

Dear shareholder,

In the first nine months of the financial year 2008, the Einhell Group continued to battle difficult market circumstances in Germany and in Europe.

Nevertheless, it still managed to generate an excellent net profit margin. This shows that the Group can demonstrate consistent and healthy earnings even in this extremely difficult economic period.

The Group equity ratio is over 50 % at the end of September, showing that Einhell has a stable and solid financial structure. This is extremely advantageous in the current global financial crisis.

A decision of the EU Commission to apply anti-dumping duties of 52 – 77% against Chinese compressors had a strongly negative effect on revenues and income from the second quarter 2008. This continues to have a significant effect on revenues within the European Union and particularly for revenues in the German market.

The Third Quarter Report 2008 was not subject to audit pursuant to § 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 financial crisis has become much more grave during 2008. For a short period, there was a danger that global financial systems would collapse completely, until governments were able to intervene decisively. On 13 October 2008, the German Federal Government passed a rescue package for the German financial system. The Financial Markets Stabilisation Act (Finanzmarktstabilisierungsgesetz) is designed to secure the stability of banks, insurance companies, pension funds and other financial institutions domiciled in Germany.

However, turbulence in the financial markets has had a significant effect on the real economy and economic prospects fell sharply during the course of the year. After a surprisingly good start in the first quarter, things have slowed so strongly that Germany is on the brink of a recession. Germany's most important trading partners have been particularly badly hit by global trends towards recession, where there is a marked weak period in the economy which is leading to a significant and lengthy reduction in demand in export markets important to the Germany economy. In some emerging markets, effects are being felt as a fall in stock markets and increases in interest rates. In Hungary and the Ukraine, the situation is so serious that international intervention was necessary.

The strong fall in commodity prices in the autumn of 2008 has strongly curbed the increases in consumer prices.

The crisis in the international financial markets and economic slowdown has not yet had any significant effect on unemployment and employment figures in Germany and the figures continue to be satisfactory. With over 40 million employed, the registered unemployment figure in October fell below 3 million for the first time in 16 years. The unemployment rate fell by the middle of the year to 7.8 %. However, the current economic difficulties indicate that this will mark the end of previously positive developments in the employment market.

Revenues of building markets in Germany have improved slightly on the same period in the previous year, continuing the positive trend from the second quarter. The building market industry improved its total revenues in the third quarter by an average 2.8 %. The garden hardware segment of the building centre industry earned 0.6 % more by the end of September than in the previous year.

However, as domestic and foreign demand slowed significantly in the first half-year 2008, many tool manufacturers anticipate a further deterioration on economic conditions by the beginning of 2009.

Business activities

Einhell Group revenue slightly below previous year

In the first nine months of the financial year 2008, the Einhell Group achieved revenues of € 288.2 million. Which represents a slight fall of € 8.2 million or 2.8 % in comparison with the previous year.

Revenues in the domestic German market amounted to € 106.5 million; in the comparable period in 2007 revenues were € 118.5 million. The share of domestic revenues as part of total Group revenues is 37.0 %. This reduction is due to a fall in compressor revenues and market saturation in Tools in all west European countries. There was also a noticeably marked consumer reticence towards the end of the third quarter 2008.

Within the European Union, revenues fell slightly by € 1.5 million to € 119.4 million (previous year € 120.9 million), which represents a fall of 1.2 %. The largest markets were Italy, Austria and Poland.

Revenues in Asia in this reporting period were € 148 million (previous year € 20.7 million). This reduction is due mainly to lower purchasing volumes of international building centre chains in Asia.

Other countries showed an increase in revenue to € 47.5 million (previous year € 36.3 million). The largest markets were Croatia, Turkey, Ukraine and Switzerland.

The share of total Group revenues provided by foreign countries in this reporting period 2008 was 63.0 %.

Segment growth

The Tools segment showed revenues in the first nine months 2008 of € 158.8 million (previous year € 175.1 million). As detailed in the interim half-year report, the revenue reduction in this segment was due mainly to the effect on the market of increased duties on Chinese compressors.

Strongest product sales in this segment were generators, rotary hammers and also compressors, although their sales were falling.

Growth in the Garden & Leisure segment was better and revenues in the first nine months 2008 amounted to € 129.4 million (previous year € 121.3 million). The strongest sales in this segment were for the product groups lawnmowers, tillers and chain saws.

Earnings

In the period January to September 2008, the Einhell Group earned profits from operations amounting to € 16.1 million (previous year € 19.3 million). Thus pre-tax yield was 5.6 % (previous year 6.5 %). This is an astounding result in light of the current global economic situation.

Group net profit after minority interests in the reporting period amounted to € 10.8 million (previous year € 13.2 million). Earnings per share are calculated at € 29 per share (previous year € 3.5 per share).

Personnel and social security

The continuing international expansion of the Group meant that it was able to increase its number of worldwide employees in the reporting year. The number of employees at balance sheet date increased to 1,046 (previous year 1,003).

The Board of Directors of Einhell Germany AG would like to thank all employees of the Einhell Group for their performance and commitment, which made it possible to achieve the excellent returns earned during the reporting period.

Financial and assets position

The most important items in the balance sheet are as follows for 30 September 2008 and 30 September 2007:

	09/2008	09/2007
	€ millions	€ millions
Non-current assets incl. deferred tax assets	35.5	37.6
Inventories	95.0	109.2
Receivables and other assets	97.0	84.7
Cash and cash equivalents	15.1	7.8
Equity	124.7	108.4
Liabilities to banks	45.2	60.2

Investments

In the reporting period, the Einhell Group made investments amounting to € 2.2 million, of which € 1.2 million was for intangible assets and € 1.0 million was for property, plant and equipment. Intangible assets included in particular capitalised investment costs for products. Additions to property, plant and equipment consisted mainly of operating and office equipment.

Current assets

Goods inventories decreased as against the previous year to € 95.0 million (previous year € 109.2 million). Receivables and other assets increased in this reporting period in comparison with the previous year to € 97.0 million (previous year € 84.7 million).

Changes to group structure

The Group was extended by another four companies in the third quarter 2008. New companies in the United Arab Emirates, France, Denmark and Slovakia were set up successfully. The Group has an 80 % share in the Emirates company and a 70 % share in the company in France. The companies in Denmark and Slovakia are fully-owned Group subsidiaries.

Financing

The Einhell Group mainly uses a bonded loan and non-current loans for financing purposes. The bonded loan expires in July 2009. The Board of Directors has already begun to develop refinancing concepts with banks and insurance companies. Despite the current credit crunch, the Board of Directors is optimistic that it will be able to secure attractive refinancing terms due to the Group's solid financial structure and excellent equity ratio.

Research and development

Product development in the Einhell Group is carried out by experienced specialists from all segments. Our customers are our partners and are included from the earliest stages of the development process. This allows for a consequential concentration on the needs of the customers and the demands of the market. Continual development of innovations secures the future earning power of the Group. New and innovative product features guarantee a sustainable differentiation from competitive products secure the market position of the Group.

Dependency report

The majority of voting rights in Einhell Germany AG are held by Thannhuber 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 2007 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.

Global business development

The financial crisis should result in weakened global economic growth for the near future. Recovery in 2009 will also be sluggish. Expansion in important emerging economies such as China will also slow down.

The risks for the global economy are diverse, taking account of the consequences of the crisis in the financial markets and credit supply.

The international financial crisis and the weak US economy are also having a drastic effect on economic growth in the euro zone. Economic impulses in 2009 could come from the fall in commodity prices and from economic policies.

Further expansion in South America

In order to establish a footing in lucrative South American economies, it is planned to set up our own company in Brazil in the near future. This will allow the Group to

position itself in one of the strongest sales markets in South America.

Einhell Group remains profitable

The first nine months of the financial year 2008 for the Einhell Group were dominated by difficult market conditions in Germany and Western Europe. Export targets were met due to strong expansion in other countries. The Board of Directors expects under current circumstances that Group revenues for 2008 will not be more than € 370 million. Despite difficult market conditions, the yield is still expected to be good.

The Board of Directors would like to advise that the extreme distortions in currency exchange rates make the forecast extremely difficult. The resulting effects on the cost of sales and financial result cannot be reliably estimated.

Landau a. d. Isar, 28 November 2008

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder

Financial report to 30 September 2008



Consolidated balance sheet (IFRS) to 30 September 2008 (condensed version)

Assets	Selected note	30.09.2008 € thousand	30.09.2007 € thousand
NON-CURRENT ASSETS			
Intangible assets	2.1.	10,715	11,243
Property, plant and equipment		16,083	16,939
Non-current financial assets		976	955
Other non-current assets		3,154	3,691
		4,594	4,741
DEFERRED TAX ASSETS			
		35,522	37,569
CURRENT ASSETS			
Inventories	2.2.	94,975	109,184
Receivables and other current assets		97,047	84,749
Cash and bank balances and cheques		15,076	7,778
		207,098	201,711
		<u>242,620</u>	<u>239,280</u>

Equity and liabilities	Selected note	30.09.2008 € thousand	30.09.2007 € thousand
EQUITY			
Subscribed capital		9,662	9,662
Capital reserve		26,677	26,677
Retained earnings		60,631	52,117
Minority interest		5,880	4,217
Other cumulated equity		609	-1,528
Adjustment charges for foreign currency exchange		-1,039	-2,607
Consolidated net income		22,256	19,893
		124,676	108,431
NON-CURRENT LIABILITIES			
Non-current liabilities to banks			
		15,068	15,787
Bonded loans		0	30,000
Non-current provisions	2.3.	2,134	2,125
Non-current liabilities		3,075	3,291
Deferred taxes		1,422	1,385
		21,699	52,588
CURRENT LIABILITIES			
Current provisions	2.3.	25,837	27,291
Current liabilities to banks		30,148	14,425
Current liabilities from trade payables and other liabilities		40,260	36,545
		96,245	78,261
		<u>242,620</u>	<u>239,280</u>

