

### Dear Shareholders,

Due to the continuing debt crisis in the euro zone, overall business conditions remain unstable. This is also shown in the development of the revenues of the Einhell Group. Whilst the revenues in Germany and in the regions of South America and Australia have increased, the sales in the European Union market declined.

First quarter revenues of €90.5 million are below the level of the previous year (previous year €94.6 million). Due to revenue transfers from March into April 2012, at the end of April the Einhell Group was able to bring revenues back to the level of the previous year.

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 is defying the European debt crisis and remains on a solid growth path. The early warning indicator calculated by the Organisation for Economic Co-operation and Development (OECD), the Composite Leading Indicator, jumped by 0.2% as against the previous month for the fourth time in a row in March 2012.

The global economy continues to be marked by two different growth rates. On the one hand, emerging market countries continue to show above-average growth prospects. On the other hand, the euro zone is holding back growth dynamics in industrial countries.

Unexpectedly strong growth in the German economy protected the euro zone from a fall back into recession in the first quarter 2012. According to the European statistical authority Eurostat, GDP for the months January to March 2012 remained unchanged. Economists had predicted a fall of 0.2% for both quarterly and year-on-year comparisons. In the fourth quarter 2011, GDP fell by 0.3% as against the previous quarter.

In France, worries about a possible recession are growing. According to the Insee Statistical office, the economy failed to grow in the first quarter 2012. Highly indebted Italy is also falling deeper into recession. Economic performance in the first quarter 2012 fell by 0.8% as against the previous year. The Spanish economy is faring no better. As at the end of 2011, GDP fell by 0.3%. With a negative of 0.1%, Portugal is also not out of recession.

Industrial production in the euro zone suffered a surprising fall in March 2012. In total, production in the 17 euro zone countries decreased by 0.3% as against February. The fall in production in countries such as Spain and Italy is being offset by the increase in Germany.

The German economy grew more strongly in the first months of 2012 than experts anticipated. GDP adjusted for price, seasonal and calendar effects rose in the first quarter 2012 by 0.5% as against the previous quarter. In the final quarter 2011, a fall of -0.2% for German GDP was the first small decrease since the 2009 financial crisis. The German economy also improved in comparison with the previous year. Price-adjusted GDP rose by 1.7%.

Exports in particular have helped the German economy to show such positive growth. Domestic demand has also been above the level of the previous month and was thus able to partly compensate for the negative figures for investments. According to interim figures, new orders received in industry also increased. In comparison with the previous month, the number of price, calendar and seasonally adjusted effects increased sharply in March 2012 by 2.2%. There was also positive demand growth from within Germany (+1.3%) and from abroad (+3.0%).

German exports remain at record levels in the midst of the debt crisis. Above all, strong demand from countries outside Europe allowed companies to achieve new records. In total, goods amounting to €98.9 billion were exported from Germany in March 2012 and goods amounting to €81.5 billion were imported into Germany. As against March 2011, exports increased by 0.7% and imports by 2.6%. According to the German Federal Office of Statistics, monthly exports and imports both rose to the highest ever monthly levels.

The export surplus in March 2012 was €17.4 billion. In March of the previous year, the figure had been €18.8 billion.

Positive developments in the labour markets in Germany also continued into 2012. Unemployment fell at the onset of the spring recovery, and both employment and jobs with social security contributions are still well into positive figures. The total number of people resident in Germany who had a job was 41.2 million in March. In comparison with the previous month, unemployment fell by 82,000 to 3,028,000 or by 0.2 percentage points to 7.2%. According to the results of the Labour Force Survey, the number of unemployed fell by 418,000 persons in year-on-year comparison, or 15.4%.

In March 2012, unemployment in the euro zone rose to its highest ever level of 10.9%. In comparison with February 2012, the unemployment rate rose by 0.1%. The highest unemployment in the currency zone is in Spain (24.1%) and Greece (21.7%). The lowest unemployment rates were again in Austria (4.0%) and the Netherlands (5.0%).

Consumer prices in Germany were 2.1% higher in March 2012 than in the previous comparable period. Overall inflation weakened slightly. In February 2012 inflation was still 2.3%. As in the previous months, the inflation rate was mainly affected by price fluctuations in the energy industry. The harmonised index of consumer prices (NICP) for Germany was 2.3% higher in March 2012 than in March 2011. In comparison with the previous month, the index rose by 0.4%.

