

## Dear shareholder,

It is inevitable that the international outlook of the Einhell Group would be affected by the ongoing tense global economic situation. In particular, the continuing effect of the economic crisis in Eastern European countries is impacting on the revenues of the Einhell Group. Due to new product lines that have been well received, the Einhell Group was able to maintain its position in the market and again generate a sound net profit margin.

Despite a global shortage of credit and increased risk of default, the Einhell Group regards itself as being well armed with an excellent equity base. The successful refinancing of the bonded loan and the resulting solid financial structure was able to provide a sound basis for the future growth of the Group.

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

Due to the global crisis, various economic programmes have been introduced to stimulate economies around the globe. This is not just in industrialised nations such as the USA, France or Germany, but many emerging and development nations are also providing large sums in order to counteract collapsing orders.

Despite the first signs of improvement in the global economy, the International Monetary Fund (IMF) still sees considerable risks for international financial stability. The greatest danger is still from weak demand in many industrialised countries. The challenges for politicians are considerable: supporting the economy with expensive economic stimulus programmes, and not expanding budget deficits any more than absolutely necessary.

The global economic crisis is affecting German exports. The Federation of German Wholesale and Foreign Trade (BGA) expects a fall in revenues of about 18% for 2009, which would be the largest collapse in the history of the Federal Republic of Germany. Furthermore, due to increased delays in payment resulting from the financial crisis, the number of companies faced with insolvency in Germany is increasing.

One consequence of the recession is that Europe must prepare for subdued growth over a longer period. In its economic report, the International Monetary Fund (IMF) has said that this is due mainly to falling demand from American consumers.

The national debt of the Federal Republic of Germany is increasing sharply due to the economic crisis. The EU Commission believes that Germany already meets the requirements for new deficit proceedings. The upper limits agreed in the Stability Pact are unlikely to be fulfilled for a long time with the increased borrowing. The German government does not expect new borrowing to fall below 3% before 2013.

Price inflation as of September 2009 continues to favour the consumer. Consumer prices fell by 0.3%, giving a negative inflation rate (deflation) for the second time this year (last seen in July: -0.5%). This was again due mainly to continuing falls in energy and food prices. The negative inflation rate in September is also due to the fact that price levels were extremely high in the previous year.

The harmonised index of consumer prices for Germany in September 2009 was 0.5% lower than in the same month in the previous year.

In view of hefty reductions in production, the German employment market has so far proven extremely robust. The employment market continues to profit from the extensive use of short-time working but pressure on the employment market is increasing for every month in which there is no significant increase in orders. Due to the autumn revival, the number of persons unemployed in Germany fell in September to 3,346 million. This meant that there were 125,000 fewer people without a job in September in Germany than in the previous month, but still 266,000 more than in September 2008.

Revenues from building and DIY stores for the first nine months of 2009 remained stable as against the same period in the previous year.

The Ifo Business Climate Index for industry and trade in Germany improved slightly in September. However, a large proportion of companies surveyed continue to have an unfavourable business outlook.

### Business activities

#### Einhell Group revenues slightly below previous year

In the first nine months of the financial year 2009, the Einhell Group earned revenues of €262.7 million (previous year: €288.2 million), which represents a reduction of €25.5 million in comparison with the previous year.

Revenues in the domestic German market amounted to €104.8 million; in the same period in the previous year revenues were €106.5 million. The share of domestic revenues as part of total Group revenues is 39.9%.

In the European Union, revenues amounted to €109.4 million (previous year: €119.4 million). The largest markets were still Austria, Italy and Poland.

# Financial report to 30 September 2009



Revenues in Asia increased to €17.5 million (previous year €14.8 million) in comparison with the previous year

Revenues in other countries amounted to €31 million (previous year €47.5 million). The most significant markets were Croatia, Turkey and Switzerland.

The share of total Group revenues provided by other countries in the reporting period was 60.1%.

## Segment development

The Tools segment earned revenues in the first nine months of 2009 of €145.6 million (previous year: €158.8 million).

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

Revenues in the Garden & Leisure segment in this reporting period amounted to €117.1 million (previous year €129.4 million). The strongest sales in this segment were for the product groups chainsaws, shredders and electrical heaters.

## Earnings

In the period January to September 2009, the Einhell Group earned profits from operations amounting to €13.5 million (previous year €16.1 million). The pre-tax yield was 5.2% (previous year 5.6%). 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 €11.0 million (previous year €10.8 million). Earnings per share are calculated at €2.9 per share (previous year €2.9 per share).

## Personnel and social security

The number of employees at balance sheet date was 969 (previous year 1,046).

In order for the Group to continue to develop its own highly qualified personnel, training and development programmes will be offered in 2010. Employees can take courses in project management, working methods, IT and languages.

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 balance sheet dates 30 September 2009 and 30 September 2008:

	09/2009	09/2008
	€ millions	€ millions
Non-current assets incl. deferred tax assets	35.8	35.5
Inventories	65.9	95.0
Receivables and other assets	84.7	97.0
Cash and cash equivalents	43.8	15.1
Equity	127.0	124.7
Liabilities to banks	46.3	45.2

## Investments

In the reporting period, the Einhell Group made investments amounting to €4.1 million, of which €0.9 million was for intangible assets and €3.2 million was for property, plant and equipment.

## Current assets

There was a significant fall in goods inventories as against the previous year. As of 30 September 2009, they stood at €65.9 million (previous year €95.0 million). Receivables and other assets decreased in this reporting period in comparison with the previous year to €84.7 million (previous year €97.0 million).

## Changes to group structure

All shares of Einhell Export-Import were taken over with effect from 1 January 2009. This company becomes a fully owned Group company.

## Financing – implementation of a important strategic corporate goal

The Group was able to successfully refinance the bonded loan that expired in July 2009.

It has been able to secure good terms for long-term financing for the next five years for the sum of €40 million.

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 also 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

After the deepest recession in the post-war period, signs of growth are returning to the economy. The global economy is recovering more quickly than previously expected due to numerous state stimulus packages and the low-interest rate policies of central banks. The International Monetary Fund (IMF) now expects worldwide growth in the global economy next year of 3.1%.

As the return to growth is still insecure, the leading industrial nations of the G7 are still pumping billions into aid programmes. The International Monetary Fund continues to regard weak demand as the greatest threat to recovery.

The International Monetary Fund sees the greatest economic opportunities in the industrial countries in Asia. No other region can currently compete with Asia's economic rate of growth, which is having a knock-on effect in other countries. The International Monetary Fund has revised its forecast upwards and now forecasts growth of 8.5% for China in 2009 and 9.0% for 2010.

After a collapse in the European economy in 2009 of minus four percent, the International Monetary Fund expects growth of only 0.5% in 2010. The IMF now forecasts a rise in unemployment rates by 2011 to about 12%.

The International Monetary Fund expects only a weak recovery for the German economy in 2010. It forecasts growth of only 0.3% of GNP.

The German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW) forecasts an increase in unemployment in Germany to 4 million in 2010. Despite signs of recovery, the DIW anticipates massive public spending deficits. Estimates put the deficit in 2009 at €75 billion and at €125 billion in 2010.

## Further expansion

We are already preparing future growth strategies for Einhell. We already have a sales subsidiary in Chile, which is showing positive operational growth and we are working on a market entry in Brazil. We think that there is a strong middle class with continually increasing buying power in both countries.

We are also developing business in other South American countries. In around five years, South America will be one of Einhell's growth areas at a time when we expect growth rates in Eastern Europe might be less strong. This means that we are already taking up a position in a strategically interesting developing market. With our products, we will play a part in the development potential of these countries.

## Outlook

Even the Einhell Group is unable to avoid the effects of economic circumstances. In particular, the weakening of private consumption in various countries is having a significant effect on Group revenues. We are not currently able to say when the effects of the financial crisis will pass.

However, the Einhell Group is countering difficult market conditions, particularly weak consumer demand, with a new range of highly attractive products. The introduction of new product lines allows us to increasingly meet the needs of different groups of consumers. With improved quality and design, the new products provide the basis for further growth and stability of the Group.

Landau a. d. Isar, 26 November 2009

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber  
York Boeder

# Financial report to 30 September 2009



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

Assets	Selected note	30.9.2009 € thousand	30.9.2008 € thousand
<b>NON-CURRENT ASSETS</b>			
Intangible assets	2.1.	10,475	10,715
Property, plant and equipment		16,490	16,083
Non-current financial assets		984	976
Other non-current assets		2,520	3,154
		5,337	4,594
<b>DEFERRED TAX ASSETS</b>		<b>35,806</b>	<b>35,522</b>
<b>CURRENT ASSETS</b>			
Inventories	2.2.	65,942	94,975
Receivables and other current assets		84,680	97,047
Cash and bank balances and cheques		43,828	15,076
		194,450	207,098
		<u>230,256</u>	<u>242,620</u>

Equity and liabilities	Selected note	30.9.2009 € thousand	30.9.2008 € thousand
<b>EQUITY</b>			
Subscribed capital		9,662	9,662
Capital reserve		26,677	26,677
Retained earnings		84,232	72,093
Other cumulated equity		-1,959	609
Adjustment charges for foreign currency exchange		-5,567	-1,039
Consolidated net income of shareholders of Einhell Germany AG		11,019	10,794
Consolidated equity of shareholders of Einhell Germany AG		124,064	118,796
Minority interest		2,965	5,880
		127,029	124,676
<b>NON-CURRENT LIABILITIES</b>			
Non-current liabilities to banks		41,721	15,068
Bonded loans		0	0
Non-current provisions	2.3.	2,067	2,134
Non-current liabilities		2,784	3,075
Deferred taxes		1,176	1,422
		47,748	21,699
<b>CURRENT LIABILITIES</b>			
Current provisions	2.3.	12,738	22,239
Current liabilities to banks		4,618	30,148
Current liabilities from trade payables and other liabilities		38,123	43,858
		55,479	96,245
		<u>230,256</u>	<u>242,620</u>

The balance sheet for 2008 was corrected with respect to current provisions and current liabilities in accordance with IAS 8. Accordingly, 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 September 2009

	Selected note	1.1. - 30.9.2009	1.1. - 30.9.2008
		€ thousand	€ thousand
Revenues		262,732	288,224
Increase or decrease in finished and unfinished goods		0	-219
Capitalised costs		0	0
Other operating income		6,079	4,541
Cost of materials		-187,918	-204,906
Personnel expenses		-26,068	-28,470
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment		-2,508	-2,700
Other operating expenses	3.	-34,956	-37,078
Net finance costs		-3,825	-3,300
<b>Profit from operations</b>		<b>13,536</b>	<b>16,092</b>
Income taxes		-2,506	-4,224
<b>Consolidated net income</b>		<b>11,030</b>	<b>11,868</b>
<b>Share of other shareholders in consolidated net income</b>		<b>-11</b>	<b>-1,074</b>
<b>Consolidated net income less share of other shareholders</b>		<b>11,019</b>	<b>10,794</b>

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

in € thousand	1.1. – 30.9.2009	1.1. - 30.9.2008
<b>Net cash from/used in operating activities</b>		
Profit before taxes	13,536	16,092
+ Depreciation and amortisation of intangible assets and property, plant and equipment	2,508	2,700
- Interest income	-445	-609
+ Interest expenses	2,296	2,706
+/- Other non-cash income and expenses	-349	236
<b>Operating profit before changes in net working capital</b>	<b>17,546</b>	<b>21,125</b>
+/- Decrease/increase in trade receivables	-12,534	-13,140
+/- Decrease/increase in inventories	47,043	5,851
+/- Decrease/increase in other assets	2,806	985
+/- Increase/decrease in non-current liabilities	-273	-172
+/- Increase/decrease in current liabilities	-798	7,837
+/- Increase/decrease in trade payables	-14,873	-7,951
<b>Cash flows from operating activities</b>	<b>38,917</b>	<b>14,535</b>
- Taxes paid	-6,487	-3,760
+ Interest received	220	468
- Interest paid	-1,995	-2,532
<b>Net cash flows from operating activities</b>	<b>30,655</b>	<b>8,711</b>
<b>Cash flows from investing activities</b>		
- Payments to acquire assets	-2,307	-2,220
+ Proceeds from disposal of assets	93	53
- Payments for acquisition of equity investments	-2,980	-795
+ Increase in goodwill	445	285
<b>Net cash flows from investing activities</b>	<b>-4,749</b>	<b>-2,677</b>
<b>Cash flows from financing activities</b>		
+/- Increase/decrease in loan obligations	67	-2,619
+ Payments received from minority shareholders	131	254
- Payments to shareholders including minority shareholders	-2,239	-3,391
- Payments for liabilities for finance leases	-34	-41
<b>Net cash flows for financing activities</b>	<b>-2,075</b>	<b>-5,797</b>
Changes to capital funds due to currency exchange	26	247
Net cash acquired from acquisitions	0	0
<b>Net decrease/increase of cash and cash equivalents</b>	<b>23,857</b>	<b>484</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>43,828</b>	<b>15,076</b>

## Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 September 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 quarterly report to 30 September 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 September 2009 amounted to €10.5 million. Property, plant and equipment amounted to €16.5 million.

#### 2.2 Inventories

	September 2009	September 2008
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	928	945
Work in progress	0	0
Finished goods (at cost less impairment)	64,397	93,804
Prepayments	617	226
<b>Total</b>	<b>65,942</b>	<b>94,975</b>

#### 2.3 Provisions

Total provisions amount to €14,805 thousand and include non-current provisions of €2,067 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 September 2009 amount to €34,956 thousand and include postage of goods, guarantees, customer services, impairment, advertising and product design.

### 4. Segment reporting

#### 4.1 Segment reporting by segment

September 2009 in €thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	145,574	117,158	262,732	0	262,732
Operating segment revenues (EBIT)	9,364	7,997	17,361	0	17,361
Group net profit	5,897	5,122	11,019	0	11,019

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

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:

September 2009 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	104,850	109,360	31,031	17,491	0	262,732

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

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, 26 November 2009

Einhell Germany AG  
The Board of Directors

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