



**Einhell**

# FINANCIAL REPORT 2020



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# I COMBINED MANAGEMENT REPORT OF THE EINHELL GROUP

# 1. PREAMBLE

The combined management report published in the Annual Report 2020 comprises the Group management report and the management report of Einhell Germany AG. Unless otherwise stated, the report on performance and financial figures as well as the situation and the expected development relates to both the Group and Einhell Germany AG. Sections containing information on Einhell Germany AG only are identified as such. In the economic report, disclosures in accordance with the German Commercial Code (HGB) for Einhell Germany AG are presented in a separate section.



# 2. BUSINESS ACTIVITIES, STRUCTURE, MANAGEMENT AND GOALS OF THE EINHELL GROUP

## 2.1 General operations and business segments

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 and other distribution channels with a wide range of DIY products. Einhell is known for top products for DIY enthusiasts and hobby gardeners.<sup>1</sup> In addition to living up to its standard of offering reliable quality at an outstanding price-performance ratio, the Einhell brand stands for products that provide users with flexibility, simplicity and joy when realising their own projects.<sup>2</sup> Customer satisfaction is our primary goal.<sup>3</sup> Therefore, customer-oriented services are more than just an empty phrase at Einhell but in fact our everyday standard.<sup>4</sup> Subsidiaries and associates across the world ensure the proximity to the Einhell Group'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. 1,700 employees worldwide. Group revenue amounted to EUR 724.7 million in financial year 2020 (previous year: EUR 605.7 million).

The Einhell Group structures its operations according to the regions "D/A/CH", "Western Europe", "Eastern Europe", "Overseas" and "Other countries". Operational responsibility for the respective CPU lies with the Board of Directors of Einhell Germany AG and the Managing Directors of the subsidiaries.

## 2.2 Legal structure and management of the Group

### a) Legal structure and changes to Group structure

Einhell Germany AG, Landau an der Isar, holds direct and indirect shareholdings in a total of 41 subsidiaries, which each form separate legal entities. 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 are thus held by Einhell Germany AG. Moreover, Einhell Germany AG also generally holds 100% in the global distribution companies.

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<sup>1</sup> Unverified statement

<sup>2</sup> Unverified statement

<sup>3</sup> Unverified statement

<sup>4</sup> Unverified statement

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. Product processing, the search for factories, their auditing and certification, procurement, services, controlling, financing, IT and other administrative activities, for example, are carried out centrally by the 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 great potential, the organisation and efficient development of the Einhell Group's business model are among the management's most important responsibilities.

The Group structure changed as follows during financial year 2020:

In the 2020 financial year, the Einhell Group merged Einhell Export-Import GmbH into Einhell Holding Gesellschaft m.b.H. In addition, Einhell Germany AG acquired 51% of the shares in the companies Lawn Star (Pty) Ltd, South Africa and Mould Star (Pty) Ltd, South Africa. Moreover, Einhell Germany AG took over the remaining 1.925% of the shares from the former Managing Director of Einhell Hellas A.E. and now holds 100% of the shares. Finally, Einhell Electro Machinery Technology Co, Ltd, China was founded.

#### **b) 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 based on the respective member's functional responsibility for the departments assigned to them.

The Chairman of the Board of Directors is responsible for distribution, 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 the services and IT segments.

The Board of Directors supervises the 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 ongoing 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 2020:

Supervisory Board	2020
Univ.-Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Dieter Spath	Chairman
Philipp Thannhuber	Deputy Chairman
Maximilian Fritz	Employee representative

### c) 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 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 is not extended after twelve years, members of the Board of Directors receive 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, respectively 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.

### d) Personnel changes to the Board of Directors

There were no personnel changes to the Board of Directors in financial year 2020. Responsibilities of the Board of Directors largely remained constant.

## 2.3 Corporate strategy and management

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.

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

### a) Strategy

In the coming years, Einhell will continue to focus on the further development of the **EINHELL brand**. In 2021, we will expand our TV advertising campaign to Switzerland, Hungary, Italy and Spain. In 2022, we will expand the TV campaign to two to three additional countries. In addition, Einhell will invest in sensory marketing, as good marketing addresses all senses. For this purpose, we will create an Einhell fragrance in 2021, which will be included in our Power X-Change products in the future.

The **online trading** segment continues to grow and Einhell 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 focus will be on social

media, additions to the website, product advisors for Power X-Change products and the expansion and optimisation of product detail pages.

A **sustainable product range policy** is also still one of Einhell's main objectives. The main focus in the next few years will be on our Power X-Change platform. The revenue share of the Power X-Change platform is to be expanded to about 40% in the medium term. To achieve this goal, we strive to offer 200 Power X-Change units on our platform by the end of 2021. In addition, the first Einhell robot mower with an integrated camera is to be launched next year.

Our **digital organisation** is another great challenge, but also offers huge opportunities. We are already working intensively on the further digitalisation of our business; many digitalisation steps in our corporate processes have already been implemented or are in the process of being implemented. As such, the Group is planning to establish a new ERP solution for the distribution subsidiaries in line with the further standardisation process. In addition, Einhell envisages to finalise Payment Factory and the implementation of a new reporting software.

We will introduce targeted capacity planning to increase shipment performance and thus address challenges with respect to global **supply chain management**. In addition, Einhell will put a Risk Integration Centre in China into operation as well as a high-bay warehouse with warehouse automation in Landau an der Isar.

We will continue to develop our **international distribution network** in the medium term in order to be able to achieve our medium-term revenue targets. For this purpose, we will both unlock additional potential in the existing markets and tap into new markets where we are not yet present. The two South African companies in which we acquired shares in 2020 are to be integrated into our Einhell organisation. Furthermore, Einhell plans to establish a new subsidiary and successfully conclude a contract with another partner in a new country.

## **b) Management system**

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

In addition to the financial performance indicators, Einhell Germany AG and the Group companies at a local level use additional **key performance indicators (KPIs)** such as gross profit margin and the main drivers of working capital, inventories and trade receivables for management purposes. 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 sanity 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 by means of 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.

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 operating margin averaging 5% to 6%, and long-term stable dividend distributions.

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

## 2.4 Product processing and quality management

### a) Product processing

Product processing expenses amounted to EUR 9.2 million in financial year 2020 (previous year: EUR 7.5 million). 60 employees (previous year: 60 employees) were employed in this business unit. Product processing at Einhell 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 sector.<sup>5</sup>

### b) 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 based on customer requirements. Quality control and quality management comply with 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 in place 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.

## 2.5 Personnel and HR services

The number of employees rose in financial year 2020 compared to the previous financial year. On average, the Einhell Group had 1,658 employees (previous year: 1,576). Revenue per employee amounted to EUR 437 thousand (previous year: EUR 384 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/en/company/csr-report.html>.

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<sup>5</sup> Unverified statement



# 3. ECONOMIC REPORT

## 3.1 General economic conditions

The financial year 2020 was dominated by the COVID-19 crisis. At the beginning of the year, major challenges resulted from store closures and the sourcing of goods from China. However, the COVID-19 crisis also gave the DIY store sector a marked boost. In many regions, like-for-like revenue increased in 2020 compared to the previous year's figures. This also put wind in the sails of the Einhell Group. In addition, revenue generated with Power X-Change products was massively expanded. This also benefited from the consistent product policy applied in recent years.

### a) D/A/CH

The German DIY market has continued to grow in recent years and is now the second largest DIY market in the world after North America/USA.

About 50% of German DIY revenue is generated by the large well-known DIY chains. It is therefore important for Einhell to be listed in these chains.

The DIY sector performed very well in 2020 compared to other sectors and benefited from a significant increase in demand. As people have been spending more time at home and worked from home more than ever before, while other consumption options were restricted, private households focused increasingly on their own home and garden. As a result, the number of DIY projects surged. DIY and home improvement stores achieved revenue growth well above the market level. At the same time, revenue growth was more pronounced in the online than in the offline segments.

The gross domestic product (GDP) in Germany contracted by 5.0% in 2020. While this value was

slightly better than expected by most economists, it fell significantly short of the level seen in previous years that recorded positive growth rates.

On average, consumer prices in Germany increased by 0.5% year-on-year in 2020 compared to 2019. This is the lowest increase since 2016. In 2019, the inflation rate had still stood at 1.4%. The main reason for the low inflation rate is low energy prices, further supported by the VAT reduction in the second half of the year.

The harmonised index of consumer prices (HICP), which is calculated for European purposes, increased by 1.6% year-on-year in Germany in 2020 compared to 2019.

### b) Western and Eastern Europe

The resurgence of the COVID-19 pandemic and the containment measures gradually imposed in all eurozone countries have put an end, for the time being, to the economic recovery from the hard lockdown in spring. The economic consequences of the containment measures in the fourth quarter, which were a lot more graduated, were far less damaging to growth than those imposed in spring and also less severe than initially assumed. For the year 2020 as a whole, however, the gross domestic product in the eurozone is expected to decline by 6.8%. The French GDP fell by 1.3% in the fourth quarter, while in Spain, the GDP even increased by 0.4%. The Italian economy contracted by 2.0%.

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

## WESTERN EUROPE

(in %)	2020	2019
Spain	-12.8	1.9
France	-9.8	1.3
UK	-9.8	1.3
Italy	-10.6	0.1

## EASTERN EUROPE

(in %)	2020	2019
Croatia	-9.0	2.9
Poland	-3.6	4.1
Romania	-4.8	4.1
Czech Republic	-6.5	2.5

In December 2020, 16.0 million men and women were unemployed in the European Union (of which 13.67 million in the eurozone). Compared to December 2019, the number of unemployed persons increased by 1.95 million in the European Union and by 1.52 million in the eurozone.

Inflation in the eurozone has dropped by -0.3% by year-end 2020, according to the statistics authority Eurostat. One year before, the inflation rate had still amounted to 1.3%. The European Central Bank is targeting a medium-term inflation rate of just under 2%.

### c) Overseas

The Australian economy has regained some optimism with regard to the expected future development. With the successful implementation of measures to contain the pandemic, the spread of COVID-19 was controlled. With COVID-19 regulations having been widely eased, everyday life has started to return to the Australian major cities. This fuels a broad-based economic recovery. The labour market in particular seems to be on a positive trajectory. Since its low point in May 2020, roughly 650,000 new jobs have already been created again until October 2020. The economic downturn caused by COVID-19 was therefore mild in an international comparison. The Organisation for Economic Cooperation and Development (OECD) expects Australia's gross domestic product (GDP) to decline by 3.8% in 2020. Commercial banks such as Westpac are more optimistic and forecast a decline of only 3.3%.

In the South American countries where the Einhell Group is active, the following growth rates were achieved in 2020.

(in %)	2020	2019
Argentina	-11.8	-3.1
Colombia	-8.2	3.4
Chile	-6.0	2.5

## 3.2 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 724.7 million in financial year 2020, compared to EUR 605.7 million in the previous year.

The Einhell Group was thus able to significantly exceed its forecast for financial year 2020 announced at the beginning of 2020, in which the Board of Directors expected an increase in revenue to approx. EUR 610 million.

In the first quarter, revenue of the Einhell Group was slightly below the prior-year level with a decrease from EUR 157.3 million in the previous year's comparable quarter to EUR 154.9 million.

In the second quarter, revenue amounted to EUR 186.7 million, which clearly exceeded the prior-year level (EUR 165.7 million). This was owed to a marked increase in revenue in nearly all of the regions.

With the DIY boom continuing in the third quarter, Einhell achieved significant revenue growth. At EUR 188.0 million, revenue in the third quarter was well above the previous year's level (EUR 140.0 million).

In the fourth quarter, revenue showed a highly positive development compared to the prior-year

period, rising from EUR 142.7 million to EUR 195.1 million. Thus, the Group was able to achieve record revenue again in the 2020 financial year.

The regional development of revenue in financial year 2020 breaks down as follows:

## REVENUE DEVELOPMENT BY REGION

(in EURk and %)	2020		2019		Change	
D/A/CH	301,631	41.6	247,011	40.8	54,620	22.1
Western Europe	139,930	19.3	121,780	20.1	18,150	14.9
Eastern Europe	69,191	9.6	63,439	10.5	5,752	9.1
Overseas	170,993	23.6	126,894	20.9	44,099	34.8
Other countries	42,931	5.9	46,569	7.7	-3,638	-7.8
<b>Total</b>	<b>724,676</b>	<b>100.0</b>	<b>605,693</b>	<b>100.0</b>	<b>118,983</b>	<b>19.6</b>

The Einhell Group was able to significantly increase revenue in almost all regions in financial year 2020. Merely the Other countries region failed to see any revenue growth. A major customer who had previously purchased directly in Hong Kong is now again processing its orders via

the local distribution companies. This leads to revenue shifts between the regions.