After a successful business year 2011, the building store industry had an equally successful start into 2012. However, it is essential that economic conditions should remain stable if there is to be further positive growth. Until now, increases in private consumption and competitive exports have ensured stable growth in Germany and also resulted in a marked improvement in employment markets.

### Business activities

#### Einhell Group revenues

From January to March 2012, the Einhell Group earned revenues of €90.5 million (previous year €94.6 million).

Revenues in the domestic German market increased to €38.6 million (previous year €36.6 million). The share of domestic revenues as part of total Group revenues is 42,7%.

In the European Union, revenues decreased to €32.0 million (previous year: €39.8 million). The largest markets were Austria, Italy and Spain.

Asia generated revenues of €2.8 million (previous year €2.1 million).

Other countries were able to increase revenues year-on-year by €1 million to €17.1 million (previous year: €16.1 million). Revenue contributions from the newest Group companies in Australia and South America were considerable.

The share of total Group revenues provided by foreign countries in the reporting period was 57,3% (previous year 61.3%).

#### Development of the segments

In the Tools segment revenues amounted in the first three months of 2012 to €41.7 million (previous year: €48.1 million). The most significant sales in this segment were generated by wood processing products, compressed air technology and hand tools.

In the Garden & Leisure segment revenues increased by EUR 2.3 million to €48,8 million (previous year €46.5 million). Strong sales were generated by the lawn and garden care division, particularly for the product group's lawnmowers, trimmers, scarifiers and hedge clippers.

### Earnings

In the period January to March 2012, the Einhell Group earned profits before income taxes amounting to €4.2 million (previous year €5.7 million). Thus pre-tax yield amounts to 4.7% (previous year 6.0%).

The Group net profit after minority interests in the first quarter of the financial year 2012 decreased and amounts to €3.0 million (previous year: €4.4 million). Earnings per share are calculated at €0.8 per share (previous year €1.2 per share).

There was an absolute and proportional increase in personnel expenses as compared to the previous year; personnel expenses amount to €11.6 million (previous year €10.6 million). This is due in particular to the new Group companies and further staff expansion in certain areas of companies in Germany and China.

Other expenses of €12.8 million have remained constantly low and demonstrate that Einhell runs on a cost-efficient basis.

Financial costs of €-0.1 million are nearly the same as the previous year's figure.

### Personnel and social security

The Einhell Group had 1,130 employees on 31 March 2012. This represents an overall increase of 50 employees as against the previous year. Staff numbers have increased mainly due to staff hires for the new Group companies. Companies in South America and Australia are now fully staffed. The number of Group employees was also raised by expansion in the marketing department in Germany and product processing/technology in China.

The Board of Directors would like to take this opportunity to thank all employees for their personal commitment and sound results.

## Financial and assets position

The most important items in the statement of financial position are as follows at 31 March 2012 and 31 March 2011:

	03/2012	03/2011
	€ million	€ million
Non-current assets incl. deferred tax assets	36.5	35.8
Inventories	120.4	113.7
Receivables and other assets	112.2	110.5
Cash and cash equivalents	5.7	7.0
Equity	162.5	144.9
Liabilities to banks	50.2	51.0

## Investments

The Einhell Group made investments in the reporting period amounting to €0.7 million (previous year: €0.5 million), most of which was with respect to property, plant and equipment.

## Current assets

Goods inventories increased as against the previous year to €120.4 million (previous year €113.7 million).

Trade receivables are shown after deduction of impairment for bad debts. In this reporting period, these were €2.8 million more than the previous year at €90.7 million (previous year €87.9 million).

Other assets decreased in comparison with the previous year to €21.5 million (previous year €22.6 million).

## Group structure

During this reporting period, 25% of the shares of Einhell France SAS were taken over from the local Managing director.

## Investor Relations

On 17 April 2012 Einhell took part in the Small Cap Forum in Frankfurt am Main in order to interact with analysts and investors. The presentation addressed the figures from the annual report 2011 and an outlook for the planned development of the Group.

## Financing

The financial requirements of the Einhell Group are driven in particular by the level of inventories and trade receivables. Inventory stock turnover and maturity of

receivables play a major role and have a significant effect on financial requirements.

Einhell is financed by non-current loans from banks with bilateral agreements and has sufficient unsecured credit lines.

