ongoing training and development of our employees provides the basis for successful future business. The training and development programme offered in the areas of business methods, IT, languages and management have been successful.

New approaches to efficiency and expansion of the capabilities and skills of our employees allow us to lay the foundation for long-term business success.

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 31 March 2010 and 31 March 2009:

	03/2010	03/2009
	€	€
	millions	millions
Non-current assets incl. deferred tax assets	33.5	34.5
Inventories	84.0	122.2
Receivables and other assets	108.9	101.7
Cash and cash equivalents	20.0	11.9
Equity	138.7	124.3
Liabilities to banks	42.2	72.4

Investments

In the reporting period, the Einhell Group made investments amounting to €0.4 million, most of which was predominantly property, plant and equipment.

Current assets

Goods inventories decreased as against the previous year to €84.0 million (previous year €122.2 million). Trade receivables and other assets increased in this reporting period in comparison with the previous year to €108.9 million (previous year €101.7 million).

Changes to Group structure

During this reporting period, 10% of the shares in Einhell Australia were transferred to the local managing director.

Einhell share

M. M. Warburg & Co. KGaA assumed the function of designated sponsor for Einhell Germany AG with effect from 1 April 2010. The agreement with the existing designated sponsor was cancelled. SES Research GmbH, a Warburg group company, was also appointed to carry out a research study.

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 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

Consumer confidence is improving and even order input in the USA indicates an increase in growth. The International Monetary Fund is increasing its forecast for 2010 and anticipates global economic growth of 4.2%.

Growth prospects in the euro zone have improved for 2010. The forecast for the whole of the European Union for 2010 was increased from 0.7% to 1.0%. However, the stability of the financial markets is extremely important for future growth. Yet Europe is facing a debt crisis. The EU Commission expects public deficits averaging 7.2% of GDP in 2010 for the 27 EU Member States. This massively exceeds the maximum levels specified in the stability pact.

Early indicators such as orders input, manufacturing indices and the ifo business climate index give rise to hope that the economic recovery in Germany will continue. The latest estimates indicate a significant acceleration of growth in the second quarter. Germany expects GDP growth of 1.8% for the full year 2010.

However, despite renewed increases in exports and improved outlook, Germany, as an export-oriented country,

is under threat from a new uncertainty. According to the Exporters Association BGA, the debt crisis in some European countries and the euro zone may impact on the stability of the euro. Currency stability is of critical importance for German exports as it is the critical factor in calculating whether an export transaction is worthwhile.

Corporate goals for the financial year 2010

The strategic goals of the Einhell Group of increasing its profile as an electrical tool and garden machinery supplier remain unchanged. This is related to its goal of specialising in core products and target product areas and to be an important supplier of all international DIY chains in the coming years.

In order to optimise the international outlook of the Group, Einhell is also seeking to increase effectiveness and efficiency in international logistics.

In order to reduce the risk from its dependence on procurement sources, the Einhell Group plans to increase its presence in the procurement region Vietnam. Realisation of the first projects is planned for the financial year 2009. Einhell is also investigating other regions as potential procurement sources.

Outlook

In light of the difficult economic circumstances, growth for the first quarter 2010 has been positive. Revenues and earnings for April have also been stable. However, due to continuing uncertainty, the future development of commodity prices is hard to predict. Above all, the weak euro, caused mainly by the massive public debt of some euro countries, could result in higher procurement prices. Increased freight costs are also impacting on the Einhell Group. Despite these uncertainties, Einhell expects that it will be able to attain similar revenues and earnings as in 2009. The Board of Directors wishes to note that these risks mean that the result from the first quarter cannot be used as a projection for the full year.

Landau a. d. Isar, 20 May 2010

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder

Consolidated statement of financial position (IFRS) to 31 March 2010 (condensed version)

Assets	31.03.2010 € thousand	31.03.2009 € thousand
NON-CURRENT ASSETS		
Intangible assets	9,002	10,598
Property, plant and equipment	16,596	14,638
Non-current financial assets	992	984
Other non-current assets	3,003	2,803
	3,858	5,471
DEFERRED TAX ASSETS		
	33,451	34,494
CURRENT ASSETS		
Inventories	84,022	122,238
Receivables and other current assets	108,879	101,664
Cash and bank balances and cheques	20,039	11,868
	212,940	235,770
	<u>246,391</u>	<u>270,264</u>

Equity and liabilities	31.03.2010 € thousand	31.03.2009 € thousand
EQUITY		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	95,075	86,372
Other cumulated equity	1,692	379
Adjustment charges for foreign currency exchange	-1,785	-5,148
Consolidated net income of shareholders of Einhell Germany AG	4,282	3,688
Consolidated equity of shareholders of Einhell Germany AG	135,603	121,630
Minority interest	3,107	2,678
	138,710	124,308
NON-CURRENT LIABILITIES		
Non-current liabilities to banks	41,543	2,071
Bonded loans	0	0
Non-current provisions	2,383	2,175
Non-current liabilities	1,855	3,038
Deferred taxes	958	1,490
	46,739	8,774
CURRENT LIABILITIES		
Current provisions	13,700	16,922
Current liabilities to banks	674	70,340
Current liabilities from trade payables and other liabilities	46,568	49,920
	60,942	137,182
	<u>246,391</u>	<u>270,264</u>

Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 31 March 2010

	01.01. - 31.03.2010	01.01. - 31.03.2009
	€ thousand	€ thousand
Revenues	90,738	90,835
Increase or decrease in finished and unfinished goods	0	0
Capitalised costs	0	0
Other operating income	2,138	1,221
Cost of materials	-63,806	-63,664
Personnel expenses	-9,198	-8,697
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment	-837	-669
Other operating expenses	-12,492	-12,508
Net finance costs	-611	-1,675
Profit from operations	5,932	4,843
Income taxes	-1,676	-1,252
Consolidated net income	4,256	3,591
Share of other shareholders in consolidated net income	26	97
Consolidated net income less share of other shareholders	4,282	3,688

Financial report to 31 March 2010



Consolidated statement of cash flows (IFRS) for the period from 1 January to 31 March 2010

in € thousand	1.1. - 31.03.2010	1.1. - 31.03.2009
Net cash from/used in operating activities		
Profit before taxes	5,932	4,843
+ Depreciation and amortisation of intangible assets and property, plant and equipment	837	669
- Interest income	-129	-232
+ Interest expenses	758	856
+/- Other non-cash income and expenses	481	305
Operating profit before changes in net working capital	7,879	6,441
+/- Decrease/increase in trade receivables	-40,043	-26,099
+/- Decrease/increase in inventories	-8,467	-10,833
+/- Decrease/increase in other assets	-4,499	132
+/- Increase/decrease in non-current liabilities	-206	90
+/- Increase/decrease in current liabilities	6,077	2,130
+/- Increase/decrease in trade payables	3,289	-3,899
Cash flows from operating activities	-35,970	-32,038
- Taxes paid	-707	-1,307
+ Interest received	104	34
- Interest paid	-334	-629
Net cash flows from operating activities	-36,907	-33,940
Cash flows from investing activities		
- Payments to acquire assets	-465	-576
+ Proceeds from disposal of assets	15	21
- Payments for acquisition of equity investments	0	0
+ Increase in goodwill	0	95
Net cash flow from investing activities	-450	-460
Cash flows from financing activities		
+/- Increase/decrease in loan obligations	63	26,140
+ Payments received from minority shareholders	34	0
- Payments to shareholders including minority shareholders	0	0
- Payments for liabilities for finance leases	-17	-8
Net cash flows for financing activities	80	26,132
Changes to capital funds due to currency exchange	-282	165
Net cash acquired from acquisitions	0	0
Net decrease/increase of cash and cash equivalents	-37,559	-8,103
Cash and cash equivalents at beginning of reporting period	57,598	19,971
Cash and cash equivalents at end of reporting period	20,039	11,868

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

1.2 Accounting and valuation policies

The quarterly report to 31 March 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 31 March 2010 amounted to €9.0 million. Property, plant and equipment amounted to €16.6 million.

2.2 Inventories

	March 2010	March 2009
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	716	1,470
Work in progress	0	0
Finished goods (at cost less impairment)	82,700	120,179
Prepayments	606	589
Total	84,022	122,238

2.3 Provisions

Total provisions amount to €16,083 thousand and include non-current provisions of €2,383 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 2010 amount to €12,492 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

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

March 2009 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	46,571	44,264	90,835	0	90,835
Profit from operations (EGT)	1,642	3,201	4,843	0	4,843
Net finance costs	-859	-816	-1,675	0	-1,675

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

March 2009 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	36,834	36,547	11,372	6,082	0	90,835

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, 20 May 2010

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder