

### Dear Shareholders,

The Einhell Group has been able to improve its business volume in the period from January to September 2011. It generated revenues of €296.9 million representing growth of around 2.5%. The pre-tax yield amounts to 5.6%.

Growth was further reduced as against the first half-year 2011. The debt crisis and ongoing uncertainty on the international financial markets have greatly weakened private consumption and led to massive currency turbulence.

The financial report was not subject to audit pursuant to Section 317 of the German Commercial Code (*Handelsgesetzbuch* - HGB), nor was it subject to review by an auditor.

### Condensed Group Management Report of Einhell Germany AG

#### General economic conditions

Growth in the global economy is still slowing. The weakening is particularly apparent in the Asian emerging markets, whose economies were the driving force of economic recovery after the financial markets crisis and credit crunch. Weak demand from established economies is affecting exports and, therefore, growth in the emerging markets.

Economic growth in China has slowed somewhat in the third quarter. After 9.5% growth in the second quarter, growth from July to September was only 9.1%. This was the lowest growth figure for two years.

The economic position in the USA has eased slightly. US economic figures increased by 2.5% over the previous quarter. Exports provided a positive contribution to GDP growth. Surprisingly, the trade deficit declined in September and stood at \$43.1 billion. Import prices also fell unexpectedly by 0.6%. However, the third quarter was partly affected by backlog effects.

According to the EU Commission, economic growth in Europe has ceased as a result of the sovereign debt crisis. In the third quarter, the Business Climate Index for the Eurozone of the Ifo Institute for Economic Research at the University of Munich (Ifo) decreased from 110.6 to 83.7 points and is well below its long-term average.

The decelerating real economy, unstable public finances and the vulnerable financial sector are affecting Europe's economy. Due to uncertainties about the future, companies are putting off investment, and there is a decrease in private consumption. Other dampers are provided by banks, which have limited their lending activities.

In light of the threatened economic collapse, the European Central Bank is demanding deep reforms.

Diminished international and European prospects are causing increasing uncertainty in German companies and consumers. New orders fell in September by 4.3%. Based on the very high level of new orders in the middle of the year, new orders have now fallen for three months in a row. Orders have been particularly weak in the Eurozone, where there has been a fall of 12.1%.

German industry has fallen into a weaker phase after almost two full years of growth. Production fell more strongly than expected in September by 2.7% as against the previous month.

The ongoing debt crisis, concerns about recession and turbulence in the stock markets have had a negative effect on confidence in the German economy. The GPRA confidence index, that measures confidence of the German public, had fallen by around 5.5% in annual comparison.

German exports were not yet hit by the global slowdown in September. Both year-on-year and from monthly comparison, exports continued to rise. In September 2011, exports stood at €95.0 billion and imports at €77.6 billion. According to the German Federal Office of Statistics, German exports were 10.5% higher and imports were 11.6% higher than in September of the previous year. In September 2011, there was an export surplus of €174 billion, which was €0.9 billion higher than the balance from the previous year.

Growth in the German employment market has continued in September 2011. Both jobs and employment subject to social insurance contributions continued to increase and have improved over the level of the previous year. Demand for staff remained at a high level. Unemployment fell to 6.6% in September 2011 as a consequence of the autumn revival. There were 231,000 fewer registered unemployed than in the previous year.

Eurozone unemployment remained high in September 2011. The ratio increased slightly in September to 10.2% from 10.1% in August. The lowest unemployment ratios were in Austria (3.9%) and the Netherlands (4.5%). The highest ratios were in Spain (22.6%) and Greece (17.6%).

Germany's consumer price index in September 2011 was 2.6% higher than in the previous year. At +2.9%, the inflation rate was higher than at any time since September 2008. In comparison with the preceding month of August, the rate increased by 0.1%. The inflation rate was heavily influenced by energy price rises. The harmonised index of consumer prices (HICP) was 2.9% higher in September 2011 than in September 2010. Prices within the Eurozone were rising significantly faster in September 2011. The annual inflation rate in the Eurozone increased in September by 0.5 percentage points to 3.0%. This represents an increase of 1.1 percentage points by year-on-year comparison. Therefore the overall inflation rate in the Eurozone is higher than the price stability standard of the European Central Bank.

According to the national association of German DIY, building and garden stores (*Bundesverband Deutscher Heimwerker-, Bau- und Gartenfachmärkte*), German building and DIY stores were able to increase their gross revenues by a total of around 1% over the same period in the previous year. Total revenues generated amounted to €14.17 billion.

### Business activities

#### Einhell Group revenues slightly above previous year levels

From January to September 2011, the Einhell Group generated revenues of €296.9 million. This represents an increase of €7.2 million in comparison with the previous year.

Revenues in the domestic German market amounted to €109.9 million (previous year €118.9 million). The share of domestic revenues as part of total Group revenues is 37%.

In the European Union, revenues increased to €124.9 million (previous year: €113.5 million). This represents a revenue increase over the previous year of 10%. The largest markets were once again Austria, Italy and Poland.

Asia generated revenues of €10.8 million (previous year €18.2 million).

Other countries were able to significantly increase revenues year-on-year with an increase of €12.2 million to €1.3 million (previous year: €39.1 million). The new Group companies in Australia and South America made a significant contribution towards the revenue increases.

The share of Group revenues earned outside Germany amounted to 63% (previous year 58.9%).

#### Segment growth

The Tools segment increased revenues in the first nine months of the financial year 2011 by €12.0 million to €172.0 million (previous year: €160.0 million). Compressed air technology, hand tools and woodworking machinery generated the most significant sales in this segment.

The Garden & Leisure segment generated revenues in the reporting period of €124.9 million (previous year €129.7 million). Strong sales were generated by the areas of tree and bush maintenance, and lawn and garden maintenance. Sales of products such as scythes, lawn mowers, chainsaws and scarifiers were particularly strong.

#### Earnings

In the period from January to September 2011, the Einhell Group earned profits before tax amounting to €16.6 million (previous year €17.9 million). Thus pre-tax yield amounted to 5.6% (previous year 6.2%).

The Group net profit after minority interests in the reporting period amounted to €12.8 million (previous year: €2.8 million). Earnings per share are calculated at €3.4 per share (previous year €3.4 per share).

Personnel costs increased in real terms and in percentage terms over the previous year. This is due in particular to the new Group companies and the establishment of the new specialist trade department at Einhell Germany AG. Other expenses of €38.9 million remained at a constant level and demonstrate that overall Einhell is operating in a cost efficient manner.

The net financial result of €-3.5 million includes currency exchange losses of around €2 million and around €15 million of operating interest expenses. This shows that the Einhell Group has very favourable financing. The main currency losses were for the Turkish Lira, the Brazilian Real and the Chilean Peso.

#### Personnel and social security

The Einhell Group had 1,165 employees across the world on 30 September 2011. This represents a total increase of 140 employees in comparison with the previous year, with staff being increased in particular in the divisions product processing/technology and sales in 2011. New staff were hired for the specialist trade department. Staff numbers have risen due to the move of the warehouse of Einhell Germany AG to Landau/Isar and also to hiring for the new Group companies.

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

## Financial and assets position

The most important items in the statement of financial position are as follows at 30 September 2011 and 30 September 2010:

	09/2011	09/2010
	€ million	€ million
Non-current assets incl. deferred tax assets	34.9	34.2
Inventories	100.0	85.2
Trade receivables and other assets	115.9	99.9
Cash and cash equivalents	7.3	27.8
Equity	158.6	137.2
Liabilities to banks	42.6	41.9

## Investments

The Einhell Group made investments in the reporting period amounting to €2.4 million (previous year: €14 million), most of which was in relation to property, plant and equipment.

## Current assets

Goods inventories increased as against the previous year to €100.0 million (previous year: €85.2 million).

Trade receivables and other assets are shown after deduction of impairment for bad debts. In this reporting period, these were €11.3 million higher than the previous year at €92.8 million.

Other assets increased in comparison with the previous year to €23.1 million (previous year: €18.4 million).

## Group structure

During this reporting period, 10% of the shares in Einhell Danmark ApS were transferred to the local Managing Director.

Einhell Argentina S.A. was established in Buenos Aires, Argentina, in the third quarter.

## Financing

Einhell has non-current loans with banks with bilateral agreements. Due to the excellent liquidity position of the Einhell Group, it was able to prematurely repay €20million of the non-current loan in the third quarter of 2011. This demonstrates that the sustained positive growth of the Einhell Group and existing cash management has put the Group in an excellent financial position.

## 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 (*Aktiengesetz - AktG*) is permanently available on the Company's website at [www.einhell.com](http://www.einhell.com).

## Dependency report

As previously notified in 2002 pursuant to Section 21 (1) of the Securities Trading Act (*Wertpapierhandelsgesetz - WpHG*), the shareholding of Thannhuber AG with its registered office in Landau a. d. Isar exceeded the threshold of 75% of subscribed shares.

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

Einhell's international business operations expose the company to numerous risks that are an inevitable part of international trading activities.

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 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 International Monetary Fund (IMF) is warning of a global spiral of uncertainty and financial instability. Countries in Asia are also not immune to the problems of the Eurozone. Experts believe that China will contribute around one third of global economic growth, but the country cannot compensate for the weak demand from the USA and Europe. The IMF expects China to see economic growth in 2011 of 9.5%.

The latest IMF forecasts expect the economic decline to be felt everywhere.

The European sovereign debt crisis, the precarious budgetary figures in the USA and high energy and commodity costs are also having an increasing impact on the global economic climate.

#### European growth

Against a background of the escalating debt crisis, there is a strong damper on growth prospects. In the opinion of the EU Commission, there is a renewed risk of recession. According to them, the GDP of the 17 Euro countries will shrink by 0.1% in the fourth quarter 2011 as against the third quarter. The fact that the Eurozone will see growth of 1.5% is only due to the strong start to the year. At the beginning of the year, the EU Commission still expected growth of 1.9% for 2011. Economists expect stagnation in the first quarter 2012 and only minimal growth of 0.5% for the full year 2012.

Inflation expectations have also fallen slightly. Average price increases of 2.5% are expected in Europe in 2011.

#### Growth in Germany

After a strong 2011, the upswing in Germany should weaken, according to the German Government Council of Economic Experts (*Wirtschafts-Sachverständigenrats der Bundesregierung*). After forecast growth of around 3% for 2011, GDP in 2012 will only rise by 0.9%. However, this is based on the assumption that the uncertainty in the financial markets will recede as from the middle of the year and that investment and consumption will resume. At the beginning of the year, the research institutions were still forecasting growth of 2.0%.

The economic problems of the southern European countries hit an export-dependent country like Germany particularly hard. Domestic demand will remain the main driver of the German economy in 2012, provided that the positive employment figures remain. However, the overall risks for the German economy have increased significantly, due mainly to the ongoing European sovereign debt crisis.

#### Einhell corporate strategy

Our constantly growing presence across all important regions of the world is a central competitive advantage of the Einhell Group. A high level of internationalisation allows Einhell to meet the global visions of its customers, building and specialist market chains, mail order companies, gardening stores, and discount chains. Subsidiaries and associated partners across the globe provide a comprehensive global service.

The establishment of the new Group company in Argentina was completed in the third quarter 2011. The plan is for the company in Buenos Aires to generate first revenues with Einhell products in the spring of 2012.

Integration of the new Group companies is progressing well. Substantial forward-looking investments have been made, particularly in the areas of personnel and IT. Whilst the Group company in Chile is already working with the new company software Navision, it is currently being introduced in Brazil.

The newest Group companies are contributing to company profits as planned with impressive revenues. In Australia, the establishment of Einhell products in the upper market segment is well under way.

### Outlook

Global economic growth will continue to weaken to the end of the year. Above all, growth dynamics have strongly fallen in Europe in the second half-year. Emerging markets expect a slight reduction but growth should remain stable.

Overall, there has been a slight rise in Einhell Group revenues, but planned earnings targets were not met, mainly due to negative currency effects.

In **Eastern Europe**, revenues remained below target, with a few exceptions. Private consumption and retail revenues continued to fall. The Turkish Group company is still growing well, but it has also seen massive currency losses.

**Western European markets** failed to meet revenues and earnings targets. High unemployment and an annual inflation rate of 3% are impacting heavily on private consumption in Spain. Similar developments are discernible in Portugal. With the largest fall since 1978, consumption in September fell by 4.4 percentage points.

In contrast, growth in the **countries where there are new Group companies** are very positive. Group companies in Australia and South America in particular have generated impressive revenue contributions.

In the **German domestic market**, growth from the previous quarter has continued. Revenues and earnings are still far below expectations. Sales to a particularly important customer remain difficult. These falls in revenues and earnings could not be fully offset by other sales in the third quarter.

The political and economic outlook does not show any signs of improvement in the near future. We expect that further revenue and earnings growth in the remaining months of 2011 will follow the trends of the past few months, and that 2011 targets for revenue and earnings increases will not be met.

We expect that the financial year 2011 will see a revenue increase of 2-3% as against the previous year. The pre-tax yield will probably fall again slightly before the end of 2011.

Landau a. d. Isar, 17 November 2011

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber

Consolidated statement of financial position (IFRS) to 30 September 2011 (condensed version)

Assets	30.9.2011 € thousand	30.9.2010 € thousand
<b>NON-CURRENT ASSETS</b>		
Intangible assets	8,959	8,523
Property, plant and equipment	17,334	16,396
Non-current financial assets	345	992
Other non-current assets	2,426	2,288
<b>DEFERRED TAX ASSETS</b>	5,794	6,029
	<u>34,858</u>	<u>34,228</u>
<b>CURRENT ASSETS</b>		
Inventories	100,040	85,167
Receivables and other current assets	115,910	99,903
Cash and bank balances and cheques	7,296	27,798
	<u>223,246</u>	<u>212,868</u>
	<u>258,104</u>	<u>247,096</u>

Equity and liabilities	30.9.2011 € thousand	30.9.2010 € thousand
<b>EQUITY</b>		
Subscribed capital	9,662	9,662
Capital reserve	132,875	119,613
Other cumulated equity	3,545	-5,505
Adjustment charges for foreign currency exchange	-2,540	-1,845
Consolidated net income of shareholders of Einhell Germany AG	12,772	12,794
Consolidated equity of shareholders of Einhell Germany AG	156,314	134,719
Minority interest	2,252	2,441
	<u>158,566</u>	<u>137,160</u>
<b>NON-CURRENT LIABILITIES</b>		
Non-current liabilities to banks	20,973	41,339
Non-current provisions	1,926	2,391
Non-current liabilities	1,646	1,712
Deferred taxes	1,890	248
	<u>26,435</u>	<u>45,690</u>
<b>CURRENT LIABILITIES</b>		
Current provisions	15,352	14,102
Current liabilities to banks	21,623	552
Current liabilities from trade payables and other liabilities	36,128	49,592
	<u>73,103</u>	<u>64,246</u>
	<u>258,104</u>	<u>247,096</u>

**Consolidated statement of comprehensive income (IFRS) for the period from 1 January to 30 September 2011**

	1.1. – 30.9.2011	1.1. - 30.9.2010
	€ thousand	€ thousand
Revenues	296,912	289,678
Other operating income	6,138	6,549
Cost of materials	-210,054	-208,831
Personnel expenses	-32,041	-28,243
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment	-1,893	-2,368
Other operating expenses	-38,933	-37,657
Net finance costs	-3,547	-1,227
<b>Profit from operations</b>	<b>16,582</b>	<b>17,901</b>
Income taxes	-3,845	-5,085
<b>Consolidated net income/loss</b>	<b>12,737</b>	<b>12,816</b>
<b>Share of other shareholders in consolidated net income/loss</b>	<b>35</b>	<b>-22</b>
<b>Consolidated net income after share of other shareholders</b>	<b>12,772</b>	<b>12,794</b>

Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 September 2011

in € thousand	1.1. - 30.9.2011	1.1. - 30.9.2010
<b>Net cash from/used in operating activities</b>		
Profit before taxes	16,582	17,901
+ Depreciation and amortisation of intangible assets and property, plant and equipment	1,893	2,368
- Interest income	-276	-363
+ Interest expenses	1,759	1,740
+/- Other non-cash income and expenses	2,432	376
<b>Operating profit before changes in net working capital</b>	22,390	22,022
+/- Decrease/increase in trade receivables	-31,793	-32,421
+/- Decrease/increase in inventories	-6,929	-7,559
+/- Decrease/increase in other assets	-3,994	-5,439
+/- Increase/decrease in non-current liabilities	-410	-342
+/- Increase/decrease in current liabilities	3,153	5,217
+/- Increase/decrease in trade payables	-9,084	-2,575
<b>Cash flows from operating activities</b>	-26,667	-21,097
- Taxes paid	-3,954	-3,273
+ Interest received	205	252
- Interest paid	-1,466	-1,004
<b>Net cash flows from operating activities</b>	<b>-31,882</b>	<b>-25,122</b>
<b>Cash flows from investing activities</b>		
- Payments to acquire assets	-2,379	-1,389
+ Proceeds from disposal of assets	137	53
- Payments for acquisition of equity investments	-565	-292
+/- Increase/decrease in goodwill	53	-29
<b>Net cash flow from investing activities</b>	<b>-2,754</b>	<b>-1,657</b>
<b>Cash flows from financing activities</b>		
+/- Increase/decrease in loan obligations	252	-264
+ Payments received from minority shareholders	54	0
- Payments to shareholders including minority shareholders	-2,894	-2,537
- Payments for liabilities for finance leases	-17	-40
<b>Net cash flows for financing activities</b>	<b>-2,605</b>	<b>-2,841</b>
Changes to capital funds due to currency exchange	75	-180
Net cash acquired from acquisitions	0	0
<b>Net decrease/increase of cash and cash equivalents</b>	<b>-37,166</b>	<b>-29,800</b>
Cash and cash equivalents at beginning of reporting period	44,462	57,598
<b>Cash and cash equivalents at end of reporting period</b>	<b>7,296</b>	<b>27,798</b>

**Selected IFRS consolidated notes of Einhell Germany AG, Landau/Isar, for the period from 1 January to 30 September 2011**

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

**1.1 Basis of consolidation**

The consolidated financial statements include 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 an entity's voting rights, there is a rebuttable presumption of controlling interest. Entities that are bought or sold during the course of a financial year are included in the consolidated financial statements as from the date of purchase, or excluded as from the date of sale. From January to September 2011, 10% of the shares of Einhell Danmark ApS were transferred to the local Managing Director. In the third quarter 2011, Einhell Argentina S.A. was established in Buenos Aires, Argentina.

**1.2 Accounting and valuation policies**

The interim report to 30 September 2011 uses the same accounting and valuation policies as were used in the Annual Financial Statements 2010.

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

**2.1 Non-current assets**

Intangible assets and property, plant and equipment are valued at cost. These are recognised in the statement of financial position net of accumulated depreciation, amortisation or impairment.

Intangible assets at 30 September 2011 amounted to €9.0 million. Property, plant and equipment amounted to €17.3 million.

**2.2 Inventories**

	September 2011 € thousand	September 2010 € thousand
Raw materials and supplies (at acquisition cost)	703	668
Finished goods	97,906	83,776
Prepayments	1,431	723
<b>Total</b>	<b>100,040</b>	<b>85,167</b>

Inventories are valued at cost or net sales price, whichever is the lower.

**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 €17,278 thousand and include non-current provisions of €1,926 thousand.

Provisions include in particular provisions for guarantees.

**2.5 Liabilities**

Initial recognition of liabilities is made at fair value of the consideration received; subsequent valuations are made at amortised cost. Foreign currency liabilities are recognized 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 30 September 2011 amount to €38,933 thousand and include, in particular, expenses for 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 two segments Garden & Leisure and Tools mirrors internal controls and reporting of the Einhell Group.

**4.1 Segment reporting by segment**

September 2011 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	171,963	124,949	296,912	0	296,912
Profit before tax (EBT)	8,576	8,006	16,582	0	16,582
Net finance costs	-2,054	-1,493	-3,547	0	-3,547

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

The Tools segment includes the areas electric hand tools, fixed tools and accessories. The Garden & Leisure segment includes the areas of garden and water technology, machinery and greenhouses, and air conditioning and heating technology.

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

## 4.2 Segment reporting by region

Geographical allocation of revenues is made in accordance with the registered office of the invoice recipient. This applies to sales markets.

Segment reporting by region is as follows:

September 2011 in € thousand	Germany	EU	Other countries	Asia	Reconciliation	Group
External revenues	109,886	124,926	51,264	10,836	0	296,912

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

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, 17 November 2011

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr. Markus Thannhuber