Consolidated income statement (IFRS) for the period from 1 January to 30 September 2008

	Selected note	01.01. - 30.9.2008	01.01. - 30.9.2007
		€ thousand	€ thousand
Revenues		288,224	296,448
Increase or decrease in finished and unfinished goods		-219	0
Capitalised costs		0	0
Other operating income		4,541	4,979
Cost of materials		-204,906	-212,071
Personnel expenses		-28,470	-24,607
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment		-2,700	-2,906
Other operating expenses	3.1.	-37,078	-40,439
Net finance costs		-3,300	-2,066
Profit from operations		16,092	19,338
Income taxes		-4,224	-5,274
Consolidated net income		11,868	14,064
Share of other shareholders in consolidated net income		-1,074	-847
Consolidated net income less share of other shareholders		10,794	13,217
Retained earnings from previous year		11,462	6,676
Transfer to other retained earnings		0	0
Consolidated net profit		<u>22,256</u>	<u>19,893</u>

Financial report to 30 September 2008



Consolidated cash flow statement (IFRS) for the period from 1 January to 30 September 2008

in € thousand	01.01. – 30.09.2008	01.01. - 30.09.2007
Net cash from/used in operating activities		
Profit before taxes	16,092	19,338
+ Depreciation and amortisation of intangible assets and property, plant and Equipment	2,700	2,906
- Interest income	-609	-436
+ Interest expenses	2,706	2,592
+/- Other non-cash income and expenses	236	18
Operating profit before changes of net working capital	21,125	24,418
+/- Decrease/increase in trade receivables	-13,140	-14,591
+/- Decrease/increase in inventories	5,851	-30,188
+/- Decrease/increase in other assets	985	22
+/- Increase/decrease in non-current liabilities	-172	-125
+/- Increase/decrease in current liabilities	7,837	7,263
+/- Increase/decrease in trade payables	-7,951	2,103
Cash flows from operating activities	14,535	-11,098
- Taxes paid	-3,760	-5,869
+ Interest received	468	344
- Interest paid	-2,532	-2,259
Net cash flows from operating activities	8,711	-18,882
Cash flows from investing activities		
- Payments to acquire assets	-2,220	-11,514
+ Proceeds from disposal of assets	53	53
- Payments for acquisition of equity investments	-795	-4,806
+ Increase in goodwill	285	5,332
Net cash flow from investing activities	-2,677	-10,935
Cash flows from financing activities		
+/- Increase/decrease in loan obligations	-2,619	13,394
+ Payments received from minority shareholders	254	0
- Payments to shareholders including minority shareholders	-3,391	-2,894
- Payments for liabilities for finance leases	-41	-45
Net cash flows for financing activities	-5,797	10,455
Changes to capital funds due to currency exchange	247	-95
Net cash acquired from acquisitions	0	910
Net decrease/increase of cash and cash equivalents	484	-18,547
Cash and cash equivalents at beginning of period	14,592	26,325
Cash and cash equivalents at end of period	15,076	7,778

Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 September 2008

1. Principles and methods used in consolidated financial statements

1.1 Basis of consolidation

Four new companies were included in the Group during 2008. Einhell Germany AG holds a 70 % investment in Einhell France and an 80 % investment in Einhell Middle East. Einhell Scandinavia and Slovakia are each fully-owned subsidiaries of Einhell Germany AG.

1.2 Accounting and valuation policies

The quarterly report to 30 September 2008 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2007.

2. Notes to balance sheet

2.1 Non-current assets

Intangible assets at 30 September 2008 amounted to € 10.7 million. Property, plant and equipment amounted to € 16.1 million.

2.2 Inventories

	September 2008	September 2007
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	945	1,846
Work in progress	0	172
Finished goods (at cost) less impairment	93,804	106,862
Prepayments	226	304
Total	94,975	109,184

2.3 Provisions

Total provisions amount to € 27,971 thousand and include non-current provisions of € 2,134 thousand. Provisions include in particular provisions for guarantees, credits to customers and tax provisions.

3. Notes to income statement

3.1 Other operating expenses

Other operating expenses as at 30 September 2008 amount to € 37,078 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

September 2008 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	158,808	129,416	288,224	0	288,224
Operating segment revenues (EBIT)	11,119	8,273	19,392	0	19,392
Group net profit	6,239	4,555	10,794	0	10,794

September 2007 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	175,087	121,361	296,448	0	296,448
Operating segment revenues (EBIT)	13,724	7,680	21,404	0	21,404
Group net profit	8,538	4,679	13,217	0	13,217

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

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

4.2 Segment reporting by region

Segment reporting by region is as follows:

September 2008 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	106,534	119,447	47,482	14,761	0	288,224

September 2007 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	118,530	120,892	36,342	20,684	0	296,448

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, 28 November 2008

Einhell Germany AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder