

QUARTELY REPORT

30. September 2019



POWER X-CHANGE

THE REVOLUTIONARY BATTERY SYSTEM
FOR CORDLESS FREEDOM IN WORKSHOP AND GARDEN

einhell.com
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At a glance

The EINHELL Group managed to increase its business volume between January and September 2019 and generated revenue of EUR 463.0 million, which is slightly lower than targeted.

Profit before income taxes stands at EUR 26.6 million and is thus also slightly below expectations. This corresponds to a margin before income taxes of about 5.8%.

Financial figures

Revenue

Q3 2019	463.037	+2,9%
Q3 2018	450.197	

Profit before income taxes

Q3 2019	26.636	-12,7%
Q3 2018	30.494	

EBIT

Q3 2019	29.116	-12,0%
Q3 2018	33.075	

Equity ratio

Q3 2019	57,8%	+18,0%
Q3 2018	49,0%	

Profit per share

Q3 2019	5,1	-10,5%
Q3 2018	5,7	

Net debt

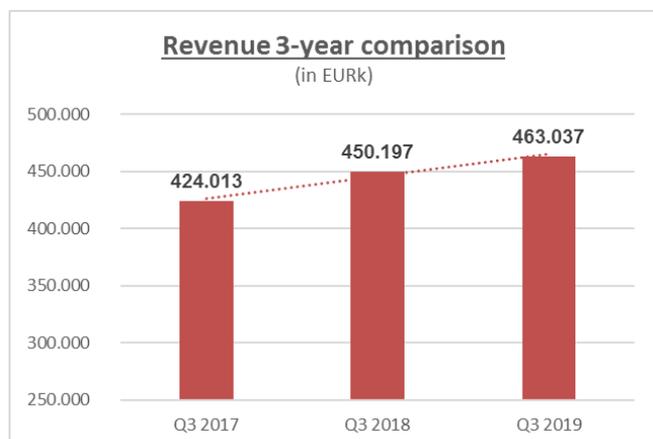
Q3 2019	28.263	-64,9%
Q3 2018	80.491	

Staff

Q3 2019	1.570	-0,6%
Q3 2018	1.580	

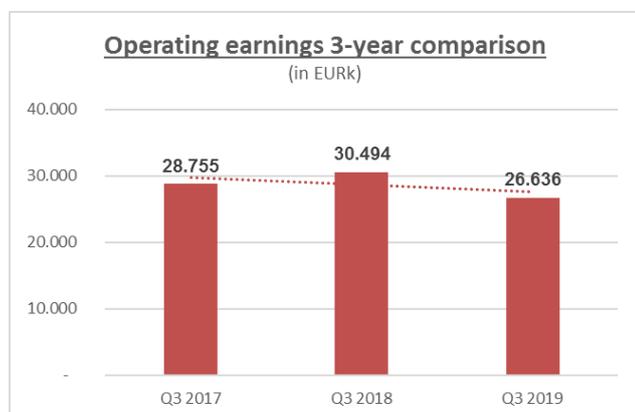
Revenue, earnings and financial position

Revenue



From January to September 2019, the EINHELL Group generated revenue of EUR 463.0 million (previous year: EUR 450.2 million). Revenue is therefore higher than in the prior year, but slightly lower than anticipated.

Earnings



From January to September 2019, the EINHELL Group generated profit before income taxes of EUR 26.6 million (previous year: EUR 30.5 million). The pre-tax margin is 5.8% (previous year: 6.8%).

The earnings situation has thus deteriorated somewhat compared with the previous year.

Consolidated net profit after minority interest amounts to EUR 19.4 million in the period under review (previous year: EUR 21.5 million). Earnings per share amount to EUR 5.1 (previous year: EUR 5.7 per share).

Personnel expenses increased compared to the prior-year period to EUR 59.1 million (previous year: EUR 56.5 million).

Following first-time adoption of IFRS 16, depreciation expenses are up by EUR 3.0 million in financial year 2019. The previous year's depreciation figure still included EUR 0.8 million from the purchase price allocation of the Ozito Industries Pty Ltd takeover.

Other expenses decreased from EUR 68.6 million to EUR 65.6 million. As a result of the first-time adoption of IFRS 16, other operating expenses no longer include rents and lease expenses from contracts subject to IFRS 16 accounting. IFRS 16 takes other operating expenses down by about EUR 2.8 million. Without this effect, other operating expenses would have been at the previous year's level.

The financial result of EUR -2.5 million is nearly on a par with the previous year (previous year: EUR -2.6 million).

Financial position

The key line items in the statement of financial position as at 30 September 2019 and 30 September 2018 are as follows:

	Q3 2019	Q3 2018
	in EUR million	in EUR million
Non-current assets incl. deferred tax assets	68.8	52.4
Inventories	155.7	187.5
Receivables and other assets	135.8	134.1
Cash and cash equivalents	10.9	8.3
Equity	214.3	187.2
Liabilities to banks	39.1	88.8

In the period under review, the Einhell Group's capex amounted to EUR 10.5 million (previous year: EUR 5.2 million). The majority of this was spent on operating and office equipment and assets under construction. The increase in non-current assets was also caused by the capitalisation of right-of-use assets in connection with leases of property, plant and equipment in the amount of EUR 8.8 million following first-time adoption of IFRS 16.

Goods inventories are down on the previous year to EUR 155.7 million (previous year: EUR 187.5 million). This means that excess stocks from the previous year were reduced.

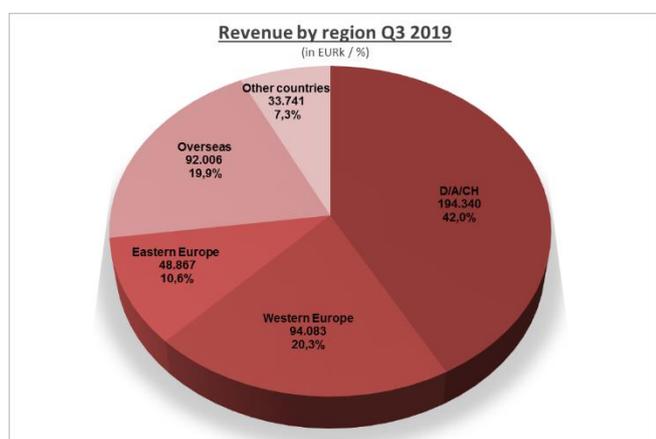
Trade receivables are shown after deduction of valuation allowances for expected future credit defaults. As a result of the rise in revenue, trade receivables also increased slightly year-on-year from EUR 103.9 million to EUR 106.5 million in the period under review.

At EUR 29.3 million, other current assets remained roughly at the previous year's level (previous year: EUR 30.1 million).

Cash and cash equivalents amount to EUR 10.9 million on the reporting date (previous year: EUR 8.3 million). Liabilities to banks decreased from EUR 88.8 million in the prior-year period to EUR 39.1 million. This was a result of the reduction in inventories combined with the positive earnings performance.

The other non-current and current liabilities increased, due primarily to the recognition of lease liabilities following the first-time adoption of IFRS 16.

Performance by region



The revenue performance was positive in the first nine months of financial year 2019.

Revenue in the individual regions developed as follows:

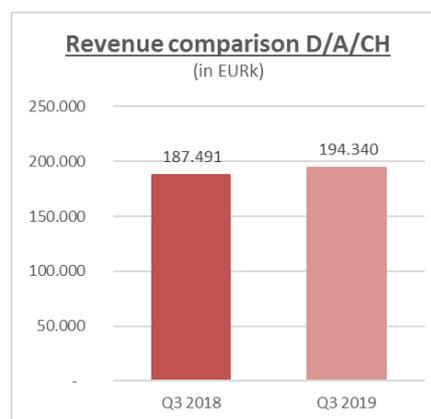
in EURk	Q3 2019	Q3 2018
D/A/CH region	194,340	187,491
Western Europe	94,083	87,300
Eastern Europe	48,867	53,761
Overseas	92,006	93,357
Other countries	33,741	28,288
Einhell Group	463,037	450,197

Despite the increase in revenue, the Group was not able to increase its profit before income taxes, which amounts to EUR 26.6 million (previous year: EUR 30.5 million). The development in the individual regions was as follows:

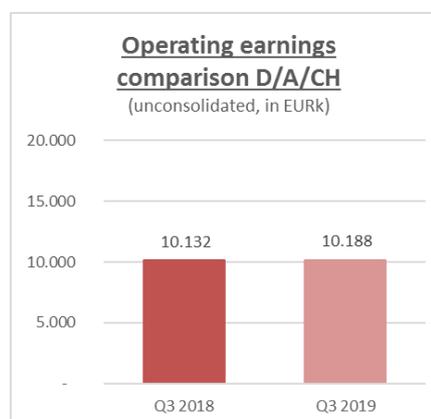
in EURk	Q3 2019	Q3 2018
D/A/CH region	10,188	10,132
Western Europe	3,921	4,466
Eastern Europe	3,111	4,674
Overseas	6,964	8,911
Other countries	1,968	6,975
Reconciliation	484	-4,664
Einhell Group	26,636	30,494

The reduction in stocks from the second half of 2018 and the corresponding lower gross profit margins in a tough market environment had a negative impact on earnings, particularly in the D/A/CH and Western Europe regions.

D/A/CH region

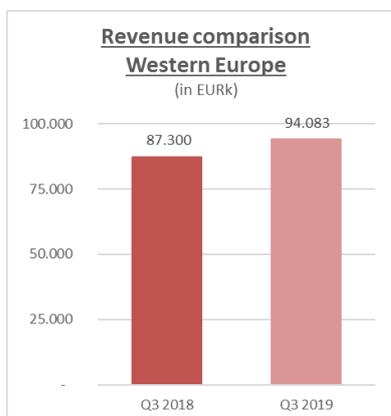


Revenue in the D/A/CH region amounts to EUR 194.3 million in the first nine months of financial year 2019 (previous year: EUR 187.5 million).



Profit before income taxes in the D/A/CH region is on a par with the previous year's level at EUR 10.2 million.

Western Europe

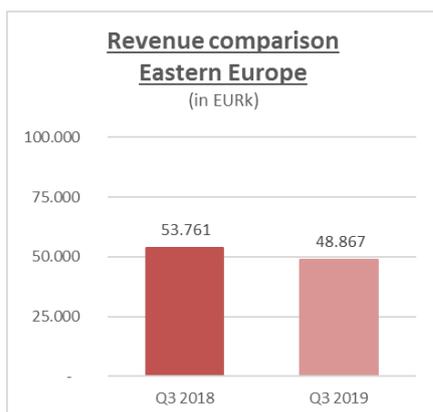


Revenue in the Western Europe region amounts to EUR 94.1 million (previous year: EUR 87.3 million). The companies with the highest revenue in the Western Europe region were Einhell France with EUR 29.3 million, Einhell UK with EUR 21.7 million and Einhell Italy with EUR 20.3 million.



In the Western Europe region, profit before income taxes declined from EUR 4.5 million to EUR 3.9 million.

Eastern Europe

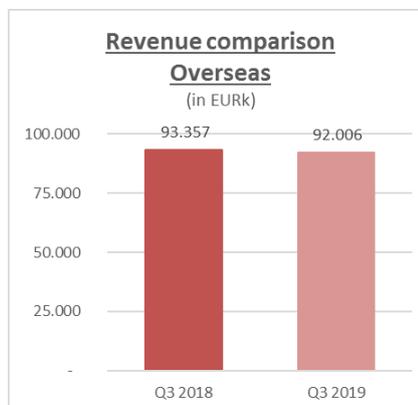


The Eastern Europe region did not manage to reach the high revenue level seen in the first nine months of the previous year. This was due to the difficult situation in Turkey, on the one hand, and the weakening economic development in the Eastern Europe region, on the other. The companies with the highest revenue in the Eastern Europe region were Einhell Poland and Einhell Croatia.



Because of the decline in revenue, the companies in the Eastern Europe region were not able to reach the earnings level of the prior-year period.

Overseas



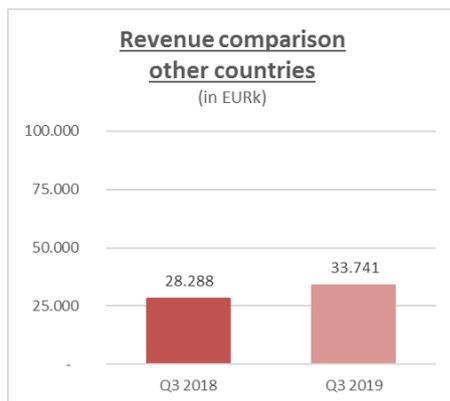
The Overseas region was unable to further expand its revenue volume in the first nine months of financial year 2019. Revenue fell from EUR 93.4 million to EUR 92.0 million. Currency effects had a negative effect of EUR 3.6 million on revenue. Revenue in the Overseas region is generated by the companies in Australia and South America.



Profit before income taxes is below the previous year in the first nine months of financial year 2019.

The slight downward economic trend in Australia and the ongoing negative currency translation effects at our Argentinian subsidiary led to a decline in earnings.

Other countries



The Other countries were able to achieve a significant increase in revenue. This mainly includes the revenue of our companies in Hong Kong.



Most of the companies in China and Hong Kong function as Group procurement companies. An increas-

ingly aggressive price support entered by the distribution companies in financial year 2019 weighed on the earnings performance of these subsidiaries. The related support measures represent a massive investment in the further market penetration with the Einhell Power X-Change platform. These investments serve to secure Einhell's market position in the medium and long term.

Current strategic developments

In line with Einhell's continued internationalisation, the Group has recently established contact with a potential partner in South Africa. Furthermore, Einhell also wants to develop South East Asia as a target market. A wide range of products was adjusted to the US market. Einhell therefore expects revenue to pick up here from 2020.

The Power X-Change platform is to be opened further for potential partners. Together with e-scooter producer GOVECS, Einhell has already developed a kick scooter with Power X-Change batteries that has been approved for road use, and there will be more talks with different other partners in the future.

Our strategic aim is for our customer service to be considered one of the best in the entire DIY sector. With an outstanding combination of product and service, we intend to turn our customers into true Einhell fans. In order to find out how our end customers perceive our service organisation, we have been regularly conducting customer satisfaction surveys for many years. A team of the Institute for Sales, Retail and Marketing led by Professor Thomas Werani at the Johannes Kepler University in Linz carried out another set of extensive telephone interviews with customers who have used the spare parts or complaints service of iSC GmbH in Germany or Austria in financial year 2018. We are very pleased that the survey produced top marks for our customer service.

Following 18 months of construction, Einhell Germany AG was able to inaugurate Einhell Welt, our new office and exhibition building, in September. The new showroom is the heart of the building, allowing its visitors to experience the huge variety of Einhell products hands-on. Demonstration workshops, training rooms and the new outdoor testing facility give visitors the opportunity to thoroughly test, try and convince themselves of our product innovations.

Events after reporting date

No events that are significant with regard to net assets, financial position and results of operations occurred until the preparation of the quarterly notification.

Outlook

The Board of Directors' assumptions and forecasts are based on the information currently available. The future business development depends on numerous factors, especially on the developments in the crisis regions and the trends on the currency markets.

In financial year 2019, the Einhell Group expects revenue of approximately EUR 605 million and an operating margin before taxes of approximately 5.5%.

Consolidated statement of financial position (IFRS) as at 30 September 2019 (abbreviated)

Assets	30.09.2019 EURk	30.09.2018 EURk
NON-CURRENT ASSETS		
Intangible assets	17,039	16,461
Property, plant and equipment (*)	41,641	24,216
Non-current financial assets	396	713
Other non-current assets	1,069	526
Deferred tax assets	8,446	10,458
	68,591	52,374
CURRENT ASSETS		
Inventories	155,679	187,470
Trade receivables	106,524	103,921
Other assets	29,297	30,129
Cash and cash equivalents	10,858	8,260
	302,358	329,780
	<u>370,949</u>	<u>382,154</u>

(*) In accordance with the first-time adoption of IFRS 16, right-of-use assets (lease assets) of EUR 11.8 million were capitalised as at 1 January 2019.

Equity and liabilities	30.09.2019 EURk	30.09.2018 EURk
EQUITY		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	187,872	169,005
Other reserves	-11,648	-20,344
Equity of shareholders of EINHELL Germany AG	212,563	185,000
Non-controlling interest	1,733	2,154
	214,296	187,154
NON-CURRENT LIABILITIES		
Provisions	4,571	4,082
Liabilities from debt capital	25,038	104
Deferred tax liabilities	3,782	2,741
Other liabilities (**)	5,196	35
	38,587	6,962
CURRENT LIABILITIES		
Trade payables	44,263	37,223
Provisions	27,536	30,879
Liabilities from debt capital	14,083	88,647
Other liabilities (**)	32,184	31,289
	118,066	188,038
	<u>370,949</u>	<u>382,154</u>

(**) In accordance with the first-time adoption of IFRS 16, liabilities for right-of-use assets (lease assets) of EUR 11.8 million were recognised as at 1 January 2019.

Consolidated income statement (IFRS) for the period from 1 January to 30 September 2019

	01.01. – 30.09.2019	01.01. – 30.09.2018
	EURk	EURk
Revenue	463,037	450,197
Other operating income	4,196	8,603
Cost of materials	-307,589	-296,783
Personnel expenses	-59,065	-56,530
Depreciation and amortisation	-5,892	-3,793
Other operating expenses	-65,571	-68,619
Financial result	-2,480	-2,581
Profit before income taxes	26,636	30,494
Income taxes	-7,005	-8,692
Consolidated net profit	19,631	21,802
Thereof share of minority shareholders in consolidated net profit/loss	214	311
Thereof share in consolidated net profit/loss of shareholders of EINHELL Germany AG	19,417	21,491

Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 September 2019

in EURk	01.01. – 30.09.2019	01.01. – 30.09.2018
Cash flows from/used in operating activities		
Profit before taxes	26,636	30,494
+ Depreciation and amortisation of intangible assets and property, plant and equipment	5,892	3,793
- Interest income	-169	-121
+ Interest expenses	843	1,192
+/- Other non-cash expenses and income	1,000	442
Operating profit before changes in net working capital	34,202	35,800
+/- Decrease/increase in trade receivables	-17,885	-25,470
+/- Decrease/increase in inventories	34,760	-9,882
+/- Decrease/increase in other assets	1,046	-4,315
+/- Increase/decrease in non-current liabilities	-2,398	107
+/- Increase/decrease in current liabilities	4,359	-230
+/- Increase/decrease in trade payables	-24,589	-47,636
Cash flows generated from operating activities	29,495	-51,626
- Taxes paid	-6,111	-11,232
+ Interest received	174	84
- Interest paid	-589	-893
Net cash from/used in operating activities	22,969	-63,667
Cash flows from/used in investing activities		
- Payments to acquire assets	-10,268	-4,834
- Payments for acquisition of consolidated companies	0	-738
+ Proceeds from disposal of assets	177	24
+/- Increase/decrease in goodwill	0	0
+ Proceeds from disposal of consolidated companies	0	600
- Payments for investments in financial assets	0	-170
- Cash-outflow from changes to companies included in the consolidation	0	0
Net cash used in investing activities	-10,091	-5,118
Cash flows from/used in financing activities		
+ Proceeds from taking out financial liabilities	0	66,681
- Payments for repayment of financial liabilities	-7,707	0
- Payments for acquisition of equity investments	0	0
+ Proceeds from non-controlling interest	0	0
- Dividend payments to shareholders of EINHELL Germany AG	-5,158	-4,404
- Dividend payments to non-controlling interest	-618	-200
- Payments for redemption portion of lease liabilities	-2,989	0
Net cash used in financing activities	-16,472	62,077
Changes to cash and cash equivalents due to currency exchange	355	568
Net decrease/increase in cash and cash equivalents	-3,239	-6,140
Cash and cash equivalents at beginning of reporting period	14,097	14,400
Cash and cash equivalents at end of reporting period	10,858	8,260

Segment reporting

The identification of reportable operating segments pursuant to IFRS 8 is based on the so-called management approach concept. The division of the EINHELL Group into regions reflects the Group's internal management and reporting structures. The regions are: "D/A/CH region", "Western Europe", "Eastern Europe", "Overseas" and "Other countries".

Income and expenses that cannot be directly allocated to the individual regions are shown in the reconciliation item.

Segment reporting by region

September 2019 in EURk	D/A/CH region	Western Europe	Eastern Europe	Overseas	Other countries	Reconciliation	Group
Revenue based on registered office of the invoicing party	194,340	94,083	48,867	92,006	33,741	0	463,037
Revenue based on registered office of the invoice recipient	194,674	113,510	52,023	99,616	3,214	0	463,037
Profit before income taxes	10,188	3,921	3,111	6,964	1,968	484	26,636

September 2018 in EURk	D/A/CH region	Western Europe	Eastern Europe	Overseas	Other countries	Reconciliation	Group
Revenue based on registered office of the invoicing party	187,491	87,300	53,761	93,357	28,288	0	450,197
Revenue based on registered office of the invoice recipient	180,811	105,548	58,901	102,011	2,926	0	450,197
Profit before income taxes	10,132	4,466	4,674	8,911	6,975	-4,664	30,494

Financial calendar 2019

Annual financial statements 31 December 2019		End of April 2020
Quarterly notification as of 31 March 2020		Mid-May 2020
Annual General Meeting 2020	Friday,	19 June 2020
Half year financial report as of 30 June 2020		Mid-August 2020
Quarterly notification as of 30 September 2020		Mid-November 2020

Legal company information

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Disclaimer

This quarterly notification contains forward-looking statements. Forward-looking statements are based on specific assumptions and expectations at the time this notification is published. They are therefore subject to risks and uncertainties and actual results may differ considerably from the results in such forward-looking statements. Various risks and uncertainties are determined by factors that do not lie in the EINHELL Group's sphere of influence and can therefore not be estimated with certainty at present. This includes, without limitation, future market conditions and the economic trends as well as legal and political decisions.

Unless otherwise stipulated, all amounts are stated in thousands of euros (EURk). There may be minor deviations in this report and in other reports due to rounding of totals and the calculation of percentage figures.



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