

## Dear shareholder,

Due to continuing unfavourable global conditions, the Einhell Group continued to battle difficult market circumstances in the first half of the financial year 2009.

However, it managed a successful positioning of the new product lines RED and BLUE in the market. Products from the new lines were well received by customers, which resulted in a sound net profit margin.

Due to its excellent equity base, the Group has a stable and solid financial structure. This is extremely advantageous in the current global financial crisis.

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

Although some economists see the first indications of recovery, the World Bank expects continued poor economic prospects and is lowering its forecast for the global economy. The financial markets in many industrial countries have been able to stabilise but uncertainty about future economic development has influenced events in the financial markets. At the same time, the position in the employment market has worsened and increasingly production capacity remains idle.

Whereas during the last upturn a concentration on investment assets was still profitable for the German economy, it is more of a burden in the current recession-related limitations on global demand. Due to its high export levels, Germany is also suffering because of the collapse in world trade.

During the second quarter 2009, the economic barometer of the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW) showed a slight contraction of German economic capacity in comparison with the previous quarter.

Due to the economic crisis, the level of German national debt increased significantly. According to the Federal budget committee, national debt levels will probably increase by 2013 from the current level of 66% to about 82%. Thus, for many years into the future Germany will be unable to meet the limit of 60% set by the EU stability pact.

The International Monetary Fund (IMF) has corrected its initial forecast and in 2009 expects the euro zone to have a

fall in GDP of 4.8% and anticipates a further fall of 0.3% in 2010.

In May 2009 the German consumer price index was at its lowest level for 22 years at 0.0% and in June the index was held at a low level. In comparison with June 2008, there is a rise of 0.1%. The low rate of inflation is due in part to the high level of prices in the previous year. In comparison with the previous year, prices for energy products and food in particular have fallen.

The recession in the German economy is having a significant effect on the employment market. Demand for employees in Germany in June this year was at the lowest for almost four years. Despite to the massive collapse in production, the widespread implementation of short-time working was in part able to cushion some of the effects of the crisis.

In the second quarter 2009, building and DIY stores in Germany increased their gross revenues. Estimates by industry associations still assess building market revenues as below the previous year. This means that the building market has stabilised, as at the end of the first quarter there was still a fall of 4.8%.

A recovery in private consumption is unlikely before there is an improvement in economic and employment prospects.

### Business activities

#### Einhell Group revenues slightly below previous year

In the first six months of the financial year 2009, the Einhell Group earned revenues of €181.5 million (previous year: €200.9 million), which represents a reduction of €19.4 million in comparison with the previous year.

Revenues in the domestic German market amounted to €73.2 million; in the first half-year of 2008 revenues were €78.3 million. The share of domestic revenues as part of total Group revenues is 40.4%.

In the European Union, revenues amounted to €74.2 million (previous year: €82.8 million). The largest markets were again Italy, Austria and Poland.

Revenues in Asia increased to €10.8 million (previous year €8.9 million) in comparison with the previous year.

Other countries were unable to match revenues of comparable periods in the previous year, due mainly to the effects of the financial crisis in Eastern Europe. Revenues decreased by €7.6 million to €23.3 million (previous year

€30.9 million). The largest markets were Croatia, Turkey and Switzerland.

The share of total Group revenues provided by foreign countries in the first half-year 2009 was 59.6%.

## Segment growth

The Tools segment earned revenues in the first half-year 2009 of €96.4 million (previous year: €104.1 million).

The strongest product sales in this segment were for cordless screwdrivers, welding machinery, wood working tools and cleaning machinery.

In the first half-year, the Garden & Leisure segment also suffered revenue decline. Revenues in the first half-year 2009 amounted to €85.1 million (previous year €96.8 million). The strongest sales in this segment were for the product groups chainsaws, electrical scarifier and lawnmowers.

## Earnings

In the period January to June 2009, the Einhell Group earned profits from operations amounting to €9.8 million (previous year €11.6 million). Thus pre-tax yield was 5.4% (previous year 5.8%). This is an excellent result in light of the current global economic situation.

Group net profit after minority interests in the first half-year 2009 amounted to €7.3 million (previous year €7.8 million). Earnings per share are calculated at €1.9 per share (previous year €2.1 per share).

## Personnel and social security

The number of employees at balance sheet date amounts to 1,010 (previous year 1,035).

Training and development programmes are already planned for 2010, including training in working methods, IT and language training. This allows the Group to continue to develop its own highly qualified personnel.

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 despite the financial crisis in this reporting period.

## Financial and assets position

The most important items in the balance sheet are as follows at 30 June 2009 and 30 June 2008:

	6/2009	6/2008
	€ millions	€ millions
Non-current assets incl. deferred tax assets	33.4	36.5
Inventories	90.0	86.8
Receivables and other assets	81.9	85.0
Cash and cash equivalents	22.1	19.7
Equity	125.0	117.8
Liabilities to banks	46.5	48.0

## Investments

In the reporting period, the Einhell Group made investments amounting to €1.2 million, of which €0.7 million was for intangible assets and €0.5 million was for property, plant and equipment.

## Current assets

Goods inventories remained almost the same on 30 June 2009 as in the previous year at €90.0 million (previous year €86.8 million). Receivables and other assets decreased in this reporting period in comparison with the previous year to €81.9 million (previous year €85.0 million).

## Changes to group structure

Effective 1 January 2009, all shares of Einhell Export-Import were taken over. This company becomes a fully owned Group company.

## Financing – implementation of a important strategic corporate goal

Over the past half-year, the Einhell Group has been able to fulfil an important strategic corporate goal: it has secured refinancing of the bonded loan that expires in July 2009.

Favourable terms for long-term financing for €40 million has been secured for the next five years.

Due to the solid financial structure and ongoing positive earnings, it was possible to secure an excellent basis for the future growth of the Group. This provides the foundation for further international expansion.

## Dependency report

Thannhuber AG holds the majority of voting rights in Einhell Germany AG. We 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 2008 Financial Statements. Significant risks arise for purchasing, sales, financing, expansion and liability. 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

The global economy seems to be beginning to climb out of the crisis but stabilisation is inconsistent and sluggish. Whilst it forecast growth of 1.6% three months ago, the International Monetary Fund (IMF) now expects worldwide growth of 2.5%. Political intervention was able to prevent the danger of systemic breakdown and financial conditions have improved. Despite ongoing risks, the outlook for economic recovery has improved.

The International Monetary Fund sees the greatest economic chances in the industrial countries in Asia. Growth of 7.5% is forecast for China in 2009; its forecast is 8.5% for 2010.

The European Central Bank expects that the recession will last longer in the euro zone, until the middle of 2010.

In the opinion of leading economic research institutions, the German economy is in one of the deepest economic crises since the Second World War. A forecast by the International Monetary Fund expects the German economy to decline this year by 6.2% and by another 0.6% in 2010.

In 2009 experts expect a huge increase in the Federal deficit, rising from 0.1% last year to 6% in the coming year, before it returns to the permissible 3% by 2013. The EU

Commission will institute formal deficit proceedings against Germany by 2010 at the latest.

Despite intermediate respite from falling commodity price trends, there is no longer any prospect of revitalisation from private consumption.

### Further expansion

In order to establish a footing in lucrative South American economies, we planned to set up our own company in Brazil in the financial year 2009. This company has now been set up. Business operations should start at the end of 2009.

In order to continue to improve sales, the Einhell Group also plans partnerships with companies in India and other countries in South America in the near future.

The Group companies set up in 2008 have now been fully integrated into the Group. Despite the financial crisis, Einhell will continue its programme of internationalisation. The Board of Directors is currently working hard on strategic planning for the coming years.

## Outlook

Group management continues to expect that 2009 will be a very difficult year. In particular, the decline in private consumption could have significant effects on Group revenues.

Due to its excellent financial base and attractive new productlines, the Group's management believes that Einhell will emerge strengthened from the current financial crisis.

Landau a. d. Isar, 31 August 2009

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber  
York Boeder

## Consolidated balance sheet (IFRS) to 30 June 2009 (condensed version)

Assets	Selected note	30.6.2009 €thousand	30.6.2008 €thousand
<b>NON-CURRENT ASSETS</b>			
Intangible assets	2.1.	10,643	11,090
Property, plant and equipment		14,321	16,375
Non-current financial assets		984	976
Other non-current assets		2,874	3,152
DEFERRED TAX ASSETS		4,617	4,916
		33,439	36,509
<b>CURRENT ASSETS</b>			
Inventories	2.2.	89,982	86,819
Receivables and other current assets		81,883	85,041
Cash and bank balances and cheques		22,122	19,702
		193,987	191,562
		<u>227,426</u>	<u>228,071</u>

Equity and liabilities	Selected note	30.6.2009 €thousand	30.6.2008 €thousand
<b>EQUITY</b>			
Subscribed capital		9,662	9,662
Capital reserve		26,677	26,677
Retained earnings		84,232	72,213
Other cumulated equity		-452	-955
Adjustment charges for foreign currency exchange		-5,248	-3,153
Consolidated net income of shareholders of Einhell Germany AG		7,267	7,821
Consolidated equity of shareholders of Einhell Germany AG		122,138	112,265
Minority interest		2,832	5,495
		124,970	117,760
<b>NON-CURRENT LIABILITIES</b>			
Non-current liabilities to banks		1,884	15,250
Bonded loans		0	30,000
Non-current provisions	2.3.	2,131	2,147
Non-current liabilities		2,665	3,053
Deferred taxes		1,325	1,637
		8,005	52,087
<b>CURRENT LIABILITIES</b>			
Current provisions	2.3.	14,243	19,057
Current liabilities to banks		44,633	2,708
Current liabilities from trade payables and other liabilities		35,575	36,459
		94,451	58,224
		<u>227,426</u>	<u>228,071</u>

The balance sheet for 2008 was corrected with respect to current provisions and current liabilities in accordance with IAS 8. Accordingly, i. a. provisions for holiday entitlement, employee profit participation and customer credits were recognised under other liabilities.

## Consolidated income statement (IFRS) for the period from 1 January to 30 June 2009

	Selected note	1.1. - 30.6.2009	1.1. - 30.6.2008
		€thousand	€thousand
Revenues		181,485	200,894
Increase or decrease in finished and unfinished goods		0	-109
Capitalised costs		0	0
Other operating income		3,672	3,050
Cost of materials		-128,709	-144,207
Personnel expenses		-17,463	-18,443
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment		-1,668	-1,798
Other operating expenses	3.	-24,875	-26,019
Net finance costs		-2,683	-1,786
<b>Profit from operations</b>		<b>9,759</b>	<b>11,582</b>
Income taxes		-2,409	-2,979
<b>Consolidated net income</b>		<b>7,350</b>	<b>8,603</b>
<b>Share of other shareholders in consolidated net income</b>		<b>-83</b>	<b>-782</b>
<b>Consolidated net income less share of other shareholders</b>		<b>7,267</b>	<b>7,821</b>

# Interim half-yearly report to 30 June 2009



## Consolidated cash flow statement (IFRS) for the period from 1 January to 30 June 2009

in €thousand	1.1. – 30.6.2009	1.1. - 30.6.2008
<b>Net cash from/used in operating activities</b>		
Profit before taxes	9,759	11,582
+ Depreciation and amortisation of intangible assets and property, plant and Equipment	1,668	1,798
- Interest income	-174	-346
+ Interest expenses	1,406	1,780
+/- Other non-cash income and expenses	878	9
<b>Operating profit before changes in net working capital</b>	<b>13,537</b>	<b>14,823</b>
+/- Decrease/increase in trade receivables	-10,557	-6,439
+/- Decrease/increase in inventories	22,809	13,447
+/- Decrease/increase in other assets	3,491	3,333
+/- Increase/decrease in non-current liabilities	-328	-181
+/- Increase/decrease in current liabilities	168	3,091
+/- Increase/decrease in trade payables	-15,698	-12,348
<b>Cash flows from operating activities</b>	<b>13,422</b>	<b>15,726</b>
- Taxes paid	-4,508	-3,955
+ Interest received	83	207
- Interest paid	-1,345	-1,661
<b>Net cash flows from operating activities</b>	<b>7,652</b>	<b>10,317</b>
<b>Cash flows from investing activities</b>		
- Payments to acquire assets	-1,152	-1,749
+ Proceeds from disposal of assets	21	26
- Payments for acquisition of equity investments	-2,980	-795
+ Increase in goodwill	445	285
<b>Net cash flow from investing activities</b>	<b>-3,666</b>	<b>-2,233</b>
<b>Cash flows from financing activities</b>		
+/- Increase/decrease in loan obligations	245	120
+ Payments received from minority shareholders	0	0
- Payments to shareholders including minority shareholders	-2,239	-3,271
- Payments for liabilities for finance leases	-15	-25
<b>Net cash flows for financing activities</b>	<b>-2,009</b>	<b>-3,176</b>
Changes to capital funds due to currency exchange	174	202
Net cash acquired from acquisitions	0	0
<b>Net decrease/increase of cash and cash equivalents</b>	<b>2,151</b>	<b>5,110</b>
Cash and cash equivalents at beginning of reporting period	19,971	14,592
<b>Cash and cash equivalents at end of reporting period</b>	<b>22,122</b>	<b>19,702</b>

## Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 June 2009

### 1. Principles and methods used in consolidated financial statements

#### 1.1 Basis of consolidation

Effective 1 January 2009, all shares of Einhell Export-Import were taken over. This company becomes a fully owned Group company.

#### 1.2 Accounting and valuation policies

The interim half-yearly report to 30 June 2009 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2008.

### 2. Notes to balance sheet

#### 2.1 Non-current assets

Intangible assets at 30 June 2009 amounted to €10.6 million. Property, plant and equipment amounted to €14.3 million.

#### 2.2 Inventories

	June 2009	June 2008
	€thousand	€thousand
Raw materials and supplies (at acquisition cost)	1,168	837
Work in progress	0	110
Finished goods (at cost) less impairment	88,493	85,679
Prepayments	321	193
<b>Total</b>	<b>89,982</b>	<b>86,819</b>

#### 2.3 Provisions

Total provisions amount to €16,374 thousand and include non-current provisions of €2,131 thousand.

Provisions include in particular provisions for guarantees and tax provisions.

### 3. Notes to income statement

#### Other operating expenses

Other operating expenses as at 30 June 2009 amount to €24,875 thousand and include postage of goods, guarantees, customer services, impairment, advertising and product design.

### 4. Segment reporting

#### 4.1 Segment reporting by segment

June 2009 in €thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	96,440	85,045	181,485	0	181,485
Operating segment revenues (EBIT)	5,531	6,911	12,442	0	12,442
Group net profit	3,059	4,208	7,267	0	7,267

June 2008 in €thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	104,070	96,824	200,894	0	200,894
Operating segment revenues (EBIT)	6,183	7,185	13,368	0	13,368
Group net profit	3,551	4,270	7,821	0	7,821

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

EBIT comprises earnings from ordinary operations and financial earnings (including currency effects).

## 4.2 Segment reporting by region

Segment reporting by region is as follows:

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

June 2008 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	78,259	82,823	30,892	8,920	0	200,894

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, 31 August 2009

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