The Group also keeps a constant eye on the financial markets for financing opportunities in order to secure the financial flexibility of the Einhell Group and limit unfavourable refinancing risks.

## 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 Stock Corporation Act (AktG) is permanently available on the Company's website at [www.einhell.com](http://www.einhell.com).

## Risk report

As part of its international operations, Einhell is subject to numerous risks that are an inevitable consequence of commercial trading.

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 internal control system comprises integrated process controls and internal control systems.

The departments for German controlling, investment controlling, finance, Group accounting and legal form the internal management system of the Einhell Group. Companies in the Einhell Group budget in the current financial year the following financial year. Corresponding budgeting for cost of sales and sales is made on this differentiated sales planning. These projected figures are collated for the Group into a budgetary profit and loss statement.

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 global economic crisis is not yet over, but the International Monetary Fund (IMF) has an optimistic view for the future. However, the growth of the global economy is dependent on a solution being found to the problems in the euro zone. According to the IMF, the global economy should emerge from 2012 stronger with growth of 3.5% and will grow by about 4% next year.

#### European growth

According to its spring forecast, the European Commission still expects a fall in economic performance in the euro zone in 2012. The outlook is also greatly uncertain after Spain and Italy have also fallen into recession.

Overall it is expected that GDP in the 17 euro zone countries will fall by 0.3%. The strongest fall is expected in Greece.

Overall debt levels in the euro zone are increasing. The European Commission anticipates total debt of 91.8% of output in the euro zone in 2012 as against 88.0% in the previous year.

The Commission also expects inflation in the euro zone to remain at a high level in 2012 of 2.4%. Inflation levels under 2% are not expected until 2013.

It is also expected that the average unemployment will reach record levels of 11% in 2012 and 2013.

### Growth in Germany

Despite the continuing financial and economic crisis in Europe, leading research institutes in Germany expect a slight increase in economic performance and have raised their growth forecasts for 2012 from 0.8% to 0.9%. Despite the sluggish global economy, growth of 2% is expected for 2013.

The growth will also maintain the boom in German employment markets. Researchers expect unemployment numbers to fall further in 2012 and 2013.

According to the researchers, the strength of the German economy is also helping to rehabilitate public finances. By 2013 the public deficit should have fallen to 0.2%.

The greatest danger for economic recovery is still seen in the position of the over-indebted euro countries Greece, Ireland, Italy, Portugal and Spain. There can only be stabilisation if the planned reforms actually kick in and there are no further losses of confidence in the capital markets.

### Takeover of kwb tools GmbH & Co. KG

On 2 May 2012, with the approval of the Supervisory Board, the Einhell Group took over kwb tools GmbH & Co. KG. kwb is an internationally operating merchandising and service company based in Stuhr near to Bremen.

This acquisition brings a specialist and leading European supplier of power tool accessories and hand tools into the Einhell Group. Management is to continue under the current Managing Director, Gerrit Brand, who already has several years' experience in the Einhell Group. He will be supported by the new commercial director, Alexander Uhl.

The integration of the company founded in 1931 in Bremen by Karl Wilhelm Burmeister and carried on by his son Karl Hans Burmeister for over 50 years in Stuhr near to Bremen will mean that the Einhell Group anticipates a revenue increase of around €15-20 million for the proportionately financial year from May to December 2012.

The takeover means that in the future Einhell can offer a comprehensive accessory programme of the highest quality for all power tools and together with kwb will be an attractive partner for the DIY and specialist trading industry. This will enhance Einhell's profile towards being a top brand and provide support to its excellent internationalisation strategy.

## **Outlook**

Conditions are not uniform in the different countries in which Group companies are located. Whilst markets in some countries may be regarded as stable or even growing, this is not the case in all markets, particularly in Southern and Eastern Europe.

Growth in the domestic market in Germany turned out to be pleasant in the first quarter. Customer feedback is particularly positive for the product line 'Red' in particular and confirms the product strategy of the Einhell Group.

In the crisis countries in Western Europe, it was partly not possible to meet revenue and income targets. The worsening economic conditions, with high unemployment and inflation rates especially in Spain and Portugal affected private consumption.

Revenues also still remained below expectations in Eastern European countries. However, revenue and income growth of the Group company in Turkey remained very positive.

Growth in the countries with new Group companies remained pleasing. The companies in the South American countries in particular were able to increase business volume as planned.

Overall, revenues to 31 March 2012 of the Einhell Group have been below the previous year's level but this is due to a transfer of revenues from March into April. At the end of April, Einhell Group revenues were already back at the previous year's level.

It is very difficult to make estimates about political and economic developments. However, as all areas of the company are operating at an optimal level and are structured to be able to adapt to encompass changes in economic circumstances, Einhell expects stable earnings growth but this is fraught with uncertainty due to the precarious overall economic climate.

Still, the Einhell Group continues to stand by its budgetary planning for the core business for 2012 with constant or slightly increased revenues.

Landau a. d. Isar, 23 May 2012

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber

Consolidated statement of financial position (IFRS) to 31 March 2012 (condensed version)

Assets	31.3.2012 € thousand	31.3.2011 € thousand
<b>NON-CURRENT ASSETS</b>		
Intangible assets	9,192	8,965
Property, plant and equipment	17,721	17,052
Non-current financial assets	353	367
Other non-current assets	2,438	1,835
Deferred tax assets	6,800	7,531
	<u>36,504</u>	<u>35,750</u>
<b>CURRENT ASSETS</b>		
Inventories	120,387	113,737
Trade Receivables	90,645	87,907
Other assets	21,521	22,634
Cash and cash equivalents	5,719	6,951
	<u>238,272</u>	<u>231,229</u>
	<u>274,776</u>	<u>266,979</u>

Equity and liabilities	31.3.2012 € thousand	31.3.2011 € thousand
<b>EQUITY</b>		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	123,763	113,504
Other reserves	-574	-7,190
Equity of shareholders of Einhell Germany AG	159,528	142,653
Minority interests	2,950	2,245
	<u>162,478</u>	<u>144,898</u>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	1,974	1,886
Financial liabilities	20,781	41,148
Deferred taxes	1,092	1,092
Other liabilities	2,059	2,268
	<u>25,906</u>	<u>46,394</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	29,217	29,968
Provisions	10,832	14,089
Financial liabilities	29,424	9,808
Other liabilities	16,919	21,822
	<u>86,392</u>	<u>75,687</u>
	<u>274,776</u>	<u>266,979</u>

**Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 31 March 2012**

	1.1. – 31.3.2012	1.1. - 31.3.2011
	€ thousand	€ thousand
Revenues	90,521	94,641
Other operating income	1,253	2,460
Cost of materials	-62,305	-67,709
Personnel expenses	-11,645	-10,554
Depreciation	-648	-669
Other operating expenses	-12,845	-12,428
Net finance costs	-99	-61
<b>Profit before income taxes</b>	<b>4,232</b>	<b>5,680</b>
Income taxes	-1,247	-1,221
<b>Consolidated net profit</b>	<b>2,985</b>	<b>4,459</b>
<b>Share of minority shareholders in consolidated net income/loss</b>	<b>38</b>	<b>-47</b>
<b>Thereof share in consolidated net income/loss of shareholders of Einhell Germany AG</b>	<b>3,023</b>	<b>4,412</b>

Consolidated statement of cash flows (IFRS) for the period from 1 January to 31 March 2012

in € thousand	1.1. – 31.3.2012	1.1. - 31.3.2011
<b>Net cash from/used in operating activities</b>		
Profit before taxes	4,232	5,680
+ Depreciation and amortisation of intangible assets and property, plant and equipment	648	669
- Interest income	-128	-138
+ Interest expenses	431	316
+/- Other non-cash expenses and income	548	346
<b>Operating profit before changes in net working capital</b>	<b>5,731</b>	<b>6,873</b>
+/- Decrease/increase in trade receivables	-28,221	-26,185
+/- Decrease/increase in inventories	-8,316	-19,686
+/- Decrease/increase in other assets	-6,645	-9,086
+/- Increase/decrease in non-current liabilities	-43	370
+/- Increase/decrease in current liabilities	1,511	895
+/- Increase/decrease in trade payables	1,982	3,136
<b>Cash flows from operating activities</b>	<b>-34,001</b>	<b>-43,683</b>
- Taxes paid	-1,235	-1,380
+ Interest received	173	120
- Interest paid	-204	-458
<b>Net cash flows from operating activities</b>	<b>-35,267</b>	<b>-45,401</b>
<b>Cash flows from investing activities</b>		
- Payments to acquire assets	-739	-530
+ Proceeds from disposal of assets	13	66
- Payments for acquisition of equity investments	-308	-204
+/- Increase/decrease in goodwill	101	0
<b>Net cash flow from investing activities</b>	<b>-933</b>	<b>-668</b>
<b>Cash flows from financing activities</b>		
+/- Increase/decrease in loan obligations	28,222	8,529
+ Payments received from minority shareholders	0	0
- Payments to shareholders including minority shareholders	0	0
- Payments for liabilities for finance leases	-2	-13
<b>Net cash flows for financing activities</b>	<b>28,220</b>	<b>8,516</b>
Changes to capital funds due to currency exchange	-10	42
Net cash acquired from acquisitions	0	0
<b>Net decrease/increase of cash and cash equivalents</b>	<b>-7,990</b>	<b>-37,511</b>
Cash and cash equivalents at beginning of reporting period	13,709	44,462
<b>Cash and cash equivalents at end of reporting period</b>	<b>5,719</b>	<b>6,951</b>

**Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 31 March 2012**

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

**1.1 Basis of consolidation**

The consolidated financial statements comprise Einhell Germany AG and the companies it controls. IAS 27 defines control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. If the Group directly or indirectly holds more than 50% of the voting rights of a company, there is a rebuttable assumption of control. Companies that are acquired or sold during the course of a financial year are included in the consolidated financial statements as from the date of acquisition until the date of sale.

During this reporting period, 25% of the shares of Einhell France SAS were taken over from the local Managing director.

**1.2 Accounting and valuation policies**

The first quarter report to 31 March 2012 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2011.

**2. Notes to statement of financial position**

**2.1 Non-current assets**

Intangible assets and property, plant and equipment are recognised at acquisition or production cost. Recognition in the balance sheet is made net of accumulated depreciation.

Intangible assets at 31 March 2012 amounted to €9.2 million. Property, plant and equipment amounted to €17.7 million

**2.2 Inventories**

	March 2012 € thousand	March 2011 € thousand
Raw materials and supplies (at acquisition cost)	275	882
Finished goods	118,418	109,815
Prepayments	1,694	3,040
<b>Total</b>	<b>120,387</b>	<b>113,737</b>

Inventories are valued at the lower of acquisition or manufacturing cost or net realisable value.

**2.3 Cash and cash equivalents**

Cash and cash equivalents include bank balances, cheques and cash in hand.

**2.4 Provisions**

Total provisions amount to €12,806 thousand and include non-current provisions of €1,974 thousand.

Provisions include in particular provisions for guarantees.

**2.5 Liabilities**

The initial valuation of liabilities is made at fair value of the consideration received; subsequent valuations are made at amortised cost. Foreign currency liabilities are recognised at reporting date at the period-end exchange rate or hedging rate.

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

**Other operating expenses**

Other operating expenses as at 31 March 2012 amount to €12,845 thousand and include in particular postage of goods, guarantees, 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.

Reconciliation includes income and expenses that are not directly allocable.

#### 4.1 Segment reporting by segment

March 2012 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	41,676	48,845	90,521	0	90,521
Profit from operation (EBT)	1,154	3,078	4,232	0	4,232
Financial result	7	-106	-99	0	-99
Scheduled depreciation	296	352	648	0	648
Non-cash income	239	202	441	0	441
Non-cash expenses	476	513	989	0	989

March 2011 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	48,119	46,522	94,641	0	94,641
Profit from operation (EBT)	2,500	3,180	5,680	0	5,680
Financial result	-31	-30	-61	0	-61
Scheduled depreciation	331	338	669	0	669
Non-cash income	369	169	538	0	538
Non-cash expenses	505	379	884	0	884

The Tools segment includes electronic hand tools, fixed tools and accessories. Garden & Leisure includes garden and water technology, machinery and greenhouses and cooling and heating technology.

#### 4.2 Segment reporting by region

The geographical allocation by region is made in accordance with the registered office of the invoice recipient. The decisive factor is the market. Segment reporting is made as follows:

March 2012 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	38,642	31,968	17,071	2,840	0	90,521
Non-current assets	11,670	12,926	4,605	503	0	29,704

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
Non-current assets	10,902	12,723	3,825	769	0	28,219

#### 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 2012

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber