



# Einhell

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Official Main Partner



## FINANCIAL REPORT 2019

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# Einhell Germany AG, Landau a. d. Isar

## Consolidated statement of financial position as of 31 December 2019

<b>Assets</b>	Note	31.12.2019	31.12.2018	01.01.2018
		EURk	* adjusted EURk	* adjusted EURk
Intangible assets	(2.2)	17.664	16.490	17.861
Property, plant and equipment	(2.3)	48.878	25.948	22.104
Non-current financial assets	(2.4)	406	715	713
Deferred tax assets	(2.5)	10.248	10.370	9.741
Other non-current financial assets	(2.8)	418	278	0
Other non-current assets	(2.9)	2.139	521	517
<b>Non-current assets</b>		<b>79.753</b>	<b>54.322</b>	<b>50.936</b>
Inventories	(2.6)	173.324	188.547	180.138
Trade receivables	(2.7)	92.869	88.121	82.303
Other financial assets	(2.8)	3.979	4.498	4.623
Other assets	(2.9)	19.497	23.483	21.607
Assets held for sale	(2.18)	2.256	0	0
Cash and cash equivalents		25.729	14.097	14.400
<b>Current assets</b>		<b>317.654</b>	<b>318.746</b>	<b>303.071</b>
<b>Total assets</b>		<b>397.407</b>	<b>373.068</b>	<b>354.007</b>

  

<b>Equity and liabilities</b>	Note	31.12.2019	31.12.2018	01.01.2018
		EURk	* adjusted EURk	* adjusted EURk
Subscribed capital	(2.10)	9.662	9.662	9.662
Capital reserve	(2.10)	26.677	26.677	26.677
Retained earnings	(2.10)	189.565	170.288	149.018
Other reserves	(2.11)	-12.884	-13.208	-8.726
Equity of shareholders of Einhell Germany AG		213.020	193.419	176.631
Non-controlling interest	(2.12)	1.852	2.141	2.041
<b>Equity</b>		<b>214.872</b>	<b>195.560</b>	<b>178.672</b>
Employee benefits	(2.13)	4.216	3.375	3.116
Provisions for other risks	(2.14)	1.106	1.026	894
Liabilities from debt capital	(2.15)	22.676	25.038	0
Deferred tax liabilities	(2.5)	3.634	3.110	3.138
Other financial liabilities	(2.16)	44	0	0
Lease liabilities	(2.17)	8.084	0	0
Other liabilities	(2.17)	1	100	0
<b>Non-current liabilities</b>		<b>39.761</b>	<b>32.649</b>	<b>7.148</b>
Trade payables		78.189	68.483	85.439
Provisions for taxes		424	3.023	6.074
Provisions for other risks	(2.14)	20.111	19.146	21.794
Employee benefits	(2.13)	15.912	15.057	17.047
Liabilities from debt capital	(2.15)	2.366	21.618	22.427
Other financial liabilities	(2.16)	1.840	2.664	1.102
Lease liabilities	(2.17)	4.813	0	0
Other liabilities	(2.17)	19.040	14.868	14.304
Liabilities in connection with assets held for sale	(2.18)	79	0	0
<b>Current liabilities</b>		<b>142.774</b>	<b>144.859</b>	<b>168.187</b>
<b>Total equity and liabilities</b>		<b>397.407</b>	<b>373.068</b>	<b>354.007</b>

\* The Group applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method. According to this method, the comparative information was not restated, and the cumulative effect of the first-time adoption of IFRS 16 was recognised in retained earnings at the date of first-time adoption. The comparative information was adjusted for the correction of errors. See Note 7.6.

# Einhell Germany AG, Landau a. d. Isar

## Consolidated statement of income (IFRS) for the period from 1 January to 31 December 2019

	Note	2019	2018 * adjusted
		EURk	EURk
Revenue	(3.1)	605.693	577.903
Other own work capitalised	(3.2)	219	264
Other operating income	(3.3)	6.887	10.983
Cost of materials	(3.4)	-399.306	-380.240
Personnel expenses	(3.5)	-78.546	-76.483
Depreciation	(3.6)	-8.424	-4.839
Other operating expenses	(3.7)	-91.482	-88.928
Financial result	(3.8)	-2.542	-2.703
Profit before income taxes		32.499	35.957
Income taxes	(3.9)	-7.922	-9.828
Consolidated net profit		24.577	26.129
Thereof share of minority shareholders in consolidated net profit/loss		261	263
Thereof share of shareholders of Einhell Germany AG in consolidated net profit/loss		24.316	25.866

\* The Group applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method. According to this method, the comparative information was not restated, and the cumulative effect of the first-time adoption of IFRS 16 was recognised in retained earnings at the date of first-time adoption. The comparative information was adjusted for the correction of errors. See Note 7.6

# Einhell Germany AG, Landau a. d. Isar

## Consolidated statement of comprehensive income for the period from 1 January to 31 December 2019

	Note	2019 EURk	2018 * adjusted EURk
<b>Consolidated net profit</b>		24.577	26.129
<b>Items of other comprehensive income that were or can be reclassified to profit or loss</b>			
Unrealised gains (previous year: losses) from currency translation		124	-3.264
Unrealised gains (previous year: losses) from available-for-sale financial assets	(2.11)	3	-5
Unrealised gains (previous year: losses) from derivative financial instruments	(2.11)	801	-1.114
		928	-4.383
<b>Items of other comprehensive income that will not be reclassified to profit or loss in future periods</b>			
IAS 19 revised – Employee Benefits		-599	-124
<b>Other comprehensive income, after tax</b>		329	-4.507
Thereof share of other comprehensive income attributable to minority interests, after tax	(2.12)	5	-25
Thereof share of other comprehensive income attributable to shareholders of Einhell Germany AG, after tax	(2.11)	324	-4.482
<b>Consolidated comprehensive income</b>		24.906	21.622
Thereof share of consolidated comprehensive income attributable to non-controlling interest		266	238
Thereof share of consolidated comprehensive income attributable to shareholders of Einhell Germany AG		24.640	21.384

\* The Group applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method. According to this method, the comparative information was not restated, and the cumulative effect of the first-time adoption of IFRS 16 was recognised in retained earnings at the date of first-time adoption. The comparative information was adjusted for the correction of errors. See Note 7.6

# Einhell Germany AG, Landau a. d. Isar

## Consolidated statement of changes in equity for financial year 2019

	Note				Other reserves				Equity of shareholders of Einhell Germany AG	Share of non-controlling interests	Total equity
		Subscribed capital	Capital reserve	Retained earnings	Adjustment from currency translation	Financial assets available for sale	Remeasurement reserve pursuant to IAS 19	Derivative financial instruments			
		EURk	EURk	EURk	EURk	EURk	EURk	EURk	EURk	EURk	EURk
1 January 2018, as previously reported		9.662	26.677	151.726	-9.612	33	-1.080	1.933	179.339	2.037	181.376
Adjustments resulting from the application of IAS 8, after tax	(7.6)	-	-	-2.900	-	-	-	-	-2.900	-	-2.900
1 January 2018, adjusted		9.662	26.677	148.826	-9.612	33	-1.080	1.933	176.439	2.037	178.476
Adjusted consolidated net profit	(7.6)	-	-	25.866	-	-	-	-	25.866	263	26.129
Unrealised gains/losses	(2.11)	-	-	-	-3.239	-5	-178	-1.227	-4.649	-25	-4.674
Deferred taxes on unrealised gains/losses	(2.11)	-	-	-	-	-	54	113	167	-	167
Comprehensive income	(2.10)	-	-	25.866	-3.239	-5	-124	-1.114	21.384	238	21.622
Dividends		-	-	-4.404	-	-	-	-	-4.404	-200	-4.604
Other changes		-	-	-	-	-	-	-	-	66	66
31 December 2018		9.662	26.677	170.288	-12.851	28	-1.204	819	193.419	2.141	195.560
Adjustments resulting from the application of IFRS 16, after tax		-	-	-138	-	-	-	-	-138	-	-138
1 January 2019		9.662	26.677	170.150	-12.851	28	-1.204	819	193.281	2.141	195.422
Consolidated net profit		-	-	24.316	-	-	-	-	24.316	261	24.577
Unrealised gains/losses	(2.11)	-	-	-	119	3	-821	996	297	5	302
Deferred taxes on unrealised gains/losses	(2.11)	-	-	-	-	-	222	-195	27	-	27
Comprehensive income	(2.10)	-	-	24.316	119	3	-599	801	24.640	266	24.906
Dividends		-	-	-5.158	-	-	-	-	-5.158	-587	-5.745
Other changes		-	-	257	-	-	-	-	257	32	289
31 December 2019		9.662	26.677	189.565	-12.732	31	-1.803	1.620	213.020	1.852	214.872

# Einhell Germany AG, Landau a. d. Isar

## Consolidated statement of cash flows for financial year 2019

	Note	31.12.2019	31.12.2018 * adjusted
		EURk	EURk
<b>Cash flows from/used in operating activities</b>			
Profit before income taxes		32.499	35.957
+ Depreciation and amortisation of intangible assets and property, plant and equipment	(3.6)	8.424	4.839
- Interest income	(3.8)	-225	-164
+ Interest expenses	(3.8)	974	1.505
+/- Other non-cash expenses and income		1.533	925
<b>Operating profit before changes in net working capital</b>		<b>43.205</b>	<b>43.062</b>
+/- Decrease/increase in trade receivables		-5.038	-9.033
+/- Decrease/increase in inventories		17.061	-10.725
+/- Decrease/increase in other assets		3.304	-3.138
+/- Decrease/increase in assets held for sale		-2.202	0
+/- Increase/decrease in non-current liabilities		1.451	502
+/- Increase/decrease in current liabilities		462	-2.051
+/- Increase/decrease in trade payables		9.399	-16.978
+/- Increase/decrease in liabilities in connection with assets held for sale		72	0
<b>Cash flows generated from operating activities</b>		<b>67.714</b>	<b>1.639</b>
- Taxes paid		-10.778	-14.278
+ Interest received		219	148
- Interest paid		-1.143	-1.270
<b>Net cash from/used in operating activities</b>		<b>56.012</b>	<b>-13.761</b>
<b>Cash flows from/used in investing activities</b>			
- Payments to acquire assets		-14.680	-8.026
- Payments for acquisition of consolidated companies		0	-738
+ Proceeds from disposal of assets		248	29
+ Proceeds from disposal of consolidated companies		600	600
- Payments associated with disposal of consolidated companies		0	0
- Payments for investments in financial assets		0	-170
+/- Increase/decrease in goodwill		0	0
<b>Net cash used in investing activities</b>		<b>-13.832</b>	<b>-8.305</b>
<b>Cash flows from/used in financing activities</b>			
+ Proceeds from taking out loans		295	48.968
- Payments for repayment of loans		-21.618	-22.427
+ Proceeds from non-controlling interest		0	73
- Dividend payments to shareholders of Einhell Germany AG		-5.158	-4.404
- Dividend payments to non-controlling interests		-618	-200
- Payments for redemption portion of lease liabilities		-4.184	0
<b>Net cash used in financing activities</b>		<b>-31.283</b>	<b>22.010</b>
Changes to cash and cash equivalents due to currency exchange		735	-247
<b>Net decrease/increase in cash and cash equivalents</b>		<b>11.632</b>	<b>-303</b>
Cash and cash equivalents at beginning of reporting period		14.097	14.400
<b>Cash and cash equivalents at end of reporting period</b>		<b>25.729</b>	<b>14.097</b>

Additional details are shown in the notes under item 5.

\* The Group applied IFRS 16 for the first time as of 1 January 2019 using the modified retrospective method. According to this method, the comparative information was not restated, and the cumulative effect of the first-time adoption of IFRS 16 was recognised in retained earnings at the date of first-time adoption. The comparative information was adjusted for the correction of errors. See Note 7.6

# Einhell Germany AG, Landau a. d. Isar

## Notes to the Consolidated Financial Statements for Financial Year 2019

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### 1. Principles and Methods

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#### 1.1 Reporting company

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Einhell Germany AG is a public limited company (Aktiengesellschaft) pursuant to the laws of the Federal Republic of Germany. The Company is registered in the Commercial Register of the Local Court (Amtsgericht) in Landshut under number HRB 2171; its registered office is at Wiesenweg 22, 94405 Landau an der Isar, Germany.

Einhell Germany AG and its subsidiaries manufacture and sell manually operated, petrol powered and electronic tools, electrical tool accessories, metal and plastic products for DIY, garden and leisure activities, and air-conditioning and heating products.

On 31 March 2020, the Board of Directors released the consolidated financial statements to be passed on to the Supervisory Board and approved them for publication.

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#### 1.2 Basis of preparation

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The consolidated financial statements of Einhell Germany AG and its subsidiaries (the Einhell Group) were drawn up in accordance with section 315e of the German Commercial Code (HGB) (consolidated financial statements in accordance with international accounting standards). They are also consistent with International Financial Reporting Standards (IFRS) and their interpretations, as applicable in the European Union.

#### Standards applied

The accounting and valuation policies used in the consolidated financial statements are in accordance with the IFRS applicable in the EU as of 31 December 2019. The Group applied the following standards and amendments to standards to be adopted for the first time from 1 January 2019.

- IFRS 16 “Leases”; effective for annual periods beginning on or after 1 January 2019.
- Amendments to IFRS 9 “Prepayment Features with Negative Compensation”; effective for annual periods beginning on or after 1 January 2019.
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”; effective for annual periods beginning on or after 1 January 2019.
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”; effective for annual periods beginning on or after 1 January 2019.
- IFRIC 23 “Uncertainty over Income Tax Treatments”; effective for annual periods beginning on or after 1 January 2019.

- Improvements to “Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23”; effective for annual periods beginning on or after 1 January 2019.

### **Standards and interpretations not applied earlier than mandatory**

The IASB has issued the following standards, interpretations and amendments to existing standards, for which the application was not mandatory as of 31 December 2019 and which have not been applied prematurely by the Einhell Group. The Einhell Group does not currently plan a premature adoption of standards, interpretations and amendments.

The following standards, interpretations and amendments to existing standards are not applicable within the EU until they have been adopted under the prescribed EU procedures (endorsement process).

- IAS 1 “Classification of Liabilities as Current or Non-Current”, adoption date to be determined. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- IFRS 14 “Regulatory Deferral Accounts”; adoption date to be determined. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- IFRS 17 “Insurance Contracts”; effective for annual periods beginning on or after 1 January 2023. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- Amendments to IFRS 3 “Definition of a Business”; effective for annual periods beginning on or after 1 January 2023. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”; adoption date to be determined. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- Amendments to IFRS 9, IAS 39 and IFRS 7 „Interest Rate Benchmark Reform”; effective for annual periods beginning on or after 1 January 2020. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.

The effects of the following standards on the consolidated financial statements of the Einhell Group are being analysed at present.

- Amendments to IAS 1 “Definition of Material”; effective for annual periods beginning on or after 1 January 2020. We do not expect any material effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- Framework “Amendments to References to the Conceptual Framework in IFRS Standards”; effective for annual periods beginning on or after 1 January 2020. We do not expect any material effects on net assets, financial position and results of operations as presented in the consolidated financial statements.



## **Presentation**

Presentation in the statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they are due within one year. Deferred tax assets and liabilities are recognised as non-current line items.

The consolidated statement of income is drawn up using the total cost method.

For clarity and comprehensibility of the consolidated financial statements, individual items in the statement of financial position and the statement of income have been summarised. These line items are listed separately in the notes to the consolidated financial statement.

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### **1.3 Functional currency and reporting currency**

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The consolidated financial statements of Einhell Germany AG are drawn up in euro (EUR). Unless otherwise stated, figures are given in EUR thousands (EURk). Amounts are rounded up or down where applicable.

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### **1.4 Changes in significant accounting policies**

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The Group applied IFRS 16 for the first time as of 1 January 2019. A number of other standards also came into force as of 1 January 2019; however, these have no material effect on the consolidated financial statements.

The Group applied IFRS 16 in accordance with the modified retrospective method, according to which the cumulative effect of the first-time adoption as of 1 January 2019 is recognised in retained earnings. Therefore, the comparative information for 2018 has not been restated, i.e. it has been presented as before in accordance with IAS 17 and the corresponding interpretations. Changes to the accounting policies are shown in more detail below. In addition, the disclosure requirements in accordance with IFRS 16 were not generally applied to the comparative information.

#### **Definition of lease**

To date, the Group had determined at inception of a contract whether a contract was, or contained, a lease in accordance with IFRIC 4 "Determining whether an arrangement contains a lease". From now on, the Group determines whether a contract is, or contains, a lease on the basis of the definition of a lease in IFRS 16. In the scope of the transition to IFRS 16, the Group decided to use the practical expedient stating that an entity is not required to reassess which transactions constitute leases. The Group only applies IFRS 16 to contracts that were previously identified as leases. Contracts that were not identified as leases under the application of IAS 17 and IFRIC 4 were not reviewed to check whether they constitute a lease under the application of IFRS 16. Therefore, the definition of a lease in IFRS 16 was only applied to lease contracts that were concluded or amended on or after 1 January 2019.

#### **Lessee**

The Einhell Group only acts as lessee. In this capacity, the Group leases assets, including real estate and IT equipment. Previously, the Group classified leases either as operating leases or as finance leases, depending on its assessment whether the lease contract transferred substantially all the risks

and rewards of ownership of the underlying asset to the Group. In accordance with IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of the lease contracts, thereby reflecting the lease contracts in the statement of financial position. On the commencement date or on modification of a contract that contains a lease component, the Group breaks down the contractually agreed compensation on the basis of the relevant individual prices.

### **Leases classified as operating leases in accordance with IAS 17**

Previously, the Group classified real estate leases as operating leases in accordance with IAS 17. Upon transition, the lease liabilities for these lease contracts were measured at the present value of the remaining lease payments and discounted using the Group's incremental borrowing rate as of 1 January 2019. Right-of-use assets are measured as follows:

- at carrying amount, as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the time of first-time adoption.

The Group used this approach for its most significant real estate lease,

- at the amount of the lease liability, adjusted for any lease payments made in advance or relating to other periods

The Group used this approach for all other lease contracts.

At the time of transition, the Group reviewed its right-of-use assets for impairment and identified no indications of an impairment of the right-of-use assets. The Group applied several practical expedients upon applying IFRS 16 to leases that were classified as operating leases in accordance with IAS 17. Specifically, the Group:

- recognised neither right-of-use assets nor lease liabilities for leases, the term of which ends within 12 months of first-time adoption,
- recognised neither right-of-use assets nor lease liabilities for leases, the underlying asset of which is of low value (e.g. IT equipment),
- did not consider the initial direct costs in the measurement of the right-of-use asset on first-time adoption, and
- determined the terms of leases retrospectively.

### **Leases classified as finance leases in accordance with IAS 17**

The Group leases various passenger cars. Some of these lease contracts had been classified as finance leases in accordance with IAS 17. The carrying amount of the right-of-use asset and the lease liability for these finance leases was recognised as of 1 January 2019 as the carrying amount of the lease item and the lease liability in accordance with IAS 17 immediately before this point in time.

## Effects on the financial statements at the time of transition

Upon transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities; the difference was recorded in retained earnings. The effects at the time of transition are shown in the following:

in EURk	Effect of the application of IFRS 16 as of 1 January 2019
Right-of-use assets – property, plant and equipment	8,453
Deferred tax assets	43
Lease liabilities	8,634
Retained earnings	-138

On measuring the lease liabilities from operating leases, the Group discounted the lease payments using its incremental borrowing rate as of 1 January 2019. The weighted average interest rate is 1.5%.

in EURk	
<b>Obligations under operating leases as of 31 December 2018, stated in the consolidated financial statements in accordance with IAS 17</b>	<b>9,287</b>
Discounted using the incremental borrowing rate as of 1 January 2019	653
<b>Lease liabilities as of 1 January 2019</b>	<b>8,634</b>

Additional information on the effects of IFRS 16 is provided in item 7.1.

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### 1.5 Principles of consolidation

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The consolidated financial statements include Einhell Germany AG and its subsidiaries for which Einhell Germany AG fulfils the respective criteria pursuant to IAS 27. These companies are included in the consolidated financial statements from the time when there is a possibility of control being exercised. In turn, subsidiaries are no longer included in the consolidated financial statements when this possibility is no longer applicable.

The financial statements of the subsidiaries included in the consolidation were prepared using standard accounting and valuation policies pursuant to IAS 27. The cut-off date for the companies included in the consolidated financial statements is 31 December. 31 December is the reporting date of the parent company.

Capital consolidation is made using the purchase method by offsetting investment book values with the pro rata newly valued equity of the subsidiary at the time of acquisition (IFRS 3). Remaining asset-side balances are recognised as goodwill.

Within the consolidated group of companies, intra-group profits and losses, revenues, expenses and other income, all receivables and liabilities or provisions are eliminated. The income tax effects of consolidation transactions are recognised through profit or loss and appropriate deferred taxes are recognised.

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## **1.6 Basis of consolidation**

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The companies included in the consolidation are Einhell Germany AG and a further 39 (previous year: 40) fully consolidated companies.

Einhell Germany AG, Landau, prepares the consolidated financial statements for the smallest and for the largest group of companies. The financial statements are published in the Bundesanzeiger (German Federal Gazette).

In financial year 2019, the Einhell Group sold and deconsolidated its subsidiary Einhell Australia Pty. Ltd.

The subsidiaries consolidated in the consolidated financial statements are listed in section 8 of the notes to the consolidated financial statement. The subsidiaries iSC GmbH, Landau a. d. Isar and ECommerce System GmbH, Landau a. d. Isar partially use the exemptions pursuant to section 264 (3) of the German Commercial Code (HGB).

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## **1.7 Currency translation**

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The foreign subsidiaries within the consolidation group are financially, economically and organisationally autonomous. They are therefore regarded as economically independent foreign entities. Their reporting currency is their relevant local currency.

In the individual financial statements of the companies in the Einhell Group, all foreign currency transactions are converted from the local currency into the reporting currency at the rate of exchange applicable at the time of the transaction. Monetary foreign currency holdings as of the reporting date are valued at reporting date at the relevant daily exchange rate. Conversion differences from monetary transactions or the measurement of monetary line items of a company that vary from the exchange rates during the period in which they were originally valued, or in previous transactions, are recognised through profit or loss in the period in which they arose.

Financial statements of foreign subsidiaries are converted at the exchange rates applicable at the end of the year for the statement of financial position, and at average rates of exchange during the reporting year for the statement of income. All resulting translation differences are recognised in other comprehensive income and as an adjustment for currency conversion and in the difference (part of other reserves).

Since Argentina meets the criteria of a hyperinflationary economy under IAS 29, the financial statements of Einhell Argentina and the comparative figures for earlier periods were adjusted due to changes in the general purchasing power of the functional currency. The historical cost method was used for the financial statements. The overview below shows the price indices valid at the reporting date as well as changes in the index during the current and the previous period:

	Index: IPIM Nivel General	
	2019	2018
January	189.6101	126.9887
February	196.7501	130.0606
March	205.9571	133.1054
April	213.0517	136.7512
May	219.5691	139.5893
June	225.5370	144.8053
July	230.4940	149.2966
August	239.6077	155.1034
September	253.7102	165.2383
October	262.0661	174.1730
November	273.2158	179.6388
December	283.4442	184.2552

The following exchange rates apply to the most important currencies for the Einhell Group:

		Reporting date rate		Average rate	
		31.12.2019	31.12.2018	2019	2018
Australia	AUD	1.5968	1.6247	1.6106	1.5799
China	CNY	7.8152	7.8426	7.7339	7.8074
Hong Kong	HKD	8.7397	8.9623	8.7724	9.2599
UK	GBP	0.8476	0.8981	0.8773	0.8848
Switzerland	CHF	1.0858	1.1266	1.1127	1.1549
Turkey	TRY	6.6756	6.0662	6.3574	5.6986
USA	USD	1.1219	1.1446	1.1196	1.1815

## 1.8 Accounting and valuation principles

**Purchased and self-developed intangible assets** are capitalised pursuant to IAS 38 if there is an associated future economic benefit from these assets and the costs of the assets may be determined with certainty. The assets are recognised at acquisition or manufacturing cost and amortised over their expected useful life. The period of use is usually three to five years.

Development expenses and product processing costs are recognised in the period in which they arise. This does not include **project development costs** that fully meet the following criteria:

- The product or process is clearly defined, and relevant costs can be clearly allocated and determined with reliability.
- The technical feasibility of the product can be proven.
- The Group intends and is able to either market the product or process, or to use it for its own purposes.
- The assets will generate a future economic benefit (i.e. existence of a market for the product or evidence of product use by the company for internal purposes).

- There are sufficient technical, financial and other resources available to conclude the project.

Capitalisation of costs begins with the initial fulfilment of the above criteria. Costs recognised as expenses in prior financial years may not be capitalised retrospectively. Other than development costs, there are no self-developed intangible assets. Capitalised development costs are amortised by the straight-line method over the estimated useful life of the asset. Usually, the depreciation period does not amount to more than five years. The realisable amount of development costs is estimated if there are indications of impairment of the asset or indications that previous impairment losses recognised in previous financial years no longer exist.

**Goodwill** from company acquisitions is the difference between the purchase price and the ratio of fair value to stated equity at the time of the purchase. Goodwill is allocated to cash generating units and tested annually for impairment. When the carrying amount of the net assets of a cash-generating unit exceeds the realisable value, impairment is made in accordance with the provisions of IAS 36. The cash generating units are the individual companies.

**Property, plant and equipment** is normally depreciated at purchase or manufacturing cost on a straight-line basis or by extraordinary depreciation where required. Depreciation is normally made on a straight-line basis in line with the expected useful life. Depreciation is made on the basis of the following ranges of expected useful life:

	Useful life
Buildings	20-30 years
Technical equipment and machinery	3-20 years
Other equipment, operating and office equipment	3-10 years

**Leases.** Previously, the Group classified nearly all leases as operating leases in accordance with IAS 17. Upon transition to IFRS 16, the lease liabilities for the lease contracts were measured at the present value of the remaining lease payments and discounted using the Group's incremental borrowing rate as of 1 January 2019. Right-of-use assets are measured as follows:

- at carrying amount, as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the time of first-time adoption.

The Group used this approach for its most significant lease,

- at the amount of the lease liability, adjusted for any lease payments made in advance or relating to other periods

The Group used this approach for all other lease contracts.

At the time of transition, the Group reviewed its right-of-use assets for impairment and identified no indications of an impairment of the right-of-use assets. The Group applied several practical expedients upon applying IFRS 16 to leases that were classified as operating leases in accordance with IAS 17. Specifically, the Group:

- recognised neither right-of-use assets nor lease liabilities for leases, the term of which ends within 12 months of first-time adoption,
- recognised neither right-of-use assets nor lease liabilities for leases, the underlying asset of which is of low value (e.g. IT equipment),

- did not consider the initial direct costs in the measurement of the right-of-use asset on first-time adoption, and
- determined the terms of leases retrospectively.

The Einhell Group as lessee uses property, plant and equipment almost solely on the basis of operating lease contracts. For further details about lease obligations, see section 7.1.

**Inventories** comprise raw materials and supplies and goods. Inventories are valued at acquisition cost determined in accordance with the weighted average method. Inventory and sales risks resulting from reduced merchantability are taken into account with impairments. Further impairments are made if the net realisable value of inventories falls below acquisition costs.

**Financial assets.** When a financial asset is recognised for the first time, it is classified and measured as follows:

- at amortised cost
- FVOCI debt instruments (investments in debt instruments that are measured at fair value with changes recognised through other comprehensive income)
- FVOCI equity investments (equity investments that are measured at fair value with changes recognised through other comprehensive income)
- FVTPL (at fair value with changes in value recognised through profit or loss)

Financial assets are not reclassified following initial recognition unless the Group changes its business model for managing these financial assets. In this case, the affected financial assets are reclassified on the first day of the reporting period following the change of business model.

A financial asset is measured at amortised cost if both the following conditions are met and the asset is not designated at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect their contractual cash flows, and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is designated at FVOCI if both the following conditions are met and it is not designated at FVTPL:

- if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets, and
- the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of equity instruments that are not held for trading, the Group has the irrevocable option to recognise subsequent changes in the fair value of the investment through other comprehensive income. This option is exercised individually for each investment.

All financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group has the irrevocable option to designate financial assets, which would

otherwise meet the conditions for measurement at amortised cost or FVOCI, at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group assesses the objectives of the business model, within which the financial asset is held, at portfolio level, as this best reflects the manner in which the business is managed and information is passed on to management. The information to be considered includes:

- the policies and objectives adopted for the portfolio and the actual implementation of these policies; this includes the information whether management's strategy aims at collecting the contractual interest income, maintaining a certain interest rate profile, reconciling the term of a financial asset with the term of an associated liability or the expected cash outflow or realising cash flows by selling the assets
- how the results of the portfolio are analysed and reported to Group management
- the risks that effect the results of the business model (and the financial assets held within this business model) and how these risks are managed

Transfers of financial assets to external third parties by means of transfers that do not result in the financial asset being derecognised are, in accordance with the fact that the Group continues to recognise these financial assets in its statement of financial position, not classified as sales for this purpose.

Financial assets that are held or managed for trading and whose changes in value are assessed by means of their fair value are measured at FVTPL.

***Financial assets – assessment whether the contractual cash flows are solely payments of principal and interest***

For the purpose of this assessment, the principal amount is defined as the fair value of the financial assets on initial recognition. Interest is defined as the compensation for the fair value of the money and for the risk of default the principal amount outstanding is exposed to over a certain period of time and for other material credit risks and costs (e.g. liquidity risk and administration costs) plus a profit margin.

In order to assess whether the contractual cash flows are solely payments of principal and interest on the principal amount, the Group takes into account the contractual agreements concerning the instrument. This includes assessing whether the financial asset contains a contractual agreement that could change the time or amount of the contractual cash flows with the result that they would no longer meet these conditions. In its assessment, the Group takes account of:

- certain events that would change the time or amount of the cash flows,
- conditions that would adjust the interest rate, including variable interest rates,
- prepayment features and options to extend the term of the instrument and
- conditions that limit the Group's claim to the cash flows from a certain asset (e.g. no right of recourse).

A prepayment feature meets the criteria of solely being payment of interest and principal if the amount of the prepayment basically covers outstanding payments of interest and principal on the principal amount; this may include reasonable compensation for the early termination of the contract.



In addition, a condition for a financial asset, which is acquired at a premium or discount on the contractual nominal amount, that allows for or requires prepayment at an amount that basically corresponds to the contractual nominal amount plus contractual interest accrued but not yet paid (this may include reasonable compensation for the early termination of the contract) is treated as meeting the criterion if the fair value of the prepayment feature is insignificant at the beginning.

### **Financial assets – subsequent measurement and gains and losses**

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Please refer to item 6.5 for derivatives that were designated as hedging instruments.
<b>Financial assets at amortised cost</b>	These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is adjusted for impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Gains and losses resulting from derecognition are recognised in profit or loss.
<b>Debt instruments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income that is calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, the cumulated other comprehensive income is reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend is clearly covering some of the costs of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss.

The Group derecognises a financial asset when the contractual rights to collect the cash flows from the financial asset expire or when the Group transfers the rights to collect the cash flows in a transaction that also transfers substantially all the risks and rewards of ownership of the financial asset. A financial asset is also derecognised when the Group neither transfers nor retains substantially all the risks and rewards of ownership but transfers control of the asset. The Group carries out transactions, in which assets recognised in the statement of financial position are transferred, but all or substantially all the risks and rewards of the transferred asset are retained. In these cases, the transferred assets are not derecognised.

*Cash and cash equivalents.* Cash and cash equivalents includes in particular cash in banks, checks and bank deposits with an original maturity of up to three months. Cash and cash equivalents corresponds with the respective figure in the consolidated statement of cash flows.

**Deferred tax assets and liabilities** are set aside pursuant to IAS 12 “Income Taxes” for temporary differences between the carrying amounts shown in the consolidated statement of financial position and the tax values of assets and liabilities, unless these result from the first-time inclusion of an asset or a liability from a business transaction that is not a business merger and at the time of the business transaction did not affect earnings before or after taxes. This also applies to tax losses carried forward and tax credits if such can be determined with sufficient certainty. Deferred tax assets and liabilities are recognised in the amount of the probable tax burden or relief in future financial years. The basis is the tax rate at the time of realisation. Tax consequences of profit distributions are normally not taken into account until the resolution for disbursement of profits is passed. If the realisation of deferred tax assets is uncertain, an adequate value adjustment is made. Actual taxes and deferred taxes must be directly taken to equity or credited if the tax refers to line items that are credited or charged directly to equity in the same or another reporting period. Deferred tax liabilities and assets are only netted if they are deductible in the view of the fiscal authorities.

The **adjustment for currency conversion** results from the conversion of annual financial statements of consolidated companies whose functional currency varies from the reporting currency of the Group. The consolidated companies are economically independent foreign entities. Currency conversion differences from monetary line items that are essentially net investments of the company in an economically independent foreign entity are recognised in the consolidated financial statements as equity until sale of the corresponding net investment. Upon sale of the corresponding assets, the pro rata difference arising from currency conversion is recognised as income or expense in the same period in which the gain or loss from the disposal of the asset is recognised.

The percentage of equity allocated to **non-controlling interests** (minority shareholders) is recognised under equity in the statement of financial position. The allocable consolidated net profit and allocable other comprehensive income is recognised separately in the consolidated statement of income or in the consolidated statement of comprehensive income. Non-controlling interests include the share of minority shareholders in the fair value of identifiable assets and liabilities at the time the affiliated company is acquired. Changes result from capital increases in which minority shareholders participate, distributions and shares of minority shareholders in profits, and from changes in exchange rates.

**Employee benefits** are set aside in accordance with IAS 19 using the Projected Unit Credit Method for defined benefit plans based on pension obligations for retirement, invalidity and surviving dependants.

A discount factor for interest rates for future beneficiaries of 1.46% (previous year: 2.14%) was used, along with 0.91% (previous year: 1.60%) for pensioners. As in the previous year, the rate for pension progression for commitments with adjustment guarantee was 3.00%. No rate of compensation increase was available for non-salary based obligations and for commitments without adjustment guarantee.

The pension provisions shown in the statement of financial position on the reporting date equal the defined benefit obligations offset against the fair value of plan assets. Pursuant to IAS 19.8, plan assets include assets of long-term funds independent of the reporting company that have been set up to settle employee benefits. Actuarial gains or losses are realised in the year they occur. The recognised fair value of the DBO is not secured by a pension fund but to some extent by reinsurance policies.

**Provisions for other risks** are set aside if there is an obligation to a third party and when the outflow of resources is probable and may be reliably estimated. The amount set aside as a provision is the best possible estimate of the potential liability at reporting date. Provisions with an original term of

more than one year are recognised at discounted settlement amount at reporting date. Provisions are checked on a regular basis and amended where there is new information or circumstances have changed.

Provisions for warranty and guarantees are set up at the time the products are sold. The measurement of warranty expenses recognised as a liability is based largely on historical values.

Income from anticipated disposal of assets is not taken into account in setting up the provisions. If there is an expectation that expenses necessary to meet an obligation for which a provision has been set aside will be reimbursed either in part or in full by a third party, the reimbursement will be recognised when it is as good as certain that the company will receive the reimbursement.

**Financial liabilities** are designated and measured at amortised cost or at fair value through profit or loss (FVTPL). A financial liability is designated at FVTPL if it is classified as held for trading.

Financial liabilities at FVTPL are measured at fair value, and net gains or losses, including interest expenses, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and currency translation differences are recognised in profit or loss. Gains and losses resulting from derecognition are also recognised in profit or loss.

The Group derecognises financial liabilities when the contractual obligations have been fulfilled, cancelled or have expired. The Group further derecognises financial liabilities when their contractual provisions are changed, and the cash flows of the amended liability have changed significantly. In this case, a new financial liability is recognised at fair value on the basis of the amended provisions. On derecognition of a financial liability, the difference between the carrying amount of the repaid liability and the compensation paid (including transferred non-cash assets or assumed liabilities) is recognised in profit or loss.

Financial assets and liabilities are offset and recognised in the statement of financial position as a net amount if the Group currently has a legally enforceable right of set-off in this respect and the Group intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously.

#### **Derivative financial instruments and hedge accounting.**

In the Einhell Group, derivative financial instruments are used only for hedging transactions as part of interest and currency risk management arising from normal operations. They hedge against risks from fluctuations in cash flows, and are allocated to the risk associated with a specific asset or liability or with the risk of a planned transaction.

Upon initial recognition and at each subsequent reporting date, derivative financial instruments are recognised at fair value. The fair value of tradeable derivatives corresponds to the positive or negative market value. If there is no market value available, they are calculated on the basis of generally accepted actuarial methods, such as discounted cash flow models or option pricing models. Derivatives are recognised as assets if their fair value is positive and as a liability if the fair value is negative. Derivative instruments are recorded in the Treasury system on the day of trading.

The fair value of currency futures is determined on the basis of the exchange rates applicable on the currency futures market at reporting date. For interest swaps, it is determined as the present value of estimated future cash flows. For all the above instruments, the Einhell Group's fair values are validated by financial institutions that have provided the Group with the relevant contracts.

If the provisions of IAS 39 on hedge accounting are met, Einhell Group designates and documents the hedge from this point on either as a fair value hedge or as a cash flow hedge. A fair value hedge secures the fair value of an asset or liability that is recognised in the statement of financial position or of an obligation that is recognised in the statement of financial position or a fixed obligation that is not included in the statement of financial position. A cash flow hedge secures highly probable future payment flows or fluctuating payment inflows or outflows in connection with a hedged asset or liability as recognised in the statement of financial position. Documentation of the hedge accounting includes the aims and strategy of risk management, the type of hedge relationship, hedged risk, designation of the hedge instrument and the underlying transaction as well as a description of the method of measuring efficacy. Hedge accounting allows for effective estimation of risk compensation for changes in the fair value or payment flows in relation to the hedged risk and regularly checks that the hedge remains effective throughout the reporting period for which the hedge is designated.

Fair value changes of the derivatives are taken into account in consolidated net profit or other comprehensive income depending on whether the hedge is a fair value hedge or a cash flow hedge. For fair value hedges, the changes in market value of derivative financial instruments and underlying transactions are recognised in consolidated net profit through profit or loss. The after-tax effective portion of changes in the fair value of derivative instruments that are allocated to a cash flow hedge are initially recognised in other comprehensive income. The reclassification to the statement of income is made at the same time as the underlying hedged item is recognised in profit or loss. The hedge-ineffective portions of fair value changes are recognised directly in consolidated net profit.

For reasons of simplification, the Einhell Group continues to apply the provisions of IAS 39 to derivative financial instruments.

**Revenue recognition.** Revenue is recognised from the point in time when the goods are delivered to and accepted by the customer at the customer's premises (transfer of control). For contracts with customers that allow returns, revenue is recognised to the extent that it is highly probable that no material adjustment will have to be made to the cumulative revenue recognised. The amount of revenue recognised is therefore adjusted for expected returns estimated on the basis of historical data. In these cases, a reimbursement liability and an asset for the right to retrieve the products are recognised. The asset for the right to retrieve the products is measured at the previous carrying amount of the product less expected costs of retrieval. The reimbursement liability is included in other liabilities, and the right to retrieve the products is included in other assets. The Group reviews its estimates of expected returns at each reporting date and updates the amounts of assets and liabilities accordingly.

**Interest income and expenses.** Interest income and expenses includes interest income from cash and cash equivalents and interest expenses from liabilities. Interest and changes in market values in connection with interest hedges are also included in these line items. Interest income and expenses are recognised pro rata in accordance with contractual arrangements where applicable.

**Income taxes.** Current income taxes are calculated on the basis of the relevant national taxable result for the year and national tax regulations. They also include current taxes for the year and any adjustments for tax payments or credits for other years that have not yet been assessed. The change of deferred tax assets and liabilities is reflected in income taxes. Changes to be recognised in other comprehensive income are an exception to this rule.

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## 1.9 Estimates and assessments in accounting

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The consolidated financial statements contain a certain amount of estimations, assessments and assumptions. These can affect the amount and recognition of carrying amounts of assets and liabilities, statement of contingent receivables and liabilities at reporting date and the stated income and expenses for the reporting period. Important circumstances affected by such estimations, assessments and assumptions are explained below. Actual results may differ from these estimations, assessments and assumptions; any changes may have a significant effect on the consolidated financial statements.

**Fair value measurement.** Several accounting policies and disclosures of the Group require that the fair values of financial and non-financial assets and liabilities are measured.

The fair value measurement of an asset or a liability is, to the extent possible, based on observable market data. Depending on the input factors used in the valuation models, the fair values are classified to different levels of the fair value hierarchy:

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilities;
- Level 2: Input other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. based on price);
- Level 3: Valuation parameters for assets or liabilities that are not based on observable market data.

With regard to the fair value measurement with non-observable input factors (Level 3), the Group monitors the key input factors on a regular basis and performs valuation adjustments. If information provided by third parties, such as price quotes provided by service agencies, is used to measure fair values, the Group checks the data provided by the third party in terms of whether it meets the requirements under IFRS, including the level in the fair value hierarchy to which this information is to be classified.

If the input factors used to measure the fair value of an asset or a liability can be allocated to different levels of the fair value hierarchy, the measurement of all fair values is classified at the lowest input factor level on which the valuation is based.

The Group records possible reclassification between different levels of the fair value hierarchy at the end of the reporting period in which the changes have occurred.

Further information on the assumptions underlying the measurement of fair values is provided in the following section:

- Section 6 Risk report and financial instruments

**Impairment of cash generating units.** Estimates are made as part of impairment tests for non-financial assets in order to determine the realisable amount of a cash-generating unit. The main assumptions refer to future cash inflows and outflows for the planning period and for subsequent periods. The estimations refer mainly to future market shares and growth in the respective markets. Impairment tests were conducted for all companies with goodwill in 2019. The realisable values of all companies that were tested significantly exceed net asset values of the Group's cash generating units. No other impairment tests were conducted in addition to the aforementioned tests, as there was no specific need.

**Pension obligations.** Discount factors are also to be taken into account in determining the present value of defined benefit pension obligations. Discount factors are determined on the basis of returns that can be generated in the relevant markets at reporting date on first-rank fixed interest corporate bonds. The amount of the discount factors has a significant influence on the financing status of pension plans.

**Income taxes.** Estimates of future taxable income and the time at which deferred tax assets are to be realised are used as a basis for calculating deferred tax assets. This includes taking into account planned profits from operating activities, effects on income from the reversal of taxable temporary differences and realisable tax strategies. As future business developments are uncertain and the Group has limited control over these developments, the assumptions made in connection with the recognition of deferred tax assets are made with a significant degree of uncertainty. On every reporting date, the Einhell Group evaluates the recoverability of deferred tax assets on the basis of planned taxable income in financial years to come. If it is unlikely that taxable income will be available against which the deductible temporary difference can in fact be offset, the value of the deferred tax assets is adjusted accordingly.

**Claims and risks from legal action.** Einhell Germany AG and its subsidiaries face risks from several legal proceedings and claims. In our opinion, potential liabilities that may result from these will not have a sustained effect on the Group's net assets, financial position and results of operations.

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

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### **2.1 Changes in non-current assets**

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Changes in non-current assets (not including other non-current assets and deferred tax assets) are shown in the following table.

## Statement of changes in non-current assets in financial year 2019

	Acquisition and manufacturing cost							Cumulated depreciation							Carrying amounts		
	1.1.2019	Additions	Change in consolidation	Re-classifications	Disposals	Currency differences	31.12.2019	1.1.2019	Depreciation in financial year	Changes in companies included the consolidation	Re-classifications	Disposals	Currency differences	31.12.2019	31.12.2019	31.12.2018	
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	
<b>I. Immaterielle Vermögenswerte</b>																	
1. Erworbene immaterielle Vermögenswerte	21.772	1.580	-51	-	-402	-22	22.877	17.672	351	-51	-	-348	-24	17.600	5.277	4.100	
2. Selbst erstellte immaterielle Vermögenswerte	6.136	154	-	-	-	-	6.290	5.460	190	-	-	-	-	5.650	640	676	
3. Erworbene Firmenwerte	14.108	-	-	-	-	20	14.128	2.394	-	-	-	-	-13	2.381	11.747	11.714	
	42.016	1.734	-51	-	-402	-2	43.295	25.526	541	-51	-	-348	-37	25.631	17.664	16.490	
<b>II. Sachanlagen</b>																	
1. Grundstücke und Bauten des Betriebsvermögens	34.083	3.723	-	2.298	-	-47	40.057	20.186	852	-	-	-	-7	21.031	19.026	13.897	
2. Technische Anlagen und Maschinen	7.169	1.926	-	-	-	2	9.097	3.610	588	-	-	-	-3	4.195	4.902	3.559	
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	27.674	2.294	-210	-103	-613	-163	28.879	22.095	2.102	-210	-23	-497	-60	23.407	5.472	5.579	
4. Right-of-use-asset IFRS 16	-	16.880	-	123	-23	-	16.980	-	4.341	-	23	-11	-5	4.348	12.632	-	
5. Anlagen im Bau	2.913	6.270	-	-2.318	-19	-	6.846	-	-	-	-	-	-	-	6.846	2.913	
	71.839	31.093	-210	-	-655	-208	101.859	45.891	7.883	-210	-	-508	-75	52.981	48.878	25.948	
<b>III. Finanzielle Vermögenswerte (Wertpapiere)</b>	718	10	-	-	-319	-	409	3	-	-	-	-	-	3	406	715	
	114.573	32.837	-261	-	-1.376	-210	145.563	71.420	8.424	-261	-	-856	-112	78.615	66.948	43.153	

## Statement of changes in non-current assets in financial year 2018

	Acquisition and manufacturing cost							Cumulated depreciation							Carrying amounts		
	1.1.2018	Additions	Change in consolidation	Re-classifications	Disposals	Currency differences	31.12.2018	1.1.2018	Depreciation in financial year	Changes in companies included the consolidation	Re-classifications	Disposals	Currency differences	31.12.2018	31.12.2018	31.12.2017	
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	
<b>I. Immaterielle Vermögenswerte</b>																	
1. Erworbene immaterielle Vermögenswerte	21.494	330	-6	61	-45	-62	21.772	16.496	1.237	-6	-	-	-55	17.672	4.100	4.998	
2. Selbst erstellte immaterielle Vermögenswerte	5.782	354	-	-	-	-	6.136	5.256	204	-	-	-	-	5.460	676	526	
3. Erworbene Firmenwerte	14.747	-	-	-	-	-639	14.108	2.410	-	-	-	-	-16	2.394	11.714	12.337	
	42.023	684	-6	61	-45	-701	42.016	24.162	1.441	-6	-	-	-71	25.526	16.490	17.861	
<b>II. Sachanlagen</b>																	
1. Grundstücke und Bauten des Betriebsvermögens	32.873	674	-	605	-9	-60	34.083	19.465	747	-	-	-7	-19	20.186	13.897	13.408	
2. Technische Anlagen und Maschinen	6.489	697	-	-	-10	-7	7.169	3.224	398	-	-	-7	-5	3.610	3.559	3.265	
3. Andere Anlagen, Betriebs- und Geschäftsausstattung	25.685	2.975	-39	-50	-383	-514	27.674	20.455	2.253	-39	-	-274	-300	22.095	5.579	5.230	
4. Anlagen im Bau	201	3.329	-	-616	-1	-	2.913	-	-	-	-	-	-	-	2.913	201	
	65.248	7.675	-39	-61	-403	-581	71.839	43.144	3.398	-39	-	-288	-324	45.891	25.948	22.104	
<b>III. Finanzielle Vermögenswerte (Wertpapiere)</b>	716	6	-	-	-4	-	718	3	-	-	-	-	-	3	715	713	
	107.987	8.365	-45	-	-452	-1.282	114.573	67.309	4.839	-45	-	-288	-395	71.420	43.153	40.678	

## 2.2 Intangible assets

	2019	2018
	EURk	EURk
Acquired intangible assets (without goodwill)	4,645	4,100
Self-developed intangible assets	640	676
Acquired goodwill	11,747	11,714
Advance payments on intangible assets	632	0
	<b>17,664</b>	<b>16,490</b>

Acquired intangible assets include the acquired Ozito brand value (EUR 3.3 million) from the acquisition of Ozito Industries Pty Ltd.

Self-developed intangible assets mainly comprise expenses arising from the development of new products that are amortised over the expected life cycle of the product. In 2019, costs amounting to EUR 154 thousand (previous year: EUR 354 thousand) were capitalised for self-developed software that is to support the optimisation of service procedures within the Einhell Group. Expenses for product processing amounted to EUR 7.5 million (previous year: EUR 7.7 million) in financial year 2019. As in the previous year, none of these costs were capitalised as development expenses in 2019. 60 employees (previous year: 57 employees) were employed in this business unit.

Goodwill pertains to the following companies:

	2019	2018
	EURk	EURk
Ozito Industries Pty Ltd, Melbourne/Australia	5,316	5,225
Einhell Turkey Dis Ticaret Anonim Sirketi, Istanbul/Turkey	800	880
Einhell Export-Import GmbH, Tillmitsch/Austria	2,209	2,219
Einhell-Unicore s.r.o., Carlsbad/Czech Republic	2,311	2,282
Einhell Romania SRL, Bucharest/Romania	889	914
Einhell LLC, St. Petersburg/Russia	222	194
	<b>11,747</b>	<b>11,714</b>

Goodwill refers to companies that directly helped the Group to enter new markets or gain market shares. Assets and liabilities arising from hidden reserves are valued at fair value at the time of acquisition.

The cash flow forecasts contain specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined on the basis of the Board of Directors' estimates for the average annual EBIT growth rate. The estimate is in line with the assumptions that a market participant would make.

The planned EBIT was estimated on the basis of past experience. Revenue growth was forecast on the basis of the average growth rate over the last few years and the estimates revenue volume and price increases in the next five years.

Sensitivity analyses have shown that, despite potential changes in the underlying assumptions, the recoverable amounts exceed the relevant carrying amounts.



The recoverability of goodwill is verified in the scope of an annual impairment test. Any value adjustments on goodwill have no effect on tax. An impairment is recognised if the realisable amount falls below the carrying amount of the respective cash generating unit. The realisable amount is derived from future cash flows. Determination of the cash flows is based on economic planning with a planning horizon of five years. We analysed economic developments in the markets relevant for the Einhell Group and took these findings into account. The following valuation factors were used for all cash generating units:

	2019	2018
	%	%
Terminal growth rate	1.25	1.25
Base rate	0.20	1.30
Market risk premium	7.75	7.00

The post-tax discount rate is determined from figures such as weighted equity costs, borrowing costs after tax, base rate, market risk premium and a specific country risk. The following discount rates (before tax) were used to determine the goodwill items stated below:

	2019	2018
	%	%
Ozito Industries Pty Ltd, Melbourne/Australia	10.37	10.03
Einhell Turkey Dis Ticaret Anonim Sirketi, Istanbul/Turkey	15.71	13.71
Einhell-Unicore s.r.o., Carlsbad/Czech Republic	9.94	9.68

The base rate was adjusted to the current interest rate level.

A country-specific risk premium was considered in the calculation of the discount rate after taxes for each individual cash generating unit (CGU). In addition, the calculation of the discount rate is also based on the country-specific tax rate. An individual discount rate is therefore calculated for every CGU.

If there is a significant change in general interest rates, this could have effects on the determination of assessment parameters.

Pursuant to IAS 21.47, goodwill of non-euro countries is converted at the reporting date exchange rate. Goodwill impairments were applied in non-euro countries in financial year 2019. Goodwill of Einhell Export-Import GmbH is derived from the takeover of Einhell Croatia d.o.o., which is a wholly-owned subsidiary of Einhell Export-Import GmbH.

## 2.3 Property, plant and equipment

	2019	2018
	EURk	EURk
Land and buildings in company assets	19,026	13,897
Technical equipment and machinery	4,902	3,559
Other equipment, operating and office equipment	5,472	5,579
Assets under construction	6,846	2,913
Right-of-use asset pursuant to IFRS 16	12,632	0
	<b>48,878</b>	<b>25,948</b>

## 2.4 Financial assets

There is no change to shares in a money market fund to hedge against pensions, holiday and flexible time entitlements that are recognised at fair value. Income from the fund amounts to EUR 3 thousand (previous year: EUR -4 thousand). The expected yield on securities ranges between 0% and 1% p.a.

The investment of EUR 0 thousand (previous year: EUR 319 thousand) refers to 10% of the shares in Zhejiang Neo Energy Technology Co., Ltd., Ningbo/China, which was reversed in financial year 2019.

## 2.5 Deferred taxes

Deferred tax assets and liabilities of the company are as follows:

	Deferred tax as- sets		Deferred tax lia- bilities		Net amount	
	2019	2018 <sup>(*)</sup>	2019	2018	2019	2018 <sup>(*)</sup>
Self-developed intangible assets and property, plant and equipment	6	6	1,684	1,452	-1,678	-1,446
Current assets	4,125	3,690	310	291	3,815	3,399
Other financial assets (at their fair values)	214	437	1,114	1,143	-900	-706
Provisions for pensions	734	534	0	0	734	534
Provisions for other risks	3,654	4,146	80	69	3,574	4,077
Other liabilities	575	440	446	155	129	285
Tax losses carried forward	940	1,117	0	0	940	1,117
	<b>10,248</b>	<b>10,370</b>	<b>3,634</b>	<b>3,110</b>	<b>6,614</b>	<b>7,260</b>

The deferred taxes on hedge accounting and available-for-sale securities and pensions – which are shown under deferred taxes on other financial assets – are exclusively recorded in other comprehensive income.

Deferred taxes with respect to the above line items result from the following circumstances:

- Capitalisation and amortisation of development costs.
- Increased tax depreciation on property, plant and equipment result in tax valuations falling under the carrying amounts.
- The measurement of trade receivables is different than in the tax base. This applies in particular to foreign group companies.
- Financial assets accounted for at fair value (available-for-sale assets and financial assets held for trading) show differing tax values and carrying amounts as a remeasurement is only carried out for accounting purposes and not for tax purposes.
- The measurement of pension provisions is different than in the tax base.
- In some local financial statements of foreign subsidiaries, deferred expenses may not be deducted for tax purposes until they occur, whereas they can be recognised in profit or loss in the financial statements over a longer period of time.
- Capitalisation of deferred taxes from loss carry forwards of subsidiaries.

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## 2.6 Inventories

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	2019	2018
	EURk	EURk
Raw materials and supplies (at acquisition cost)	367	461
Finished goods (at acquisition cost less impairment)	172,926	188,020
Advance payments	31	66
	<b>173,324</b>	<b>188,547</b>

In 2019, EUR 461 thousand (previous year: EUR 343 thousand) in raw materials and supplies, consisting primarily of packaging materials, were recognised as expense.

In summary, Einhell recognised impairments of EUR 7,004 thousand (previous year: EUR 8,260 thousand). No goods were transferred by way of security at the reporting date, as in the previous year. In financial year 2019, inventory write-downs of EUR 2,922 thousand (previous year: EUR 4,429 thousand) were recognised through profit or loss in the statement of income.

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## 2.7 Trade receivables

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Trade receivables are stated net of allowances for bad debts. IFRS 9 replaces the “incurred loss” model of IAS 39 with an “expected credit loss” (ECL) model. The new impairment model was applied to trade receivables.

In financial year 2019, impairments amounted to EUR 651 thousand (previous year: EUR 527 thousand).

In addition, the Company posted income from the receipt of receivables that had been written off and from the reversal of bad debt impairments of EUR 314 thousand (previous year: EUR 231 thousand)

in the period under review. The maximum default risk corresponds to the carrying amount of the receivables. 85% (previous year: 85%) of total gross receivables are not yet due on the reporting date.

Changes in impairments	2019	2018
	EURk	EURk
<b>Amount at the beginning of the year</b>	<b>3,698</b>	<b>3,401</b>
Impairments for bad debts	20	-51
Amounts received for receivables written off	-17	-12
Currency difference	-254	360
<b>Amount at the end of the year</b>	<b>3,447</b>	<b>3,698</b>

At the reporting date, there are no indications of impairments of trade receivables that are neither overdue nor already impaired.

The maturity structure of trade receivables is as follows:

2019	Net receivables	Value adjustment	Gross receivables
	EURk	EURk	EURk
Receivables not due and due in 1-120 days	92,275	334	92,609
Receivables due in 121-360 days	594	362	956
Receivables due in more than 360 days	0	2,751	2,751
	<b>92,869</b>	<b>3,447</b>	<b>96,316</b>

2018	Net receivables	Value adjustment	Gross receivables
	EURk	EURk	EURk
Receivables not due and due in 1-120 days	87,331	327	87,658
Receivables due in 121-360 days	790	578	1,368
Receivables due in more than 360 days	0	2,793	2,793
	<b>88,121</b>	<b>3,698</b>	<b>91,819</b>

## 2.8 Other financial assets

	2019	2018
	EURk	EURk
Non-current derivative financial instruments included in hedge accounting	418	278
Financial assets measured at fair value through profit or loss	0	0
	<b>418</b>	<b>278</b>

	2019	2018
	EURk	EURk
Current derivative financial instruments included in hedge accounting	2,980	3,290
Financial assets measured at fair value through profit or loss	999	1,208
	<b>3,979</b>	<b>4,498</b>

Unrealised gains/losses from derivative financial instruments included in hedge accounting are taken directly to equity after deduction of deferred taxes.

## 2.9 Other assets

	2019	2018
	EURk	EURk
<b>Non-current</b>		
Income tax claims	0	0
Other	2,139	521
	<b>2,139</b>	<b>521</b>

	2019	2018
	EURk	EURk
<b>Current</b>		
Income tax claims	2,358	1,012
Contract assets	1,135	729
Other	16,004	21,742
	<b>19,497</b>	<b>23,483</b>

Contract assets include the claims of the Group to recover goods already delivered in the following year.

The other assets item also includes VAT receivables amounting to EUR 11,108 thousand (previous year: EUR 14,617 thousand). The highest VAT receivables have been recognised for our procurement company in China.

## 2.10 Equity

### Subscribed capital

The share capital of Einhell Germany AG is unchanged from the previous year and divided as follows:

	2019	2019
	Number	EUR
<b>Ordinary shares</b>		
Ordinary bearer shares (no-par)		
each with an arithmetic interest in share capital of EUR 2.56	2,094,400	5,361,664.00
<b>Preference shares</b>		
Non-voting preference bearer shares (no-par)		
each with an arithmetic interest in share capital of EUR 2.56	1,680,000	4,300,800.00
	<b>3,774,400</b>	<b>9,662,464.00</b>

All shares are fully paid up. The dividend proposal for Einhell Germany AG amounts to EUR 5,158,496.00 for financial year 2019 (previous year: EUR 5,158,496.00). The distribution amount corresponds to a dividend of EUR 1.40 per preference share (previous year: EUR 1.40) and EUR 1.34 per ordinary share (previous year: EUR 1.34).

A minimum of EUR 0.15 per share must be paid out to the holders of preference shares and has preference over the dividend to ordinary shareholders. The dividend per preference share is EUR 0.06 higher than the dividend per ordinary share. If the net profit in one or several financial years does not suffice to pay a dividend of EUR 0.15 per preference share, the missing amounts will be paid without interest from the net profit of subsequent financial years after the minimum preference share dividend for these financial years has been paid and before distribution of a dividend for ordinary shares. There are no distributions from minimum dividends outstanding. The preference shares do not carry any voting rights. All shares are of equal rank with regard to residual assets of the Company. The ordinary shares hold voting rights in the Annual General Meeting.

### Capital reserve

The capital reserve consists of premiums on the issue of shares.

### Retained earnings and consolidated net profit

This item includes the Group's accumulated net profit from previous years less dividend payments. At the company's Annual General Meeting on 28 June 2019 resolved to pay out a dividend of EUR 5,158,496.00. Dividend payouts are based on the equity that is available pursuant to German commercial law provisions.

### Capital management

The capital management of the Group has the objective to safeguard the going concern of the Group in the long term and generate attractive returns for the shareholders. Capital management instruments include the distribution of dividends. In its capital management activities, the Group complies with the statutory regulations on capital maintenance. The articles of association state no capital requirements.

## 2.11 Changes to other reserves

	2019			2018		
	EURk Before tax	EURk tax	EURk After tax	EURk Before tax	EURk tax	EURk After tax
Unrealised gains/losses from currency translation	119	0	119	-3,239	0	-3,239
Unrealised gains/losses from available-for-sale financial assets	3	0	3	-5	0	-5
Unrealised gains/losses from derivative financial instruments	996	-195	801	-1,227	113	-1,114
Unrealised gain/losses from IAS 19 revised – employee benefits	-821	222	-599	-178	54	-124
<b>Other comprehensive income</b>	<b>297</b>	<b>27</b>	<b>324</b>	<b>-4,649</b>	<b>167</b>	<b>-4,482</b>

## 2.12 Non-controlling interest

	2019	2018
	EURk	EURk
<b>31 December</b>	<b>2,141</b>	<b>2,041</b>
Adjustments resulting from first-time application of IFRS 15, after tax	0	-4
<b>1 January</b>	<b>2,141</b>	<b>2,037</b>
Capital contributions (previous year incl. consolidation effects of EUR 7 thousand)	55	66
Disposals	-23	0
Dividends	-587	-200
Unrealised gains/losses from currency translation (= share in other comprehensive income)	5	-25
Share in consolidated net profit	261	263
<b>31 December</b>	<b>1,852</b>	<b>2,141</b>

The total share of non-controlling interest in equity is insignificant at 0.9%.

## 2.13 Employee benefits

Benefits resulting from pension obligations are based on the length of employment. The obligations comprise both benefits from pensions that are being paid and rights to future pension payments.

Current and former members of the Board of Directors as well as a small number of employees of Einhell Germany AG and iSC GmbH, who entered the companies prior to 1993, have vested pension rights in the form of a direct benefit commitment. The benefit commitments are based on individual contractual stipulations. No claim to a universal benefit plan can be derived based on the entry date. The individual pension entitlement is defined based on a fixed pension amount in euro per year of employment. The Company took out reinsurance to cover the basic entitlements. The ultimate responsibility for the pension obligations lies with the Company. Einhell Schweiz AG has to enter a

follow-up agreement with a pension fund to comply with statutory requirements. By law, the pension fund has to cover at least the occupational pension.

The defined benefit obligations (DBO) developed as follows in financial year 2019:

	2019	2018	2017	2016	2015
	EURk	EURk	EURk	EURk	EURk
1 January	5,620	4,996	5,681	5,129	3,235
Current service expense (personnel expenses)	121	181	138	120	249
Interest expense (personnel expenses)	82	72	69	85	75
Actuarial losses and gains from changes in financial assumptions	754	174	-58	448	-217
Pension payments	-82	69	-645	-147	-283
Payments from employees	61	57	39	32	40
Other changes	-451	0	-78	0	1,827
Currency difference	75	71	-150	14	203
<b>31 December</b>	<b>6,180</b>	<b>5,620</b>	<b>4,996</b>	<b>5,681</b>	<b>5,129</b>

Plan assets developed as follows in financial year 2019:

	2019	2018	2017	2016	2015
	EURk	EURk	EURk	EURk	EURk
1 January	2,245	1,880	2,467	2,367	668
Interest income	0	0	2	88	41
Other changes	-333	310	-466	0	1,493
Currency difference	52	55	-123	12	165
<b>31 December</b>	<b>1,964</b>	<b>2,245</b>	<b>1,880</b>	<b>2,467</b>	<b>2,367</b>

	2019	2018	2017	2016	2015
	EURk	EURk	EURk	EURk	EURk
Present value of defined benefit obligations	6,180	5,620	4,996	5,681	5,129
Less fair value of plan assets	-1,964	-2,245	-1,880	-2,467	-2,367
<b>Net obligations</b>	<b>4,216</b>	<b>3,375</b>	<b>3,116</b>	<b>3,214</b>	<b>2,762</b>

Actuarial gains and losses refer primarily to changes in the discount rate. Expenses from obligations regarding employee benefits are shown in personnel expenses. The pension provisions shown in the statement of financial position on the reporting date equal the defined benefit obligations offset against the fair value of plan assets. The actuarial assumptions to determine pension obligations are explained in Section 1.8 Accounting and valuation principles.

The expected return on plan assets is between 0% and 1%.



## Plan assets comprise

	2019	2018
	EURk	EURk
Pension funds	669	664
Qualified insurances	1,295	1,581
	<b>1,964</b>	<b>2,245</b>

## Future payments

Benefits to be paid in the future are estimated as follows:

	out-payments from plan assets
	EURk
2020	168
2021	172
2022	174
2023	177
2024	181
	<b>872</b>

Employer payments into plan assets will amount to around EUR 64 thousand in 2020.

In Germany, the weighted average term of defined benefit obligations for pensions is 18.7 years (previous year: 17.7 years) or 19.8 years (previous year: 20.2 years) respectively, while in Switzerland it is 20.0 years (previous year: 16.7 years).

## Sensitivity analysis for benefit obligations

Sensitivity analyses are usually performed using the following parameters:

- Actuarial interest rate
- Salary trend
- Rate for pension progression
- Life expectancy

The existing benefit obligations of Einhell Germany AG are not linked to salary, making a calculation on the basis of the salary trend obsolete, as the defined benefit obligations remain unchanged if the salary trend rises or falls by 0.25%. The guaranteed adjustment of current benefits for existing pension obligations by 3% p.a. is significantly higher than the current inflation trend. Therefore, a change in the rate for pension progression by +/-0.25% has no effect on the obligation, likewise rendering a sensitivity analysis obsolete, as the DBO remains unchanged.

Therefore, the sensitivity analysis only accounts for the actuarial interest rate and life expectancy, whereby the latter only applies to obligations regarding future pension payments as a longer life expectancy has no effect on capital commitments.

		EURk
<b>Einhell Germany AG</b>		
Actuarial interest rate +0.5%	1.96% future beneficiaries, 1.41% pensioners	3,701
Actuarial interest rate -0.5%	0.96% future beneficiaries, 0.41% pensioners	4,461
Life expectancy +1 year		4,274
<b>iSC GmbH</b>		
Actuarial interest rate +0.5%	1.96% future beneficiaries, 1.41% pensioners	63
Actuarial interest rate -0.5%	0.96% future beneficiaries, 0.41% pensioners	77
Life expectancy +1 year		73
<b>Einhell Schweiz AG</b>		
Actuarial interest rate +0.25		1,958
Actuarial interest rate -0.25		2,164
Life expectancy +1 year		2,095
Life expectancy -1 year		2,018

## Risks

Risks from benefit obligations arise from the investment in plan assets. These risks might entail the requirement to pay additional capital into the plan assets to be able to meet current and future pension obligations.

### *Demographic/biometric risks*

A large share of the benefit obligations pertains to life-long benefits and pensions for surviving dependants. Early claims and benefit payments over longer durations may lead to higher pension expenses and higher pension payments than previously anticipated.

The Einhell Group does not take any specific measures to balance out potential risks in the case of need. Given the overall amount of commitments, pension obligations are no major risk for the Einhell Group, and therefore no further reinsurance is needed.

	2019	2018 <sup>(*)</sup>
	EURk	EURk
<b>Short-term employee benefits</b>	15,912	15,057

### *a) Short-term employee benefits*

Obligations from short-term employee benefits are recognised as an expense as soon as the work relating thereto is performed. If the Group has a legal or actual obligation to pay a certain amount as a result of an employee's work performance and the obligation can be estimated reliably, a liability is recognised for the amount expected to be paid.

#### b) Other long-term employee benefits

The Group's net obligation with regard to long-term employee benefits amounts to the future benefits that employees have earned in exchange for their work in the current and prior periods. These benefits are discounted to determine their present value. Remeasurement is recognised in profit or loss in the period in which it occurs.

#### c) Payments after termination of employment

Termination benefits such as expected severance payments are recognised as an expense on the earlier of the following dates: when the Group's offer of these benefits becomes irrevocable or when the Group recognises the costs related to a restructuring. Benefits that are not expected to be fully settled within twelve months after the balance sheet date are discounted.

### 2.14 Provisions for other risks

	Warranties	Other	Total
	EURk	EURk	EURk
1 January 2019	7,118	13,054	20,172
Claims	3,036	4,823	7,859
Reversals	164	1,876	2,040
Additions	3,630	7,200	10,830
Currency translation effects and other changes	59	55	114
<b>31 December 2019</b>	<b>7,607</b>	<b>13,610</b>	<b>21,217</b>

	Warranties	Other	Total
	EURk	EURk	EURk
<b>31 December 2019</b>			
Non-current	0	1,106	1,106
Current	7,607	12,504	20,111
<b>31 December 2018</b>			
Non-current	0	1,026	1,026
Current	7,118	12,028	19,146

Other provisions mainly comprise provisions for customer bonuses. The interest effect from discounting non-current provisions with a remaining term of more than one year is immaterial.

Non-current provisions contain primarily provisions for severance payments of Hans Einhell Österreich GmbH (EUR 111 thousand), Einhell Italia (EUR 870 thousand), Einhell France (EUR 78 thousand) and Einhell Turkey (EUR 47 thousand). The last cash outflow is expected in 2039.

## 2.15 Liabilities from debt capital

	2019	2018
	EURk	EURk
<b>Non-current</b>		
Loans, secured	20	38
Loans, unsecured	22,656	25,000
	<b>22,676</b>	<b>25,038</b>

	2019	2018
	EURk	EURk
<b>Current</b>		
Loans and overdrafts, secured	18	240
Loans and overdrafts, unsecured	2,348	21,378
	<b>2,366</b>	<b>21,618</b>
Thereof non-current loans maturing in the short term	2,362	17
Thereof loans and overdrafts maturing in the short term	4	21,601

Collateral in the total amount of EUR 38 thousand was furnished to secure financing liabilities pertaining to vehicles.

The Einhell Group also has conventional lines of credit that were only partially utilised in financial year 2019. Cash and cash equivalents, as well as equity, stood at very good levels in the reporting year.

In financial year 2018, Einhell Germany AG took out long-term loans of EUR 25 million from three different banks. The loans are subject to a subsidy programme provided by the German development bank KfW and have a term of 10 years. The first repayments will be made in June 2020, the last at the end of March 2028. The loan agreements also contain a financial covenant. This covenant refers to the interest cover ratio. The interest rates are fixed and do not include any variable components. Einhell Germany AG complied with this covenant in financial year 2019.

## 2.16 Other financial liabilities

	2019	2018
	EURk	EURk
Non-current derivative financial instruments included in hedge accounting	44	0
Financial liabilities measured at fair value through profit or loss	0	0
	<b>44</b>	<b>0</b>

	2019	2018
	EURk	EURk
Current derivative financial instruments included in hedge accounting	1,109	2,182
Financial liabilities measured at fair value through profit or loss	731	482
	<b>1,840</b>	<b>2,664</b>

Unrealised gains/losses from derivative financial instruments included in hedge accounting are taken directly to equity after deduction of deferred taxes.

## 2.17 Other liabilities

Other liabilities	2019	2018
	EURk	EURk
Non-current	1	100
Current	19,040	14,868
	<b>19,041</b>	<b>14,968</b>

Other current liabilities include contract liabilities amounting to EUR 1,566 thousand. Contract liabilities refer to the Group's obligation to take back delivered goods in the following year.

Other liabilities mainly include tax liabilities, as well as liabilities from short-term customer bonuses and credits to customers.

The first-time adoption of IFRS 16 results in lease liabilities in the following amounts as of 31 December 2019:

Lease liabilities	2019
	EURk
Non-current	8,084
Current	4,813
	<b>12,897</b>

## 2.18 Disposal group classified as held for sale

In 2019, the management of the Einhell Group resolved to dispose of the Einhell d.o.o. Beograd subsidiary. Therefore, Einhell Beograd is recognised as a held-for-sale disposal group. Efforts to sell

the disposal group have already begun, and the Group expects the sale to be effected in the first half of financial year 2020.

### Impairment losses recognised for the disposal group

The valuation of the asset group at the lower of its carrying amount and its fair value less costs of disposal has not resulted in any impairment losses. The financial assets of the disposal group (loans and receivables) are recognised at their carrying amounts, which equal their market value.

### Assets and liabilities of the held-for-sale disposal group

The disposal group was recognised at fair value less costs of disposal as of 31 December 2019, and it includes the following assets and liabilities.

	2019
	EURk
Assets	50
Inventories	783
Trade receivables	416
Other assets	58
Cash and cash equivalents	949
<b>Assets held for sale</b>	<b>2,256</b>

	2019
	EURk
Other current provisions	29
Trade payables	25
Other current liabilities	25
<b>Liabilities in connection with assets held for sale</b>	<b>79</b>

### Cumulative income or expenses included in other comprehensive income

Other comprehensive income does not include any cumulative income or expenses associated with the disposal group.

### Fair value measurement

The non-recurring measurement of the disposal group at fair value in the amount of EUR 2,177 thousand was classified as a level 3 fair value. The determination of the fair value takes account of the expected sales proceeds.

### 3. Notes to the consolidated statement of income

#### 3.1 Revenue

The Einhell Group mainly generates revenue from selling manually operated, petrol-powered and electronic tools, electrical tool accessories, metal and plastic products for DIY, garden and leisure activities, and air-conditioning and heating products.

The Einhell Group only generates revenue from contracts with customers.

For the Einhell Group, revenue is recognised at one time only. Products and services, the revenue of which is generated over time, do not exist.

The geographic allocation of the below-stated revenue to regions is based on the registered office of the invoicing party. Business activities of the Einhell Group focus exclusively on the distribution of goods.

Regions	2019		2018		Change	
	EURk	%	EURk	%	EURk	%
D/A/CH region	247,011	40.8	229,143	39.7	17,868	7.8
Western Europe	121,780	20.1	114,354	19.8	7,426	6.5
Eastern Europe	63,439	10.5	69,750	12.0	-6,311	-9.0
Overseas	126,894	20.9	126,468	21.9	426	0.3
Other	46,569	7.7	38,188	6.6	8,381	21.9
	<b>605,693</b>	<b>100.0</b>	<b>577,903</b>	<b>100.0</b>	<b>27,790</b>	<b>4.8</b>

#### 3.2 Other own work capitalised

Own work capitalised amounts to EUR 219 thousand in the financial year (previous year EUR 264 thousand) and mainly refers to the development of own software solutions.

### 3.3 Other operating income

	2019	2018
	EURk	EURk
Income from the reversal of warranty provisions	164	287
Commission income	852	1,236
Income from costs for inspection of goods charged to suppliers	34	61
Income from costs charged to suppliers (waste disposal, freight)	417	468
Income from the receipt of receivables that had been written off and from the reversal of the allowance for doubtful receivables	314	231
Proceeds from disposal of fixed assets	65	32
Income from the reversal of other provisions	1,876	3,278
Income from the non-utilisation of expected costs set aside for streamlining the product range	0	2,173
Income from letting and leasing	226	214
Income from damage compensation	189	238
Income from PV plant	511	512
Other income	2,239	2,253
	<b>6,887</b>	<b>10,983</b>

### 3.4 Cost of materials

	2019	2018
	EURk	EURk
Expenses for raw materials and supplies and purchased goods	399,149	380,204
Expenses for purchased services	157	36
	<b>399,306</b>	<b>380,240</b>

### 3.5 Personnel expenses

	2019	2018 (*)
	EURk	EURk
Wages and salaries	66,701	65,161
Social security contributions	11,680	11,169
Expenses for old-age pensions	165	153
	<b>78,546</b>	<b>76,483</b>

Number of employees (annual average)	2019	2018
	Number	Number
D/A/CH region	658	638
Western Europe	160	145
Eastern Europe	241	252
Overseas	204	195
Other	313	339
	<b>1,576</b>	<b>1,569</b>



### 3.6 Depreciation and amortisation

	2019	2018
	EURk	EURk
Amortisation of intangible assets (without goodwill)	541	1,441
Depreciation of property, plant and equipment	3,542	3,398
Depreciation of right-of-use assets according to IFRS 16	4,341	0
	<b>8,424</b>	<b>4,839</b>

### 3.7 Other operating expenses

	2019	2018
	EURk	EURk
Rental/lease expenses	196	3,329
Expenses for buildings including maintenance of fixed assets	2,139	2,247
Legal and consulting expenses	2,990	3,389
Expenses for external stock keeping	10,871	11,354
Expenses on freight outward	20,987	20,092
Advertising expenses	22,595	19,526
Commission expenses	3,157	2,895
Fleet expenses	1,483	2,361
Expenses from bad debts and valuation allowances on receivables	806	886
Expenses for hardware and software as well as office equipment	3,166	2,459
Insurance expenses	1,522	1,372
Travel costs	3,060	3,227
Fees and contributions	1,102	1,236
Waste disposal costs	1,556	1,426
Miscellaneous other operating expenses	15,852	13,129
	<b>91,482</b>	<b>88,928</b>

Given the short-term nature of the trade receivables item and the fact that payments are expected to be received in the near future, interest effects are of no major significance in calculating impairments.

### 3.8 Financial result

	2019	2018
	EURk	EURk
Interest income	225	164
Interest expenses	-974	-1,505
Expenses/income from currency translation/hedging	-1,793	-1,362
	<b>-2,542</b>	<b>-2,703</b>
thereof interest income from hedging instruments	0	0
thereof interest expenses for hedging instruments	0	0
thereof interest expenses/income from hedging instruments	-1,181	775

The financial result also includes measurement results from derivative financial instruments not subject to hedge accounting and the ineffective share of value adjustments of hedging instruments that are subject to hedge accounting.

The financial result includes financial income amounting to EUR 6,399 thousand and financial costs of EUR 8,941 thousand. The Group's financial income and financial costs refer to interest income, interest expenses and gains and losses from currency translation of financial assets and financial liabilities.

### 3.9 Income taxes

	2019	2018(*)
	EURk	EURk
Actual tax expenses	8,786	10,372
Deferred taxes	-864	-544
	<b>7,922</b>	<b>9,828</b>

(\*) adjusted

In measuring a capitalised asset for future tax relief, the probability of recovery of the anticipated tax relief is also taken into account. Deferred taxes for hedge accounting and securities are only recognised in other comprehensive income. Deferred tax assets on changes in the fair value of cash flow hedges amount to EUR 214 thousand (previous year: EUR 437 thousand), while the corresponding deferred tax liabilities come out to EUR 1,114 thousand (previous year: EUR 1,143 thousand).

The subsidiaries capitalised deferred taxes from loss carryforwards of EUR 940 thousand (previous year: EUR 1,117 thousand). Loss carryforwards that are classified as non-recoverable, because either no profit is expected or they cannot be carried forward, are not included in the calculation of deferred tax assets. In 2019, no deferred taxes were recognised for loss carryforwards of EUR 15,766 thousand (previous year: EUR 12,914 thousand).

The temporary differences between the IFRS carrying amounts of interests in subsidiaries and the tax-related values of such interests (so-called outside basis differences) amount to EUR 3,541 thousand as at the reporting date (previous year: EUR 3,886 thousand) and did not give rise to the recognition of deferred taxes.

The reconciliation of the income tax amount with the theoretical amount that would have been applicable if the relevant tax rate in the Company's country of domicile had applied, is as follows:

	2019	2018 <sup>(*)</sup>
	EURk	EURk
Expected tax expenses	9,750	10,787
Tax expenses/income from intra-Group income/expenses	151	-86
Goodwill impairment	0	0
Other non-tax-deductible expenses	1,659	362
Differing foreign tax rates	-1,853	-1,560
Tax free income	-746	-235
Current losses excl. deferred taxes/ use of loss carryforwards excl. deferred taxes	-23	192
Changes in loss carryforwards	176	52
Taxes of previous years	-1,192	316
<b>Reported tax expenses</b>	<b>7,922</b>	<b>9,828</b>

(\*) adjusted

The table shows the reconciliation of tax expenses anticipated in the financial year with the respective reported tax expenses. The anticipated tax expense is calculated by multiplying profit before taxes with the domestic total tax rate applicable in that financial year of 30.0% (2018: 30.0%).

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### 3.10 Earnings per share

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Earnings per share as per IAS 33 refer to a company's ordinary shares. Since the ordinary shares of Einhell Germany AG are not publicly traded, earnings per share are not reported.

## 4. Segment reporting

### 4.1 Segment reporting by region

The allocation to the individual regions is based on the relevant group company's registered office. Companies regarded as homogenous based on their company structure, sales market and customer structure were bundled in regions. Internal reporting reflects these structures and is presented to the Board of Directors and the Supervisory Board on a regular basis.

The reconciliation item almost exclusively reflects consolidation effects. The reconciliation of profit before income taxes also includes in the previous year effects from purchase price allocation.

2019	Revenue by invoicing party	Revenue by invoice recipient	EBT	Depreciation and amortisation
	EURk	EURk	EURk	EURk
D/A/CH region	247,011	249,069	10,188	2,715
Western Europe	121,780	146,078	6,244	1,271
Eastern Europe	63,439	67,915	3,979	1,002
Overseas	126,894	138,663	9,989	1,710
Other countries	46,569	3,968	3,676	1,726
Reconciliation	0	0	-1,577	0
<b>Einhell Group</b>	<b>605,693</b>	<b>605,693</b>	<b>32,499</b>	<b>8,424</b>

The German companies generated revenue of EUR 228.3 million. The companies with the strongest revenue in Western and Eastern Europe are Einhell France with EUR 36.1 million, Einhell Italy with EUR 27.8 million and Einhell UK with EUR 25.8 million.

Revenue in the Overseas region was generated by the subsidiaries in South America and Australia. The largest contribution to revenue and earnings was made by Ozito Industries Pty Ltd with revenue of EUR 104.5 million, mostly at Australia. Revenue in Other countries was mainly generated by the procurement companies in Hong Kong.

2019	Financial result	Interest income	Interest expenses	Non-current assets excl. deferred tax assets
	EURk	EURk	EURk	EURk
D/A/CH region	1,569	3,641	-892	32,403
Western Europe	-1,062	2	-1,067	7,888
Eastern Europe	-1,393	135	-1,507	11,081
Overseas	-1,198	246	-1,374	12,402
Other countries	-297	357	-351	5,731
Reconciliation	-161	-4,156	4,217	0
<b>Einhell Group</b>	<b>-2,542</b>	<b>225</b>	<b>-974</b>	<b>69,505</b>

The share of non-current assets pertaining to Germany is EUR 29,612 thousand.

2019	Non-cash income	Non-cash expenses	Inventories	Depreciation of inventories
	EURk	EURk	EURk	EURk
D/A/CH region	-28	0	79,952	1,184
Western Europe	0	52	45,129	668
Eastern Europe	-1	8	24,977	494
Overseas	0	453	34,692	576
Other countries	0	0	614	0
Reconciliation	-326	1,375	-12,040	0
<b>Einhell Group</b>	<b>-355</b>	<b>1,888</b>	<b>173,324</b>	<b>2,922</b>

2018	Revenue by invoicing party	Revenue by invoice recipient	EBT <sup>1)</sup>	Depreciation and amortisation
	EURk	EURk	EURk	EURk
D/A/CH region	229,143	222,480	7,760	1,758
Western Europe	114,354	137,470	4,790	248
Eastern Europe	69,750	76,828	5,674	518
Overseas	126,468	137,036	13,046	756
Other countries	38,188	4,089	3,518	742
Reconciliation	0	0	1,169	817
<b>Einhell Group</b>	<b>577,903</b>	<b>577,903</b>	<b>35,957</b>	<b>4,839</b>

The German companies generated revenue of EUR 211.0 million. The companies with the strongest revenue in Western and Eastern Europe are Einhell France with EUR 34.5 million, Einhell UK with EUR 26.4 million and Einhell Italy with EUR 25.4 million.

Revenue in the Overseas region was generated by the subsidiaries in South America and Australia. The largest contribution to revenue and earnings was made by Ozito Industries Pty Ltd, Australia with revenue of EUR 104.8 million. Revenue in Other countries was mainly generated by the procurement companies in Hong Kong.

2018	Financial result	Interest income	Interest expenses	Non-current assets excl. deferred tax assets
	EURk	EURk	EURk	EURk
D/A/CH region	1,209	3,636	-1,257	19,102
Western Europe	-1,130	1	-1,096	2,952
Eastern Europe	-1,131	62	-1,218	9,525
Overseas	-1,191	678	-2,009	10,042
Other countries	-161	238	-218	2,331
Reconciliation	-299	-4,451	4,293	0
<b>Einhell Group</b>	<b>-2,703</b>	<b>164</b>	<b>-1,505</b>	<b>43,952</b>

The share of non-current assets pertaining to Germany is EUR 16,760 thousand.

2018	Non-cash income	Non-cash ex- penses	Inventories	Depreciation of in- ventories
	EURk	EURk	EURk	EURk
D/A/CH region	-92	0	86,155	1,383
Western Europe	-65	103	47,488	1,107
Eastern Europe	-604	3	28,222	847
Overseas	-3	1,901	36,271	1,092
Other countries	0	0	793	0
Reconciliation	-481	163	-10,382	0
<b>Einhell Group</b>	<b>-1,245</b>	<b>2,170</b>	<b>188,547</b>	<b>4,429</b>

In financial year 2018, EUR 103,919 thousand had been generated with one customer, corresponding to more than 10% of the Einhell Group's revenue. In the past financial year 2019, EUR 106,417 thousand were generated with one customer, corresponding to more than 10% of the Einhell Group's revenue. This revenue was generated in the Overseas region.

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## 4.2 Working capital

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The financial requirements of the Einhell Group are driven in particular by the level of inventories and trade receivables. Stock turnover rates of inventories and the maturities of trade receivables play a major role here and have a significant impact on the financial requirements.

The Einhell Group's funding derives, on the one hand, from the equity that was provided by its shareholders when the Company was founded and the subsequent capital increases and retained earnings that are set aside in reserves or profits carried forward. In addition, the Einhell Group procures debt capital in the form of loans and short-term borrowings as well as, to some extent, supplier loans. Loans are largely denominated in euro. Supplier loans are mainly in USD or CNY. Anticipated cash flows from the payment of supplier liabilities are largely hedged with adequate hedge transactions.

## 5. Notes to the consolidated statement of cash flows

The consolidated statement of cash flows shows the development of cash flows by inflows and outflows in connection with operating, investing and financing activities. Effects from changes to companies included in the consolidation were eliminated.

### Operating activities

Cash inflow from operating activities results from profit before tax as well as the accumulated depreciation and amortisation of intangible assets and property, plant and equipment. The reduction in inventories of EUR 17,061 thousand at the end of the year and the increase in trade payables of EUR 9,399 thousand had a positive effect on cash flow.

### Investing activities

Cash outflows for investments in property, plant and equipment pertain primarily to investments in land and buildings/assets under construction, and capex for operating and office equipment.

### Financing activities

Cash flows from financing activities include mainly inflows and outflows associated with loans and the distribution of the dividend.

### Changes in cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks with an original term of less than 90 days and cheques as of the reporting date. Effects from the changes in cash due to exchange rate fluctuation are shown separately. Cash and cash equivalents are deposited with banks and financial institutions with a rating of Baa1 to Aa1 provided by the rating agency Moody's.

Based on the external ratings of banks and financial instruments, the Group assumes that its cash and cash equivalents have a low default risk. Wherever possible, the Group makes use of the low credit risk exemption for cash and cash equivalents. The total amount of expected credit losses from cash and cash equivalents is immaterial.

Cash and non-cash changes in liabilities from debt capital:

	Liabilities to banks	Lease obligations	Other financial liabilities	Liabilities from debt capital
	EURk	EURk	EURk	EURk
1 January 2019	46,656	8,634	2,664	57,954
Cash changes	-21,323	-4,184	232	-25,275
Net changes in cash	0	8,447	-1,012	7,435
Changes from currency translation	-291	0	0	-291
<b>31 December 2019</b>	<b>25,042</b>	<b>12,897</b>	<b>1,884</b>	<b>39,823</b>

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## 6. Risk report and financial instruments

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### 6.1 Financial risk management

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The Einhell Group operates internationally and is thus exposed 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 managing the associated risks are implemented with the approval of the Board of Directors by a central treasury department working in close cooperation with the Group companies. The Einhell Group monitors the current market environment to assess these risks. Further information on risk management is available in the management report.

### 6.2 Default risk

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Einhell's corporate policy is to minimise default risk both from customers and suppliers by using instruments that are customary in international practice. These help Einhell evaluate default risks of the ordering company for each order based on the relevant economic situation. To counter the risks associated with new customers and high-risk countries in particular, Einhell sometimes uses letters of credit. In the offer phase, the sales and finance departments jointly decide on the collateral required and adjust these requirements when the orders are placed. Einhell also uses external information from banks and credit agencies to support the risk assessment process. To minimise the supplier default risk, both the procurement and project management teams work with the finance department to develop joint security concepts.

The maximum default risk corresponds to the carrying amount of the receivables. Trade receivables pertain to DIY chains, specialist stores and discounters and amount to EUR 92.9 million (previous year: EUR 88.1 million). In financial year 2019, there were no significant receivables for which new terms of payment were agreed. Whenever the term of payment was extended, sufficient collateral was furnished to eliminate the risk for the Einhell Group. The fair value of the collateral amounts to EUR 3.8 million.

Where possible, the Einhell Group uses Altradius credit insurance to counter credit risk.

The Group allocates each risk a default risk class, which is based on data that have been shown to be suitable for predicting the default risk. Default risk classifications are defined by means of qualitative and quantitative factors that indicate the default risk.

The Group recognises a financial asset as having defaulted if:

- it is unlikely that the debtor will be able to pay its credit obligation in full to the Group without the Group having recourse to measures such as the realisation of collateral (if any); or
- the financial asset is more than 90 days past due.

Impairment losses are recognised for trade receivables from the first day they are overdue, as the credit risk has increased. If receivables are more than 360 days past due, the Group considers them to be lost.

Impairments of trade receivables and contract assets (including lease receivables) are always measured at the amount of the expected credit loss over the term of the contract.



In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue expense of time and money. This includes both quantitative and qualitative information and analyses based on the Group's past experience and well-founded assessment, including forward-looking information.

The Group assumes that the default risk of a financial asset is significantly increased if it is more than 30 days past due.

Within in each of these default risk classes, the default risks are broken down by geographic region. A credit default rate representing the expected credit loss is calculated for each region based on the default status and actual credit losses over the last five years. These rates are multiplied by scaling factors in order to account for the differences between economic conditions. The following table contains information on the default risk and the expected credit losses for trade receivables as of 31 December 2019.

	Loss rate	Gross carrying amount	Value-adjustment	Creditworthiness impaired
	%	EURk	EURk	EURk
Low risk	0.83%	92,608	772	No
Medium risk	20.73%	346	72	No
Below average	21.69%	443	96	No
Doubtful	30.99%	168	52	Yes
Loss	89.23%	2,751	2,455	Yes
		<b>96,316</b>	<b>3,447</b>	

The default risk for trade receivables as of 31 December 2019, broken down by geographic region, is as follows.

	2019	2018
	EURk	EURk
D/A/CH region	31,794	27,501
Western Europe	30,148	27,961
Eastern Europe	16,518	18,562
Overseas	10,017	8,008
Other countries	4,392	6,089
<b>Total</b>	<b>92,869</b>	<b>88,121</b>

The default risk for trade receivables as of 31 December 2019, broken down by insured and uninsured trade receivables, is as follows:

	2019	2018
	EURk	EURk
insured	52,265	44,529
uninsured	40,604	43,592
<b>Total</b>	<b>92,869</b>	<b>88,121</b>

The following table shows a summary of the default risk for trade receivables and contract assets.

	2019	2018
	EURk	EURk
D/A/CH region	32,389	28,158
Western Europe	30,761	28,816
Eastern Europe	18,594	20,619
Overseas	10,179	8,137
Other countries	4,393	6,089
<b>Total gross carrying amount</b>	<b>96,316</b>	<b>91,819</b>
Impairment	-3,447	-3,698
<b>Total net carrying amount</b>	<b>92,869</b>	<b>88,121</b>

The analysis of the recoverability and maturity structure of trade receivables that are neither overdue nor impaired is as follows as of 31 December 2019:

	2019	2018
	EURk	EURk
neither overdue nor impaired	80,005	75,163
	<b>80,005</b>	<b>75,163</b>
overdue, but not impaired	0	0
<b>Total non-impaired receivables</b>	<b>80,005</b>	<b>75,163</b>

Derivatives are acquired from well-known financial institutions; therefore, the Group expects that the maximum default risk from derivatives is covered by their positive market value.

The positive market value of all derivative financial instruments as of the reporting date is EUR 4,397 thousand.

Bank balances amounted to EUR 25.7 million on the reporting date (previous year: EUR 14.1 million). These assets are held at first-rate, well-known banks.

The Einhell Group counters price and supply risks in supply markets by maintaining long-term supplier relationships, which are monitored continuously as a key element of quality management.

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### 6.3 Interest risks

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The interest risk of the Einhell Group stems mainly from financial liabilities, loans and interest-bearing borrowings. The risk is reduced when required by using derivative financial instruments such as interest caps and interest swaps. The Group-wide treasury department manages interest risk for the Group, in order to optimise interest income and expenses for the Group and to minimise total interest rate risk. This also includes Group-wide interest overlay management, which is designed to directly connect fixed interests from concluded hedge transactions and the earmarked funds that are tied up in assets and liabilities.

The Group uses interest caps and swaps as required, either as an economic cash flow hedge or as an economic fair value hedge, and recognises them at fair value. Because of the low interest level and the current market forecasts, Group management decided not to hedge interest rates at the moment.

The Group is exposed to cash flow risk from variable interest positions. A change in the market interest rate of 1% would have an effect on interests at the reporting date of EUR 257 thousand.

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### 6.4 Liquidity risk

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Liquidity risk is the possibility that a company will no longer be in a position to meet its financial obligations (such as repayment of financial liabilities or payment for orders). The Einhell Group limits this risk by using effective management of net working capital and cash and traditional credit lines from well-known banks. At the reporting date, the Group had approx. EUR 145.5 million in unsecured credit lines at its disposal for the operating business. The Group also keeps a constant eye on the financial markets for financing opportunities in order to secure the financial flexibility of the Einhell Group and limit excessive refinancing risks.

The following table shows all contractual payments as of 31 December 2019 for amortisation, repayments and interest for financial liabilities in the statement of financial position. Derivative financial instruments are shown at market value. It is not anticipated that actual cash flows will significantly differ from the expected cash flows with regard to the time of payment.

	2020	2021	2022-2024	2025 ff.
	EURk	EURk	EURk	EURk
Non-current liabilities to banks	2,525	3,287	9,698	10,279
Trade payables	78,189	0	0	0
Other current liabilities	25,693	0	0	0

The risk associated with the cash flows shown in the table is limited to cash outflows. Trade payables and other financial liabilities result mainly from financing operating assets (such as property, plant and equipment) and from investments in working capital (such as inventories and trade receivables). These asset values are taken into account in the effective management of the total liquidity risk. Risk management was extended and strengthened by implementing a Group-wide, Excel-based risk management information system.

Current liabilities to banks are not shown separately.

As of the reporting date, foreign exchange contracts for which we expect cash inflows corresponding to EUR 405.1 million (EUR 26.9 million of which non-current) and cash outflows corresponding to EUR 399.1 million (EUR 25.5 million of which non-current) were open. Sensitivities are specified under foreign currency risks.

## 6.5 Foreign currency risks

Due to the international nature of its operations, the Einhell Group is exposed to currency risks. To manage and minimise these risks, the Einhell Group uses derivative financial instruments with a maximum maturity of three years. The foreign currency risk management system of the Einhell Group has been successfully operated for several years.

Fluctuations in exchange rates can lead to undesirable and unpredictable earnings and cash flow volatility. This affects each company in the Einhell Group that trades with international partners in a currency that is not the functional currency (the relevant national currency). Within the Group, this applies in particular to procurement, which is usually denominated in USD and CNY. Einhell products, in contrast, are mainly sold in the relevant national currency. Planned purchases in USD and CNY are mostly hedged, so there is no concentration of risk here. The hedging rate is determined on the basis of previously defined thresholds. This threshold changes constantly, and a percentage of the gross exposure is designated.

Companies in the Einhell Group are forbidden to buy or sell foreign currencies for speculative purposes. Intra-Group financing or investments are, where possible, made in the relevant national currencies or using currency hedges.

The Group designates the spot element of currency futures to hedge currency risks and applies a hedging ratio of 1:1.

All assets or liabilities of the Einhell Group are based on observed prices or derived and determined therefrom. This excludes earn-out liabilities, which are measured at fair value level 3 (in accordance with Section 1.9).

Given the short-term nature of the USD and CNY payment terms, the USD and CNY exposure from financial instruments pertains mainly to derivative financial instruments. An exchange rate fluctuation of 10% would lead to a currency translation gain or loss before tax of EUR 22,449 thousand or EUR -18,968 thousand, respectively, which, under cash flow hedge accounting, would be recognised in equity.

Change in exchange rate	+10%	-10%
	EURk	EURk
CNY	-17,773	21,123
USD	-1,338	1,479
Other	143	-153
<b>Total effect</b>	<b>-18,968</b>	<b>22,449</b>

The derivative financial instruments are only used to hedge the procurement of goods. A 10% change in exchange rates for derivative financial instruments that are not shown under hedge accounting would result in pre-tax exchange rate gains or losses of EUR 2,066 thousand or EUR -1,697 thousand, respectively.

Change in exchange rate	+10%	-10%
	EURk	EURk
CNY	-5,856	7,149
USD	872	-1,065
GBP	1,220	-1,491
AUD	988	-1,207
Other	1,079	-1,320
<b>Total effect</b>	<b>-1,697</b>	<b>2,066</b>

The nominal volume of derivative financial instruments is equivalent to the total of gross purchase price and sales price amounts (not offset against each other) agreed between the parties and is therefore not a reliable indicator for Group risk from the use of derivative financial instruments. Risks and opportunities are reflected in the market value, which is equivalent to the cash value of the derivative financial instruments at the reporting date.

Positive and negative market values of derivative financial instruments in 2019	Gross amount shown	Offsetting amount	Net amount shown
	EURk	EURk	EURk
Derivatives with positive market values	4,397	0	4,397
Derivatives with negative market values	1,884	0	1,884

The table shows the potential effects of the offsetting of financial assets and financial liabilities that are based on legally enforceable master netting arrangements or similar contracts. Einhell may only offset financial assets and financial liabilities as per IAS 32, if it has a legal right of set-off and Einhell actually intends to settle on a net basis.

Financial instruments with a positive market value to cash flow hedge	Nominal volume EURk		Market value EURk	
	2019	2018	2019	2018
Long-term currency futures	16,634	17,780	418	300
Short-term currency futures	118,789	154,260	2,980	3,268
	<b>135,423</b>	<b>172,040</b>	<b>3,398</b>	<b>3,568</b>

Financial instruments with a negative market value to cash flow hedge	Nominal volume EURk		Market value EURk	
	2019	2018	2019	2018
Long-term currency futures	10,236	0	44	0
Short-term currency futures	100,133	175,579	1,109	2,182
	<b>110,369</b>	<b>175,579</b>	<b>1,153</b>	<b>2,182</b>

The underlying transactions refer to contracted and planned purchases. Most of the cash flows are expected within a period of twelve months and are recognised in the acquisition cost of inventories. The ineffectiveness of cash flow hedges incorporated in hedge accounting is immaterial given the short-term nature of hedge accounting. Ineffectiveness may result from both over-hedges and under-hedges. The main reasons for ineffectiveness of these hedging relationships are:

- the effect of counterparty and Group credit risk on the fair value of forward foreign exchange contracts, which is not reflected in the change in fair value of the hedged cash flows attributable to changes in foreign exchange rates;

- changes in the timing of hedged transactions.

The nominal volume of derivatives that have a maturity of more than twelve months on the reporting date amounts to EUR 26,871 thousand. The market value of the derivatives amounts to EUR 374 thousand.

EUR 801 thousand in changes in the value of financial instruments in relation to the cash flow hedge were recognised in equity in 2019. The change in the value of the underlying hedged items is also EUR 801 thousand. Retired items from equity through profit or loss amounted to EUR 519 thousand. Derivatives no longer subject to hedge accounting in financial year 2019 have a market value of EUR 561 thousand. EUR 392 thousand were derecognised in other comprehensive income (OCI).

### **Cash flow hedging**

The Group mainly controls and monitors these risks through its operating business and financing activities and uses derivative financial instruments whenever required. The Einhell Group only uses such instruments when needed to hedge financial risks resulting from the operating business or re-financing activities.

The Group held the following instruments to hedge against currency translation and interest rate risks as of 31 December 2019.

<b>Hedge against material currency translation risks</b>	<b>Maturity</b>	
	<b>up to one year</b>	<b>more than one year</b>
<b><u>Currency futures</u></b>		
Net risk in EURk	304,098	26,871
<b>Hedge against material currency translation risks</b>	<b>Delta reporting date rate vs. hedging rate in %</b>	
CNY	-4% to 11%	4% to 7%
USD	-25% to 4%	
GBP	-7% to 1%	
AUD	-1% to 0%	
<b>Interest rate risk</b>		
<b><u>Interest rate swaps</u></b>		
Net risk in EURk	(*)	(*)
Average fixed interest rate	(*)	(*)

(\*) No interest rate derivatives were held as of 31 December 2019

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## **6.6 Market values and carrying amounts of financial instruments**

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Pursuant to IAS 39, financial instruments (assets and liabilities) are allocated to different measurement categories. The allocation to a particular measurement category determines the recognition of the financial instrument at its fair value. The following table shows the carrying amount and fair value for the individual categories and the measurement category in the statement of financial position. The fair values are provided by banks or determined on the basis of generally accepted measurement models. All hedging derivatives are measured by discounting future cash flows. The initial recognition parameters used in these models are the relevant observable market prices at the reporting date, such as volatilities and forward rates and interest rates. For current assets and liabilities, the carrying amounts provide a good indication of the fair value.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include any information on the fair values of financial assets and financial liabilities that were not measured at fair value, if the carrying amount provides an appropriate approximation to the fair value.

	Carrying amount						Fair value					
	Measurement at FVTPL is mandatory – others	Measured at fair value	Fair value – hedging instruments	Held to maturity	Financial assets at amortised cost	FVOCI – equity instrument	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>2019</b>												
<b>in EURk</b>												
<b>Measured at fair value</b>												
<b>Other financial assets</b>												
Currency futures for hedging purposes			3,398					3,398		3,398		3,398
Hedging derivatives not subject to hedge accounting	999							999		999		999
Securities						406		406		406		406
Equity investments	0							0			0	0
Assets held for sale		2,256						2,256			2,256	2,256
	999	2,256	3,398			406		7,059				
<b>Not measured at fair value</b>												
<b>Other financial assets</b>												
Trade receivables					92,869			92,869				
Other assets					5,507			5,507				
Cash and cash equivalents					25,729			25,729				
					124,105			124,105				
<b>Financial liabilities measured at fair value</b>												
Currency futures for hedging purposes			1,153					1,153		1,153		1,153
Hedging derivatives not subject to hedge accounting	731							731		731		731
Contingent consideration												
Liabilities in connection with assets held for sale		79						79			79	79
	731	79	1,153					1,963				
<b>Financial liabilities not measured at fair value</b>												
Loans and overdrafts, secured							38	38				
Loans and overdrafts, unsecured							24,416	24,416				
Trade payables							78,189	78,189				
							102,643	102,643				

<sup>1)</sup> adjusted



	Carrying amount							Fair value				
	Measurement at FVTPL is mandatory – others	Measured at fair value	Fair value – hedging instruments	Held to maturity	Financial assets at amortised cost	FVOCI – equity instrument	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>2018</b>												
in EURk												
<b>Measured at fair value</b>												
<b>Other financial assets</b>												
Currency futures for hedging purposes			3,568					3,568		3,568		3,568
Hedging derivatives not subject to hedge accounting	1,208							1,208		1,208		1,208
Securities						396		396		396		396
Equity investments	319							319			319	319
	<b>1,527</b>		<b>3,568</b>			<b>396</b>		<b>5,491</b>				
<b>Not measured at fair value</b>												
<b>Other financial assets</b>												
Trade receivables					88,121			88,121				
Other assets					8,043			8,043				
Cash and cash equivalents					14,097			14,097				
					<b>110,261</b>			<b>110,261</b>				
<b>Financial liabilities measured at fair value</b>												
Currency futures for hedging purposes			2,182					2,182		2,182		2,182
Hedging derivatives not subject to hedge accounting	482							482		482		482
Contingent consideration												
	<b>482</b>		<b>2,182</b>					<b>2,664</b>				
<b>Financial liabilities not measured at fair value</b>												
Loans and overdrafts, secured							278	278				
Loans and overdrafts, unsecured							45,430	45,430				
Trade payables							68,483	68,483				
							<b>114,191</b>	<b>114,191</b>				

### Net gains and net losses from financial instruments

Net gains and net losses from financial instruments include measurement results, the recognition of impairment losses, results from currency translation and interest, and any other effects on profit or loss in connection with financial instruments. The line item contingent consideration measured at fair value through profit or loss in the statement of financial position refers to earnings effects from the earn-out liabilities of Ozito Industries and Einhell Turkey.

Net gains and net losses from financial instruments	2019	2018
	EURk	EURk
Mandatory measurement at FVTPL – others	-1,181	775
of which interest result	0	0
Financial assets/liabilities at amortised cost	-1,157	-2,224
of which interest result	-749	-1,341
Contingent consideration recognised at FVTPL	0	8
of which interest result	0	0

### Fair value measurement

- a) Valuation techniques and material, unobservable input factors

The following table shows the valuation techniques that were used to measure level 2 and level 3 fair values as well as the material, unobservable input factors that were applied:

## Financial instruments measured at fair value

Type	Valuation technique	Material unobservable input factors	Relation between material unobservable input factors and measurement at fair value
Contingent consideration	Discounted cash flows: The valuation model considers the present value of expected payments, discounted for a risk-adjusted discount rate.	N/A	N/A
Equity investments	<i>Market comparison method:</i> The valuation model is based on price quotes by brokers. Similar contracts are traded on an active market, and the price quotes reflect actual transactions for similar instruments.	Adjusted price quote	The estimated fair value would rise (fall) if the quote were higher (lower).
Currency futures	Forward rate pricing: The fair value is determined by using forward rates quoted on the reporting date and net cash value calculations that are based on yield curves with strong creditworthiness in the corresponding currencies.	N/A	N/A
Interest rate swaps	Swap models: The fair value is calculated as the present value of estimated future cash flows. The estimates of cash flows from variable interest payments are based on quoted swap rates, future prices and interbank interest rates. The estimated cash flows are discounted by using a yield curve constructed on the basis of a similar source that reflects the relevant comparable interbank interest rate that is used by market participants to find the prices for interest swaps. The estimate of the fair value is adjusted for the credit risk that reflects the credit risk of the Group and the counterparty; this is calculated on the basis of credit spreads derived from credit default swap prices or bond prices.	N/A	N/A

### Financial instruments not measured at fair value

Other financial liabilities (secured and unsecured bank loans, liabilities from finance leases)	<i>Discounted cash flows</i>	N/A	N/A
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#### b) Reclassifications between level 1 and level 2

No reclassifications were performed in 2018 and 2019 in either direction.

#### c) Fair values in level 3

### Reconciliation of fair values in level 3

Contingent consideration	EURk
As of 1 January 2018	746
Earn-out payment Einhell Turkey	-738
Adjustment of earn-out liabilities Einhell Turkey	-8
<b>As of 31 December 2018</b>	<b>0</b>
Earn-out payment Einhell Turkey	0
Adjustment of earn-out liabilities Einhell Turkey	0
<b>As of 31 December 2019</b>	<b>0</b>

In financial year 2019, the Group sold its interests in Zhejiang Neo Energy Technology Co. Ltd, Ningbo/China, the fair value of which amounted to EUR 319 thousand as of 31 December 2018. The fair value was classified as level 3 in the previous year.

There were no reclassifications from or to level 3.

## 7. Other notes

### 7.1 Lease contracts

The Einhell Group has only entered into lease contracts in which it is the lessee.

The Group rents warehouses and office buildings. The term of the leases is based on the agreements in the lease contract. Depending on the contract, lease payments are renegotiated after expiration of definite terms in order to reflect market rents. Some lease contracts provide for additional rental payments based on changes in local price indices. Certain lease agreements prohibit the Group from entering into subleases.

The warehouse and office leases were concluded many years ago as combined leases of land and buildings. These leases were previously classified as operating leases under IAS 17.

In addition, the Group leases vehicles and IT hardware with contractual terms of between one and five years.

For lease contracts that are either short-term and/or refer to leases of low-value assets, the Group has not recognised any right-of-use assets or lease liabilities.

Information on leases in which the Group is the lessee is presented below.

#### a) Right-of-use assets

2019	EURk
<b>As of 1 January</b>	<b>8,453</b>
Depreciation in the financial year	4,341
Additions to right-of-use assets	8,427
Disposals of right-of-use assets	0
Price effect	93
<b>As of 31 December</b>	<b>12,632</b>

#### b) amounts recognised in the statement of income

2019	EURk
<b>Lease contracts according to IFRS 16</b>	
Interest expenses	243
Expenses for short-term leases / expenses for leases of low-value assets	196

#### (c) amounts recognised in the cash flow statement

2019	EURk
Total cash outflow for lease contracts	4,184

#### d) Extension options

Some leases contain extension options that can be exercised by the Group up to one year before the end of the non-cancellable lease term. Wherever possible, the Group aims to include extension options when concluding new leases in order to ensure operational flexibility. The extension options are usually only exercisable by the Group and not by the lessor. The Group assesses on the provision date whether the exercise of extension options is reasonably certain. The Group reassesses whether it is reasonably certain that an extension option will be exercised if a significant event or significant change in circumstances occurs that is within its control.

The Group has recognised potential future lease payments as lease liabilities, provided that the extension options are likely to be exercised.

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## 7.2 Corporate Governance Code

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The Board of Directors and the Supervisory Board of Einhell Germany AG have made the declaration of compliance prescribed by Section 161 of the German Stock Corporation Act (AktG) and made this permanently available to shareholders on the Group's website at [www.einhell.com](http://www.einhell.com).

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## 7.3 Related party disclosures

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On 24 October 2002, Thannhuber AG, Landau a. d. Isar, submitted a notification pursuant to Section 21 (1) of the Securities Trading Act (WpHG) that its share of voting rights in Einhell Germany AG had exceeded the 75% threshold on 13 October 2002. Thannhuber AG is therefore the controlling shareholder of Einhell Germany AG. The following shareholdings and interlocking directorships exist between Thannhuber AG and Einhell Germany AG:

- Philipp Thannhuber (Deputy Chairman of the Supervisory Board of Einhell Germany AG) is a shareholder and Member of the Board of Directors of Thannhuber AG.
- Dr Markus Thannhuber (member of the Board of Directors of Einhell Germany AG) is a shareholder and Deputy Chairman of the Supervisory Board of Thannhuber AG.

In financial year 2019, Philipp Thannhuber and Dr Markus Thannhuber received remuneration for their activities in the executive bodies of Einhell Germany AG.

The value of transactions and balances outstanding in connection with Thannhuber AG and its related parties break down as follows.

EURk	Value of transactions		Outstanding balances as of 31 December	
	2019	2018	2019	2018
Consulting (*)	13	27	0	13

(\*) The Group used consulting services provided by Josef Thannhuber, Chairman of the Supervisory Board of Thannhuber AG, for project planning and implementation of construction and property projects. The fee invoiced for these services corresponded to normal market rates. The invoice amounts were due in line with normal payment terms.

Einhell Germany AG sold small amounts of goods to Comedes GmbH. iSC GmbH shipped a small amount of palleted goods on behalf of Comedes GmbH. The revenue from these shipping and sales services is immaterial and is based on the arm's length principle.

Einhell Germany AG and its subsidiaries did not carry out any legal transactions with Thannhuber AG and its related parties during financial year 2019 that would have been to the disadvantage of Einhell Germany AG or its subsidiaries. Nor did Thannhuber AG take or fail to take any measures that would have negatively affected Einhell Germany AG or its subsidiaries.

#### 7.4 Remuneration of the Board of Directors and Supervisory Board

Remuneration of members of the management team in key positions comprises:

	2019	2018 * adjusted
	EURk	EURk
Non-performance based components	1,173	1,022
Performance-based components	3,537	3,593
Increase in other entitlements	207	240
	<b>4,917</b>	<b>4,855</b>

Members of the Board of Directors receive fixed and performance-based variable remuneration with short-term and medium-term components. The performance-based components depend on consolidated net profit, segment earnings in the previous financial year, growth of Group assets and personal targets. The members of the Board of Directors hold shares in Einhell Germany AG. There are no share option programmes or similar schemes.

In addition, pension provisions for this group of persons totalling EUR 6,206 thousand were recognised in liabilities. Of this amount EUR 4.590 thousand is attributable to commitments made by Einhell Germany AG to some members of the Board of Directors, whose entitlements are collected over the duration of the board's activities. After a maximum of twelve years, the respective entitlement is in full. We also refer to our remarks in chapter 7.6.

On 10 June 2016, the Annual General Meeting of Einhell Germany AG resolved to refrain from disclosing the remuneration of individual Board members for financial years 2016 until 2020.

Pension provisions of EUR 1,955 thousand (previous year: EUR 1,875 thousand) were set aside for former members of the Board of Directors. Pension benefits in the amount of EUR 114 thousand were paid out to former members of the Board of Directors during the year under review.

The total remuneration of the Supervisory Board amounted to EUR 106 thousand (previous year: EUR 105 thousand) in the past financial year.

No loans or share options were granted to members of the Board of Directors or the Supervisory Board.

## 7.5 Auditor fees

Fees for the auditor KPMG AG entered as expense amount to EUR 207 thousand in the year under review (previous year: EUR 193 thousand). The fees pertain to the audit of the annual accounts and the consolidated financial statements carried out by KPMG AG. Fees for other services related to the audit of the system for compliance with requirements resulting from Section 20 (1) of the Securities Trading Act (WpHG) were recognised of EUR 14 thousand (previous year: EUR 14 thousand). No tax consulting or other services were rendered to the Einhell Group.

## 7.6 Correction of errors

The Group realised in financial year 2019 that it has been failing to recognise obligations for post-employment benefits since 2015. As a result, personnel expenses and related liabilities were understated. These errors have been corrected by adjusting the relevant items of the financial statements for previous years accordingly.

The following tables summarise the impact on the consolidated financial statements.

### a) Consolidated statement of financial position

1 January 2018	As previously reported	Adjustments	Adjusted
in EURk	EURk	EURk	EURk
Deferred tax assets	9,055	1,243	10,298
<b>Total assets</b>	<b>9,055</b>	<b>1,243</b>	<b>10,298</b>
Employee benefits	0	4,143	4,143
<b>Total liabilities</b>	<b>0</b>	<b>4,143</b>	<b>4,143</b>
Retained earnings	173,356	-2,900	170,456
<b>Equity</b>	<b>173,356</b>	<b>-2,900</b>	<b>170,456</b>

31 December 2018	As previously reported	Adjustments	Adjusted
in EURk	EURk	EURk	EURk
Deferred taxes	10,298	72	10,370
<b>Total assets</b>	<b>10,298</b>	<b>72</b>	<b>10,370</b>
Employee benefits	4,143	240	4,383
<b>Total liabilities</b>	<b>4,143</b>	<b>240</b>	<b>4,383</b>
Retained earnings	170,456	-168	170,288
<b>Equity</b>	<b>170,456</b>	<b>-168</b>	<b>170,288</b>



## b) Consolidated statement of income

1 January to 31 December 2018	As previously reported	Adjustments	Adjusted
in EURk	EURk	EURk	EURk
Personnel expenses	-76,243	-240	-76,483
Income taxes	-9,900	72	-9,828
<b>Consolidated net profit</b>	<b>-</b>	<b>-168</b>	<b>-</b>
<b>Comprehensive income</b>	<b>-</b>	<b>-168</b>	<b>-</b>

There are no effects on the Group's cash flow statement, with the exception of the adjustments to the initial value (profit before income taxes) and the "increase/decrease in current liabilities" item.

Whilst correcting the error, the Group also changed the recognition of short-term employee benefits (such as payroll liabilities including liabilities from performance-related bonus payments for employees and social security benefits) in 2019, which had previously been reported under other liabilities. They have now been included in the "employee benefits" item for more adequate presentation. The previous year's amounts in the consolidated statement of financial position were adjusted accordingly for reasons of comparability, which resulted in EUR 10,674 thousand being reclassified from "other liabilities" to "employee benefits".

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### 7.7 Events after the reporting date

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Since January 2020, the coronavirus continues to spread globally (coronavirus pandemic). According to current estimates, the impact on the German and global economy is expected to be significant, depending on the intensity and duration of the pandemic.

As a result of the measures adopted all around the world by the governments of the countries affected, we anticipate that we will see significant declines in sales and therefore also a decline in earnings. The measures may also have a negative impact on the procurement market and the supply chain, which would affect the Company and the entire Einhell Group.

With regard to the items in the consolidated financial statements of Einhell Germany AG, we see in particular that there may be a need for an impairment of goodwill in financial year 2020, which amounts to EUR 11,7 million in the statement of financial position as of 31 December 2019. This cannot be precisely quantified at the time of reporting, however, and depends in its amount on the duration and intensity of the pandemic in the individual countries in which the Einhell Group operates. At the moment, we do not consider risks to the recoverability of trade receivables and inventories to be significant.

Given the rapid development and the associated high degree of uncertainty, we cannot estimate potential financial effects in a reliable manner.

## 8. List of shareholdings

	Capital share	Equity
	%	31.12.2019
iSC GmbH, Landau a. d. Isar/Germany	100.0	1,137
Hansi Anhai Far East Ltd., Hong Kong/China	100.0	37
HAFE Trading Ltd., Hong Kong/China	100.0	4,919
Hans Einhell China (Chongqing) Co. Ltd., Chongqing/China	100.0	1,311
Hansi Anhai Youyang Ltd., Chongqing/China	100.0	13,437
Hans Einhell (China) Trading Co., Ltd., Shanghai/China	100.0	2,668
Einhell Österreich Gesellschaft m.b.H., Vienna/Austria	100.0	2,457
Einhell Portugal – Comércio Int., Lda., Arcozelo/Portugal	100.0	3,998
Einhell Benelux B.V., Breda/Netherlands	100.0	750
Einhell Italia s.r.l., Milan/Italy	100.0	11,520
Comercial Einhell S.A., Madrid/Spain	100.0	4,604
Einhell Polska Sp.z o.o., Wroclaw/Poland	90.0	5,797
Einhell Hungaria Kft., Budapest/Hungary	100.0	1,646
Einhell Schweiz AG, Winterthur/Switzerland	100.0	2,200
Einhell UK Ltd., Merseyside/UK	100.0	2,357
Einhell Bulgarien OOD., Varna/Bulgaria	67.0	865
Einhell Export-Import GmbH, Tillmitsch/Austria	100.0	2,509
Einhell Croatia d.o.o., Sveti Križ Začretje/Croatia	100.0	4,251
Einhell BiH d.o.o., Vitez/Bosnia	66.7	2,766
Einhell d.o.o. Beograd, Belgrade/Serbia	100.0	2,065
Einhell Romania SRL, Bucharest/Romania	100.0	2,509
Svenska Einhell AB, Malmö/Sweden	100.0	29
Einhell Holding Gesellschaft m.b.H., Wels/Austria	100.0	7,495
Einhell-Unicore s.r.o., Carlsbad/Czech Republic	100.0	1,662
Einhell Turkey Dis Ticaret Anonim Sirketi, Istanbul/Turkey	100.0	2,693
Anxall Hellas A.E., Athens/Greece	98.1	1,796
Einhell Chile S.A., Santiago/Chile	100.0	2,515
Einhell Nordic AS, Silkeborg/Denmark	51.0	319
Einhell France SAS, Villepinte/France	100.0	4,222
Einhell Argentina S.A., Buenos Aires/Argentina	100.0	1,832
kwb Germany GmbH, Stuhr/Germany	100.0	1,547
Einhell LLC, St. Petersburg/Russia	100.0	1,610
Hans Einhell Ukraine TOV, Kiev/Ukraine	100.0	1,321

	Capital share	Equity
	%	31.12.2019
Einhell Holding Australia Pty. Ltd., Melbourne/Australia	100.0	24,409
Einhell Colombia S.A.S., Bogota/Colombia	100.0	119
Ozito Industries Pty Ltd, Melbourne/Australia	100.0	17,427
ECOMmerce System GmbH, Landau a. d. Isar/Germany	100.0	1,975
ECOMmerce System s.r.o., Prague/Czech Republic	90.0	930
Einhell US Holding Inc., Dover/USA	100.0	-113

## 9. Executive bodies

### 9.1 The Board of Directors

In financial year 2019, the Board of Directors of Einhell Germany AG comprised:

The Board of Directors	
Andreas Kroiss, Linz/Austria (Chairman)	Sales and distribution, procurement, marketing, corporate strategy
Jan Teichert, Metten	Finance and accounting, taxes, internal audit, legal, controlling, investor relations, HR, maintenance
Dr Markus Thannhuber, Landau a. d. Isar	Technology, product processing, quality control, supply chain management
Dr Christoph Urban, Dingolfing	Services, IT

Andreas Kroiss is Managing Director of KA-Invest GmbH, Linz.

Jan Teichert is Deputy Chairman of the Supervisory Board of SÜSS Micro Tec SE, Garching.

Dr Markus Thannhuber is the Deputy Chairman of the Supervisory Board of Thannhuber AG, Landau an der Isar and Managing Director of MAPHITHA 2 GmbH, Landau a. d. Isar.

Dr Christoph Urban is the Chairman of the Supervisory Board of Volksbank-Raiffeisenbank Dingolfing eG, Dingolfing.

## 9.2 Supervisory Board

In financial year 2019, the Supervisory Board of Einhell Germany AG comprised:

Supervisory Board	
Professor Dr-Ing. Dr-Ing. E.h. Dr h.c. Dieter Spath, Sasbachwalden  Director of Fraunhofer Institute for Industrial Engineering IAO and Director of Institute of Human Factors and Technology Management IAT at the University of Stuttgart, Stuttgart	Chairman
President of acatech – National Academy of Science and Engineering e.V., Munich	
Philipp Thannhuber, Landau a. d. Isar Managing Director of Comedes GmbH, Wallersdorf Managing Director of WOTOX GmbH, Landau a. d. Isar Managing Director of MAPHITHA Verwaltungs GmbH, Landau a. d. Isar Managing Director of MAPHITHA 2 GmbH, Landau a. d. Isar	Deputy Chairman
Member of the Board of Directors Thannhuber AG, Landau a. d. Isar	
Maximilian Fritz, Wallersdorf - Haidlfing	Employee representative
Sales representative	

Professor Dr-Ing. Dr-Ing. E.h. Dr h.c. Dieter Spath is a member of the following supervisory boards and administrative boards:

- LIEBICH & PARTNER Management- und Personalberatung AG, Baden-Baden, chairman of the supervisory board
- Zeppelin GmbH, Garching, member of the supervisory board
- TÜV Rheinland AG, Cologne, member of the supervisory board

Landau a. d. Isar, 31 March 2020

Einhell Germany AG

The Board of Directors

Andreas Kroiss

Jan Teichert

Dr Markus Thannhuber

Dr Christoph Urban

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## 1. Business activities, structure, management and goals of the Einhell Group

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### 1.1 General operations and business segments

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Einhell Germany AG, with its registered office in Landau an der Isar (Germany), is the parent company of the international Einhell Group. For more than 55 years, Einhell has been one of the global market leaders in the development and marketing of house, garden and leisure products for DIY enthusiasts and professionals. Einhell supplies DIY stores, specialist stores, e-commerce platforms and other sales channels with a wide range of DIY products. The Group is increasingly taking a pioneering role in the development of new product and technology innovations that convince customers with their excellent value for money. In addition to strengthening its brand positioning “Brand quality at best prices”, Einhell has also set its focus on sustainable international growth. Subsidiaries and associates across the world ensure the proximity to Einhell Germany AG’s globally operating customers.

The subsidiaries comprise distribution companies mainly in Europe but also in South America and Australia as well as trading companies in Asia. The Asian subsidiaries are also responsible for product sourcing, product processing and procurement. As production is carried out in Asia, this is also where quality assurance takes place. Einhell employs approx. 1,600 employees worldwide. Group revenue amounted to EUR 606 million in financial year 2019 (previous year: EUR 578 million).

The Einhell Group’s organisational structure reflects the regions “DACH”, “Western Europe”, “Eastern Europe”, “Overseas” and “Other countries”. The operating responsibility for the respective Central Processing Unit lies with the Board of Directors of Einhell Germany AG as well as with the Managing Directors of the subsidiaries.

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## 1.2 Legal structure and management of the Group

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### Legal structure and changes to Group structure

Einhell Germany AG, Landau/Isar, holds direct and indirect shareholdings in a total of 39 subsidiaries that are all legally independent companies. It holds 100% of the shares in subsidiaries with a centralised or special function such as services, product sourcing/product processing, procurement/purchasing and quality control/quality assurance. The Group also usually fully owns the global distribution companies.

In all consolidated subsidiaries where Einhell Germany AG does not hold all the shares, Einhell Germany AG has a direct or indirect majority shareholding.

With regard to the responsibilities of the Einhell Group companies, all activities that can be centralised are carried out at just one location. By way of example, product processing, the search for factories, auditing, certification, procurement, services, controlling, financing, IT and other administrative activities are centralised in Group companies in Germany and China. This organisational structure within the Group allows all distribution companies to focus on their core functions. Einhell is also in a position to press ahead with international expansion as each distribution company has a similar structure and the business model can be efficiently rolled out in additional countries. As organic growth offers huge potential, the organisational structure and efficient set-up of the business model of the Einhell Group are one of the management's most important responsibilities.

The Group structure changed as follows during financial year 2019:

In financial year 2019, the Einhell Group closed and deconsolidated its subsidiary Einhell Australia Pty. Ltd.



## **Management and control**

Responsibility for the business activities of the Einhell Group lies with the **Board of Directors** of Einhell Germany AG. This comprised four members at the time of preparation of the annual financial statements, consolidated financial statements and management report. The Board of Directors manages, organises and monitors strategies and operational business processes for the whole Group. Responsibilities within the Board of Directors are allocated based on the functional area the individual member is in charge of.

The Chairman of the Board of Directors is responsible for sales, procurement, marketing and corporate strategy.

The Chief Financial Officer is responsible for finance and accounting, tax, legal, internal audit, controlling, investor relations, human resources and maintenance.

The Chief Technical Officer is responsible for technology, product management, product processing, quality control and supply chain management.

The Chief IT and Digitization Officer is responsible for service and IT.

The Board of Directors manages specialists and managers in the relevant departments and relies upon the corresponding hierarchy of divisional and departmental management at Einhell Germany AG, and on Managing Directors and their specialists and managers in the subsidiaries. The Board of Directors seeks to ensure flat hierarchies and makes sure to maintain direct contact with employees and specialist staff in all divisions. Regular meetings of the Board of Directors and of individual departments, as well as divisional and cross-departmental meetings where required, secure efficient communication and informational flows to all responsible parties.

The **Supervisory Board** of Einhell Germany AG, comprising three members, monitors and provides advice to the Board of Directors in accordance with legal requirements and the provisions of the German Corporate Governance Code.

At regular meetings of the Supervisory Board, the Board of Directors provides information to the Supervisory Board about the Group's current situation, business transactions and corporate strategy.

The Supervisory Board also maintains on-going lines of communication with the Board of Directors outside of regular meetings and ensures an adequate level of communication and informational flows between the Board of Directors and the Supervisory Board.

The composition of the Supervisory Board did not change in financial year 2019:

Supervisory Board	2019
Professor Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Dieter Spath	Chairman
Philipp Thannhuber	Deputy Chairman
Maximilian Fritz	Employee representative

### **Principles of the remuneration system for the Board of Directors**

Members of the Board of Directors receive fixed and performance-based variable remuneration with short-term and medium-term components. The individual performance-based components depend on factors such as consolidated net profit, segment earnings in the previous financial year, the development of the Group's asset structure and personal targets. The evaluation system for variable remuneration components has essentially remained unchanged for several years and ensures transparent and sustainable accounting practices based on the Group's strategic aims. A pre-defined cap limits the impact of extraordinary one-off effects on the variable remuneration component. Members of the Board of Directors privately hold shares in Einhell Germany AG. There are no share option programmes or similar schemes. An agreement is in place with one of the members of the Board of Directors stipulating that a proportion of the variable remuneration component must be used to purchase Einhell shares. If the employment contract of a member of the Board of Directors is not extended after twelve years, the relevant member receives one year's salary plus the average management bonus paid over the last three years. If the employment contract is terminated before the twelve-year threshold, the proportional remuneration is calculated on a pro rata temporis basis. Commitments were made to pay a pension to the members of the Board of Directors in the form of annuity payments that can be paid out as soon as the respective Board member turns 60 or 62 and the amount of which is based on the Board member's years of service. More information about the members of the Board of Directors' remuneration can be found in the Notes.

## Personnel changes to the Board of Directors

Dr Christoph Urban was appointed to the Board of Directors in financial year 2019. As shown above, the tasks were divided differently between the members of the Board of Directors.

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## 1.3 Corporate strategy and management

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### Trends and challenges

The Group will continue to focus on further building the **EINHELL brand**. The recognition of the EINHELL brand has already increased significantly in Germany in the last few years. In 2020, we will persist with our TV campaign in Germany and Austria, extending it to two additional countries where we have a good distribution system in 2021. We will also intensify our cooperation with BMW i Motorsport, as it perfectly underlines our Power X-Change philosophy.

Direct end customer communication is a central task and also refers to brands without direct sales. It is becoming ever more important to communicate the added value of our products to end customers in the best possible way, making A brands stand out from the competition.

Another Einhell objective is a **sustainable product range policy**. We will continue to focus on our key product groups, where we are striving for market leadership. In the medium term, we aim to generate 40% of all revenue with our Power X-Change products. On the way to this goal, we will already be able to offer 170 Power X-Change devices on our platform at the end of 2020.

In addition to the partners we have already acquired, we intend to win at least two more partners in the A market segment for our Einhell platform.

In order to be able to reach our medium-term revenue targets, we will continue to expand our **international distribution network** in the upcoming years. For this purpose, we will both unlock additional potential in the existing markets and tap into new markets where we are not yet present. We have already been negotiating with a potential partner in South Africa for a while and hope to successfully conclude these negotiations in the current financial year. We intend to get a foothold on the Thai market with the help of a partner or suitable takeover candidate. Moreover, we will concentrate on ramping up sales activities in the USA in 2020.

Our **digital organisation** is another great challenge that offers huge opportunities at the same time. We are already actively pursuing the issue of digitalisation and are implementing or have started to implement many digitalisation steps in our corporate processes. The agility of our organisation puts us in a position where we can incorporate digitalisation aspects with high value-added potential into our processes and thereby increase efficiency. In addition to our processes, we are also intensively working on using the advantages of digitalisation on our range of products and services.

### **Group management**

Management of the business activities of the Einhell Group is mainly based on the **financial performance indicators** revenue and profit before taxes. The two key figures are the most significant performance indicators of the Einhell Group.

Further financial **performance indicators** are the gross profit margin and the significant growth drivers working capital, inventories and trade receivables. However, these key performance indicators are subject to strong country-specific variations and are therefore interpreted within the context of the individual company. Inventories are analysed on an ongoing basis and monitored on the basis of stock turnover and inventory range with regard to possible impairment losses. Moreover, a plausibility check is carried out on the order process for new goods, involving checking and managing product availability and stock volumes. Trade receivables are constantly monitored on the basis of maturity structures and assessed according to standardised evaluation criteria. Receivables are usually limited to the extent of the receivables insurance or subject to management based on internally set limits. Accounts receivable targets are also subject to constant monitoring and are an important management parameter for the Group's working capital. Einhell does not use any non-financial performance indicators to manage the Group. At the level of individual Group companies, however, non-financial performance indicators like the number of technology projects at Einhell Germany AG and Einhell China, for instance, or employee satisfaction at Einhell Germany AG are used to manage the companies.

The Einhell Group's basic objective is to generate sustainable and profitable growth of **revenue** and **profit**. Profitability takes priority over pure growth targets. The Group substantiated these objectives by stating the targets of a long-term stable pre-tax margin averaging 5% to 6%, and long-term stable dividend distributions.

The management system has not been changed compared to the previous year.

## Strategic orientation

The Einhell Group's medium and long-term strategic objectives are revised by the Board of Directors and the management every year and adapted whenever required based on recent developments. The Board of Directors has summarised these objectives and oversees and continually monitors the operational implementation of the strategy. When the bundle of strategies for 2019 was drawn up, several strategic targets for the coming years were defined.

One of the most important strategic goals is to **position the Einhell brand** as an A brand in the DIY sector, mainly by means of branding measures. Market data underline that Einhell is making considerable progress in this respect and that the basis for further branding is excellent. In the fields of power tools and garden tools, Einhell was able to gain market share in 2019, which was particularly pronounced in the field of cordless devices in our **Power X-Change range**. The share of Power X-Change devices rose especially strongly in the countries with TV campaigns. Also, the share of products that are sold under the Einhell Group brands as part of the overall product range continued to increase, now amounting to 87.9%.<sup>1</sup> 90.0% is the new strategic goal for this figure. The strategic cooperation with **BMW i Motorsport** is another important investment in the Einhell brand and will enhance Einhell's reputation on the market even more.

Specific product groups, where Einhell strives for market leadership, were explicitly designated as key product groups by the Company. With regard to battery platforms, Einhell even aims for **category leadership**. Power X-Change is the heart of this product range, generating 24.5% of revenue in 2019<sup>2</sup>. The strategic goal is to generate more than 40% of revenue with Power X-Change devices by 2022.

We have identified considerable potential for digitalisation in **supply chain management**. By establishing intelligent IT tools, Einhell plans to further optimise all inbound and outbound logistic processes. Optimised processes in outbound logistics are to be complemented with integrated processes in demand planning, procurement, sourcing, order and container management and modern warehouse management systems. Another dominant component of the strategic development in this field refers to the establishment of a risk integration centre at our subsidiaries in China and the optimisation of the relevant ERP systems that form part of this effort.

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<sup>1</sup> Statement is not audited

<sup>2</sup> Statement is not audited

The **expansion of our distribution network** is another important strategic goal. The new US partner already has a well-established distribution network in the USA and will be in charge of distributing our products. We are still continuing to focus also on countries in South and Central America and South Africa. At present, we are exploring the markets and searching for suitable cooperation partners. In South Africa we are currently negotiating a contract, which we hope to conclude shortly. In addition, we will also further develop and expand our strategic partnerships in markets such as Denmark. The successful partnerships we have been setting up in more and more countries promote the strong international presence of our products.

In order to improve the coordination of processes in the Company and thus make them more efficient, the organisation must be structured as efficiently as possible to meet future digital trends. The goal for the **digital organisation** comprises, among other initiatives, the expansion of the Einhell Group's system environment. To ensure efficient planning, management and control within the Group and across all subsidiaries in the long term, we will prepare a concept for our future ERP strategy. A new ERP landscape at our sourcing company in China, for instance, will ensure better process integration, process optimisation and better master data management. Additionally, we are finalising our payment factory in order to optimise and secure the Group's international payment handling. A cloud platform in human resources management comprises mainly recruiting and performance features as well as eLearning and Core HR.

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## **1.4 Product processing and quality management**

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### **Product processing**

Product processing expenses amounted to EUR 7.5 million in financial year 2019 (previous year: EUR 7.7 million). 60 employees (previous year: 57 employees) were employed in this division. The division is mainly sales-driven and customer-oriented. Therefore, cooperation with other departments, such as quality assurance, is important, as is communication with customers. Customer requirements are taken into account from the outset during the design of new products and versions. The customer is regarded as a partner. This allows the entire Einhell Group to consistently adapt to markets and made Einhell one of the fastest reacting companies in the industry.

### **Quality management**

Most of the Einhell product range is currently produced in China. Quality standards stipulated by the Einhell Group to the Chinese suppliers are determined by customer requirements. Quality control and quality management meet high standards.

Since high priority is given to quality checks before shipping from China, this area is constantly monitored. In addition to strict shipping controls on site, there are also controls with regard to observance of customer-specific quality requirements, inspections of ongoing production and optimisation of manufacturer processes.

Supplier quality is optimised on an ongoing basis. Dependency on individual suppliers is avoided by maintaining an adequate number of suppliers and a broad distribution of orders. In order to create additional leeway for flexible procurement options, Einhell strives to further intensify its cooperation with select suppliers by forming strategic alliances in the field of product development.

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## **1.5 Personnel and HR services**

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The headcount rose in financial year 2019 compared to the previous financial year. On average, the Einhell Group had 1,576 employees (previous year: 1,569). Revenue per employee was EUR 384 thousand (previous year: EUR 368 thousand).

In accordance with the CSR Directive Implementation Act, which went into effect in April 2017, we are disclosing the concepts we have pursued in the past financial year with regard to key non-financial matters relevant to Einhell Germany AG. The Company decided to report on these matters in a separate non-financial report, which is not included in the management report. For further information about our HR and social matters, please refer to our Corporate Social Responsibility Report, continually available under <https://www.einhell.com/de/unternehmen/csr-report.html>.

**Thank you to the employees:**

The exceptional commitment of every single employee kept our businesses on track and enabled the Einhell Group to take the strong position it is holding today.<sup>3</sup> Building on this, all of our employees can be very proud and look into the future with great confidence. **The Board of Directors of the Einhell Group would like to express its sincere thanks to all Group employees – without your excellent performance we would not have been able to achieve this!**

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<sup>3</sup> Statement is not audited



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## 2. Economic report

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### General economic conditions

#### D/A/CH region

The gross domestic product (GDP) in Germany only grew by 0.6% in 2019. Although this figure is slightly better than predicted by most economists, it falls well short of the years 2018 and 2017 with growth of 1.5% and 2.5%, respectively.

On average, consumer prices in Germany increased by 1.4% year-on-year in 2019. According to the Federal Statistical Office, the 2019 inflation rate was thus slightly lower than in the previous year (2018: 1.8%). As measured by the consumer price index, the inflation rate rose in December 2019 compared to the preceding months, amounting to 1.5%.

The harmonised index of consumer prices (HICP), which is calculated for European purposes, increased by an average of 1.4% year-on-year in Germany in 2019. In December 2019, the HICP was 1.5% above the level seen in December 2018.

The German DIY trade companies continued their successful business in financial year 2019. Although the weather conditions were highly challenging in view of long rainy periods and heat records of more than 40°C, the DIY stores and garden centres in Germany actually managed to record the best revenue results in ten years. The DIY sector's total gross revenue of EUR 19.46 billion translates into impressive revenue growth of +3.6% in the past year. Even on a like-for-like basis, the sector achieved a highly solid growth rate of +3.8%.

#### Western and Eastern Europe

The weakening economies in Germany, France and Italy slowed down growth in the euro-zone. According to the European statistical authority Eurostat, the gross domestic product in the euro countries rose only minimally on the previous quarter by 0.1% at the end of 2019. Over the entire financial year 2019, the GDP in the eurozone grew by 1.2%.

In the Eastern and Western European markets that are relevant for the Einhell Group, economic performance showed the following trend:

Western Europe	2019	2018
	%	%
Spain	1.9	2.7
France	1.3	1.6
UK	1.3	1.4
Italy	0.1	1.2

Eastern Europe	2019	2018
	%	%
Croatia	2.9	2.8
Poland	4.1	4.4
Romania	4.1	4.0
Czech Republic	2.5	3.1

Despite the economic slowdown, the unemployment rate remained at the lowest level in more than eleven years in the eurozone. The European statistical authority Eurostat reports an unemployment rate of 7.4% in December 2019.

The inflation in the eurozone rose noticeably at the end of 2019. Eurostat announced that the consumer prices were 1.3% higher in December than in the previous year. The European Central Bank is targeting a medium-term inflation rate of just under two percent.

### Overseas

The Australian economy only grew by 1.7% in 2019. While the Australian economy has been growing since 2007, it experienced a noticeable economic slowdown last year.

In the South American countries where the Einhell Group is active, the following growth rates were achieved in 2019:

	2019	2018
	%	%
Argentina	-3.1	-2.6
Colombia	3.4	2.8
Chile	2.5	4.0

## Performance report

### Einhell Group increases revenue

The Einhell Group was able to raise its revenue sharply compared to the previous year. Group revenue amounts to EUR 605.7 million in financial year 2019, compared to EUR 577.9 million in the previous year.

This means that the Einhell Group was able to meet its forecast for financial year 2019, for which the Board of Directors had stated an increase in revenue to approx. EUR 605 million at the beginning of 2019.

Revenue of the Einhell Group moderately exceeded the prior-year values in the first quarter. Revenue increased from EUR 153.7 million in the previous year's comparable quarter to EUR 157.3 million.

In the second quarter, revenue amounted to EUR 165.7 million, which clearly exceeded the prior-year level (EUR 155.9 million). This was driven primarily by pronounced revenue growth in the D/A/CH, Western Europe and Other countries regions.

In the third quarter, the positive growth trend slowed down with revenue of EUR 140.0 million at the prior-year level (EUR 140.6 million).

In the fourth quarter, revenue showed a highly positive development compared to the prior-year period, rising from EUR 127.7 million to EUR 142.7 million. As such, the Group was again able to post record sales in financial year 2019.

The regional development of revenue in financial year 2019 was as follows:

	2019		2018		Change	
	EURk	%	EURk	%	EURk	%
D/A/CH region	247,011	40.8	229,143	39.7	17,868	7.8
Western Europe	121,780	20.1	114,354	19.8	7,426	6.5
Eastern Europe	63,439	10.5	69,750	12.0	-6,311	-9.0
Overseas	126,894	20.9	126,468	21.9	426	0.3
Other countries	46,569	7.7	38,188	6.6	8,381	21.9
	<b>605,693</b>	<b>100.0</b>	<b>577,903</b>	<b>100.0</b>	<b>27,790</b>	<b>4.8</b>

The **D/A/CH** region generated revenue of EUR 247.0 million in financial year 2019 (previous year: EUR 229.1 million). The revenue contribution of the D/A/CH region therefore amounts to 40.8%.

Revenue in **Western Europe** increased significantly in financial year 2019 compared to the previous year. Overall, revenue growth amounted to 6.5%, from EUR 114.4 million to EUR 121.8 million. France, Italy and the UK are among the significant sales markets in financial year 2019.

Revenue in the **Eastern Europe** region amounted to EUR 63.4 million in the period under review (previous year: EUR 69.8 million).

In the **Overseas** region, revenue stalled at the prior-year level with revenue in the amount of EUR 126.9 million (previous year: EUR 126.5 million). It was generated by the South American subsidiaries as well as our companies in Australia. Ozito Industries Pty Ltd. made the largest contribution to revenue in the region.

Revenue in **Other countries** was significantly above the previous year's level in 2019, with a revenue increase from EUR 38.2 million to EUR 46.6 million.

The Einhell Group succeeded in raising revenue in nearly all of the regions. Merely the Eastern Europe region failed to see any revenue growth, where the difficult situation in Turkey took its toll.

Further revenue growth is driven by the strong demand for the Power X-Change products that meanwhile account for a 25% share in Group revenue (previous year: 19%).

65% of revenue was contributed by the Tools segment, while the Garden & Leisure segment contributed 35%.

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### 3. Earnings

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The Einhell Group was slightly less profitable than in the previous year and generated profit before taxes of EUR 32.5 million in financial year 2019 (previous year: EUR 36.0 million<sup>(\*)</sup>). The pre-tax margin is 5.4% (previous year: 6.2%<sup>(\*)</sup>).

The following table shows the development of profit before taxes by region:

	2019	2018 <sup>(*)</sup>	Change
	EURk	EURk	EURk
D/A/CH region	10,188	7,760	2,428
Western Europe	6,244	4,790	1,454
Eastern Europe	3,979	5,674	-1,695
Overseas	9,989	13,046	-3,057
Other countries	3,676	3,518	158
Reconciliation	-1,577	1,169	-2,746
	<b>32,499</b>	<b>35,957</b>	<b>-3,458</b>

At the beginning of 2019, the Einhell Group had expected an increase in revenue to about EUR 605 million and a pre-tax margin of approx. 6.6%.

Following a generally positive trend in the first half of 2019, which nevertheless fell short of the prior-year figures, the earnings forecast was reduced. It now stated expected revenue of approx. EUR 605 million and a pre-tax margin of 5.5%.

The profit before taxes forecast of approx. EUR 33.3 million was not quite reached at the end of the financial year.

The earnings development benefited mainly from the revenue growth, which, in turn, was attributable to a consistent product range policy and strong, innovative products. The strong market penetration of the Power X-Change battery products in some areas had a highly positive effect here. High capital expenditure in the fields of product development and marketing and the promotion of customer relationships have led to higher costs. Moreover, stagnating or negative trends at various subsidiaries also weighed on earnings.

The domestic market of the **D/A/CH** region performed very well in the past financial year. The traditional shelf business as a listed supplier was successfully expanded with various customers, and the revenue share of the Einhell brand is also constantly increasing, while private label sales have decreased. Due to its systematic product development and product range policy, Einhell was able to gain considerable market share in 2019, positively affected by high capital expenditure for product development and marketing.

Current market data from Germany reveals that Einhell is massively gaining market share in the field of battery-driven tools with its Power X-Change family. In terms of units sold, Einhell is among the top three sellers of power tools together with competitors Bosch and

Makita. With regard to garden tools, Einhell even takes first rank of units sold before Gardena and Bosch in the field of cordless devices. Especially Einhell's battery-driven lawnmowers have taken a clear lead.

Revenue in the **Western Europe** region increased in financial year 2019. Earnings also improved over the previous year with particularly positive business performance in Italy and Spain. The UK subsidiary was also able to make a positive earnings contribution again. Following the market withdrawal of an important Group customer in Britain last year, the subsidiary managed to gain one of the largest DIY chains as a customer.

In the **Eastern Europe** region, both revenue and earnings were below the previous year. Especially the difficult economic situation in Turkey led to marked revenue declines and a loss at our Turkish subsidiary. In Romania the customer structure changed, and the loss of a major customer has not yet been compensated for by gaining new customers. The companies with the highest revenue in this region were Einhell Poland and Einhell Croatia.

The **Overseas** region did not post any considerable changes. Revenue and earnings remained at the prior-year level. Currency translation effects of the Australian dollar significantly diminished the revenue and earnings of the Australian Group companies, while Australia is showing signs of an economic slowdown. The Argentinian subsidiary continues to operate in a highly difficult market environment. The depreciation of the peso and the high financing costs have led to another loss at our subsidiary. The subsidiaries in Chile and Colombia were able to make positive earnings contributions.

**Other countries** with the procurement companies in Asia made a significant contribution to consolidated net profit. Both revenue and earnings exceeded the previous year. Most of the companies in China and Hong Kong function as Group procurement companies. An increasingly aggressive price war entered by the distribution companies weighed on the earnings performance of these subsidiaries. The related support measures represent an investment in the further market penetration with the Power X-Change platform.

This results in an overall positive performance of the Einhell Group. The revenue performance was very positive, while earnings were not quite able to keep pace with the revenue trend. Individual companies are still facing challenges but are actively working to improve their earnings situation.

The gross profit margin showed a moderate decline in the financial year under review, now amounting to 34.1% (previous year: 34.2%).

Personnel expenses climbed by EUR 2,063 thousand to EUR 78,546 thousand.

Other operating expenses increased by 2.9% year-on-year to EUR 91,482 thousand. This increase is mainly attributable to higher freight costs in connection with revenue growth, while higher marketing costs weighed on the other operating expenses. 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 reduced other operating expenses by about EUR 4.4 million, which are now included in depreciation expenses.

The financial result improved by EUR 0.2 million to EUR -2.5 million. It mainly comprises the interest result of EUR -0.7 million (previous year: EUR -1.3 million) and losses/expenses from currency translation/currency hedging of EUR -1.8 million (previous year EUR -1.4 million).

Consolidated net profit after non-controlling interests decreased from EUR 25.9 million<sup>(\*)</sup> to EUR 24.3 million in financial year 2019.

The EBIT margin on revenue amounted to 5.8% in financial year 2019 (previous year: 6.7%).

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#### **4. Assets and financial position**

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The main line items in the statement of financial position for the financial years 2019 and 2018 are as follows:

in EUR million	31.12.2019	31.12.2018 <sup>(*)</sup>	Change
Assets	66.9	43.2	+23.7
Goods inventories	173.3	188.5	-15.2
Trade receivables	92.9	88.1	+4.8
Cash and cash equivalents	25.7	14.1	+11.6
Equity	214.9	195.6	+19.3
Liabilities to banks	25.0	46.7	-21.7
Trade payables	78.2	68.5	+9.7

Total assets increased by EUR 24.3 million or 6.5% to EUR 397.4 million.

### Investments and non-current assets

Capex amounted to EUR 16.0 million in financial year 2019, not including the right-of-use assets from the first-time adoption of IFRS 16. Most of the capital expenditure pertains to plant and office equipment and assets under construction, mainly in connection with the construction of a new modern customer centre including workshops and showrooms as well as the construction and expansion of the logistics centre in Landau/Isar.

Depreciation amounted to EUR 8.4 million in 2019 (previous year: EUR 4.8 million). This includes depreciation amounting to EUR 4.3 million due to the first-time adoption of IFRS 16. Other operating expenses declined in line with this trend.

### Current assets

Inventories decreased from EUR 188.5 million to EUR 173.3 million on the reporting date. Fortunately, no major problems were encountered on the Asian procurement markets in financial year 2019. Excess stocks from the previous year were reduced in financial year 2019.

Trade receivables increased to EUR 92.9 million (previous year: EUR 88.1 million).

Due to positive cash flow from the operating business, cash and cash equivalents at reporting date rose by EUR 11.6 million to EUR 25.7 million. Their share in total assets amounts to 6.5% (previous year: 3.8%).

Debt capital taken out by the Einhell Group increased to EUR 182.5 million (previous year: EUR 177.5 million<sup>(\*)</sup>).

### Financing



The financial requirements of the Einhell Group, which also vary greatly depending on the season, are driven in particular by the level of inventories and trade receivables. Stock turnover rates of inventories and the maturities of trade receivables play a major role here and have a significant impact on the financial requirements.

The Einhell Group's funding derives, on the one hand, from the equity that was provided by its shareholders when the Company was founded and the subsequent capital increases and retained earnings that are set aside in reserves. In addition, the Einhell Group procures debt capital in the form of loans and short-term borrowings as well as, to some extent, supplier loans. Loans are largely denominated in euro. Supplier loans are mainly in CNY or USD. Anticipated cash flows from the payment of supplier liabilities in foreign currencies are largely hedged with the corresponding hedge transactions.

Owing to the very healthy and solid financing structure of the Einhell Group – the Einhell Group traditionally has an excellent equity ratio that currently stands at 54.1% – the Board of Directors does not anticipate any problems with current business operations, nor does it foresee any financing problems for future business volume in connection with the further expansion of the Group.

In financial year 2018, Einhell Germany AG took out long-term loans of EUR 25.0 million from three different banks. The loans are subject to a subsidy programme provided by the German development bank KfW and have a term of ten years. The first repayments will be made in June 2020, the last at the end of March 2028. The loan agreements also contain a financial covenant. This covenant refers to the interest cover ratio. The interest rates are fixed and do not include any variable components. Einhell Germany AG complied with this covenant in financial year 2019.

As of the reporting date, the Group had approx. EUR 145.5 million in unsecured credit lines at its disposal for the operating business. Overall, the Einhell Group had credit balances of EUR 25,729 thousand with banks and liabilities from debt capital to banks in the amount of EUR 25,042 thousand on the reporting date.

The Group used effective cash pooling and a cash concentration system to optimise cash management and reduce debt capital to the greatest possible extent. This means that the balances of the different Group companies' bank accounts are transferred to a Master Account of Einhell Germany AG. As a consequence, only the balance of the Master Account will have to be covered by borrowings on the capital market. The subsidiaries participating

in the cash pooling scheme therefore do not need to make investment or borrowing transactions on the capital markets, but simply have receivables or liabilities with Einhell Germany AG. This procedure serves to protect credit lines provided by banks and optimises the interest result. All Einhell Group companies are currently included in the cash pooling, as far as this is legally possible and feasible.

The Board of Directors declares that all the Einhell Group's land and buildings are free from third-party security interests. Transfers by way of security or comparable third-party rights do not exist. All inventories and receivables are also free from third-party security interests.

The summarised cash flow statement shows the development of the financial position in financial year 2019:

	2019	2018	Change
	in EUR m	in EUR m	in EUR m
Cash flow from operating activities	56.0	-13.8	69.8
Cash flow from investing activities	-13.8	-8.3	-5.5
Cash flow from financing activities	-31.3	22.0	-53.3
	<b>10.9</b>	<b>-0.1</b>	<b>11.0</b>
Changes from currency translation	0.7	-0.2	0.9
<b>Net decrease/increase in cash and cash equivalents</b>	<b>11.6</b>	<b>-0.3</b>	<b>11.9</b>
Cash and cash equivalents at beginning of period	14.1	14.4	-0.3
<b>Cash and cash equivalents at end of period</b>	<b>25.7</b>	<b>14.1</b>	<b>11.6</b>

The cash flow from operating activities improved noticeably, mainly due to profit before income taxes of EUR 32,499 thousand, a reduction of stocks (EUR 17,061 thousand) and an increase in trade payables (EUR 9,399 thousand).

Cash flow from financing activities includes mainly repayment of loans (EUR 21,618 thousand) and new loans (EUR 295 thousand) as well as the dividend distribution.

Cash flow from investing activities mainly pertains to capex for property, plant and equipment. The divestment of Einhell Brasil generated cash inflow of EUR 600 thousand in the reporting year. This corresponds to the third tranche of the purchase price agreement.

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## 5. Overall economic situation

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The revenue growth was attributable to a consistent product range policy and strong, innovative products. The strong market penetration of the Power X-Change battery products in some areas had a highly positive effect here. High capital expenditure in the fields of product development and marketing and the promotion of customer relationships have led to higher costs. Moreover, stagnating or negative trends at various subsidiaries also weighed on earnings.

The gross profit margin of the Einhell Group showed a moderate decline on the previous year. The gross profit margin amounts to 34.1% (previous year: 34.2%).

Moreover, the Einhell Group has an excellent equity ratio of 54.1% (previous year: 52.4%<sup>(\*)</sup>) as well as net debt of EUR 687 thousand (previous year: EUR -32,559 thousand).

The IT systems of Einhell Germany AG became the target of a hacker attack in financial year 2019. In accordance with internal safety regulations, the Company's systems were shut down in a controlled manner because of the incident. Einhell Germany was able to restore the systems and data after a short time and resume orderly operations. The cyber-attack incurred costs in the lower six-digit range, which are largely accounted for in the result of financial year 2019.

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## 6. Responsibility Statement of the Board of Directors

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The Responsibility Statement of the Board of Directors pursuant to Section 289f of the German Commercial Code (HGB) is available on the website of Einhell Germany AG ([www.einhell.com](http://www.einhell.com)) and is not included in the group management report.

Einhell Germany AG applies corporate governance practices to ensure compliance with legal regulations that go beyond statutory requirements. In particular, Einhell Germany AG observes various policies and procedural rules that are aimed at all Group employees and are designed to avoid risks resulting from non-compliance with legal provisions. For example, compliance with legal requirements preventing insider trading is ensured by publication of insider trading rules governing trading with securities for executive body mem-

bers and employees who have access to insider information. Corporate governance practices with regard to compliance are constantly monitored and amended.

The provisions of the new European Market Abuse Directive, which came into force in 2016, were implemented consistently in the Group.

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## **7. Corporate Social Responsibility (CSR)**

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The European Parliament and the EU member states adopted a directive in 2014 to expand the reporting of large, publicly traded companies, banks, financial services providers and insurance companies (CSR Directive). The directive's objective is in particular to increase transparency with regard to ecological and social aspects of companies in the EU. This concerns disclosures of environmental, social and employee matters as well as with regard to the respect of human rights and combating corruption and bribery.

### Non-financial group statement

The non-financial group statement, which must be submitted in accordance with Sections 315b, 315c as well as Sections 289b-e of the German Commercial Code (HGB) will be made available in the form of a non-financial group statement on the Einhell homepage at <https://www.einhell.com/de/unternehmen/csr-report.html>. It includes information on the business model and disclosures on environmental, social and employee matters, on the respect of human rights and on combating corruption and bribery. The non-financial group statement is not included in the group management report.

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## 8. Risk report

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The risk management system of the Einhell Group seeks to identify and evaluate opportunities and risks at an early stage to be able to apply the required measures to exploit opportunities and limit any negative consequences on the business performance. This is aimed at ensuring the existence of the Group as a going concern and creating values for the long term by improving business decisions. The Einhell Group defines risk as any event that could negatively impact the achievement of operating or strategic objectives. The management decides on a case-by-case basis whether the risk is transferred (e.g. via insurances), recognised in the statement of financial position (e.g. via provisions, impairments) or deliberately accepted.

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### **8.1 Description of the risk management system and significant characteristics of the internal monitoring and risk management system for Group accounting processes as per Section 315 (4) of the German Commercial Code (HGB)**

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#### **Description of risk management process**

As a vital component of the internal control system, the risk management system is designed to identify the risk of misstatements in Group bookkeeping and external reporting with respect to Group accounting processes and serves in particular to identify possible risks at an early stage. Seizing business opportunities is associated with risks. In order to make these risks controllable, a risk management system is needed. An Excel-based risk management reporting system collects all relevant information and allows corporate executives and others responsible for the management of the Company to access the data in a compact and timely manner. It is designed to simplify data collection in the individual companies and to minimise the workload of the risk manager in the Group.

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 Germany 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. In the Einhell Group, risks are identified by linking a bottom-up and a top-down approach. This means that centrally determined risks must be assessed. In addition, the Einhell subsidiaries and the heads of department in the Group are called

on to identify and assess specific risks for their relevant subject areas and departments. The identified risks are evaluated by multiplying the probability of the damage occurring and the maximum amount of damage. The evaluation focuses on net risk, i.e. the risk that remains after various preventative measures have been taken. The second step comprises risk consolidation, analysis and control by risk managers and corporate management.

Einhell uses various methods of risk management. Risk avoidance means that risks, and associated opportunities, will not be taken. Another management method minimises risks, for instance by using organisational methods, and is therefore also referred to as risk reduction. A further method is transferring risk by means of insurance, contracts with suppliers etc. Remaining risks are deliberately taken by the Einhell Group, depending on whether the risk/opportunity ratio is reasonable.

Risks are constantly monitored and reported on a quarterly basis. The most important risks are also discussed at meetings of the Board of Directors. Opportunities are not recorded separately in the risk management system.

### **Elements of the internal control and risk management system**

The internal control system of the Einhell Group includes all principles, processes and measures to ensure the effectiveness, economy and validity of its accounting, and ensure compliance with applicable legal regulations.

The internal control system comprises integrated process controls and internal control systems.

The domestic controlling, investment controlling, finance, internal audit, Group accounting and legal departments constitute the internal control system of the Einhell Group. The Einhell Group companies make a forecast in the relevant financial year to budget the following financial year. Based on differentiated revenue planning, the corresponding items in the statement of financial position, the statement of income and cash flows are budgeted. These projected figures are collated for the Group into a budgetary statement of income.

The actual figures from the individual companies are processed on a monthly basis. As a result, a complete consolidated statement of income is devised that compares the budgeted and actual figures and allows for their analysis. The development of inventories, margins etc. is also reported for all companies on a monthly basis. The comparison is dis-

cussed with the members of the Board of Directors and with the managers of the separate divisions and companies. The analysis of the budgeted and actual figures permits relevant measures to be developed and implemented.

The internal monitoring system is comprised of measures that are integrated into the processes and measures that are independent of the 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, e.g. tax auditors, are involved in carrying out process-independent controls within the Einhell Group.

The audit of the consolidated financial statements by the Group auditors in particular is the main process-independent control measure with respect to Group accounting processes.

### **Use of IT systems**

Accounting transactions are recorded based on individual accounts in the accounting programme Microsoft Business Solutions Navision or, in few exceptional cases, in local accounting systems. When drawing up the consolidated financial statements of Einhell Germany AG, the financial statements of the individual group companies are supplemented by further information in standard reporting packages, which are recorded centrally at Einhell Germany AG in the consolidation system KONSIS. The Group auditors regularly review the reconciliation between the reporting system and the consolidation system. The consolidation system KONSIS generates and documents all consolidation transactions required for preparation of the consolidated financial statements, such as capital consolidation, asset and liability consolidation, or income and expense elimination.

### **Specific Group accounting risks**

Specific Group accounting risks may arise from the conclusion of unusual or complex transactions. Transactions that are not normally carried out in the course of business also present a latent risk. The discretionary scope given to employees for the recognition and measurement of assets and liabilities can also lead to other Group accounting related risks.

## **Important regulatory and control activities to ensure propriety and reliability of Group accounting**

The internal control measures aimed at propriety and reliability of Group accounting ensure that transactions are fully recorded in compliance with statutory requirements and the stipulations of Einhell's articles of association as well as in a timely manner.

They also ensure that inventory-taking is carried out in a proper manner, and that assets and liabilities are properly recognised, measured and shown in the consolidated financial statements. The rules also ensure that the accounting documentation provides reliable and transparent information.

The control activities to ensure propriety and reliability of Group accounting comprise example analyses of circumstances and developments on the basis of specific key figure analysis. The separation of administration, implementation, invoicing and authorisation functions and the fact that they are performed by different persons reduces the likelihood of wilful contravention. It also ensures, for instance, that changes to the IT systems used for the underlying bookkeeping in Group companies are subject to full and timely logging of bookkeeping transactions in the relevant reporting period. The internal control system also guarantees recognition of any changes in the economic or legal circumstances of the Einhell Group and the application of new or amended statutory regulations for Group accounting.

The International Financial Reporting Standards (IFRS) provide standardised accounting and valuation principles for the companies in Germany and other countries that are included in the Einhell consolidated financial statements. In addition to general accounting principles and methods, there are also regulations regarding the statement of financial position, statement of income, notes, management report, cash flow statement and segment reporting in place that comply with the legal requirements in the EU.

The Einhell accounting policies also govern concrete formal requirements regarding the consolidated financial statements. As well as determining the companies included in the consolidation, there are detailed rules about the elements of reporting packages to be prepared by Group companies. The formal requirements also cover the mandatory application of standardised and complete sets of templates. The Einhell accounting principles also contain concrete rules about presentation and handling of Group billing transactions and any resulting reconciliation.



At Group level, specific control activities to ensure propriety and reliability of Group accounting comprise the analysis and correction (where necessary) of the individual financial statements prepared by Group companies. Central implementation of impairment tests for the cash-generating units identified by the Group allows for the application of uniform and standardised valuation criteria. The preparation and aggregation of further data for the preparation of external information in the notes and management report, including significant events after reporting date, is also carried out at Group level.

### **Note on limitations**

The organisational, control and monitoring structures established by the Einhell Group provide for an internal control and risk management system that allows for a full compilation, preparation and appraisal of Einhell's situation and an accurate representation in Group accounting.

However, it is not possible to totally exclude personal discretionary decisions, defective controls, criminal acts or other circumstances, and these may result in a restricted effectiveness and reliability of the internal control and risk management system. Therefore, the Group-wide application of these systems cannot with absolute certainty guarantee the correct, complete and timely representation of circumstances in Group accounting.

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## **8.2 Description of risks**

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### **8.2.1 General economic and industry risks**

The Einhell Group is subject to general risks from the global economy and specific risks for the building supplies, specialist trade and DIY store sector.

Risks remain largely unchanged compared to the previous year.

#### **Political risks**

The Einhell Group is subject to global economic risks from its international operations. These can take the form of political and economic risks. Political decisions in the countries in which the Einhell Group operates today can affect the stability and economies of these countries. Also, policies in the countries in which the Einhell Group hopes to expand its operations can affect its business strategy. This risk extends, for example, to the currency policies of countries or to import and customs duties regulations and their practical appli-

cation. The same also applies to procurement countries where Einhell sources its products. The Einhell Group seeks to keep abreast of general political risks by way of Group management maintaining close contacts with responsible local managers in order to constantly keep up to date with current developments. The Einhell Group also pursues a strategy of limiting investment in non-current assets, such as real estate, in such countries. This gives the Group maximum flexibility to react to unfavourable developments and to be able to have current assets available to take appropriate action in any country at any time. The implications of Britain's withdrawal from the European Union are still fraught with uncertainty. We do not expect any direct negative impact from the UK leaving the European Union, as long as consumer spending in the UK does not collapse.

### **Industry risks**

With respect to industry risks, the Einhell Group is subject to developments in the DIY sector and specialist stores as well as e-commerce in the relevant countries. It is also subject to the effects of behaviour and growth of competitors.

Changes in the sector, such as market concentration of customers, may therefore affect Einhell's business. Einhell seeks to minimise dependence on such factors by expanding its strong international market position. The establishment of a strong product range and customer friendly service allows Einhell to strengthen its position with customers, even during changes in market concentration. Strategy changes by competitors may also affect the Einhell Group. New competitors may be in a position to take over market shares from Einhell, or existing competitors may affect the Group's market position. Einhell seeks to counter such changes by establishing a relatively wide product range, extending from Tools to Garden & Leisure, and also driving its international expansion. It is very hard to find a competitor in the market that offers a comparable product range in conjunction with an international presence comparable to Einhell's.

#### **8.2.2 Procurement risks**

Procurement is a primary process in the Einhell business model and plays an important role in risk management within the Einhell Group. The objective of procurement is to ensure that products are acquired on time, are of sufficient quality and are reasonably priced.

One important factor are the suppliers. As the Einhell Group maintains long-term relationships with its suppliers, price and sourcing risks are minimised. With constant quality checks, suppliers are integrated into the quality control system of the Einhell Group. The

Einhell Group is not dependent on individual suppliers. Einhell started to implement a second source strategy several years ago, and this continues to be optimised.

In order to optimise procurement planning, purchase quantities are regularly coordinated with the sales division, reconciled and planned via an internet-based order system. We also use a new disposition software that improves the coordination between procurement and sales in determining quantities and further consolidates orders. In order to enhance the transparency of order processing over the entire supply chain from the supplier to the national warehouses, we work with a newly implemented transport management system.

Where possible, the Einhell Group counters risk of price increases, such as from changes in commodity prices, by concluding the corresponding procurement and sales agreements, i.e. by reflecting changes in procurement prices on the sales side with a minimal time lag. A corresponding product mix, a wide customer base and a strong procurement structure support this process.

### **8.2.3 Sales market risks**

The Einhell Group sees the main sales market risks in loss of receivables and sales volume. Where possible, the Einhell Group uses trade credit insurance to counter credit risk. Innovative products that meet customer requirements in terms of design, functionality and value for money diminish the risk of a reduction in sales volume. This risk is being countered with the incremental introduction of two clearly defined product lines. One of the customers accounted for more than 10% of the Einhell Group's revenue in the last financial years. Nevertheless, the management has not identified any risk of dependency on this customer.

### **8.2.4 Strategic and expansion risks**

Risks are also associated with implementing the Einhell Group strategy. They can result, for instance, from the fact that resources or elements required to implement the strategy are not available at a particular time or run up against realisation problems. The reasons for this could be related to personnel or technology issues.

The establishment and acquisition of subsidiaries also carries fundamental risks. Einhell seeks to counter these risks by conducting a fundamental investigation of the target country before it begins to identify new sales areas. This includes an assessment of sales environment and market potential. The Group also begins the search for suitable managing directors and specialised staff at an early stage. With respect to infrastructure, Einhell se-

lects a standard approach for each new sales subsidiary that is compatible with the internal processes and IT infrastructure. This reduces the risks associated with setting up a new subsidiary.

Risks also result from acquisitions of the Einhell Group. Einhell seeks to reduce these risks in that the takeover candidates are usually long-term partners of the Group. This ensures that new Group companies are integrated into Group structures and strategies from the beginning. Due diligence is also carried out at the companies to be acquired; these investigations are carried out by internal staff from our investment control department, the legal department and, in individual cases, other Einhell Group departments, supported by external advisors.

### **8.2.5 Financial, interest and currency risks**

The continuing growth of the Einhell Group is also associated with financing risks. The Einhell Group manages financing risks by combining short-term and long-term financing strategies.

In financial year 2018, Einhell Germany AG took out long-term loans of EUR 25.0 million from three different banks. The loans are subject to a subsidy programme provided by the German development bank KfW and have a term of ten years. The first repayments will be made in June 2020, the last at the end of March 2028. The loan agreements also contain a financial covenant. This covenant refers to the interest cover ratio. The interest rates are fixed and do not include any variable components. Einhell Germany AG complied with this covenant in financial year 2019.

The Einhell Group also has conventional lines of credit that were only partially utilised in financial year 2019. Cash and cash equivalents, as well as equity, stood at very good levels in the reporting year.

The financial planning of the Einhell Group for the next five years is continuously adjusted to the current planning budget. This ensures that the further growth of the Group is financially secured.

The Einhell Group is also expanding its netting system and cash pool that was set up together by the parent company and its subsidiaries. Subsidiaries are financed almost exclusively by inter-Group loans. This reduces the risk of non-transparent and inefficient loan structures in the Group. The parent company has set up internal credit lines for the

subsidiaries, the amount of which is determined by the budget and the expected business volume of the corresponding subsidiaries.

Risks from interest rate changes and fluctuations are managed, if required, with derivative financial instruments such as non-current interest swaps and interest caps. No need was identified in financial year 2019 to enter into interest rate derivatives. Risks from currency fluctuation are mainly managed by using standard currency futures. The risk of currency fluctuation in procurement is covered where possible by hedging transactions in the form of currency futures and options. Currency hedging is carried out pursuant to IAS/IFRS regulations regarding hedge accounting for the individual hedge periods.

Please see the notes to the consolidated financial statements, item 6 “Risk report and financial instruments”, for more information on interest, financial and currency risks.

#### **Default risk**

Einhell's corporate policy is to minimise default risk both from customers and suppliers by using instruments that are customary in international practice. These help Einhell evaluate default risks of the ordering company for each order based on the relevant economic situation. To counter the risks associated with new customers and high-risk countries in particular, Einhell sometimes uses letters of credit. In the offer phase, the sales and finance departments jointly decide on what collateral is required and adjust these requirements when the orders are placed. Einhell also uses external information from banks and credit agencies to support the risk assessment process. To minimise the supplier default risk, both the procurement and project management teams work with the finance department to develop joint security concepts.

The maximum default risk corresponds to the carrying amount of the receivables. Trade receivables pertain to DIY chains, specialist stores and discounters and amount to EUR 92.9 million (previous year: EUR 88.1 million).

Where possible, the Einhell Group uses trade credit insurance to counter credit risk.

As the derivatives are acquired from well-known financial institutions, the Group expects that the maximum default risk from derivatives will be covered by their positive market value.

Bank balances amounted to EUR 25,729 thousand on the reporting date (previous year: EUR 14,097 thousand). These assets are held at first-rate, well-known banks.

The Einhell Group counters price and supply risks in supply markets by maintaining long-term supply relationships, which are constantly subjected to quality management.

### **Liquidity risk**

Liquidity risk is the possibility that a company will no longer be in a position to meet its financial obligations (such as repayment of financial liabilities or payment for orders). The Einhell Group limits this risk by using effective management of net working capital and cash and traditional credit lines from well-known banks. At the reporting date, the Group had about EUR 145.5 million in unsecured credit lines at its disposal for the operating business. The Group also keeps a constant eye on the financial markets for financing opportunities in order to secure the financial flexibility of the Einhell Group and limit excessive refinancing risks.

### **Tax risks**

In many countries, the Group is subject to the respective national tax provisions. Risks may arise from changes to local tax law or legal rulings and disparate interpretations of existing provisions. These risks can thus affect our tax expenses and income as well as tax receivables and liabilities. As a result of the comprehensive transfer price guidelines of individual countries, which are sometimes interpreted from a one-sided perspective, we feel obliged to implement a margin policy in the Group that addresses this problem in order to counteract the risk of unjustified additional tax payments.

### **8.2.6 Liability risks, legal risks**

Liability risks arise for the Einhell Group mainly in connection with product liability. The main procurement market for Einhell products is the People's Republic of China. In order to ensure quality locally, a quality management system has been set up in China, which directly monitors supplier production and implements process controls. Our own quality control officers monitor rules and regulations on an on-going basis. The remaining risk for product liability claims is covered by economically sensible and appropriate insurance. Product liability claims are classified and efficiently processed on the basis of a clear organisation and procedural structure. In addition, liability risks also include risk in connection with corruption. This risk is determined for each company based on the international corruption index.

This creates clear lines of responsibility and communication that are supported by written documentation of recall plans and checklists. This system also involves external specialist offices and experts.

The Einhell Group is exposed to legal risks. These may arise from conclusion of inter-company agreements with suppliers, customers and other business partners. Einhell is further exposed to various different international legal systems during the negotiation and conclusion of contracts. This applies in particular to the conclusion of corporate contracts, for example in the event of business incorporation, and patent agreements and similar contracts that are designed to protect the intellectual property of Einhell.

Einhell tries to minimise such risks by having its own legal department in Germany and by constantly checking and monitoring legal circumstances in China. Our own staff carries out coordination and checks, but we seek advice from external specialists from the relevant jurisdiction or legal system on a case by case basis.

### **8.2.7 IT risks**

Information and communications systems are the basis for many business processes of the Einhell Group. The subsidiary iSC GmbH operates a centralised IT service centre that is responsible for the implementation of the Group's international strategy. Given the rising speed and complexity of digitalisation, the dependency on IT systems also continues to increase. Resulting risks, such as the non-availability of systems or data, or unauthorised access, can never be fully eliminated and have a tremendous impact on business operations if an incident occurs. The Group takes diverse and innovative measures to minimise the likelihood of such risks occurring (incidence rate) to the greatest possible degree. Great importance is attached to the realisation of uniform international IT standards that are designed to ensure the effectiveness, efficiency and continuity of IT processes within a framework of corporate and statutory requirements.

A fixed part of these standards is the implementation of suitable measures within the area of physical security, use of high-performance and reliable hardware components, operation of carefully selected infrastructure and business applications, and provision of high-

quality services and processes for the operation and further development of the entire information and communications structure. The organisation of IT processes is designed around an ITIL process framework.

Required specialist know how, such as in the area of local compliance requirements, is provided by qualified service partners, for whom the scope and extent of performance is contractually defined and who work closely with the IT organisation. Applications are operated in line with their criticality for business operations in highly dependable system environments and are subject to adequate business continuity mechanisms. IT-based precautions that are regularly checked and updated, in conjunction with the use of qualified staff and corresponding roles and legal concepts, ensure the best possible protection for confidential data.

The Einhell Group's IT strategy is closely linked to the business strategy and is subject to regular controls and adjustments to take account of the business environment.

The IT systems of Einhell Germany AG became the target of a hacker attack in financial year 2019. In accordance with internal safety regulations, the Company's systems were shut down in a controlled manner because of the incident. Einhell Germany was able to restore the systems and data after a short time and resume orderly operations. The Group will continue to invest in the security of its IT systems to ensure the best possible protection against cyber-attacks.

#### **8.2.8 Human resource risks**

The Group has a number of instruments in place to counter economic risks, such as changes in the market or competitive environment, which help us to react flexibly to fluctuations in the order situation, particularly seasonal fluctuations. This includes working time accounts that are filled by working overtime and reduced by taking the corresponding leave. Another instrument for reacting more flexibly to fluctuations are temporary workers. All these measures help the Einhell Group to maintain a stable permanent workforce while reacting to changes in the order situation.

The professional expertise and individual commitment of our employees are important prerequisites for the success of the Einhell Group. Our strategic and holistic personnel development approach offers employees attractive opportunities for further training and career development.



In addition to offering vocational training on the basis of a dual system (part school, part practical work), we also offer dual university courses to ensure we have young talent to source from. We provide extensive and highly specific qualification measures to address risks resulting from fluctuation and loss of experience when older employees retire.

### **8.2.9 Other risks**

In addition to the risks described above, some external factors are unforeseeable and may have consequences that are very difficult to control. Such factors may, if they actually occur, impact the further development of the Einhell Group. These risks include natural hazards, epidemics and terrorist attacks.

In summary, we currently do not see any risks that could endanger the future of the Einhell Group as a going concern.

To be able to effectively measure and control the identified risks, we evaluate them on the basis of the parameters “incidence rate” and the “effect on EBT” in the case of occurrence. Here, we rely on empirical data and forward-looking assumptions. The following table shows all the risks we have identified with their potential effects on EBT and the incidence rate. This enables us to take suitable risk mitigation measures.

The Einhell Group does not expect any major changes in risks in 2020. Some risks were adjusted compared with the previous year according to current trends and expectations.

A continuous expansion of supplier partnerships leads to a more positive assessment of procurement risks.

As a result of personnel changes in the top management levels at some subsidiaries, we see a slightly higher probability of occurrence with regard to personnel risks compared to the previous year.

Furthermore, we see an increase in liquidity risks related to the introduction of strict controls of capital movements in Argentina.

The financial, interest rate and currency risk will also remain high in financial year 2020. In some countries, the risk of currency losses remains high. The instruments for hedging currency losses are either too expensive for these countries or completely unavailable.

Since January 2020, we have seen an outbreak of the coronavirus. Macroeconomic risks related to this outbreak can lead to significant declines in global economic growth. Risks

for the Einhell Group can not only affect the sales performance, but also lead to considerable negative effects for the procurement market and the supply chain. The original expected slight increase in revenue and earnings for the 2020 financial year, which results from the planning established in December 2019, is thereof effected strongly. As a result of the measures adopted all around the world by the governments of the countries affected, we anticipate that we will see significant declines in sales in comparison with the previous year. Our current assessment of this risk is that it is high. Depending on the duration and intensity of the spread of the coronavirus, the declines in our revenue will be more or less pronounced. Risks have been adapted to the new situation compared to the previous year. It is currently not possible to make a reliable assumption or estimate with regard to the reduction in revenue and the resultant reduction in earnings.

## Possible current effects on earnings of risks after taking measures

Possible effects concerning:	effects on earnings – 2020 +	incidence rate 2020
<b>Environment &amp; Industry</b>		
Political risks	□□□■ ■■	rare 12%
Industry risks	□□□□□■	rare 17%
<b>Company-specific risks</b>		
Procurement risks	□□■ ■ ■ ■ ■ ■	rare 12%
Sales market risks	□■ ■ ■ ■ ■ ■ ■	probable 50%
Strategic and expansion risks	□□□□■ ■	rare 12%
Liability risks, Legal risks	□□□■ ■ ■ ■ ■	rare 10%
IT risks	□□■ ■ ■ ■ ■ ■	rare 15%
Human resources risks	□□□■ ■ ■ ■ ■	rare 15%
Other risks	□□□□■ ■	rare 13%
<b>Finance</b>		
Financial, interest and currency risks	□□□■ ■ ■ ■ ■	rare 27%
Default risks	□□□■ ■ ■ ■ ■	rare 12%
Liquidity risks	□□□□■ ■	rare 15%
Tax risks	□□□■ ■ ■ ■ ■	rare 24%

### Effects on earnings:

□□□□□■	< 1.5 million €
□□□□■ ■	≥ 1.5 million € < 3.0 million €
□□□■ ■ ■ ■ ■	≥ 3.0 million € < 6.0 million €
□□■ ■ ■ ■ ■ ■	≥ 6.0 million € < 12.0 million €
□■ ■ ■ ■ ■ ■ ■	≥ 12.0 million € < 21.0 million €
■ ■ ■ ■ ■ ■ ■ ■	≥ 21.0 million €

### Incidence rate:

≥ 0 % < 10 %	improbable
≥ 10 % < 50 %	rare
≥ 50 % < 70 %	probable
≥ 70 %	very probable

In hindsight, the risk assessment made in the previous year proved to be justified. No major deviations were found.

### Possible current effects on earnings of risks after taking measures

Possible effects concerning:	effects on earnings - 2019 +		incidence rate 2019	
<b>Environment &amp; Industry</b>				
Political risks	□□□■		rare	12%
Industry risks	□□□□■		rare	17%
<b>Company-specific risks</b>				
Procurement risks	□■		rare	14%
Sales market risks	□□■		improbable	9%
Strategic and expansion risks	□□□□■		rare	18%
Liability risks, Legal risks	□□□■		rare	10%
IT risks	□□■		rare	14%
Human resources risks	□□□■		rare	10%
Other risks	□□□□■		rare	13%
<b>Finance</b>				
Financial, interest and currency risks	□□□■		rare	28%
Default risks	□□□□■		rare	12%
Liquidity risks	□□□□□■		rare	12%
Tax risks	□□□□■		rare	21%

#### Effects on earnings:

□□□□□■	< 1.5 million €
□□□□■	≥ 1.5 million € < 3.0 million €
□□□■	≥ 3.0 million € < 6.0 million €
□□■	≥ 6.0 million € < 12.0 million €
□■	≥ 12.0 million € < 21.0 million €
■	≥ 21.0 million €

#### Incidence rate:

≥ 0 % < 10 %	improbable
≥ 10 % < 50 %	rare
≥ 50 % < 70 %	probable
≥ 70 %	very probable

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## 9. Forecast

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Since January 2020, we have seen an outbreak of the coronavirus. In this forecast report, the Board of Directors has not yet adjusted its expectations regarding the probable development in 2020 with a slight increase in revenue and earnings compared to the approved planning from December 2019. In this regard, we would like to point out the following:

As a result of the measures adopted all around the world by the governments of the countries affected, now we anticipate that we will see significant declines in revenue and earnings in comparison to the previous year.

Depending on the duration and intensity of the spread of the coronavirus, the declines in our revenue and earnings will be more or less pronounced.

It is currently not possible to make a reliable assumption or estimate with regard to the reduction in revenue and the resultant reduction in earnings.

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### 9.1 Performance in the D/A/CH region

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Expected development in %	2019	2020
GDP Germany	0.6%	-0.1%

As a result of the difficult global economic conditions, the **German** economy has lost some of its momentum. The gross domestic product increased by 0.6% in 2019. Analysts do not expect any improvement in the short term. Due to the massive outbreak of the coronavirus (SARS CoV-2), any hope of an improvement will most likely have to be put on hold. The GDP for 2020 is expected to amount to -0.1% under these conditions.

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### 9.2 Trends in the Western and Eastern Europe regions

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The EU Commission has again lowered its growth forecast for the eurozone. According to the EU Commission, the gross domestic product in the 19 countries will only increase by 1.2% in 2020. The European economy may be facing a longer period of subdued growth

and low inflation. The ongoing conflict between the USA and China curbs investments, industry and international trade.

The unemployment rate in the euro zone has decreased further in the past year. According to the EU Commission and the International Monetary Fund (IMF), this trend will continue in 2020. The unemployment rate is expected to come out to 7.4% in 2020.

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### 9.3 Trends in the Overseas region

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The following economic growth rates are expected in Australia and the South American countries, in which the Einhell Group is active:

	2019 (actual)	2020 (budget)
	%	%
Argentina	-1.6	-1.3
Australia	2.8	2.3
Colombia	3.6	3.6
Chile	3.4	3.0

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### 9.4 Expected growth in the markets relevant to the Einhell Group

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As in the previous years, the expected development in 2020 depends on a number of external factors. Developments on the global markets continue to be extremely difficult to foresee in many respects. This applies to both economic changes and political developments. Political unrest and conflicts around the world such as in Syria and other countries, some of which are also involved in the global oil business, can affect a whole range of areas and – besides the dramatic impact they have on the population of the affected regions – lead to negative effects on the global economy. In addition, autocratic tendencies can be observed in numerous countries, which are usually associated with profound economic interventions in the respective countries. Such political and economic developments can also be observed in some countries where the Einhell Group operates. The outbreak of the new coronavirus has a massive effect on the global population and causes a great deal of uncertainty. The effects of the virus are already being felt in global supply chains; with re-

gard to the economic development in 2020, much will depend on whether and to what extent the spread of the virus can be successfully contained.

Technical progress and digitalisation are also taking up speed. The last years have shown that the extremely fast developments in today's information technology also decrease the intervals between the occurrences of external shocks. The forecasts of the Einhell Group with its international activities are still clearly marked by the aforementioned uncertainty. Also, the currencies that are relevant for the Einhell Group's procurement activities are hard to predict. The FED (Federal Reserve System) will decide whether or not to change USD interest rates in the USA. Under certain circumstances, this could also lead to a weakening of the currently very strong USD. On the other hand, the developments related to the outbreak of the coronavirus and the latent economic problems in China, like the high level of lending in relation to the gross national product, lead us to expect a further depreciation of the CNY. The situation is further intensified by the erratic policymaking of the US administration, whose guidance plays an important role worldwide. If the trade war between the USA and China were to drastically flare up again and no solution is found, this would probably lead to enormous global economic repercussions, some of which had already been felt at the height of the trade dispute. The currencies of numerous countries have already been affected. Emerging market currencies in particular have already depreciated against the USD and will suffer further losses in our assessment. Global tariffs also show serious distortions caused by the trade war, and uncertainty regarding their further development continues to prevail.

The Einhell Group expects revenue amounting to approx. EUR 610 million in financial year 2020. With regard to profit before tax, the Einhell Group expects a pre-tax margin of approx. 5.5%. However, this is based on the assumption that the global macroeconomic environment does not deteriorate dramatically because of the above-described trends. In order to achieve the announced target, financial year 2019's loss-making subsidiaries in Denmark, Turkey and Argentina in particular will have to return to the profit zone. The subsidiary kwb Germany GmbH, which had been making losses in previous years, continued to take important positive steps towards organisational restructuring in 2019 and thus managed to reposition itself for future profitability. The Company will now switch to growth mode for 2020 and, above all, increase its international revenue. The subsidiary in Argentina, which is suffering severely from the effects of exorbitantly high inflation in the country, will again have to manage the 2020 financial year with limited financial resources and

make every effort to avoid losses. Global economic trends and the effects on the emerging markets will have a significant impact on the achievement of these goals.

The Einhell Group has grown very strongly in the last few years and is confronted with capacity limits in some areas. Extensive investments and expansion measures have already been initiated in previous years in order to build up the required capacity. This initially resulted in expenses for the increase in headcount against the backdrop of a tense labour market, particularly in the parent company of the Group and the subsidiaries in China. In 2019, personnel was only added selectively in certain areas. Capex will continue to be dominated by construction costs and IT expenses in 2020. As a result of the positive economic situation in the construction sector and the high capacity utilisation at IT companies, we will continue to face scarce resources on the market side and a limited choice of suppliers and service providers.

The Group is also planning to heavily invest in the market and in establishing the Einhell brand name. The expected capex for these measures has been priced into the budget of the Einhell Group and must be taken into account when looking at the margin. These measures will include in particular the cooperation with BMW i Motorsport in Formula E and the planned TV campaigns in selected countries.

In the D/A/CH region, capex on property, plant and equipment primarily relates to the construction and expansion of the logistics centre in Landau/Isar.

Expected development in EUR million	2019 (actual)		2020 (budget)	
	Revenue	Profit before tax	Revenue	Profit before taxes
<b>Regions</b>				
D/A/CH region	247.0	10.2	247.0	9.8
Western Europe	121.8	6.2	123.0	7.5
Eastern Europe	63.4	4.0	63.6	3.8
Overseas	126.9	10.0	128.5	10.3
Other countries	46.6	3.7	47.9	3.9
Reconciliation	0	-1.6	0	-1.7
	<b>605.7</b>	<b>32.5</b>	<b>610.0</b>	<b>33.6</b>



For the **D/A/CH** region, the Einhell Group expects revenue of EUR 247.0 million, which is at the previous year's level, and profit before tax of approx. EUR 9.8 million. According to our assessment, revenue in e-commerce will continue to rise. DIY retailers are also increasingly focusing on e-commerce, which is likely to provide for even stronger growth in this area.

In **Western Europe and Eastern Europe**, we expect revenue at the prior-year level and improved earnings. The Western European market stands a general chance to continue its positive development from financial year 2019. In Eastern Europe, the economic trend appears to be moving sideways, while only Turkey is expected to experience negative economic growth due to current developments in the country. We therefore expect revenue in the Eastern Europe region to remain roughly at the prior-year level.

In the **Overseas** region, we expect revenue and profit before income taxes to also be approximately at the level of the previous year.

In the **other countries**, we expect revenue of EUR 47.9 million and profit before income taxes of EUR 3.9 million. The primary objective of the Asian procurement companies is to further stabilise gross profit margins.

### **Expected financial market trends**

The performance of the financial markets in 2020 depends strongly on the monetary policy of the world's largest issuing banks in the USA, Europe and China. The US dollar is slated to continue moving sideways in the course of 2020. It currently still seems rather unlikely that the ECB will raise its interest rate, even though the inflation rate as one of the ECB's key indicators continues its slight uptrend. Plans by the ECB to scale back its bond purchasing programme could indicate a turnaround in ECB policy.

### **Expected sales market trends**

The DIY store sector has undergone a successful stabilisation and growth process in the last few years. Intensive price competition in both online and physical stores continues to pose a major challenge. It is therefore imperative for companies to achieve a relevant position, sharpen the brand image and constantly adjust their business models and their range of products and services to the customers' needs. The online sales channel, in particular, will continue on its growth trajectory, and digitalisation will radically change the retail business in every possible way. The crucial factor for companies to succeed in these times of change is their ability to adjust to the new environment and conditions.

### **Expected procurement market trends**

On the procurement side, the year 2020 will be marked by the outbreak of the coronavirus in China. Global supply chains are already feeling the impact, and much will depend on whether and how the further spread of the virus can be contained. Given the generally difficult economic situation in China, the economic situation of our Chinese suppliers has not made a dramatic or fundamental turn for the worse per se. Nevertheless, the virtual standstill of the Chinese economy will also present our suppliers with enormous economic challenges.

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## **9.5 Aims and opportunities of the Einhell Group**

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The Board of Directors embarked on a structured strategy development process together with the heads of divisions and departments to define and communicate the objectives and values of the Einhell Group.

Einhell has the vision that every household with a garden will eventually own a Power X-Change battery. Einhell is the brand for all work to be done around the house and the garden. The unique cordless Einhell Power X-Change system provides customers with freedom and comfort and is thus set to become the “synonym” for rechargeable battery systems.

The Einhell Group’s primary objective is to generate sustainable and profitable revenue and profit growth. Profitability takes priority over pure growth targets.

One of the most important strategic goals is the further development and increase in recognition of the **Einhell brand**. We see this as an opportunity to set ourselves apart from our competitors in the long term and to sustainably promote consumer awareness of and trust in the Einhell brand. Our battery platform Power X-Change forms the core of our brand communication. In 2020, we intend to further increase awareness of the Einhell brand by charging the brand even more strongly with positive emotions. The brand positioning follows the guiding principle of “freedom and autonomy”. We will also extend the TV campaigns, which have already been implemented successfully in Austria and Germany, to other countries. The cooperation with BMW i Motorsport in Formula E will also continue to have a very positive effect on the brand image.

Another strategic goal is the implementation of our sustainable **product range policy**. We continue to focus our attention on clearly defined **key product groups** and see this as an opportunity to become the market leader for those, or at least number two in the individual markets. Our target for 2020 is to generate 50% of Group sales with key product groups.

With our **Power X-Change**, we strive to become a category leader in battery platforms. We see this as an opportunity to make ourselves known with our customers as the household name for battery exchange systems. We will expand the platform to up to 170 Power X-Change devices in 2020 and open the platform to further partners in addition to those already acquired. Revenue with Power X-Change products is expected to already account for 30% of Group revenue in 2020. We will also enter into cooperation with research institutes and see this as an opportunity to successfully develop cutting edge cell and charging technology.

The Einhell Group will continue its **expansion** strategy in 2020. We concluded agreements with a new partner in the USA in 2019, who already has a well-established US distribution network and will now also take over the distribution of our products in this market. We are still continuing to focus also on countries in South and Central America and South Africa. In addition, we will also further develop and expand our strategic partnerships in markets such as Denmark. The successful partnerships we have been setting up in more and more countries promote the strong market presence of our products. This year, too, we intend to enter into new partnerships.

The Einhell Group succeeded again in generating increases in **online** revenue in the last financial year and will systematically continue on its path towards digital leadership. Various projects and measures are planned to promote future revenue growth, which will increasingly be driven by digital distribution channels. The emphasis will be placed on data & analysis, customers & dialogue, content as well as the expansion and further development of our digital communication channels.

### **Expected financial situation**

Efficient liquidity management remains a top priority of the Einhell Group in financial year 2020. We concentrate on constantly forecasting cash flows from operating activities, as this is our main source of liquidity. Liquidity is forecast by means of a liquidity plan that covers a period of twelve months. In the two previous financial years, the financial planning for the next five years was updated. Based on this financial planning, Einhell Germany AG concluded long-term loans with three banks totalling EUR 25 million in order to finance Group growth and to secure the low interest level.

### **Expected investments**

In financial year 2019, the new “Einhell Welt” building, a showroom with demonstration workshops and training rooms, was completed at the Landau an der Isar site. The investment volume for the Einhell Welt amounted to EUR 5.5 million.

Activities in connection with the expansion of the logistics centre at the Landau/Isar site in 2020 have already been initiated. The first phase of the planned project, which comprises the construction of a new incoming goods terminal, will be completed in financial year 2020. The costs for this project amount to approximately EUR 9.0 million. The second phase of the project provides for a high-bay warehouse for about 48,000 spaces and a new warehouse management system with a capex volume of approx. EUR 1.8 million.

Furthermore, capex of approx. EUR 1.7 million has been budgeted for hardware and software.

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## 9.6 Summary on expected developments

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### Outlook for financial year 2020

The Einhell Group with its international activities will encounter rather mixed trends in the individual markets in financial year 2020.

In the DACH region, sentiment in the do-it-yourself sector is generally relatively good at present. Private consumer spending has become a driving force of economic growth in Germany. The low inflation rate and high employment levels mean that consumers have more money to spend, which in turn leads to increased purchasing power. Nevertheless, consumer demand for DIY products is not necessarily felt in brick-and-mortar retail. Trends differ here depending on the retail chain. Some physical retailers have already adapted to the new market environment and the growing significance of e-commerce in the DIY sector. Some retail chains are still in the process of finding their position and defining their strategies in this area. Revenue growth in the e-commerce market is expected to continue in 2020. DIY retailers are also increasingly focusing on e-commerce, which is likely to provide for even stronger growth in this area. We therefore expect revenue in the DACH region to remain at the previous year's level.

The Western European market stands a general chance to continue its positive development from financial year 2019. However, this will depend on whether and how political developments such as the protests in France that tend to flare up from time to time or the developments around Brexit, which is now actually taking place, will affect the purchasing behaviour of end consumers. We do not expect any direct negative impact from the UK leaving the European Union, as long as consumer spending in the UK does not collapse. In the context of these developments, we still expect revenue increases in both countries, France and the UK. Italy showed a very positive development in the past financial year and will probably continue to do so unless political decisions by the EU-sceptical government in Italy have an impact on the country's economy and cause consumer spending to deteriorate significantly. However, we still expect an increase in revenue in Italy. Although the economic outlook has improved slightly in Southern Europe, our subsidiaries in Portugal and Spain are expecting a relatively stable revenue trend. In Eastern Europe, the economic trend appears to be moving sideways, while only Turkey is expected to experience negative economic growth due to current developments in the country. We therefore expect revenue in the Eastern Europe region to remain roughly at the prior-year level. These

generally positive trends in Europe are, nevertheless, countered by some risks arising from the global developments that might result in economic crises or downturns.

For the first time in many years, the economy in Australia has failed to achieve significant growth in 2019. The ailing Chinese economy, which is so important for the raw material industry, also has a negative effect on the economic development in Australia. Moreover, the number of home sales in Australia went down considerably.<sup>4</sup> We therefore expect the Australian DIY market to cool down further in 2020, as the number of home sales is an important indicator for the DIY sector in the country. However, we have launched new promising marketing campaigns in Australia, which is why we expect a slight increase in revenue for our Australian subsidiary.

Except for Chile, the situation on the South American markets continues to be rather difficult. In Argentina in particular, positive political developments failed to have an immediate positive effect on the economy. Major uncertainties remain regarding political and economic structures. Inflation is at a record level. And the situation is not expected to improve in financial year 2020 either.

The procurement market in China has lost some stability due to the trade war with the USA, and economic growth in China has slowed down. The Chinese industry is currently struggling with declining capacity utilisation in the manufacturing sector. This may force some participants to drop out of the market and lead to further consolidation on the procurement markets. In addition, the outbreak of the coronavirus weighs very heavily on the Chinese economy. It is currently impossible to foresee its effects. However, they already have a negative effect on global supply chains.

Due to the mixed picture, but also due to some fundamentally positive trends in important markets such as Europe, the Einhell Group expects a positive revenue and earnings trend. Taking all influencing factors into account, the Group expects revenue growth to approx. EUR 610 million. With regard to profitability, the Einhell Group forecasts a pre-tax margin of approx. 5.5%.

The Einhell Group expects the following revenue and profit performance in the individual regions in 2020:

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<sup>4</sup> Statement is not audited

in EUR million	2020	
	Revenue	Profit before taxes
D/A/CH region	247.0	9.8
Western Europe	123.0	7.5
Eastern Europe	63.6	3.8
Overseas	128.5	10.3
Other countries	47.9	3.9
Reconciliation	0.0	-1.7
	<b>610.0</b>	<b>33.6</b>

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## 9.7 Forward-looking statements, assumptions, uncertainties and assessment methods

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The management report and Group management report for Einhell Germany AG and the Einhell Group contain forward-looking statements and assumptions. These always bear an element of uncertainty and are based on estimates and assumptions made in order to draw up corporate planning. The Einhell Group hereby advises that the forward-looking assumptions and estimates may turn out to be incorrect.

Einhell exercises great care with respect to assumptions when making forecasts that are subject to uncertainty. However, the risk from incorrect estimations cannot be excluded.

Einhell proceeds as follows in order to control planning and forecast uncertainties during planning of budgetary figures. First, Einhell plans revenue. The revenue plans are drawn up in detail for each Group company based on product groups. Revenues are also budgeted at customer group level and checked against product groups for plausibility. In the same way, gross profit margins for each Group company are forecast at product group level and customer group level. Detailed costs are derived from revenue plans on the basis of type of cost and cost centre or reporting entity. Costs are checked for plausibility on the basis of the prior-year figures and checked for adequacy on the basis of relation to net revenues. Specific assumptions are made with respect to changes in costs, such as increases in salaries or changes in freight costs. General uncertainties related to market developments, price trends for important commodities or the development of other important cost categories are estimated and budgeted according to the principles of commercial prudence.

Landau a. d. Isar, 31 March 2020

Einhell Germany AG

The Board of Directors

Andreas Kroiss

Jan Teichert

Dr Markus Thannhuber

Dr Christoph Urban



## **Unqualified Report by the Independent Auditor**

to Einhell Germany AG, Landau a. d. Isar

### **Report on the audit of the consolidated financial statements and of the group management report**

#### **Opinions**

We have audited the consolidated financial statements prepared by Einhell Germany AG and its subsidiaries (the Group) comprising the consolidated statement of financial position as at 31 December 2019, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2019 as well as the notes to the consolidated financial statements and a summary of significant accounting policies. We further audited the group management report of Einhell Germany AG for the financial year from 1 January to 31 December 2019. In accordance with German legal requirements, we have not audited the contents of the group management report mentioned in the section "Other information" of our audit opinion.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the contents of those parts of the group management report that are included in the "Other information" section.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

#### **Basis for the opinions**

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement

Audits promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

### **Key audit matters in the audit of the consolidated financial statements**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

#### **■ The recoverability of goods**

Further details on this matter in connection with the financial year are provided in the sections “1.8 Accounting and valuation principles” as well as “2.6 Inventories” in the notes to the consolidated financial statements and the section “Group management” in the group management report.

### **RISK IN CONNECTION WITH THE FINANCIAL STATEMENTS**

Goods amounting to EUR 173.3 million are recognised in the consolidated statement of financial position as at 31 December 2019; this includes impairments in the amount of EUR 7.0 million.

The value of goods, which are initially measured at acquisition cost (including ancillary costs of acquisition), must be adjusted, in particular, if their expected net realisable value no longer meets the acquisition cost.

Discretionary leeway must be exercised in order to determine the net realisable values that form the value ceiling. The net realisable value is based, in part, on forward-looking estimates regarding the amounts that are likely to be realised when selling the goods. Further, the age of the goods plays an important role when inventories have short technological life cycles.

The risk in connection with the financial statements is that goods might be overvalued if the need to recognise impairments was not identified.

### **OUR AUDIT APPROACH**

Based on the knowledge we gained of the processes, we evaluated the implementation, design and effectiveness of the identified internal controls, in particular with respect to the determination of the expected net realisable values.

We evaluated the selling prices underlying the calculation of the net realisable value on the basis of sales prices directly after the reporting date. We also evaluated the company’s inventory coverage analyses and verified whether the impairments recognised are appropriate.

We further reviewed the correctness of the calculations for determining the net realisable value and for determining the impairment amounts for select inventories that were chosen based on their risk profile.

#### AUDITOR'S RESPONSE

The assumptions and data underlying the net realisable value are appropriate.

#### ■ Accrual of revenue

Further details on this matter in connection with the financial year are provided in the sections "1.8 Accounting and valuation principles" as well as "3.1 Revenue" in the notes to the consolidated financial statements.

#### RISK IN CONNECTION WITH THE FINANCIAL STATEMENTS

The Group's revenue in financial year 2019 amounts to EUR 605.7 million.

The Group recognises revenue as soon as the control of the corresponding asset passes to the customer. For contracts with customers that allow returns, revenue is recognised to the extent that it is highly probable that a material adjustment to the cumulative revenue recognised will not occur. The amount of revenue recognised is therefore adjusted for expected returns estimated on the basis of historical data.

The key markets of the Group are in Europe and Australia. The group companies make different agreements with customers that govern international deliveries of products.

As different contractual arrangements are made for different markets and discretionary decisions are made to determine and assess the time of transfer of control, there is a risk that revenues are not delimited correctly in the financial statements with regard to the cut-off date.

#### OUR AUDIT APPROACH

In order to audit whether revenues have been recognised in the period in which they arise, we have assessed the design, implementation and effectiveness of internal controls with respect to order acceptance, goods dispatch and invoicing, and audited in particular the definition and review process of the correct or actual transfer of control.

In addition, we assessed the timing and amount of revenue recognised by matching invoices with related purchase orders, external proof of delivery, and payments received. We selected revenue to be reviewed on the basis of a mathematical-statistical procedure. These revenues were recorded in a fixed period prior to the reporting date. Additionally, we analysed all revenue bookings within a certain period before the reporting date that were made by select users who were chosen on a risk-oriented basis. We also carried out random checks of credit notes that were issued after the reporting date and verified that the corresponding sales revenues were actually generated.

#### AUDITOR'S RESPONSE

Einhell Germany AG's approach for correct and timely revenue recognition is appropriate.

## **Other information**

The legal representatives are responsible for the other information. The other information section includes the following parts of the group management report, the contents of which were not audited:

- the non-financial group statement, to which reference is made in the group management report,
- the Group's corporate governance statement, to which reference is made in the group management report, and
- the information contained in the Group management report that is not part of the management report and designated as unaudited.

In addition, other information also includes all remaining parts of the annual report.

Other information does not include the consolidated financial statements, the contents of the Group management report that were audited or our corresponding auditor's report.

Our opinions on the consolidated financial statements and the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the audited contents of the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

## **Responsibilities of the legal representatives and the supervisory board for the consolidated financial statements and the group management report**

The legal representatives are responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of net assets, financial position and results of operations of the Group. Furthermore, the legal representatives are responsible for such internal controls as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for the assessment of the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to the continuation of the Group as a going concern. In addition, they have responsibility for accounting on the basis of the going concern principle, unless there is the intention to liquidate the Group or to discontinue operations or there is no realistic alternative.

The legal representatives are also responsible for preparing the group management report, which as a whole provides an accurate picture of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German law and adequately depicts the opportunities and risks related to the future performance. Furthermore, the legal representatives are responsible for the precautions and

measures (systems) which they have deemed necessary to enable the preparation of a group management report in accordance with German statutory requirements and to provide sufficient suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the group management report.

### **Responsibility of the statutory auditor for the audit of the consolidated financial statements and the group management report**

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the group management report as a whole provides an accurate picture of the Group's position and, in all material respects, is in accordance with the consolidated financial statements and the findings of our audit and German statutory provisions, and accurately depicts the opportunities and risks related to the future performance, and to issue an audit report that includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance represents a high degree of certainty, but no guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation as well as the German Generally Accepted Standards for Financial Statement Audits promulgated by the German Institute of Public Auditors (IDW) will always reveal a material misstatement. Misstatements may result from infringements or inaccuracies and are considered material if it could reasonably be expected that they will, individually or collectively, influence the economic decisions of addressees made on the basis of these consolidated financial statements and the group management report.

During our audit we exercise professional judgement and due scepticism. Moreover,

- we identify and assess the risks of material misstatements, whether due to fraud or error, in the consolidated financial statements and the group management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- we obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the arrangements and measures relevant to the audit of the group management report that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- we express an opinion on the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the accounting estimates and related disclosures made by the legal representatives.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and assess, based on the audit evidence obtained, whether there is material uncertainty in connection with events or circumstances that could raise significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and the group management report in our audit report or, if this information is inadequate, to modify our auditor's

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the Group to cease to continue as a going concern.

- we express an opinion on the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the IFRS applicable within the EU and the additional requirements of German law in accordance with Section 315e (1) German Commercial Code (HGB).
- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to enable us to express an opinion on the consolidated financial statements and the group management report. We are responsible for guiding the audit of the consolidated financial statements, its supervision and execution. We have sole responsibility for our audit opinions.
- we assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it portrays of the Group's position.
- we carry out audit procedures on the forward-looking statements presented by the legal representatives in the group management report. Based on sufficient, appropriate audit evidence, we retrace in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not issue a separate audit opinion on the forward-looking statements and the underlying assumptions. There is significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those charged with governance issues such as the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence, and the safeguarding measures taken in this respect.

From the matters that we discussed with those charged with governance, we determine those matters that were most significant in the audit of the consolidated financial statements for the current period under review and are therefore considered key audit matters. We describe these matters in the auditor's report, unless laws or other statutory provisions prohibit a public disclosure of such information.

## **Other statutory and regulatory requirements**

### **Other disclosures in accordance with Article 10 of the EU Audit Regulation**

We were appointed statutory auditors of the consolidated financial statements by the Annual General Meeting on 28 June 2019. We received our mandate from the Supervisory Board on 28 October 2019. We have been in continuous practice as statutory auditors of the consolidated financial statements of Einhell Germany AG since the 2002 financial year.

We state that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

## **Responsible statutory auditor**

The statutory auditor responsible for the audit is Johannes Hanshen.

Munich, 31 March 2020

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Hanshen  
Auditor

Zimmermann  
Auditor



BMW i Motorsport  
Official Main Partner



Einhell Germany AG  
Wiesenweg 22  
D-94405 Landau a. d. Isar  
Germany

Phone +49 (0) 9951 942-0  
Fax +49 (0) 9951 1702

[investor-relations@einhell.com](mailto:investor-relations@einhell.com)  
[www.einhell.com](http://www.einhell.com)

[einhell.com](http://einhell.com)  
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