

## Dear shareholder,

In the first nine months of the financial year 2010, the Einhell Group was able to increase revenues by 10.3% in comparison with 2009.

Increased demand for both product lines “Red” and “Blue” meant that in the third quarter in particular there was a significant increase in revenues and profits in comparison with 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 continues to improve in the second half of 2010. The upturn is mainly due to the emerging market countries, whereas most of the industrialised countries have still not recovered to pre-crisis levels. Economic recovery continues to be export-driven. As well as the growth driven by the emerging market countries, exports with European countries are again looking significantly more positive.

There is a deep division within economies in the European Union. Germany, still seen as the driving force in Europe's economy, is contrasted against strongly indebted States. Economic performance in the euro zone improved by 0.4% in the third quarter 2010 in comparison with the previous quarter. Without the strong input from Germany, this would only be an increase of 0.2%.

Two years after the deepest recession for over 60 years, Germany is recovering surprisingly well. Growing domestic demand and strong exports are contributing to the post-financial crisis recovery. Despite continuing risks in the international financial markets, the chances for a stable recovery are good. The adjusted GDP increased in the third quarter by 3.9% in comparison with the previous year. Private and government spending, defence spending and the trade balance also contributed to an increase in GDP.

In September 2010, German exports were up 22.5% and imports were up 18% in comparison with September of the previous year. In a single month, exports rose by 3% and reached their highest level since October 2008. With exports at €86.9 billion, exports once again reached pre-crisis levels for the first time. Both exports to the EU and to other countries saw an increase as against the comparable period in the previous year. Germany showed an export surplus of €16.8 billion in September 2010 which was €5.3 billion higher than in September 2009.

The situation in the employment markets improved once again due to the economic recovery. In comparison with the previous year, the unemployment ratio fell by 0.4 percentage points in September 2010 to 7.2%. Levels of employment and employment with mandatory social security contributions are still increasing. The demand for staff remains at a high level. Seasonally adjusted unemployment in the euro zone in September 2010 at 10.1% was almost unchanged in comparison with August 2010 (10.0%).

The upward trend in prices increased once again in September 2010. The consumer price index for Germany was 1.3% higher than September 2009. In comparison with the previous month of August, the rate of inflation was almost unchanged at -0.1%. The rate of inflation continued to be influenced by food and energy prices in September 2010. In September 2010, the Harmonised Index of Consumer Prices (HICP) for Germany was 1.3% higher than in the comparable period in the previous year.

After modest sales at the beginning of the year, there has been a positive financial year in the DIY store business. In the first nine months of 2010 the DIY industry increased revenues as against the previous year by 1.7%. The third quarter saw an increase of 3.9% in comparison with the previous year. This continues the positive trend of past months.

### Business activities

#### Einhell Group revenues much higher than last year

The Einhell Group earned revenues of €289.7 million in the first nine months of the financial year 2010 (previous year €262.7 million). This represents an increase of €27 million as against the previous year.

Revenues in the domestic German market amounted to €118.9 million; in the comparable period in 2009 revenues were €104.8 million. This represents a year-on-year revenue increase of 13.4%. The share of domestic revenues as part of total Group revenues is 41.1%.

In the European Union, revenues were €113.5 million (previous year: €109.4 million). The largest markets were still Italy, Austria and Poland.

Revenues in Asia amounted to €18.2 million (previous year €17.5 million).

Other countries were able to significantly increase revenues to the third quarter 2010. Revenues increased by €81 million to €39.1 million (previous year: €31.0 million) as against the comparable period in the previous year. The largest sales markets were still Turkey and Switzerland

The share of total Group revenues provided by other countries in the reporting period was 58.9%.

## Segment growth

The Tools segment increased revenues in the first nine months of the financial year 2010 by €14.4 million to €160.0 million (previous year: €145.6 million). Fixed woodworking machinery, compressed air technology machines and hand tools generated are the most significant sales in this segment.

The Garden & Leisure segment also saw an increase in revenues in comparison with the previous year. Revenues to 30 September 2010 amounted to €129.7 million (previous year €117.1 million). The strongest sales in this segment were for the garden care, water technology, shredders and leaf vacuums.

## Very positive earnings

The Einhell Group earned profits before tax amounting to €17.9 million in the period January to September 2010 (previous year €13.5 million). The pre-tax yield increased in comparison to the previous year to 6.2% (previous year 5.2%).

The Group net profit after minority interests per the end of September 2010 increased by €1.8 million in comparison with the previous year to €12.8 million. Earnings per share are calculated at €3.4 per share (previous year: €2 per share).

## Personnel and social security

The number of employees at reporting date increased as against the previous year by 56 to 1,025.

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 again possible to achieve the sound returns earned.

## Organisational changes

At his own request, York Boeder will end his appointment as a member of the Board of Directors of Einhell Germany AG with responsibility for international affairs with effect to the end of the year. The other members of the Board of Directors would like to thank Mr. Boeder for the successful years he has spent with the Board and wish him all the best for the future.

## Financial and assets position

The most important items in the statement of financial position are as follows at 30 September 2010 and 30 September 2009:

	09/2010	09/2009
	€ millions	€ millions
Non-current assets incl. deferred tax assets	34.2	35.8
Inventories	85.2	65.9
Receivables and other assets	99.9	84.7
Cash and cash equivalents	27.8	43.8
Equity	137.2	127.0
Liabilities to banks	41.9	46.3

## Investments

In this reporting period, the Einhell Group made investments amounting to €1.4 million, which was most of with respect to property, plant and equipment.

## Current assets

Goods inventories increased as against the previous year to €85.2 million (previous year €65.9 million). Trade receivables and other assets increased in this reporting period in comparison with the previous year to €99.9 million (previous year €84.7 million).

## Changes to Group structure

In the first half-year 2010, 10% of the shares in Einhell Australia were transferred to the local managing director. Einhell also took over all shares in Einhell Middle East Trading FZC and Einhell Romania SRL. Both companies became fully owned group subsidiaries.

## 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 to the Einhell Group is exposed are unchanged as against the risks in the Financial Statements 2009. Significant risks arise in particular 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

The global economy has recovered in 2010. There was a strong expansion of global trade that almost made up for the massive falls of the previous year. The reasons behind this significant improvement were generous monetary and fiscal policies and stable demand from emerging market economies. It is expected that global GDP will grow by a total of 4.8% in 2010.

Whilst economic performance in the emerging market economies in particular is already much higher than pre-crisis levels, many industrialised countries have not yet been able to recover GDP to pre-crisis levels.

Prospects of growth in the euro zone have improved slightly. As well as the growth-driving emerging economies, exports with European countries have returned to positive levels. German imports from EU countries have risen faster than exports. This shows how much Europe is benefitting from Germany's economic strength.

The German Federal Government's Council of Experts expects German GDP to rise by 3.7% in 2010. The economic recovery will also continue into 2011, but at a slower rate. As the global economy is cooling slightly and Government support facilities are coming to an end, growth of 2.2% is expected in 2011.

However, international tensions with regard to currencies are hiding substantial risks. German export opportunities may be affected in particular by inflationary tendencies in the USA. Cuts in weakened EU States and countries in Eastern Europe also endanger the German economy, as German companies have made substantial exports to these countries in recent years.

### Corporate strategies / establishing new Group companies

Corporate strategies are still based on significant growth. The Group subsidiaries recently set up are focussed on complete integration into the Group. The new companies in Australia and South America will be strongly integrated into the Group in the areas of product and sales strategies, finance and IT.

There is another subsidiary in Argentina that is presently in the set up phase, which will probably begin operations in 2011. We are also preparing to set up a company in Norway in order to improve customer links in Scandinavia and to provide a better service in these markets.

The strategic goals of the Einhell Group of increasing its profile as an electrical tool and garden machinery supplier remain unchanged. Management's aim is to strengthen Einhell products as listed goods in DIY stores. Einhell is to strengthen its presence in building and DIY stores under the motto "Quality for the price conscious".

### Einhell improves outlook at year end

The first nine months of the financial year have shown a very positive growth in revenues and earnings for the Einhell Group. Earnings in Eastern European countries have also stabilised further.

Einhell still has a really strong market position, a solid balance sheet and financial structures and extensive know-how about operations and extending into new markets.

However, the Einhell Group is still feeling the impact of steep increases in freight costs. Prices are also affected by increased commodity prices and currency uncertainties. Yet despite these uncertain conditions, the Board of Directors has an optimistic outlook.

Business development in the fourth quarter is progressing well. Provided that there are no grave external events before the end of the year, the Board of Directors anticipates an increase in revenues of about 10% in comparison with the previous year. There is an expected pre-tax revenue yield of 5-6%.

Landau a. d. Isar, 22 November 2010

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber  
York Boeder

# Financial Report to 30 September 2010



## Consolidated statement of financial position (IFRS) to 30 September 2010 (condensed version)

Assets	30.9.2010 € thousand	30.9.2009 € thousand
<b>NON-CURRENT ASSETS</b>		
Intangible assets	8,523	10,475
Property, plant and equipment	16,396	16,490
Non-current financial assets	992	984
Other non-current assets	2,288	2,520
<b>DEFERRED TAX ASSETS</b>	6,029	5,337
	<u>34,228</u>	<u>35,806</u>
<b>CURRENT ASSETS</b>		
Inventories	85,167	65,942
Receivables and other current assets	99,903	84,680
Cash and bank balances and cheques	27,798	43,828
	<u>212,868</u>	<u>194,450</u>
	<u>247,096</u>	<u>230,256</u>

Equity and liabilities	30.9.2010 € thousand	30.9.2009 € thousand
<b>EQUITY</b>		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	92,936	84,232
Other cumulated equity	-5,505	-1,959
Adjustment charges for foreign currency exchange	-1,845	-5,567
Consolidated net income of shareholders of Einhell Germany AG	12,794	11,019
Consolidated equity of shareholders of Einhell Germany AG	134,719	124,064
Minority interest	2,441	2,965
	<u>137,160</u>	<u>127,029</u>
<b>NON-CURRENT LIABILITIES</b>		
Non-current liabilities to banks	41,339	41,721
Non-current provisions	2,391	2,067
Non-current liabilities	1,712	2,784
Deferred taxes	248	1,176
	<u>45,690</u>	<u>47,748</u>
<b>CURRENT LIABILITIES</b>		
Current provisions	14,102	12,738
Current liabilities to banks	552	4,618
Current liabilities from trade payables and other liabilities	49,592	38,123
	<u>64,246</u>	<u>55,479</u>
	<u>247,096</u>	<u>230,256</u>

# Financial Report to 30 September 2010



## Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 30 September 2010

	1.1. - 30.9.2010	1.1. - 30.9.2009
	€ thousand	€ thousand
Revenues	289,678	262,732
Increase or decrease in finished and unfinished goods	0	0
Capitalised costs	0	0
Other operating income	6,549	6,079
Cost of materials	-208,831	-187,918
Personnel expenses	-28,243	-26,068
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment	-2,368	-2,508
Other operating expenses	-37,657	-34,956
Net finance costs	-1,227	-3,825
<b>Profit before tax</b>	<b>17,901</b>	<b>13,536</b>
Income taxes	-5,085	-2,506
<b>Consolidated net income</b>	<b>12,816</b>	<b>11,030</b>
<b>Share of other shareholders in consolidated net income</b>	<b>-22</b>	<b>-11</b>
<b>Consolidated net income less share of other shareholders</b>	<b>12,794</b>	<b>11,019</b>

# Financial Report to 30 September 2010



## Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 September 2010

in € thousand	1.1. - 30.9.2010	1.1. - 30.9.2009
<b>Net cash from/used in operating activities</b>		
Profit before taxes	17,901	13,536
+ Depreciation and amortisation of intangible assets and property, plant and equipment	2,368	2,508
- Interest income	-363	-445
+ Interest expenses	1,740	2,296
+/- Other non-cash income and expenses	376	-349
<b>Operating profit before changes in net working capital</b>	<b>22,022</b>	<b>17,546</b>
+/- Decrease/increase in trade receivables	-32,421	-12,534
+/- Decrease/increase in inventories	-7,559	47,043
+/- Decrease/increase in other assets	-5,439	2,806
+/- Increase/decrease in non-current liabilities	-342	-273
+/- Increase/decrease in current liabilities	5,217	-798
+/- Increase/decrease in trade payables	-2,575	-14,873
<b>Cash flows from operating activities</b>	<b>-21,097</b>	<b>38,917</b>
- Taxes paid	-3,273	-6,487
+ Interest received	252	220
- Interest paid	-1,004	-1,995
<b>Net cash flows from operating activities</b>	<b>-25,122</b>	<b>30,655</b>
<b>Cash flows from investing activities</b>		
- Payments to acquire assets	-1,389	-2,307
+ Proceeds from disposal of assets	53	93
- Payments for acquisition of equity investments	-292	-2,980
+/- Increase in goodwill	-29	445
<b>Net cash flow from investing activities</b>	<b>-1,657</b>	<b>-4,749</b>
<b>Cash flows from financing activities</b>		
+/- Increase/decrease in loan obligations	-264	67
+ Payments received from minority shareholders	0	131
- Payments to shareholders including minority shareholders	-2,537	-2,239
- Payments for liabilities for finance leases	-40	-34
<b>Net cash flows for financing activities</b>	<b>-2,841</b>	<b>-2,075</b>
Changes to capital funds due to currency exchange	-180	26
Net cash acquired from acquisitions	0	0
<b>Net decrease/increase of cash and cash equivalents</b>	<b>-29,800</b>	<b>23,857</b>
Cash and cash equivalents at beginning of reporting period	57,598	19,971
<b>Cash and cash equivalents at end of reporting period</b>	<b>27,798</b>	<b>43,828</b>

## Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 September 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. Einhell also took over all shares in Einhell Middle East Trading FZC and Einhell Romania SRL and the companies became fully owned Group subsidiaries.

#### 1.2 Accounting and valuation policies

The interim report to 30 September 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 30 September 2010 amounted to €8.5 million. Property, plant and equipment amounted to €16.4 million.

#### 2.2 Inventories

	September 2010	September 2009
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	668	928
Work in progress	0	0
Finished goods (at cost less impairment)	83,776	64,397
Prepayments	723	617
<b>Total</b>	<b>85,167</b>	<b>65,942</b>

#### 2.3 Provisions

Total provisions amount to €16,493 thousand and include non-current provisions of €2,391 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 30 September 2010 amount to €37,657 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 2010 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	159,986	129,692	289,678	0	289,678
Profit before tax (EBT)	10,150	7,751	17,901	0	17,901
Net finance costs	-677	-550	-1,227	0	-1,227

September 2009 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	145,574	117,158	262,732	0	262,732
Profit before tax (EBT)	7,245	6,291	13,536	0	13,536
Net finance costs	-2,119	-1,706	-3,825	0	-3,825

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:

September 2010 in € thousand	Germany	EU	Other countries	Asia/Pacific	Reconciliation	Group
External revenues	118,939	113,442	39,130	18,167	0	289,678

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

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 a. d. Isar, 22 November 2010

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber  
York Boeder