Further revenue growth is driven by the strong demand for the Power X-Change products that meanwhile account for a 31% share in Group revenue (previous year: 25%).

## REVENUE DEVELOPMENT BY SEGMENT

(in EURk and %)	2020		2019		Change	
Tools	484,084	66.8	393,700	65.0	90,384	23.0
Garden & Leisure	240,592	33.2	211,993	35.0	28,599	13.5
<b>Total</b>	<b>724,676</b>	<b>100.0</b>	<b>605,693</b>	<b>100.0</b>	<b>118,983</b>	<b>19.6</b>

## 4. EARNINGS

The Einhell Group has significantly increased its profitability compared to the previous year and generated profit before tax of EUR 56.4 million in financial year 2020 (previous year: EUR 32.5 million). The pre-tax margin is 7.8% (previous year: 5.4%).

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

(in EURk)	2020	2019	Change
D/A/CH	16,221	10,188	6,033
Western Europe	12,074	6,244	5,830
Eastern Europe	7,465	3,979	3,486
Overseas	20,078	9,989	10,089
Other countries	4,602	3,676	926
Reconciliation	-4,075	-1,577	-2,498
<b>Profit before income taxes</b>	<b>56,365</b>	<b>32,499</b>	<b>23,866</b>

At the beginning of the 2020 financial year, the Einhell Group had expected an increase in revenue to about EUR 610 million and a pre-tax margin of approx. 5.5%.

In April – after the first lockdowns and store closures due to the COVID-19 pandemic – the Einhell Group had anticipated that it might not reach its forecast, while not ruling out catch-up effects.

Against the backdrop of the COVID-19 crisis, the Einhell Group had a very successful first half of 2020. In the middle of the year, profit before income taxes was slightly above the previous year's level, which prompted the Einhell Group to slightly increase its original forecast. The new guidance forecast revenue of EUR 620 - 630 million and a pre-tax margin of 5.5% - 6.0%.

With the demand for Einhell products on a steady rise, the revenue forecast was raised to EUR 670 million in autumn, and the guidance for the pre-tax margin was lifted to 6.5%.

The DIY boom led to another guidance increase at the beginning of December. The Group was

now forecasting revenue of EUR 700 million and a pre-tax margin of 7.0%.

The new profit before tax forecast with a margin of 7% was once again clearly exceeded at the end of the financial year.

The earnings development benefited mainly from the revenue growth, while revenue growth resulted from very strong demand for DIY products. An increase in DIY activities led to an increase in demand for DIY products. Its excellent listings and broad presence on the market have a very positive effect for Einhell here. The share of e-commerce has risen further as stores were temporarily closed and curfews were imposed.

The domestic market of the **D/A/CH** region performed very well in the past financial year. Revenue in our Power X-Change products segment was massively expanded. At the same time, restrictions in the region because of the COVID-19 pandemic also led to a strong increase in DIY activities, and Einhell managed to benefit from this trend. Furthermore, the investments in the EINHELL brand as well as the marketing activities in recent years have truly paid off.

Current market data from Germany reveals that Einhell is gaining further 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. In the garden tools market, Einhell continues to rank first in the field of cordless devices with the most units sold, ahead of Gardena and Bosch.

Revenue in the **Western Europe** region also increased in financial year 2020. Particularly in France and Italy, revenue increased significantly over the previous year.

In the Tools division, impressive gains in market share were realised in Spain. In Italy, Einhell even managed to gain market share in both divisions.

In the **Eastern Europe** region, both revenue and earnings were above the previous year. Einhell Turkey, in particular, which has not been quite as successful in recent years, was able to achieve excellent revenue and earnings levels in the past financial year. The companies with the highest revenue in this region are Einhell Croatia, Einhell Turkey and Einhell Poland.

In the **Overseas** region, revenues and earnings were also significantly higher than in the previous year. Ozito Industries Pty Ltd was able to significantly increase both revenue and earnings compared to the previous year. Einhell Chile, the largest subsidiary in South America, also performed very well. Revenue and earnings figures benefit from the very high penetration rate in this market.

**Other countries** with the procurement companies in Asia made a significant contribution to consolidated net profit. Both revenue and earnings fell short of the previous year's levels, however. This was caused by a major customer who used to purchase in Hong Kong now processing its orders through the local distribution companies again. 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.

The gross profit margin increased significantly in the past financial year and now amounts to 35.9% (previous year: 34.1%), driven by significant revenue growth and stable purchasing conditions.

Personnel expenses climbed by EUR 13,543 thousand to EUR 92,089 thousand.

Other operating expenses increased by 19.3% year-on-year to EUR 109,103 thousand. This increase is mainly attributable to higher freight costs in connection with revenue growth, while higher marketing expenses weighed on the other operating expenses. The increase in marketing expenses is in line with the corporate strategy with a focus on further strengthening the Einhell brand. The objective is to further expand the high market shares reached in previous years.

The financial result deteriorated slightly by EUR -100 thousand to EUR -2,642 thousand. The financial result mainly comprises the interest result of EUR -764 thousand (previous year: EUR -749 thousand) and the gains/losses from currency translation/currency hedging amounting to EUR -1,844 thousand (previous year: EUR -1,792 thousand).

Tax expenses amounted to EUR 14.6 million in the 2020 financial year (previous year: EUR 7.9 million).

The consolidated net income after non-controlling interests increased from EUR 24,316 thousand to EUR 41,201 thousand in the 2020 financial year.



# 5. ASSETS AND FINANCIAL POSITION

The main line items in the statement of financial position for the financial years 2020 and 2019 are as follows:

## Assets and financial position

(in EUR million)	2020	2019	Change
Assets	78.9	66.9	12.0
Goods inventories	194.8	173.3	21.5
Trade receivables	119.2	92.9	26.3
Cash and cash equivalents	32.1	25.7	6.4
Equity	245.3	214.9	30.4
Liabilities to banks	22.9	25.0	-2.1
Trade payables	96.8	78.2	18.6

Total assets increased by EUR 81.0 million or 20.4% to EUR 478.4 million.

## Investments and non-current assets

Capex amounted to EUR 17.4 million in financial year 2020, not including the right-of-use assets from the adoption of IFRS 16. Most of the capital expenditure pertains to land and buildings in company assets, plant and office equipment and assets under construction. The investments mainly pertain to the construction of a new logistics centre at the Landau an der Isar site.

Depreciation amounted to EUR 9,623 thousand in 2020 (previous year: EUR 8,424 thousand). This includes depreciation amounting to EUR 5.0 million due to the adoption of IFRS 16.

## Current assets

Inventories increased from EUR 173,324 thousand to EUR 194,761 thousand as at the reporting date. Fortunately, no major problems were encountered on the Asian procurement markets in financial year 2020. There were only some delays in deliveries at the beginning of the COVID-19 crisis due to the development in China and related curfews.

Trade receivables increased to EUR 119,197 thousand (previous year: EUR 92,869 thousand).

## 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 predominantly denominated in EUR. 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 51.3% – 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 were made in June 2020, the last are to be made 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 2020.

## Liquidity

As at the reporting date, the Group had approx. EUR 156.2 million in unsecured credit lines at its disposal for the operating business. Overall, the Einhell Group had credit balances of EUR 32,087 thousand with banks and liabilities from debt capital to banks in the amount of EUR 22,913 thousand on the reporting date.

The Group uses 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 opti-

mises 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 2020:

(in EUR million)	2020	2019	Change
Cash flow from operating activities	36.3	56.0	-19.7
Cash flow from investing activities	-17.7	-13.8	-3.9
Cash flow from financing activities	-10.6	-31.3	20.7
	<b>8.0</b>	<b>10.9</b>	<b>-2.9</b>
Changes from currency translation	-1.6	0.7	-2.3
<b>Net decrease/increase in cash and cash equivalents</b>	<b>6.4</b>	<b>11.6</b>	<b>-5.2</b>
Cash and cash equivalents at beginning of period	25.7	14.1	11.6
<b>Cash and cash equivalents at end of period</b>	<b>32.1</b>	<b>25.7</b>	<b>6.4</b>

Cash flow from operating activities deteriorated year-on-year. An extremely strong profit before income taxes of EUR 56,365 thousand was offset by the increase in inventories (EUR 23,041 thousand) and in trade receivables (EUR 28,653 thousand).

Cash flow from financing activities includes mainly repayment of loans (EUR 2,344 thousand) and new loans (EUR 2,110 thousand) as well as the dividend distribution.

Cash flow from investing activities mainly pertains to capex for property, plant and equipment.

Due to positive cash flow from the operating business, cash and cash equivalents at reporting date rose by EUR 6.4 million to EUR 32.1 million. Their share in total assets amounts to 6.7% (previous year: 6.5%).

## Equity/debt capital

The Einhell Group has an excellent equity ratio of 51.3% (previous year: 54.1%) as well as net cash of EUR 9,174 thousand (previous year: EUR 687 thousand).

Debt capital taken out by the Einhell Group increased to EUR 233.1 million (previous year: EUR 182.5 million).

# 6. OVERALL ECONOMIC SITUATION

The Einhell Group's revenue growth was primarily driven by its 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. In addition, the stagnating or declining developments at various subsidiaries in recent years reversed in the 2020 financial year and had a very positive effect on the overall performance.

# 7. CORPORATE SOCIAL RESPONSIBILITY (CSR)

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 for both the Einhell Group and the Einhell Germany AG.

## Non-financial group statement

The non-financial group statement, which must be submitted in accordance with Sections 315b, 315c German Commercial Code (HGB) as well as Sections 289 b-e German Commercial Code (HGB) is made available in the form of a CSR Report on the Einhell website at <https://www.einhell.com/en/company/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 report is not included in the combined management report.



# 8. OPPORTUNITIES AND RISKS REPORT

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.

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

### **a) Description of risk management process**

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 assessment. 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 upon to identify and assess specific risks for their relevant functional 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.

### **b) 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 discussed 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 is the main process-independent control measure with respect to Group accounting processes.

### **c) 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 that changes in the economic or legal circumstances of the Einhell Group are recognised and that new or amended statutory regulations for Group accounting are applied.

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 stipulate concrete formal requirements regarding the consolidated financial statements. As well as determining the companies included in the consolidation, they also include 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 measurement 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.

## 8.2 Description of risks

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 risk categories we have identified with their potential effects on EBT and the incidence rate. This enables us to take suitable risk mitigation measures at the level of individual risks.

The Einhell Group does not expect any major changes in risks in 2021. Some risks were adjusted compared with the previous year in line with current trends and expectations.

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

Possible effects concerning:	effects on earnings		incidence rate	
	-	2021 +		2021
<b>Environment &amp; Industry</b>				
Political risks	□□■	■	rare	28%
Industry risks	□□□□■	■	rare	12%
<b>Company-specific risks</b>				
Procurement risks	□■	■	rare	41%
Sales market risks	□□■	■	improbable	8%
Strategic and expansion risks	□□□□■	■	rare	11%
Liability risks, Legal risks	□□■	■	rare	10%
IT risks	□□■	■	rare	13%
Human resources risks	□□□■	■	rare	14%
Other risks	□□□□■	■	rare	13%
<b>Finance</b>				
Financial, interest and currency risks	□□■	■	rare	39%
Default risks	□□□■	■	rare	20%
Liquidity risks	□□□□■	■	improbable	2%
Tax risks	□□□■	■	rare	23%

### 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

## 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



Since the beginning of 2020, COVID-19 has spread all over the world. Restrictions of personal contacts and other measures were introduced in most countries to keep new infection numbers as low as possible. Many sectors have consequently suffered enormous revenue losses. Although Einhell, as a player in the DIY sector, also initially feared high revenue and earnings losses due to worldwide closures of DIY stores, the sales market of the sector actually developed very dynamically in 2020. On balance, negative expectations with regard to the sales market risk were therefore not confirmed in 2020. And the positive trend is expected to continue.

After the strong slump due to the COVID-19 pandemic, we expect a significant recovery of the global economy in 2021. However, as the pandemic continues, macroeconomic uncertainties also remain. This will only improve when the population has been largely immunised. The measures implemented to contain the pandemic further restrict market participants in the procurement and sales markets. However, we expect that increasing immunisation of the population will lead to an economic recovery. The DIY sector has proven very resilient during the COVID-19 crisis due to high consumer demand. In addition to the entrepreneurial risks, we therefore also see considerable opportunities for the 2021 financial year.

The financial, interest rate and currency risk will also remain high in financial year 2021. In some countries, the risk of currency losses remains high. The instruments for hedging currency losses are either too expensive for these countries or entirely unavailable.

### **Sales market risks**

The Einhell Group sees sales market risks arising mainly from the general development of demand in the sector, its own unit sales and revenue volumes and bad debt losses. 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 customer accounted for more than 10% of the Einhell Group's revenue in the past financial years. Nevertheless,

the management has not identified any risk of dependency on this customer. Based on the experience gained so far during the pandemic and the strength of the Einhell Group across the various distribution channels, the sales market risk for 2021 is considered to be significantly lower than in the previous year.

### **Procurement risks**

Procurement is a primary process in the Einhell business model and plays an important role for 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 is 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, which is still being optimised.

In order to optimise procurement planning, purchase quantities are regularly coordinated with the sales departments, reconciled and planned via an online 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 broad customer base and a strong procurement structure support this 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 Einhell Group believes that the procurement risk for the 2021 financial year is significantly higher than in the previous year. This results, on the one hand, from the massive price fluctuations in international freight rates, which primarily affect the sea route from China. On the other hand, we currently also expect significant increases in commodity prices. In addition, capacity bottlenecks at Chinese suppliers are making themselves felt due to the high global demand for DIY products.

### **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 expertise, 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. In order to protect itself as much as possible against cyberattacks, the Einhell Group continuously invests in the security of its IT systems.

### **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 ongoing 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 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.

### **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.

### **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 were made in June 2020, the last are to be made 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 2020.

The Einhell Group also has conventional lines of credit that were only partially utilised in financial year 2020. 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 2020 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, section 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 119,197 thousand (previous year: EUR 92,869 thousand).

Where possible, the Einhell Group uses trade credit insurance to counter credit risk. Despite the positive development of the sector, we see an increased risk of bad debt losses in 2021, as the expiry of the German government's protective shield for trade credit insurance is expected to result in the cancellation of cover commitments for many customers.

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 32,087 thousand on the reporting date (previous year: EUR 25,729 thousand). These assets are held at first-rate, well-known banks.

### **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 of 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 156.2 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 complex 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.

### **General economic and sector 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.

The measures taken to contain the COVID-19 pandemic show the impact of policy decisions on the economy. Policy risks have increased slightly for the Einhell Group 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 application. 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 given time. 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. The temporary closures of DIY stores decided by local governments illustrate how strongly unit sales can be impacted by political decisions at short notice.

### **Sector risks**

With respect to sector 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 while maintaining an international presence comparable to Einhell's.<sup>6</sup>

### **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 to search for suitable managing directors and specialised staff at an

early stage. With respect to infrastructure, Einhell selects 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.

### **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.

### **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.

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<sup>6</sup> Unverified statement



# 9. FORECAST REPORT

In 2021, social and economic life continues to be shaped by the COVID-19 pandemic. This forecast report of the Board of Directors is therefore still subject to great uncertainty with regard to assessing the further development of the Einhell Group. Under the current conditions, the Board of Directors generally expects a continued positive development for Einhell. Despite repeated or extended lockdown measures and store closures, the DIY sector and thus also Einhell succeed in maintaining high revenue levels and even further growth in revenue. This means that the DIY sector is not affected by the negative general trend in the economy thanks to the strong demand from end customers. In fact, the DIY sector even benefits from the introduction of stay-at-home measures. The Board of Directors believes that the situation will also have a fundamentally positive effect on Einhell's performance in 2021.

The positive trend is counteracted by the current challenges resulting from a significant increase in freight rates due to scarcity of freight resources. Prices for sea freight to the destination ports relevant for Einhell have multiplied compared to 2020. At the same time, commodity prices have risen significantly. Both factors will have an impact on the performance in 2021.

## 9.1 Expected performance in the D/A/CH region

(in %)	<b>2021</b>	2020
GDP Germany	3.0	-5.0

The German economy has shrunk considerably due to the COVID-19 crisis. The gross domestic product dropped by 5.0% in 2020.

The German government's new forecast for the German gross domestic product is only 3.0%

growth. Economic researchers have also backpedalled recently. "The contact-intensive sectors of the economy are unable to recover because of the lockdowns, and as a result, the annual economic output for 2021 as a whole will be lower," says Stefan Kooths of the Kiel Institute for the World Economy. More and more forecasts are now leaning towards the 3.0% with which the Bundesbank and the Kiel economists were considered pessimists before Christmas. This is substantiated by a survey conducted by German broadsheet newspaper F.A.Z. among the major research institutes.

In 2020, the DIY sector in the D/A/CH region benefited from the significant increase in end consumer demand for DIY products. And the market expects that 2021 will also see high demand. Brick-and-mortar retailers expect continued strong business volumes and are using the current closures to prepare their stores for the spring season and significantly increase their stock, thereby preparing for the expected high demand. The market expects a significant increase in demand in the spring season as soon as lockdown measures are lifted and the stores are permitted to reopen. Should stores not be permitted to open as hoped due to the pandemic situation, this will put a substantial strain on the sales development in brick-and-mortar settings. It is generally expected that DIY sales will then shift even more to the online channel. At the same time, many brick-and-mortar retail chains have already positioned themselves very well in the e-commerce market and will therefore be able to partially compensate for lost offline sales with an increase in online revenues. However, not all market participants in the D/A/CH region are equally well positioned online. This could lead to a further concentration of DIY suppliers in the D/A/CH region. Pure-play e-commerce retailers will again benefit from high customer demand in 2021, and the share of e-commerce in DIY sales will continue to rise. Especially in the scenario of continued closures, the shift of

sales from offline stores to online portals will intensify further.

## 9.2 Expected performance in the Western and Eastern Europe regions

Amid the second COVID-19 wave at the end of 2020, the eurozone economy did not contract quite as much as initially feared. The gross domestic product (GDP) decreased by 0.6% in the last quarter of 2020 compared to the previous quarter. Compared to the previous year 2019, the GDP contracted by 5.0%.

After a very low inflation rate in 2020, inflation is expected to rise again in the European Union in the medium and long term. The European Central Bank expects annual increases of about 1.3% in the eurozone.

In the DIY markets in Western Europe and Eastern Europe, market activity is also dominated by the COVID-19 pandemic. Like in the D/A/CH region, stay-at-home measures prevent end consumers from spending money on e.g. travel or major purchases such as cars. However, more projects are being carried out in the house and garden, and the organisation of leisure time shifts to personal projects that often include DIY and gardening. Due to the infection trend in Western and Eastern Europe, people's scope of movement continues to be restricted in 2021. It can therefore be assumed that demand for DIY products will remain high in this region as well. With regard to e-commerce, Western Europe is slightly more developed, which is why online sales are expected to increase here in particular. In Eastern Europe, brick-and-mortar retailers are still a strong factor in many countries. In these countries it will depend on whether and to what extent this distribution channel will be affected by pandemic-related closures. All in all, the Board of Directors also expects a positive business development in these regions.

## 9.3 Expected performance in the Overseas region

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

(in %)	2021	2020
GDP Argentina	4.9	-11.8
GDP Australia	3.0	-4.2
GDP Colombia	4.0	-8.2
GDP Chile	4.5	-6.0

The economic downturn in Australia caused by COVID-19 in 2020 was rather mild in an international comparison. For 2021, economists forecast an upswing with a GDP increase of around 3.0%.

Increased tensions between Australia and China, the country's most important trading partner, create some uncertainty. Around 40% of Australian exports go to China. Beijing is constantly imposing new trade restrictions on Australia, and continues to apply some kind of pin-prick strategy. The restrictions hurt the Australian economy, while they relate to goods that China can easily source from other countries.

After a long lockdown period in Australia in the 2nd and 3rd quarter of 2020, end consumer were very keen on returning to the DIY stores in Australia. This increase in demand seems to continue in 2021, which prompts the Board of Directors to expect that business will continue to develop very positively. Due to the high revenue volume that Einhell generates in Australia, effects from the increase in sea freight rates and higher commodity prices could also have a noticeable impact here in absolute terms, unless these factors can be passed on with higher prices. The Board of Directors assumes that it will be able to shoulder these challenges with an appropriate product and pricing policy that takes account of the market conditions.

In South America, the Board of Directors expects the positive development to continue overall in 2021. The pandemic has similar effects here as it

has in other regions. A particularly strong development is expected in Chile, as Einhell already has a very strong market position with a strong presence in this country. Argentina is also expected to continue the positive development seen in 2020 in 2021. However, there are increased signs that political change might be on the agenda in Argentina, which could further complicate foreign imports. The Argentine state continues to suffer from a lack of foreign currency and therefore finds it difficult to meet its obligations to international creditors. Therefore, further restrictions on imports are planned in order to limit the outflow of foreign exchange from the country.

## 9.4 Expected performance in the Other countries region

In the other countries where Einhell is active, similar effects will be seen in 2021 as in the other regions. Einhell has numerous FOB direct customers in other countries and regions around the world that take the products to the local markets. Where markets are not affected by pandemic-related closures, high demand for DIY products from end customer gives rise to very strong revenue figures. Repeated local lockdowns cannot be ruled out here either. On balance, the Board of Directors expects positive effects to prevail in this region.

## 9.5 Expected performance in the markets relevant to the Einhell Group

### a) Expected general development in 2021

The expected development in financial year 2021 depends on the further development of the COVID-19 pandemic. Both on the procurement and distribution side, the pandemic has, in certain aspects, created completely new market conditions for the companies. For the DIY sector, it brought positive as well as negative effects.

The positive effect results from the worldwide increase in demand for DIY products on the part of end customers. As people's scope of movement is restricted because of the measures taken to tackle COVID-19, the number of DIY projects to be realised in house and garden rises. And to accomplish this, they need the products Einhell has to offer.

A negative effect results from the extreme scarcity of freight equipment. On the one hand, this leads to major challenges in terms of delivery dates and, on the other hand, to significantly increased costs for sea freight.

The Board of Directors believes that Einhell is in a position to tackle these challenges very well as the Group has already worked together with the relevant service providers and business partners to find good solutions that are now being made to work.

The increased demand for DIY products and Einhell's strong market position achieved in a whole range of countries will contribute to a positive revenue development. In addition to the increase in demand, however, this is also based on the excellent distribution and market presence already achieved by Einhell as well as an outstanding product range in terms of quality and price. The Board of Directors expects the business development in 2021 to benefit from these factors.

### b) Expected development of the financial markets

Even under the new Biden administration in the USA, the monetary policy of the Federal Reserve as the world's largest central bank is likely to remain highly expansionary, and the ECB is also unlikely to deviate from its extremely expansionary monetary policy of recent years. Both central banks want to mitigate the negative effects of the COVID-19 pandemic with extremely low interest rates and a highly expansionary monetary policy. It is extremely unlikely that interest rates will be raised as this would not only cause considerable problems with regard to interest payment and debt refinancing for the companies worldwide that are affected by the pandemic but also for the

national budgets as some states are heavily indebted. The Board of Directors therefore believes that the interest rate environment will remain extremely accommodative.

In terms of exchange rates, much will depend on how US-China relations develop under the new Biden administration. And also the tensions between the USA and Russia will as a matter of fact impact the global capital markets and therefore also the exchange rates. As the role and positioning of the EU with regard to the USA, Russia and China is delicate for diplomatic reasons and therefore sometimes unclear, this additional factor of uncertainty causes fluctuations in the exchange rates between euro, US dollar and Chinese RMB. The Board of Directors of Einhell expects a continued volatile and politically charged environment and therefore carries on with its hedging strategy for the procurement of goods in foreign currency, which it has pursued successfully for many years.

#### **c) Expected development of the sales markets**

The development of the sales markets in 2021 will also be shaped by the effects of the COVID-19 pandemic. People continue to be restricted in their scope of movement and travelling is still fraught with considerable restrictions in 2021 with end consumers not seeing travel as their first option. Short-time work agreements and the expected economic challenges in many sectors because of the pandemic are increasing people's uncertainty and fear of losing their jobs. They are therefore hesitant to make larger purchases, like for instance for new cars etc. People focus on their immediate family and on leisure activities around their house and garden. This is enjoyed and perceived as a welcome diversion and hobby where costs remain manageable and the results of one's own work are visible.

And for these projects, end consumers need products that are attractive and of high quality but affordable, like those offered by Einhell. The Board of Directors therefore expects that the current environment will lead to sustained high demand on Einhell's sales markets in 2021.

#### **d) Expected development of the procurement markets**

The situation on the procurement markets for DIY products remains very challenging in 2021. In 2020, Asian factories were overwhelmed with the high demand for DIY products from end consumers in Europe, the USA, Australia and South America. Despite massive efforts to expand production capacities, not all manufacturers were always able to keep up with the development of demand, which led to the corresponding supply bottlenecks throughout the DIY sector. In 2021, these supply bottlenecks will still be felt and lead to delays in restocking. The Board of Directors expects that this situation will continue due to continued high demand. It has therefore introduced appropriate measures on the merchandise planning side in order to ensure high availability of goods.

The strong demand on the global consumer markets on the one hand and the slump in the industrial sector on the other has furthermore led to an imbalance in the global allocation of available sea freight containers. This has led to an extreme shortage of available freight equipment in Asia, which in turn has made the cost of freight from Asia to Europe and all other countries in the world extremely expensive. The Board of Directors recognised this at an early stage and was able to tackle these challenges on the basis of existing contracts. This situation is expected to carry on in 2021. In the best-case scenario, the situation will improve slightly after the Chinese New Year vacation. Nevertheless, the related increase in costs will impact product and pricing policies across the market in 2021.

#### **e) Expected development of the Einhell Group**

The Einhell Group expects revenue in a range of the prior-year level up to approx. EUR 745 million in financial year 2021. With regard to profit before tax, the Einhell Group expects a pre-tax margin of approx. 7.0%.

## EXPECTED DEVELOPMENT BY REGION

(in EUR million)	2021 (budget)		2020 (actual)	
	REVENUE	EBT	REVENUE	EBT
D/A/CH	302 - 304	18.0	301.7	16.2
Western Europe	149 - 151	10.0	139.9	12.1
Eastern Europe	74 - 75	6.0	69.2	7.5
Overseas	170 - 171	17.0	171.0	20.1
Other countries	44 - 45	5.0	42.9	4.6
Reconciliation	0	-4.0	0	-4.1
<b>Total</b>	<b>739 - 746</b>	<b>52.0</b>	<b>724.7</b>	<b>56.4</b>

For the D/A/CH region, the Einhell Group expects revenue of EUR 302 - 304 million, which is at the previous year's level, and profit before tax of approx. EUR 18.0 million. According to our assessment, revenue in the e-commerce distribution channel will continue to rise.

In Western Europe and Eastern Europe, we expect somewhat lower profits despite the increase in revenue. In several countries, we will invest heavily in our brand presence. This will lead to higher costs in the short term but significantly boost our future market presence. Furthermore, we are increasingly exposed to macroeconomic risks in some Eastern European countries that could lead to an economic downturn in these countries.

In the Overseas region, we expect revenue in the 2021 financial year to be at the previous year's level and slightly lower profit before income taxes. Especially in South America, political uncertainties can lead to strong currency fluctuations.

In the Other countries region, we expect revenue of EUR 44 - 45 million and profit before income taxes of EUR 5.0 million. Due to the high demand for our products, the primary objective of our Asian procurement companies is to ensure the supply of goods to the Einhell distribution companies and direct customers.

### f) Expected investments

In line with its corporate strategy, Einhell invests heavily in product development and brand building.

With the continued high investment in these areas Einhell strives to further improve its product range, further expand its market-leading position with Power X-Change and establish the Einhell brand all over the world.

The Einhell Group also invests annually in the expansion and maintenance of the Group's entire infrastructure. The first construction phase for the expansion of the logistics centre at the Landau an der Isar site was completed in 2020. Costs for the construction of the new goods reception terminal amounted to approx. EUR 9.0 million. As the logistics centre is being expanded, the warehouse management system was also replaced as planned with a new software to fit the new requirements. The next phase of the project is currently under construction and is scheduled for completion in 2021. This phase refers to a fully automated high-bay warehouse with a capacity of around 41,000 pallet spaces.

In addition, a wide range of investments in hardware and software are planned in the Group in 2021 with a total amount of EUR 1.7 million.

### g) Expected financial situation

Efficient liquidity management remains a top priority of the Einhell Group in financial year 2021. 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. Another update was made to the financial planning for the next five years. Based on this

financial planning, Einhell Germany AG concluded appropriate credit lines with various banks to finance the Group's further growth and secure the low interest level.

## 9.6 Summary of expected developments

### **Outlook for financial year 2021**

Because of the pandemic, the internationally positioned Einhell Group will face highly disparate developments on the markets in the 2021 financial year. Based on previous experiences during the pandemic and due to its strong positioning in the various distribution channels, the Einhell Group expects a continued positive business development.

Taking all influencing factors into account, the Group expects revenue growth to approx. EUR 739 - 746 million. With regard to profitability, the Einhell Group forecasts a pre-tax margin of approx. 7.0%.

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

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.

Supplementary provisions according to Section 315a German Commercial Code (HGB) for certain stock corporations are included in the notes to the consolidated financial statements under "2.9 Equity".

# 10. BUSINESS DEVELOPMENT OF EINHELL GERMANY AG

The annual financial statements of Einhell Germany AG were prepared in accordance with the provisions of the German Commercial Code (HGB). Einhell Germany acts as the parent company of the internationally positioned Einhell Group and is responsible for the strategic orientation of the Einhell Group. The management of Einhell Germany AG is integrated into Group management. Management is primarily based on the financial performance indicators of revenue and profit before tax, income from investments and impairment of financial assets.

In financial year 2020, Einhell Germany AG had an average headcount of 395 people (previous year: 381).

## Earnings

Einhell Germany AG generates its revenues with the sale of products for DIY end consumers and professional craftsmen for use in the home, garden and leisure time. Einhell supplies DIY stores and other distribution channels with a wide range of DIY products. In addition, Einhell Germany AG receives payment from its subsidiaries for product processing and marketing. The charging-on of related costs resulted in revenue of EUR 7.0 million (previous year: EUR 6.4 million) in financial year 2020. Einhell Germany AG generated significantly higher revenue in financial year 2020 than forecast and also clearly exceeded the prior-year level. Due to the increase in revenue as well as a stable cost situation, Einhell Germany AG generated impressive net income in 2020. It reached its earnings forecast announced at the beginning of the year.

### **Revenue above prior-year level**

In the financial year, Einhell Germany AG generated revenue of EUR 285.4 million (previous year: EUR 239.2 million). Revenue was generated in the following regions:



## REVENUE DEVELOPMENT BY REGION

(in EURk and %)	2020		2019		Change	
Domestic	238,641	83.6	200,734	83.9	37,907	18.9
Western Europe	21,708	7.6	15,227	6.4	6,481	42.6
Eastern Europe	14,076	4.9	12,422	5.2	1,654	13.3
Overseas	487	0.2	307	0.1	180	58.6
Other countries	10,452	3.7	10,479	4.4	-27	-0.3
<b>Total</b>	<b>285,364</b>	<b>100.0</b>	<b>239,169</b>	<b>100.0</b>	<b>46,195</b>	<b>19.3</b>

## REVENUE DEVELOPMENT BY DIVISION

(in EURk and %)	2020		2019		Change	
Garden & Leisure	122,014	42.8	104,278	43.6	17,736	17.0
Tools	163,350	57.2	134,891	56.4	28,459	21.1
<b>Total</b>	<b>285,364</b>	<b>100.0</b>	<b>239,169</b>	<b>100.0</b>	<b>46,195</b>	<b>19.3</b>

Both divisions exceeded the forecasts for financial year 2020.

### Personnel expenses above prior-year level

Personnel expenses increased by EUR 4.0 million from EUR 31.6 million to EUR 35.6 million. This increase is predominantly due to the performance-based components of the remuneration for key management personnel.

### Other operating expenses exceed prior-year level

Other operating expenses rose by EUR 15.8 million from EUR 65.9 million to EUR 81.7 million. This increase was mainly due to exchange rate losses as well as marketing and logistics expenses.

### Income from investments

Income from investments (including the relevant write-ups and write-downs on interests in affiliated companies) developed as follows compared to the previous year:

(in EUR million)	<b>2020</b>	2019	Change
Income from investments	16.3	23.0	-6.7
Income from the disposal of financial assets	0.0	5.6	-5.6
Income from profit transfer agreements	4.2	2.8	1.4
Expenses from the transfer of losses	-0.4	-0.2	-0.2
	<b>20.1</b>	<b>31.2</b>	<b>-11.1</b>
Write-ups on financial assets	0.0	1.7	-1.7
Impairment of financial assets	-1.2	-9.1	7.9
	<b>-1.2</b>	<b>-7.4</b>	<b>6.2</b>
Reversals of valuation adjustments on receivables from affiliated companies	0.1	0.0	0.1
Valuation adjustment on receivables from affiliated companies	0.0	-5.6	5.6
	<b>0.1</b>	<b>-5.6</b>	<b>5.7</b>
<b>Income from investments</b>	<b>19.0</b>	<b>18.2</b>	<b>0.8</b>

**Earnings and net income exceed prior-year level**

The Company generated earnings after taxes of EUR 22.4 million (previous year: EUR 19.3 million) in 2020. Net income also increased from EUR 19.2 million to EUR 22.3 million. Earnings before taxes, income from investments and impairment of financial assets increased from EUR 2.0 million to EUR 7.3 million. This means that the forecast for the financial year of EUR 6.5 to 7.0 million was slightly exceeded.

## PROFIT AND LOSS STATEMENT

1 January to 31 December

(in EUR million)

	2020	2019	Change	%
<b>Revenue</b>	<b>285.4</b>	<b>239.2</b>	<b>46.2</b>	<b>19.3</b>
Other income	28.6	24.4	4.2	17.2
Cost of materials	-190.1	-164.5	-25.6	-15.6
Personnel expenses	-35.6	-31.6	-4.0	-12.7
Scheduled depreciation	-1.2	-0.8	-0.4	-50.0
Other operating expenses	-81.7	-65.9	-15.8	-24.0
<b>Operating profit</b>	<b>5.4</b>	<b>0.8</b>	<b>4.6</b>	<b>575.0</b>
Financial result	20.9	19.4	1.5	7.7
<b>Earnings before tax (EBT)</b>	<b>26.3</b>	<b>20.2</b>	<b>6.1</b>	<b>30.2</b>
Income taxes	-3.9	-0.9	-3.0	-333.3
<b>Earnings after income taxes</b>	<b>22.4</b>	<b>19.3</b>	<b>3.1</b>	<b>16.1</b>
Other taxes	-0.1	-0.1	0.0	0.0
<b>Net income</b>	<b>22.3</b>	<b>19.2</b>	<b>3.1</b>	<b>16.1</b>

## Financial performance and net assets

### Investments

Investments amounted to EUR 24.4 million in financial year 2020. EUR 11.4 million of this amount relates to increases in share capital at subsidiaries. The remaining investments of EUR 13.0 million comprise investments of EUR 1.7 million in intangible assets including advance payments, EUR 2.5 million in land, land rights and buildings including buildings on third-party land, EUR 0.1 million in technical equipment and machinery, EUR 0.6 million in other equipment, operating and office equipment, and EUR 8.1 million in advance payments and assets under construction. The investments mainly pertain to the construction of a new, state-of-the-art logistics centre with a high-bay warehouse.

### Increase in inventories

Inventories increased from EUR 66.8 million to EUR 77.7 million as at the reporting date.

### Decrease in receivables

Trade receivables decreased by EUR 3.2 million to EUR 22.2 million (previous year: EUR 25.4 million).

### Decrease in receivables from affiliated companies

Receivables from affiliated companies fell by EUR 20.2 million to EUR 59.8 million compared to the previous year. Receivables from affiliated companies comprise both trade receivables and receivables from loans granted. The receivables from loans granted include valuation adjustments of EUR 6.5 million from previous years.

### Increase in provisions

Other provisions increased by EUR 8.3 million from EUR 15.7 million to EUR 24.0 million. This increase is predominantly due to the performance-based components of the remuneration for key management personnel.

### Increase in liabilities

Trade payables rose by EUR 2.2 million from EUR 6.9 million to EUR 9.1 million. Liabilities to affiliated companies fell by EUR 2.1 million to EUR 65.9 million. This includes trade payables and also liabilities from borrowing.

### Increase in equity

Equity increased by EUR 17.2 million or 9.8% to EUR 193.0 million (previous year: EUR 175.8 million) in financial year 2020. The change in equity resulted from the dividend distribution of EUR 5.2 million approved on 19 June 2020 and from earnings after income taxes of

EUR 22.4 million. The equity ratio of Einhell Germany AG as at 31 December 2020 is 60.4% (previous year: 59.5%).

### **Financial management principles and objectives**

Einhell Germany AG'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, Einhell Germany AG procures debt capital in the form of loans and short-term borrowings as well as, to some extent, supplier loans. Loans are predominantly denominated in EUR. 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 Einhell Germany AG, 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.

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 10 years. The first repayments were made in June 2020, the last are to be made 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 2020.

The Group uses 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 land and buildings of Einhell Germany AG 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 2020:

## STATEMENT OF CASH FLOWS

(in EUR million)	2020	2019	Change
Cash flow from operating activities	11.5	-13.2	24.7
Cash flow from investing activities	-1.8	18.6	-20.4
Cash flow from financing activities	0.5	5.5	-5.0
<b>Net increase/decrease in cash and cash equivalents</b>	<b>10.2</b>	<b>10.9</b>	<b>-0.7</b>
Cash and cash equivalents at the beginning of the period	11.3	0.4	10.9
<b>Cash and cash equivalents at the end of the period</b>	<b>21.5</b>	<b>11.3</b>	<b>10.2</b>

## MATERIAL ITEMS IN THE STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

(in EUR million)	2020	2019	Change	%
Assets	130.0	107.9	22.1	20.5
Inventories	77.7	66.8	10.9	16.3
Trade receivables	22.2	25.4	-3.2	-12.6
Receivables from affiliated companies	59.8	80.0	-20.2	-25.3
Cash and cash equivalents	21.5	11.3	10.2	90.3
Equity	193.0	175.8	17.2	9.8
Other provisions	24.0	15.7	8.3	52.9
Liabilities to banks	22.6	25.0	-2.4	-9.6
Liabilities to affiliated companies	65.9	67.9	-2.0	-2.9

## Headcount

In financial year 2020, Einhell Germany AG had an average headcount of 395 employees (previous year: 381).

## Report on the relations with affiliated enterprises

The majority of the shares in Einhell Germany AG are held by Thannhuber AG. A report pursuant to Section 312 of the German Stock Corporation Act (AktG) was prepared on Einhell Germany AG's relationships with affiliated companies, which is concluded with the following statement: "During the period under review, Einhell Germany AG did not enter into any legal transactions with Thannhuber AG, or in the interest or at the request of Thannhuber AG, and did not take or refrain from taking any measures that would have disadvantaged Einhell Germany AG."

## Events after reporting date

For business transactions of particular importance that occurred after the end of the reporting year, please refer to the report on events after the reporting date in the Group notes.

## Risks and opportunities

The business development of Einhell Germany AG is generally subject to the same opportunities and risks as the business development of the Einhell Group. Einhell Germany AG generally participates in the risks and opportunities of its subsidiaries and investments in accordance with its respective interest.

In its capacity as the parent company of the Einhell Group, Einhell Germany AG is responsible for providing funding to its subsidiaries. The refinancing of Einhell Germany AG is ensured by borrowing from banks. Einhell Germany AG as well as its subsidiaries benefit from the favourable refinancing conditions.

The risk of a claim arising from contingent liabilities is considered to be low. This assessment is based on the fact that the subsidiaries of Einhell Germany AG have sufficient equity or credit lines

available to ensure that the obligations entered into can be met.

Einhell Germany AG has not issued any letters of comfort for the benefit of either subsidiaries or third parties.

As the parent company of the Einhell Group, Einhell Germany AG is integrated into the Group-wide risk management system. For more information, please refer to the "OPPORTUNITIES AND RISK REPORT" of the Einhell Group.

The description of the internal control system for Einhell Germany AG in accordance with the provisions of Section 289 (5) German Commercial Code (HGB) is provided under "8.1 Description of the risk management and significant characteristics of the internal monitoring and risk management system for Group accounting processes as per Section 315 (4) German Commercial Code (HGB)" in the Group management report.

## Outlook 2021

Einhell Germany AG expects revenue of approx. EUR 280 to EUR 285 million in financial year 2021. A share of 56% is expected for the "Tools" division and a share of 44% for the "Garden & Leisure" division. Profit before tax, income from investments and impairment of financial assets is expected to be in a range of EUR 12.5 to 13.5 million in 2021.

In its function as the parent company of the Einhell Group, the future business development of Einhell Germany AG also depends on the development of the operating companies of the Einhell Group. For information on the macroeconomic and market development, please refer to the "FORECAST REPORT" of the Einhell Group.

Landau a. d. Isar, 31 March 2021

Einhell Germany AG

The Board of Directors

Andreas Kroiss

Jan Teichert

Dr Markus Thannhuber

Dr Christoph Urban



# RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

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)).

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 members 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.

Landau a. d. Isar, 31 March 2021

Einhell Germany AG  
The Board of Directors

Andreas Kroiss  
Jan Teichert  
Dr Markus Thannhuber  
Dr Christoph Urban

# II CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

(in EURk)	Note	31.12.2020	31.12.2019
Intangible assets	(2.2)	19,828	17,664
Property, plant and equipment	(2.1)	46,158	36,246
Right-of-use assets	(2.1)	12,533	12,632
Non-derivative financial assets	(2.3)	333	406
Deferred tax assets	(2.4)	12,993	10,248
Derivative financial assets	(2.7)	574	418
Other non-financial assets	(2.8)	1,406	2,139
<b>Non-current assets</b>		<b>93,823</b>	<b>79,753</b>
Inventories	(2.5)	194,761	173,324
Trade receivables	(2.6)	119,197	92,869
Derivative financial assets	(2.7)	6,835	3,979
Income tax receivables		1,039	2,358
Other non-financial assets	(2.8)	30,682	17,139
Assets held for sale	(2.17)	0	2,256
Cash and cash equivalents		32,087	25,729
<b>Current assets</b>		<b>384,601</b>	<b>317,654</b>
<b>Total assets</b>		<b>478,424</b>	<b>397,407</b>

## EQUITY AND LIABILITIES

(in EURk)	Note	31.12.2020	31.12.2019
Subscribed capital	(2.9)	9,662	9,662
Capital reserve	(2.9)	26,677	26,677
Retained earnings	(2.9)	224,398	189,565
Other reserves	(2.10)	-17,822	-12,884
<b>Equity of shareholders of Einhell Germany AG</b>		<b>242,915</b>	<b>213,020</b>
Non-controlling interest	(2.11)	2,431	1,852
<b>Equity</b>		<b>245,346</b>	<b>214,872</b>
Employee benefits	(2.12)	7,915	4,216
Provisions for other risks	(2.13)	1,225	1,106
Liabilities from debt capital	(2.14)	19,538	22,676
Deferred tax liabilities	(2.4)	3,906	3,634
Derivative financial liabilities	(2.15)	738	44
Lease liabilities	(2.16)	10,019	8,084
Other liabilities	(2.16)	1,759	1
<b>Non-current liabilities</b>		<b>45,100</b>	<b>39,761</b>
Trade payables		96,799	78,189
Income tax liabilities		4,041	1,001
Provisions for other risks	(2.13)	26,593	20,111
Employee benefits	(2.12)	19,130	15,912
Liabilities from debt capital	(2.14)	3,375	2,366
Derivative financial liabilities	(2.15)	6,096	1,840
Lease liabilities	(2.16)	2,796	4,813
Other liabilities	(2.16)	29,148	18,463
Liabilities in connection with assets held for sale	(2.17)	0	79
<b>Current liabilities</b>		<b>187,978</b>	<b>142,774</b>
<b>Total equity and liabilities</b>		<b>478,424</b>	<b>397,407</b>

# III CONSOLIDATED INCOME STATEMENT

(in EURk)	Note	31.12.2020	31.12.2019
Revenue	(3.1)	724,676	605,693
Other own work capitalised	(3.2)	1,041	219
Other operating income	(3.3)	8,931	6,887
Cost of materials	(3.4)	-464,826	-399,306
Personnel expenses	(3.5)	-92,089	-78,546
Depreciation and amortisation	(3.6)	-9,623	-8,424
Other operating expenses	(3.7)	-109,103	-91,482
Financial result	(3.8)	-2,642	-2,542
<b>Profit before income taxes</b>		<b>56,365</b>	<b>32,499</b>
Income taxes	(3.9)	-14,560	-7,922
<b>Earnings after tax</b>		<b>41,805</b>	<b>24,577</b>
Non-controlling interest		604	261
<b>Earnings after tax and non-controlling interests</b>		<b>41,201</b>	<b>24,316</b>
Earnings per share <sup>*)</sup>	(3.10)	10.9	6.5

<sup>\*)</sup> Earnings per preference share, as only the preference shares are publicly traded. For earnings per ordinary share, please see section "3.10 Earnings per share".

# IV CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EURk)	Note	31.12.2020	31.12.2019
<b>Consolidated net profit</b>		<b>41,805</b>	<b>24,577</b>
<b>Items of other comprehensive income that were or can be reclassified to profit or loss</b>			
Unrealised losses (previous year: gains) from currency translation		-3,493	124
Unrealised losses (previous year: gains) from derivative financial instruments used for hedging purposes	(2.10)	-1,041	801
		<b>-4,534</b>	<b>925</b>
<b>Items of other comprehensive income that will not be reclassified to profit or loss in future periods</b>			
Unrealised losses (previous year: gains) from financial instruments at fair value through other comprehensive income	(2.10)	-4	3
Remeasurement of employee benefits pursuant to IAS 19		-411	-599
<b>Other comprehensive income, after tax</b>		<b>-4,949</b>	<b>329</b>
thereof share of other comprehensive income attributable to non-controlling interests, after tax	(2.11)	-11	5
thereof share of other comprehensive income attributable to shareholders of Einhell Germany AG, after tax	(2.10)	-4,938	324
<b>Consolidated comprehensive income</b>		<b>36,856</b>	<b>24,906</b>
thereof share of consolidated comprehensive income attributable to non-controlling interest		593	266
thereof share of consolidated comprehensive income attributable to shareholders of Einhell Germany AG		36,263	24,640

# V CONSOLIDATED STATEMENT OF CASH FLOWS

(in EURk)	Note	31.12.2020	31.12.2019
<b><i>Cash flows from/used in operating activities</i></b>			
Profit before income taxes		56,365	32,499
+ Depreciation and amortisation of intangible assets and property, plant and equipment	(3.6)	9,623	8,424
- Interest income	(3.8)	-138	-225
+ Interest expenses	(3.8)	903	974
+/- Other non-cash expenses and income		1,660	1,533
<b>Operating profit before changes in net working capital</b>		<b>68,413</b>	<b>43,205</b>
+/- Decrease/increase in trade receivables		-28,653	-5,038
+/- Decrease/increase in inventories		-23,041	17,061
+/- Decrease/increase in other assets		-13,490	3,304
+/- Decrease/increase in assets held for sale		2,256	-2,202
+/- Increase/decrease in non-current liabilities		1,642	1,451
+/- Increase/decrease in current liabilities		23,072	462
+/- Increase/decrease in trade payables		20,036	9,399
+/- Increase/decrease in liabilities in connection with assets held for sale		-79	72
<b>Cash flows generated from operating activities</b>		<b>50,156</b>	<b>67,714</b>
- Taxes paid		-13,109	-10,778
+ Interest received		150	219
- Interest paid		-887	-1,143
<b>Net cash from/used in operating activities</b>		<b>36,310</b>	<b>56,012</b>

<b><i>Cash flows from/used in investing activities</i></b>		
- Payments to acquire assets	-17,419	-14,680
- Payments for acquisition of consolidated companies	-315	0
+ Proceeds from disposal of assets	47	248
+ Proceeds from disposal of consolidated companies	0	600
<b>Net cash used in investing activities</b>	<b>-17,687</b>	<b>-13,832</b>
<b><i>Cash flows from/used in financing activities</i></b>		
+ Proceeds from taking out loans	2,110	295
- Payments for repayment of loans	-2,344	-21,618
- Dividend payments to shareholders of Einhell Germany AG	-5,158	-5,158
- Dividend payments to non-controlling interests	-373	-618
- Payments for redemption portion of lease liabilities	-4,878	-4,184
<b>Net cash used in financing activities</b>	<b>-10,643</b>	<b>-31,283</b>
Changes to cash and cash equivalents due to currency exchange	-1,622	735
<b>Net decrease/increase in cash and cash equivalents</b>	<b>6,358</b>	<b>11,632</b>
Cash and cash equivalents at beginning of reporting period	25,729	14,097
<b>Cash and cash equivalents at end of reporting period</b>	<b>32,087</b>	<b>25,729</b>

Additional details are shown in the notes under section 5.

