

Dear shareholder,

The Einhell Group continued to be successful during the first quarter 2008. In comparison with the same period in the previous year, revenues were increased whilst net profit was almost constant. This was made possible by meticulous attention to goals: expansion, product innovation, improvements in quality and service.

Due to the increased follow-up requirements for admission to the Prime Standard, part of the regulated market, the quarterly reporting of the Einhell Group has been expanded. The change to this Standard was approved by the Stock Exchange and implemented as from January 2008.

The quarterly report 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 Hans Einhell AG

General Economic Conditions

Most existing forecasts assume that the global economy will continue to grow, even if its dynamic will be slower than in recent years. Negative economic prospects in the USA are offset by other regions with stronger domestic economies. In total, global economic risks have continued to increase: there is uncertainty in the financial markets, the development of oil prices and changes to foreign currency exchange rates.

Although weakened, the economy in the euro zone is still expanding. The Commission of the European Union has reduced forecasts for economic growth in 2008 to 1.8%, due to increasing external risks which are affecting development of the entire global economy.

The German economy has started well this year. Negative external influences were able to be absorbed by an increase in economic activity in manufacturing and the gradual recovery of domestic consumption.

The employment market continues to develop in a positive direction and the recent more sluggish development in economic conditions has not yet had a negative effect on the employment market, aided by the mild winter and continuing positive economic development.

Inflation remained at around 2.8% in January and February but rose over the 3 percent mark in March. This was due in particular to rising energy and food prices.

Growth in retail and the building centre industry was very restrained in the first quarter 2008. Several sectors even saw revenues falling as against the previous year, which is not exactly surprising as the months of March and April in the previous year had seen outstanding results. However, good employment figures and actual growth in income

should also have a positive effect on consumer sentiment even in this segment.

Business activities

Increase in revenues for Einhell Group

The Einhell Group was able to increase revenues in the first quarter 2008 to €97.6 million, which represents an increase of 3.0% over the comparable period in 2007 where revenues were €94.8 million.

In the domestic German market revenues amounted to €40.1 million and in the financial year 2007 revenues here amounted to €42.3 million. The share of domestic revenues as part of total Group revenues is 41.1%. The market is shaped by constant growth, due to a marked trend towards first-class brands rather than higher volumes. A considerable decline in electrical hand tools under €25 was particularly noticeable in the markets. This trend was already apparent in 2007 and continues in 2008.

In the European Union revenues rose to €40.5 million (previous year €36.2 million) which is an increase of 11.9%. The largest markets here are Poland, Italy and Austria.

Revenues in Asia in the first quarter 2008 amounted to €3.1 million (previous year €6.5 million).

In other countries, revenues totalled €13.9 million (previous year €9.8 million). The most important markets were Croatia, Turkey, Ukraine and Switzerland.

The foreign share of total revenues in the first quarter 2008 was 58.9%.

Segment development

In the "Tools" segment revenues in the first quarter 2008 amounted to €50.9 million (previous year €55.1 million). The strongest-selling products in this segment included compressors, table saws, mini hand-held circular saws and generators. The difficult domestic market situation for electrical and tools affected the result.

There was better growth in the "Garden & Leisure" segment, where revenues in the first quarter 2008 amounted to €46.7 million (previous year €39.7 million). The strongest products in this segment were from the product groups greenhouses, petrol-driven lawnmowers and lawn trimmers, scythes and electric scarifiers.

Earnings performance

In the first quarter 2008 the Einhell Group achieved earnings from ordinary operations amounting to €5.7

million (previous year €5.9 million). Thus pre-tax yield in the first quarter 2008 was 5.8% (previous year 6.2%). The yield was negatively impacted by strong exchange rate losses of the Turkish Lira.

Group net profit after minority interests in the first quarter of the financial year 2008 amounted to €3.9 million (previous year €4.0 million). Earnings per share are calculated at €1.0 per share (previous year €1.1 per share).

Personnel and social security

The Group's growth meant that in the financial year it was again able to increase the number of staff employed across the world. The number of employees at balance sheet date was 930 (previous year 886).

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

Financial and assets position

The most important items in the balance sheet are as follows for 31 March 2007 and 31 March 2008:

	03/2008	03/2007
	€ millions	€ millions
Non-current assets	36.0	33.7
Inventories	106.4	92.6
Receivables and other assets	107.2	93.9
Cash and cash equivalents	6.9	6.5
Equity	114.3	103.4
Liabilities to banks	75.7	64.0

Investments

In the first quarter 2008 the Einhell Group made investments amounting to €0.7 million, of which €0.4 million was for intangible assets and €0.3 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 increased as against the previous year to €106.4 million (previous year €92.6 million). Receivables and other assets increased in the first quarter 2008 in comparison with the previous year to €107.2 million (previous year €93.9 million).

Changes to Group structure

At the beginning of 2008, the first company in South America was included in the Einhell Group. Einhell Chile S.A., registered in Santiago/Chile was a newly-formed company in which Hans Einhell AG holds 90% of the shares.

Financing

The Einhell Group mainly used non-current loans for financing purposes in the first quarter 2008. In addition to classic non-current loans, it also uses a bonded loan which was issued in the financial year 2004.

The balance sheet total at 31 March 2008 was €256.4 million and the equity ratio at balance sheet date was 44.6%.

Research and development

Expenses for research and development in the first quarter 2008 amounted to about €1 million, of which €0.2 million was capitalised as development costs in the first three months.

In the first quarter 2008 we completed the entire programme for the product range red of electrical tools. This includes 22 machines such as angle grinders, cordless screwdrivers and impact drills.

Development of these products is an important step towards changing the total product range over to the blue and red product lines. As we already described in the Annual Financial Statements 2007, a uniform market presence of these product lines should increase the recognition value of Einhell products by customers.

Dependency report

The majority of voting rights in Hans Einhell AG are held by Thannhuber AG. We confirm that Hans Einhell 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 which would have been to the disadvantage of Hans Einhell 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 buying, 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 relevant insurance management.

Outlook

Einhell Group remains on course for success

The difficult situation on the domestic market affected the first quarter of the financial year 2008 for the Einhell Group; foreign business managed to meet targets. Despite difficult domestic conditions and continuing risks arising in connection with the global economy, the Board of Directors stands by its existing targets.

Revenues targets are based on continuing focus on a strategy of quality improvement, expansion and improvement of service.

The company's top priority for 2008 is improvements in quality, for which the company is investing in personnel and systems. At the same time, failure ratios are to be reduced.

Above all, the Einhell Group sees opportunities in further organic growth, in which securing new partner companies and intensifying co-operation with the aim of taking over companies as subsidiaries play a significant role.

The strategy for improving service is based on two principles: internationalisation of IT and the service concept. The IT infrastructure is being standardised in the individual companies by a planned incremental rollout. The internationalisation of the service concept means that customer service should increasingly take place at a local level.

Implementation of the individual elements of the strategy is on target. Group management expects positive growth in the "Tools" and "Garden & Leisure" segments in coming years and this development will be promoted by particular emphasis on development of new products in both segments directly in response to customer demands.

Landau a. d. Isar, 30 May 2008

Hans Einhell AG
The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder

Consolidated balance sheet (IFRS) to 31 March 2008 (condensed version)

Assets	Selected note	31.3.2008 € thousand	31.3.2007 € thousand
NON-CURRENT ASSETS			
Intangible assets	2.1	10,690	7,830
Property, plant and equipment		16,357	16,795
Non-current financial assets		976	955
Other non-current assets		2,958	4,458
		4,976	3,657
DEFERRED TAX ASSETS			
		35,957	33,695
CURRENT ASSETS			
Inventories	2.2	106,400	92,644
Receivables and other current assets		107,162	93,872
Cash and bank balances and cheques		6,860	6,484
		220,422	193,000
		<u>256,379</u>	<u>226,695</u>

Equity and liabilities	Selected note	31.3.2008 € thousand	31.3.2007 € thousand
EQUITY			
Subscribed capital		9,662	9,662
Capital reserve		26,677	26,677
Retained earnings		60,631	52,117
Minority interest		4,893	3,434
Other cumulated equity		-1,666	-603
Adjustment charges for foreign currency exchange		-4,699	-1,426
Consolidated net income		18,786	13,547
		114,284	103,408
NON-CURRENT LIABILITIES			
Non-current liabilities to banks		15,250	15,679
Bonded loans		30,000	30,000
Non-current provisions	2.3	2,137	2,069
Non-current liabilities		3,171	1,729
Deferred taxes		1,823	1,979
		52,381	51,456
CURRENT LIABILITIES			
Current provisions	2.3	19,038	21,045
Current liabilities to banks		30,493	18,367
Current liabilities from trade payables and other liabilities		40,183	32,419
		89,714	71,831
		<u>256,379</u>	<u>226,695</u>

Consolidated income statement (IFRS) for the period from 1 January to 31 March 2008

	Selected note	1.1. - 31.3.2008	1.1. - 31.3.2007
		€ thousand	€ thousand
Revenues		97,621	94,815
Increase or decrease in finished and unfinished goods		-128	0
Capitalised costs		0	0
Other operating income		1,860	1,206
Cost of materials		-69,736	-67,837
Personnel expenses		-9,083	-7,953
Depreciation and amortisation costs and other write-offs on intangible assets and property, plant and equipment		-907	-936
Other operating expenses	3.1	-12,104	-12,686
Net finance costs		-1,822	-702
Profit from operations		5,701	5,907
Income taxes		-1,488	-1,614
Consolidated net income		4,213	4,293
Share of other shareholders in consolidated net income		-281	-315
Consolidated net income less share of other shareholders		3,932	3,978
Retained earnings from previous year		14,854	9,569
Transfer to other retained earnings		0	0
Consolidated net profit		<u>18,786</u>	<u>13,547</u>

Consolidated cash flow statement (IFRS) for the period from 1 January to 31 March 2008

in € thousands	1.1. - 31.3.2008	1.1. - 31.3.2007
Net cash from/used in operating activities		
Profit before taxes	5,701	5,907
+ Depreciation and amortisation of intangible assets and property, plant and equipment	907	936
- Interest income	-165	-204
+ Interest expenses	1,040	789
+/- Other non-cash income and expenses	10	-7
Operating profit before changes of net working capital	7,493	7,421
+/- Decrease/increase in trade receivables	-28,701	-24,907
+/- Decrease/increase in inventories	-7,466	-15,643
+/- Decrease/increase in other assets	1,870	-110
+/- Increase/decrease in non-current liabilities	-73	268
+/- Increase/decrease in current liabilities	-392	1,561
+/- Increase/decrease in trade payables	-4,435	2,098
Cash flows from operating activities	-31,704	-29,312
- Taxes paid	-2,599	-2,147
+ Interest received	133	126
- Interest paid	-739	-533
Net cash flows from operating activities	-34,909	-31,866
Cash flows from investing activities		
- Payments to acquire assets	-683	-5,350
+ Proceeds from disposal of assets	11	16
- Payments for acquisition of equity investments	0	-2,879
+ Increase in goodwill	0	2,200
Net cash flow from investing activities	-672	-6,013
Cash flows from financing activities		
+/- Increase/decrease in loan obligations	27,910	17,229
- Payments to shareholders including minority shareholders	0	0
- Payments for liabilities for finance leases	-9	-21
Net cash flows for financing activities	27,901	17,208
Net cash acquired from acquisitions	0	833
Unrealised income/expenses from currency conversion	-52	-3
Net decrease/increase of cash and cash equivalents	-7,732	-19,841
Cash and cash equivalents at beginning of period	14,592	26,325
Cash and cash equivalents at end of period	6,860	6,484

Selected IFRS consolidated notes of Hans Einhell AG, Landau/Isar, for the first quarter from 1 January to 31 March 2008

1. Principles and methods used in consolidated financial statements

1.1 Basis of consolidation

A new company in South America was included in the Group consolidation from the beginning of 2008. Hans Einhell AG holds 90% of the shares of Einhell Chile S.A. of Santiago, Chile.

1.2. Accounting and valuation policies

The quarterly report to 31 March 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 as of 31 March 2008 amount to €107 million; property, plant and equipment amounts to €16.4 million.

2.2. Inventories

	March 2007	March 2008
	€ thousand	€ thousand
Raw materials and supplies (at acquisition cost)	1,778	657
Work in progress	206	91
Finished goods (at cost) less impairment	90,659	104,798
Prepayments	1	854
Total	92,644	106,400

2.3 Provisions

Total provisions amount to €21,175 thousand and include non-current provisions of €2,137 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 31 March 2008 amount to €12,104 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

March 2008 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	50,864	46,757	97,621	0	97,621
Operating segment revenues (EBIT)	3,643	3,880	7,523	0	7,523
Group earnings	1,856	2,076	3,932	0	3,932

March 2007 in € thousand	Tools	Garden & Leisure	Total segments	Reconciliation	Group
Segment revenues	55,114	39,701	94,815	0	94,815
Operating segment revenues (EBIT)	4,176	2,433	6,609	0	6,609
Group earnings	2,538	1,440	3,978	0	3,978

“Reconciliation” shows income and expenses which 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:

March 2008 in € thousand	Germany	EU	Other countries	Asia / Pacific	Reconciliation	Group
External revenues	40,112	40,464	13,918	3,127	0	97,621

March 2007 in € thousand	Germany	EU	Other countries	Asia / Pacific	Reconciliation	Group
External revenues	42,312	36,209	9,801	6,493	0	94,815

“Reconciliation” shows income and expenses which 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, 30 May 2008

The Board of Directors

Andreas Kroiss
Jan Teichert
Dr. Markus Thannhuber
York Boeder