# VI CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EURk					Other reserves				Equity of shareholders of Einhell Germany AG	Share of non-controlling interests	Total equity
Note	Subscribed capital	Capital reserve	Retained earnings	Currency translation reserve	Reserve for financial instruments FVOCI	Remeasurement reserve pursuant to IAS 19	Derivative financial instruments				
<b>1 January 2019</b>		<b>9,662</b>	<b>26,677</b>	<b>170,150</b>	<b>-12,851</b>	<b>28</b>	<b>-1,204</b>	<b>819</b>	<b>193,281</b>	<b>2,141</b>	<b>195,422</b>
Consolidated net profit		-	-	24,316	-	-	-	-	24,316	261	24,577
Unrealised gains/losses	(2.10)	-	-	-	119	3	-821	996	297	5	302
Deferred taxes on unrealised gains/losses	(2.10)	-	-	-	-	-	222	-195	27	-	27
Comprehensive income		-	-	24,316	119	3	-599	801	24,640	266	24,906
Dividends	(2.9)	-	-	-5,158	-	-	-	-	-5,158	-587	-5,745
Other changes		-	-	257	-	-	-	-	257	32	289
<b>31 December 2019</b>		<b>9,662</b>	<b>26,677</b>	<b>189,565</b>	<b>-12,732</b>	<b>31</b>	<b>-1,803</b>	<b>1,620</b>	<b>213,020</b>	<b>1,852</b>	<b>214,872</b>
Consolidated net profit		-	-	41,201	-	-	-	-	41,201	604	41,805
Unrealised gains/losses	(2.10)	-	-	-	-3,482	-4	-604	-1,978	-6,068	-11	-6,079
Deferred taxes on unrealised gains/losses	(2.10)	-	-	-	-	-	193	937	1,130	-	1,130
Comprehensive income		-	-	41,201	-3,482	-4	-411	-1,041	36,263	593	36,856
Dividends	(2.9)	-	-	-5,158	-	-	-	-	-5,158	-373	-5,531
Other changes		-	-	-1,210	-	-	-	-	-1,210	359	-851
<b>31 December 2020</b>		<b>9,662</b>	<b>26,677</b>	<b>224,398</b>	<b>-16,214</b>	<b>27</b>	<b>-2,214</b>	<b>579</b>	<b>242,915</b>	<b>2,431</b>	<b>245,346</b>



# VII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 1. PRINCIPLES AND METHODS

## 1.1 Reporting company

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 2021, the Board of Directors released the consolidated financial statements to be passed on to the Supervisory Board and approved them for publication.

## 1.2 Basis of preparation

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.

### a) Standards applied

The accounting and valuation methods used in the consolidated financial statements are in accordance with the IFRS applicable in the EU as at 31 December 2020. The Group applied the following standards and amendments to standards to be adopted for the first time from 1 January 2020.

- Framework “Amendments to References to the Conceptual Framework in IFRS Standards”; effective for annual periods beginning on or after 1 January 2020.

- Amendments to IAS 1 and IAS 8 “Definition of Material”; effective for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 3 “Definition of a Business”; effective for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 „Interest Rate Benchmark Reform – Phase 1”; effective for annual periods beginning on or after 1 January 2020.
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”; effective from 1 June 2020.

These amendments do not have any material effects on net assets, financial position and results of operations as presented in the consolidated financial statements.

### b) 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 at 31 December 2020 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).

- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; effective for annual periods beginning on or after 1 January 2022. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.

- Annual Improvements to IFRS Standards 2018 - 2020; effective for annual periods beginning on or after 1 January 2022. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- Amendments to IAS 16 "Property, Plant and Equipment"; effective for annual period beginning on or after 1 January 2022. We do not expect any material effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- Amendments to IFRS 3 "Amendments to References to the Conceptual Framework in IFRS Standards"; effective for annual periods beginning on or after 1 January 2022. We do not expect any material effects on net assets, financial position and results of operations as presented in the consolidated financial statements.
- IAS 1 "Classification of Liabilities as Current or Non-Current"; effective for annual period beginning on or after 1 January 2023. We do not expect any material 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 IAS 1 and IFRS Practice Statement 2, "Presentation of Financial Statements and Making Materiality Judgements titled Disclosure of Accounting Policies"; 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 IAS 8 "Definition of Accounting Estimates"; 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.

The following provisions have already been endorsed in EU law in compliance with the standard EU process.

- Amendments to IFRS 4 "Deferral of effective date of IFRS 9"; effective for annual periods beginning on or after 1 January 2021. 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, IFRS 4 and IFRS 16 „Interest Rate Benchmark Reform – Phase 2"; effective for annual periods beginning on or after 1 January 2021. We do not expect any effects on net assets, financial position and results of operations as presented in the consolidated financial statements.

### **c) Presentation**

The 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 prepared 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.

## 1.3 Functional currency and reporting currency

The consolidated financial statements of Einhell Germany AG are presented in euro (EUR). Unless otherwise stated, figures are given in EUR thousands (EURk). Amounts are rounded up or down where applicable. Unless otherwise stipulated, all amounts are stated in thousands of euros (EURk). There may be minor deviations due to rounding of totals and the calculation of percentage figures.

## 1.4 Principles of consolidation

The consolidated financial statements include Einhell Germany AG and its subsidiaries for which Einhell Germany AG fulfils the respective criteria pursuant to IFRS 10. These companies are included in the consolidated financial statements from the time when control is gained. In turn, subsidiaries are no longer included in the consolidated financial statements when they are no longer controlled.

The financial statements of the subsidiaries included in the consolidation were prepared using standard accounting and valuation policies pursuant to IFRS 10. The reporting date for almost all of the companies included in the consolidated financial statements is 31 December. 31 December is the reporting date of the parent company. The reporting date of the newly acquired companies Mould Star (Pty) Ltd and Lawn Star (Pty) Ltd is 30 June. These two South African companies prepared interim financial statements as at 31 December 2020.

Capital consolidation is carried out using the purchase method by offsetting investment book values with the pro rata newly valued equity of the subsidiary at the time of gaining control (IFRS 10). 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 and provisions are eliminated. The income tax effects of consolidation transactions are recognised through profit or loss and appropriate deferred taxes are recognised.

## 1.5 Basis of consolidation

The companies included in the consolidation are Einhell Germany AG and a further 41 (previous year: 39) fully consolidated companies.

Einhell Germany AG, Landau a. d. Isar, 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 the 2020 financial year, the Einhell Group merged Einhell Export-Import GmbH into Einhell Holding Gesellschaft m.b.H. Moreover, Einhell Germany AG took over the remaining 1.925% of the shares from the former Managing Director of Einhell Hellas A.E. and now holds 100% of the shares. Furthermore, the company Einhell Electro Machinery Technology Co., Ltd, was founded.

Effective on 1 July 2020, the Einhell Group acquired 51% of the shares in the companies Lawn Star (Pty) Ltd and Mould Star (Pty) Ltd. By acquiring these two companies, the Einhell Group has entered the South African market. Lawn Star is a company in Cape Town/South Africa that was previously managed by its owner and has been selling garden tools in South Africa and neighbouring African countries for several decades under the brand name of Lawn Star. Mould Star, Cape Town/South Africa, produces injection-moulded components and smaller plastic accessory items.

Both companies have a financial year that differs from the calendar year (30 June) and generated revenue totalling about EUR 2.8 million in 2019/2020.

The purchase price comprises a fixed amount and a variable component. The fixed purchase price component for 51% of the shares amounts to EUR 344 thousand. In addition, a variable purchase price component with a fair value of EUR 286 thousand was contractually agreed. The actual amount to be paid depends on the achievement of previously defined targets (EBT until 2025). The payment obligation is not limited.

Moreover, Einhell Germany AG and the seller agreed on a put option for the remaining 49%. This option contains an obligation for Einhell Germany AG in 2025; if certain criteria are met, Einhell Germany AG can take over the remaining shares or the seller can offer Einhell Germany AG the remaining shares. The amount of the obligation depends on the future EBT performance. The Company recognised a purchase price liability of EUR 1,067 thousand for the 49% share.

The put liability was recognised in accordance with the present access method, according to which the companies are still recognised as non-controlling interests, while the payment obligation and any changes thereof are recognised directly in retained earnings without any impact on profit or loss. The present ownership of the non-controlling interests remains with the minority shareholder.

More information on the company acquisitions and the goodwill arising therefrom is available in section "2.2 Intangible assets".

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

## 1.6 Currency translation

The foreign investments within the consolidation group are financially, economically and organisationally autonomous. They are therefore regarded as economically independent foreign entities. Their functional 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 at the reporting date are valued at the daily exchange rate on the reporting date. Currency translation differences resulting from the settlement of monetary transactions or the measurement of monetary line items of a company at exchange rates that vary from the exchange rates during the period or in financial statements in which they were originally valued, 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 assets and liabilities in the statement of financial position, and at average rates of exchange during the reporting year for the statement of income. All resulting currency translation differences are recognised in other comprehensive income and shown in the adjustment from currency translation item (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 have been restated 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 ("IPC Nacional Empalme IPIM") during the current and the previous period:

(in %)	2020	2019
January	289.8299	189.6101
February	295.6660	196.7501
March	305.5515	205.9571
April	310.1243	213.0517
May	314.9087	219.5691
June	321.9738	225.5370
July	328.2014	230.4940
August	337.0632	239.6077
September	346.6207	253.7102
October	359.6570	262.0661
November	371.0211	273.2158
December	385.8826	283.4442

The effect of the application of IAS 29 on profit or loss amounts to EUR -1,415.7 thousand in the 2020 financial year (previous year: EUR -663.1 thousand).

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

		Reporting date rate		Average exchange rate	
		31.12.2020	31.12.2019	2020	2019
Australia	AUD	1.5863	1.5968	1.6554	1.6106
China	CNY	7.9914	7.8152	7.8708	7.7339
Hong Kong	HKD	9.4843	8.7397	8.8517	8.7724
UK	GBP	0.8955	0.8476	0.8892	0.8773
Switzerland	CHF	1.0821	1.0858	1.0703	1.1127
Turkey	TRY	9.0777	6.6756	8.0436	6.3574
USA	USD	1.2232	1.1219	1.1413	1.1196

## 1.7 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 complete the project.

The costs are capitalised as soon as the above criteria are fulfilled for the first time.

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 capitalised intangible assets is estimated whenever there are indications of impairment of the asset or indications that impairment losses recognised in previous financial years no longer exist.

**Goodwill** from company acquisitions is the difference between the purchase price and the pro-rated equity (measured at fair value) at the time of the purchase. Goodwill is not systematically depreciated, but 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, an impair-

ment is recognised in accordance with the regulations of IAS 36. The cash generating units are the individual companies.

**Property, plant and equipment** is measured at cost less scheduled depreciation and extraordinary depreciation whenever 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:

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

### Leases

Lease liabilities for lease contracts are measured at the present value of the remaining lease payments in accordance with IFRS 16 and discounted using the incremental borrowing rate. Payments for any non-lease components that might be included in lease contracts are included in the calculation of the lease liability unless they refer to real estate leases. The subsequent measurement of lease liabilities is based on the effective interest rate method. Right-of-use assets are recognised in line with the lease liability at the commencement date and adjusted for special payments such as initial direct costs; subsequently, they are depreciated over their useful lives on a straight-line basis and, whenever required, written down. Usually, the useful life equals the term of the lease contract. Lease modifications and reassessments of lease liabilities are recognised by adjusting the corresponding right-of-use asset without any impact on profit or loss.

The Group uses a number of practical expedients when applying IFRS 16 to leases. Specifically, the Group:

- recognises neither right-of-use assets nor lease liabilities for leases, the term of which ends within 12 months of their commencement date,

- recognises neither right-of-use assets nor lease liabilities for leases, the underlying asset of which is of low value (e.g. IT equipment),
- does not recognise leases for intangible assets in accordance with IFRS 16; these are classified in accordance with IAS 38.

For further details about lease obligations, see section "7.1 Leases".

**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 by recognising impairments. Impairments are recognised for the net realisable value of inventories whenever this value 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)

A financial asset is measured at amortised cost if both of the following conditions are met:

- 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 of the following conditions are met:

- 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 choice must be made for each investment.

All financial assets that are not measured at amortised cost or FVOCI are measured at FVTPL.

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 – subsequent measurement and gains and losses**

#### **Financial assets at FVTPL**

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 section “6.5 Foreign currency risks” for derivatives that were designated as hedging instruments.

#### **Financial assets at amortised cost**

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.

#### **Debt instruments at FVOCI**

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.

#### **Equity investments at FVOCI**

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.

**Cash and cash equivalents** includes in particular cash in banks, checks and bank deposits with an original maturity of up to three months. The cash and cash equivalents item corresponds with the corresponding item 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. 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 no longer probable, 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 offset if they relate to taxes levied by the same taxation authority.

The **adjustment from currency translation** 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 translation 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 the corresponding net investment is sold. Upon sale of the corresponding assets, the pro rata adjustment from currency translation 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.

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 recognised in other comprehensive income in the year they occur.

**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 the reporting date. Provisions with an original term of more than one year are recognised at their settlement amount discounted to the reporting date. Provisions are checked on a regular basis and amended where there is new information or circumstances have changed.

Provisions for warranties 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.

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 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 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 measured 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 financial 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 all the above instruments, the Einhell Group's fair values are additionally validated by financial institutions that have provided the Group with the relevant contracts.

If the provisions of IAS 39 on hedge accounting are met, the Einhell Group designates and documents the hedge as a cash flow hedge from this point on. 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.

The after-tax effective portion of changes in the fair value of derivative financial instruments that are allocated to a cash flow hedge are initially recognised in other comprehensive income. Upon receipt of the goods, they are reclassified to acquisition costs. The goods are therefore effectively recognised at their hedging rate. The hedge-ineffective portions of fair value changes are recognised directly in consolidated net profit.

For reasons of simplification and in accordance with the IFRS Standards, 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 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 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.

## 1.8 Estimates and assessments in accounting

The consolidated financial statements contain a certain amount of estimations, assessments and assumptions. These may have an impact on the amount and recognition of carrying amounts of assets and liabilities, disclosure of contingent receivables and liabilities at reporting date and the disclosed 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 methods 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 section "6. RISK REPORT AND FINANCIAL INSTRUMENTS".

In addition, the measurement of the put liability recognised in connection with the acquisition of the two South African companies is also based on estimates. Specifically, the measurement depends on the future EBT performance of the two companies. These changes in value, however, do not affect the future consolidated net profit as they are recognised directly in retained earnings without any effect on profit or loss.

### **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 2020. The realisable values of all companies that were tested 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. Further material assumptions and the corresponding sensitivity analyses are listed in section "2.12 Employee benefits".

**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.

**Leases**

When accounting for leases in accordance with IFRS 16 it may be required in order to determine the term of the lease to exercise discretion when assessing whether unilateral termination and extension options will be or will not be exercised. The Group takes all factors into account that may create an economic incentive for the lessee to exercise, or not to exercise, the respective option.

Discretion is also used to determine the discount rate that, in addition to the base rate, also includes a credit margin that depends on the creditworthiness.

## 2. NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In the course of the acquisition of Lawn Star and Mould Star, the Group also acquired assets and liabilities. Hidden reserves lead to adjustments to the inventories item.

Identifiable acquired assets and assumed liabilities:

(in EURk)	Carrying amount pursuant to IFRS	Fair value
Intangible assets (without goodwill)	37	37
Right-of-use assets pursuant to IFRS 16	443	443
Property, plant and equipment	209	209
Inventories	584	664
Trade receivables	811	811
Other assets	110	110
Cash and cash equivalents	28	28
Other non-current liabilities	547	547
Deferred tax liabilities	10	32
Trade payables	199	199
Lease liabilities	443	443
Other current liabilities	274	274
Other provisions	84	84

### 2.1 Changes in non-current assets

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

	I. Intangible assets			II. Property, plant and equipment							III. Financial assets	Total
	Acquired intangible assets	Self-developed intangible assets	Acquired goodwill	Land and buildings in company assets	Right-of-use assets for land and buildings in company assets	Technical equipment and machinery	Right-of-use assets for technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets for other equipment, operating and office equipment	Assets under construction	Securities	
<b>(in EURk)</b>												
<b>Acquisition and manufacturing cost</b>												
As at 1.1.2020	22,877	6,290	14,128	40,057	13,659	9,097	378	28,879	2,943	6,846	409	145,563
Additions	2,133	712	-	2,617	2,880	1,252	129	2,207	1,650	8,498	-	22,078
Changes in basis of consolidation	67	-	234	41	443	187	-	250	-	-	-	1,222
Disposals	-47	-	-	-	-1,309	-525	-	-612	-669	-6	-73	-3,241
Reclassifications	-102	102	-	7,115	-	41	-	-329	-14	-6,813	-	-
Currency differences	-85	-14	-348	-297	-127	-85	-3	-141	-23	-1	-	-1,124
As at 31.12.2020	24,843	7,090	14,014	49,533	15,546	9,967	504	30,254	3,887	8,524	336	164,498
<b>Depreciation and amortisation</b>												
As at 1.1.2020	17,600	5,650	2,381	21,031	3,331	4,195	95	23,407	922	-	3	78,615
Additions	347	195	-	1,264	3,641	846	120	2,012	1,198	-	33	9,656
Changes in basis of consolidation	27	-	-	17	-	64	-	171	-	-	-	279
Disposals	-	-	-	-	-1,304	-108	-	-600	-588	-	-33	-2,633
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Currency differences	-81	-	-	-109	-107	-47	-	-23	96	-	-	-271
As at 31.12.2020	17,893	5,845	2,381	22,203	5,561	4,950	215	24,967	1,628	-	3	85,646
<b>Net carrying amount as at 31.12.2020</b>	<b>6,950</b>	<b>1,245</b>	<b>11,633</b>	<b>27,330</b>	<b>9,985</b>	<b>5,017</b>	<b>289</b>	<b>5,287</b>	<b>2,259</b>	<b>8,524</b>	<b>333</b>	<b>78,852</b>
<b>Acquisition and manufacturing cost</b>												
As at 1.1.2019	21,772	6,136	14,108	34,083	-	7,169	-	27,674	-	2,913	718	114,573
Additions	1,580	154	-	3,723	13,668	1,926	378	2,294	2,834	6,270	10	32,837
Changes in basis of consolidation	-51	-	-	-	-	-	-	-210	-	-	-	-261
Disposals	-402	-	-	-	-9	-	-	-613	-14	-19	-319	-1,376
Reclassifications	-	-	-	2,298	-	-	-	-103	123	-2,318	-	-
Currency differences	-22	-	20	-47	-	2	-	-163	-	-	-	-210
As at 31.12.2019	22,877	6,290	14,128	40,057	13,659	9,097	378	28,879	2,943	6,846	409	145,563
<b>Depreciation and amortisation</b>												
As at 1.1.2019	17,672	5,460	2,394	20,186	-	3,610	-	22,095	-	-	3	71,420
Additions	351	190	-	852	3,309	588	95	2,102	937	-	-	8,424
Changes in basis of consolidation	-51	-	-	-	-	-	-	-210	-	-	-	-261
Disposals	-348	-	-	-	-	-	-	-497	-11	-	-	-856
Reclassifications	-	-	-	-	-	-	-	-23	23	-	-	-
Currency differences	-24	-	-13	-7	22	-3	-	-60	-27	-	-	-112
As at 31.12.2019	17,600	5,650	2,381	21,031	3,331	4,195	95	23,407	922	-	3	78,615
<b>Net carrying amount as at 31.12.2019</b>	<b>5,277</b>	<b>640</b>	<b>11,747</b>	<b>19,026</b>	<b>10,328</b>	<b>4,902</b>	<b>283</b>	<b>5,472</b>	<b>2,021</b>	<b>6,846</b>	<b>406</b>	<b>66,948</b>



## 2.2 Intangible assets

(in EURk)	2020	2019
Acquired intangible assets (without goodwill)	5,285	4,645
Self-developed intangible assets	1,245	640
Acquired goodwill	11,633	11,747
Advance payments on intangible assets	1,665	632
<b>Total</b>	<b>19,828</b>	<b>17,664</b>

Acquired intangible assets include the acquired Ozito brand value of EUR 3.3 million (previous year: EUR 3.3 million) from the acquisition of Ozito Industries Pty Ltd. The acquired brand is not depreciated on a straight-line basis as its useful life is unlimited. There is no foreseeable limit to the time period, in which the brand will bring the Company economic benefits. The brand is allocated to the same cash generating unit as the goodwill of the acquired Australian company and is tested for impairment annually together with the goodwill.

The additions to advance payments correspond to the change in the corresponding carrying amounts.

Self-developed intangible assets mainly comprise expenses arising from the development of self-developed software and new products that are amortised over the expected life cycle of the product. Expenses for product processing amounted to EUR 9,250 thousand (previous year: EUR 7,518 thousand) in financial year 2020, EUR 68 thousand of which were capitalised (previous year: EUR 0 thousand). Furthermore, development costs amounting to EUR 712 thousand (previous year: EUR 154 thousand) were incurred for self-developed software that is to support the optimisation of service procedures within the Einhell Group. These development costs were fully capitalised.

60 people were employed in the field of product processing in financial year 2020 (previous year: 60).

Goodwill pertains to the following companies:

(in EURk)	2020	2019
Ozito Industries Pty Ltd, Melbourne/Australia	5,351	5,316
Einhell Turkey Dis Ticaret Anonim Sirketi, Istanbul/Turkey	588	800
Einhell Holding Gesellschaft m.b.H., Vienna/Austria (previous year: Einhell Export-Import GmbH, Tillmitsch/Austria)	2,178	2,209
Einhell-Unicore s.r.o., Carlsbad/Czech Republic	2,237	2,311
Einhell Romania SRL, Bucharest/Romania	874	889
Einhell LLC, St. Petersburg/Russia	171	222
Lawn Star (Pty) Ltd, Cape Town/South Africa	173	0
Mould Star (Pty) Ltd, Cape Town/South Africa	61	0
<b>Total</b>	<b>11,633</b>	<b>11,747</b>

Goodwill refers to companies that directly helped the Group to enter new markets or gain market shares.

The following goodwill was recognised in connection with the acquisition of Lawn Star and Mould Star in 2020:

(in EURk)	2020
Total amount of the transferred consideration	630
Pro-rated fair value of identifiable net assets	418
Pro-rated deferred taxes on temporary differences	22
<b>Total</b>	<b>234</b>

The remaining difference is the goodwill resulting from the transaction. This represents the value of the workforce and the expected synergies which the Einhell Group considered in the purchase price:

- The acquisition will allow the Einhell Group to expand revenue in South Africa.
- Einhell will thus establish a distribution base for Einhell products.

The recoverability of goodwill is verified in the scope of an annual impairment test. 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 as the value in use. 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 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 long-term annual EBIT growth rate and amounts to 1.25% (previous year: 1.25%). The estimate is in line with the assumption 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.

The discount rate is determined on the basis of the weighted cost of equity and borrowed capital. The following discount rates (before tax) were used to determine the goodwill items stated below:

(in %)	2020	2019
Ozito Industries Pty Ltd, Melbourne/Australia	10.50	10.37
Einhell Turkey Dis Ticaret Anonim Sirketi, Istanbul/Turkey	14.64	15.71
Einhell Holding Gesellschaft m.b.H., Vienna/Austria (previous year: Einhell Export-Import GmbH, Tillmitsch/Austria)	10.43	9.76
Einhell-Unicore s.r.o., Carlsbad/Czech Republic	9.69	9.94

The following parameters were used to determine the cost of equity:

(in %)	2020	2019
Base rate	-0.10	0.20
Market risk premium	7.75	7.75

The base rate was adjusted to the current interest rate level. The market risk premium is multiplied with the beta factor derived from a peer group analysis.

A country-specific risk premium is additionally considered in the calculation of the discount rate for each individual cash generating unit (CGU), meaning that an individual discount rate is calculated for every CGU.

Pursuant to IAS 21.47, goodwill of non-euro countries is converted at the reporting date exchange rate. This led to changes in the goodwill of companies in non-euro countries in financial year 2020. Goodwill of Einhell Holding Gesellschaft m.b.H. is derived from the takeover of Einhell Croatia d.o.o., which is a wholly-owned subsidiary of Einhell Holding Gesellschaft m.b.H.

## 2.3 Non-derivative financial assets

This item refers to unchanged shares in a money market fund that serves to hedge pensions, holiday and flexible time entitlements recognised at fair value. Income from the fund amounts to EUR -4 thousand (previous year: EUR 3 thousand). The expected yield on securities ranges between 0% and 1% p.a.

## 2.4 Deferred taxes

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

(in EURk)	Deferred tax assets		Deferred tax liabilities		Net amount	
	2020	2019	2020	2019	2020	2019
Self-developed intangible assets and property, plant and equipment	9	6	1,285	1,684	-1,277	-1,678
Current assets	4,353	4,125	519	310	3,834	3,815
Other financial liabilities/assets measured at FVOCI	1,664	214	1,627	1,114	37	-900
Provisions for pensions	547	734	0	0	547	734
Provisions for other risks	3,185	3,654	82	80	3,103	3,574
Other liabilities	544	575	392	446	152	129
Tax losses carried forward	2,692	940	0	0	2,692	940
	<b>12,993</b>	<b>10,248</b>	<b>3,906</b>	<b>3,634</b>	<b>9,087</b>	<b>6,614</b>

The deferred taxes on hedge accounting, securities measured at fair value through other comprehensive income and the remeasurement of 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 mainly result from the following circumstances:

- Capitalisation and amortisation of development costs.
- Higher tax depreciation of property, plant and equipment leads to tax valuations falling under the carrying amounts.
- The measurement of trade receivables is different than in the tax base.
- Financial assets accounted for at fair value have different tax values and carrying amounts, because remeasurements are 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 tax losses carried forward of subsidiaries.

## 2.5 Inventories

(in EURk)	2020	2019
Raw materials and supplies (at acquisition cost)	1,285	367
Finished goods (at acquisition cost less impairment)	193,410	172,926
Advance payments	65	31
	<b>194,761</b>	<b>173,324</b>

The inventories recognised in the financial year as expenses correspond to the expenses for raw materials and supplies and purchased goods shown in cost of materials (see section “3.4 Cost of materials”).

In summary, Einhell recognised impairments of EUR 6,506 thousand (previous year: EUR 7,004 thousand). No goods were transferred by way of security at the reporting date, as in the previous year. In financial year 2020, inventory write-downs of EUR 4,604 thousand (previous year: EUR 2,922 thousand) were recognised through profit or loss in the statement of income.

The acquired inventories of Lawn Star (Pty) Ltd were measured at fair value. Lawn Star is a trading company and stocks almost exclusively articles of merchandise. Pursuant to IFRS 3, articles of merchandise are to be recognised at selling price less the expected selling costs and including a reasonable profit margin when a company is acquired. At Lawn Star, the selling price corresponds to gross revenue less any reductions. Selling costs mainly comprise storage costs, commissions, freight costs as well as personnel costs for sales staff on a pro rata basis. The remeasurement of the inventory assets of Lawn Star yields a total difference of EUR 80 thousand.

## 2.6 Trade receivables

Trade receivables refers to amounts owed by customers for goods sold or services rendered in the usual course of business. Usually, they must be paid within one year and are therefore classified as “current”. At initial recognition, trade receivables are recorded at the amount of the unconditional consideration. If they contain significant financing components, however, they must be recognised at fair value. The Group holds trade receivables in order to collect contractual cash flows and subsequently measures them at amortised cost by applying the effective interest rate method.

The acquired receivables of Lawn Star and Mould Star amount to EUR 811 thousand. The amount of non-recoverable cash flows is immaterial.

## CHANGES IN IMPAIRMENTS

(in EURk)	2020	2019
Amount at the beginning of the year	3,447	3,698
Impairments for bad debts	1,446	20
Amounts received for receivables written off	-189	-17
Currency translation difference	-303	-254
Amount at the end of the year	<b>4,401</b>	<b>3,447</b>

The Group's methods for recognition and calculation of impairments are described in more detail in note "6.2 Default risk".

## 2.7 Derivative financial assets

(in EURk)	2020	2019
Non-current derivative financial instruments included in hedge accounting	574	418
Non-current financial assets measured at fair value through profit or loss	0	0
	<b>574</b>	<b>418</b>

(in EURk)	2020	2019
Current derivative financial instruments included in hedge accounting	5,529	2,980
Current financial assets measured at fair value through profit or loss	1,306	999
	<b>6,835</b>	<b>3,979</b>

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

## 2.8 Other non-financial assets

The other assets item also includes VAT receivables amounting to EUR 24,015 thousand (previous

year: EUR 11,108 thousand). The highest VAT receivables are due from our procurement companies in China.

## 2.9 Equity

### SUBSCRIBED CAPITAL

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

	2020	2020
	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>Total share capital</b>	<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 8,178,016.00 for financial year 2020 (previous year: EUR 5,158,496.00). The distribution amount corresponds to a dividend of EUR 2.20 per preference share (previous year: EUR 1.40) and EUR 2.14 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. The Annual General Meeting on 19 June 2020 resolved to pay a dividend in the total amount 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.

The equity in the statement of financial position amounts to EUR 245,346 thousand on 31 December 2020 (previous year: EUR 214,872 thousand), while the equity ratio amounts to 51.3% as at 31 December 2020 (previous year: 54.1%). The Einhell Group targets an equity ratio of about 50%.

For short-term financing, the Einhell Group relies on its credit lines with banks, whereas a KfW loan was taken out for medium to long-term financing.

The aim is to achieve a balanced maturity profile and to optimise debt financing conditions.

## 2.10 Changes to other reserves

in EURk	2020			2019		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Unrealised gains/losses from currency translation	-3,482	0	-3,482	119	0	119
Unrealised gains/losses from financial instruments at fair value through other comprehensive income	-4	0	-4	3	0	3
Unrealised gains/losses from derivative financial instruments	-1,978	937	-1,041	996	-195	801
Unrealised gains/losses from remeasurement of employee benefits as per IAS 19	-604	193	-411	-821	222	-599
<b>Other comprehensive income</b>	<b>-6,068</b>	<b>1,130</b>	<b>-4,938</b>	<b>297</b>	<b>27</b>	<b>324</b>

## 2.11 Non-controlling interest

in EURk	2020	2019
<b>1 January</b>	<b>1,852</b>	<b>2,141</b>
Capital contributions (incl. consolidation effects of EUR 381 thousand (previous year: EUR 0 thousand))	394	55
Disposals	-35	-23
Dividends	-373	-587
Unrealised gains/losses from currency translation (= share in other comprehensive income)	-11	5
Share in consolidated net profit	604	261
<b>31 December</b>	<b>2,431</b>	<b>1,852</b>

The total share of non-controlling interest in equity is – as in the previous year – insignificant at 1.0%. Non-controlling interests are not measured at fair value.

## 2.12 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 entitlement 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 is required to enter an affiliation contract with a pension fund to comply with statutory requirements. By law, the

pension fund has to cover at least the occupational pension.

The discount factor for the obligations of the German companies used for future beneficiaries is 0.80% (previous year: 1.46%) while the interest rate used for pensioners is 0.50% (previous year: 0.91%). A discount rate of 0.2% (previous year: 0.2%) was used for Switzerland. 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 salary trend assumed for Switzerland is 1.0% (previous year: 1.0%). The mortality in connection with the obligations in Germany was determined on the basis of the Heubeck mortality tables (Heubeck-Richttafeln RT 2018 G), while the mortality in Switzerland is based on the BVG 2015 Generationentafeln.

The defined benefit obligations (DBO) developed as follows in financial year 2020:



## DEFINED BENEFIT OBLIGATION (DBO)

(in EURk)	2020	2019	2018	2017	2016
<b>1 January</b>	<b>6,180</b>	<b>5,620</b>	<b>4,996</b>	<b>5,681</b>	<b>5,129</b>
Current service expense (personnel expenses)	246	121	181	138	120
Interest expense (personnel expenses)	53	82	72	69	85
Actuarial losses and gains from changes in financial assumptions	646	754	174	-58	448
Pension payments	41	-82	69	-645	-147
Payments from employees	65	61	57	39	32
Other changes	0	-451	0	-78	0
Currency translation difference	3	75	71	-150	14
<b>31 December</b>	<b>7,234</b>	<b>6,180</b>	<b>5,620</b>	<b>4,996</b>	<b>5,681</b>

Plan assets developed as follows in financial year 2020:

## PLAN ASSETS

(in EURk)	2020	2019	2018	2017	2016
<b>1 January</b>	<b>1,964</b>	<b>2,245</b>	<b>1,880</b>	<b>2,467</b>	<b>2,367</b>
Interest income	0	0	0	2	88
Other changes	354	-333	310	-466	0
Currency translation difference	1	52	55	-123	12
<b>31 December</b>	<b>2,319</b>	<b>1,964</b>	<b>2,245</b>	<b>1,880</b>	<b>2,467</b>

(in EURk)	2020	2019	2018	2017	2016
Present value of defined benefit obligations	7,234	6,180	5,620	4,996	5,681
less fair value of plan assets	-2,319	-1,964	-2,245	-1,880	-2,467
<b>Net obligations</b>	<b>4,915</b>	<b>4,216</b>	<b>3,375</b>	<b>3,116</b>	<b>3,214</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 expected return on plan assets is between 0% and 1%.

### Plan assets comprise

(in EURk)	2020	2019
Pension funds	667	669
Qualified insurances	1,652	1,295
	<b>2,319</b>	<b>1,964</b>

The fair value was determined on the basis of observable market prices (level 1).

### Future payments

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

### OUT-PAYMENTS FROM PLAN ASSETS

(in EURk)	
2021	177
2022	179
2023	183
2024	187
2025	192
	<b>918</b>

There were no significant changes compared to the previous year.

Employer payments into plan assets will amount to around EUR 67 thousand in the next year (previous year: EUR 64 thousand).

In Germany, the weighted average term of defined benefit obligations for pensions is 19.8 years (previous year: 18.7 years) or 19.5 years (previous year: 19.8 years) respectively, while in Switzerland it is 19.6 years (previous year: 20.0 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.

(in EURk)		2020
<b>Einhell Germany AG</b>		
Actuarial interest rate +0.5%	1.30% future beneficiaries, 1.00% pensioners	4,246
Actuarial interest rate -0.5%	0.30% future beneficiaries, 0.00% pensioners	5,185
Life expectancy +1 year		4,946
<b>iSC GmbH</b>		
Actuarial interest rate +0.5%	1.30% future beneficiaries, 1.00% pensioners	75
Actuarial interest rate -0.5%	0.30% future beneficiaries, 0.00% pensioners	91
Life expectancy +1 year		87

<b>Einhell Schweiz AG</b>		
Actuarial interest rate +0.25		2,355
Actuarial interest rate -0.25		2,597
Salary trend +0.25		2,492
Salary trend -0.25		2,449
Life expectancy +1 year		2,519
Life expectancy -1 year		2,423

(in EURk)		<b>2019</b>
<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
Salary trend +0.25		2,076
Salary trend -0.25		2,035
Life expectancy +1 year		2,095
Life expectancy -1 year		2,018

The sensitivity analyses are isolated analyses of the respective effects, while all other assumptions remain constant.

## 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 retirement or longer benefit payments may lead to higher pension expenses and higher pension payments than previously anticipated.

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

In addition to pension obligations, the following employee benefits exist:

(in EURk)	<b>2020</b>	2019
Long-term employee benefits	3,000	0
Short-term employee benefits	19,130	15,912

The long-term employee benefits include commitments by Eihell Germany AG towards some members of the Board of Directors, whose entitlements accrue on a pro-rata basis over the term of their office. The entitlements each become fully vested after a maximum period of 12 years. The amount of the entitlement is based on the annual salary plus the average bonus of the last three years. Payment is expected as from the date the employee leaves the company. The obligation is measured on the basis of the current business planning.

In the previous year, the Group did not recognise any long-term employee benefits, because the re-design of individual commitments in financial year 2020 altered the maturities.

## 2.13 Provisions for other risks

(in EURk)	Warranty and guarantees	Others	Total
<b>1 Jan 20</b>	<b>7,607</b>	<b>13,610</b>	<b>21,217</b>
Utilisation	3,069	3,924	6,993
Reversals	0	2,286	2,286
Additions	4,557	11,543	16,100
Currency translation effects and other changes	-114	-106	-220
<b>31 Dec 20</b>	<b>8,981</b>	<b>18,836</b>	<b>27,818</b>

(in EURk)	Warranty and guarantees	Other	Total
<b>31 Dec 20</b>			
Non-current	0	1,225	1,225
Current	8,981	17,611	26,593
<b>31 Dec 19</b>			
Non-current	0	1,106	1,106
Current	7,607	12,504	20,111

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.

The non-current provisions also include provisions of Einhell Italia for compensation payments for free sales agents.

## 2.14 Liabilities from debt capital

(in EURk)	2020	2019
<b>Non-current</b>		
Loans, secured	7	20
Loans, unsecured	19,531	22,656
	<b>19,538</b>	<b>22,676</b>

(in EURk)	2020	2019
<b>Current</b>		
Loans and overdrafts, secured	6	18

Loans and overdrafts, unsecured	3,369	2,348
	<b>3,375</b>	<b>2,366</b>
thereof non-current loans maturing in the short term	3,131	2,362
thereof loans and overdrafts maturing in the short term	244	4

Collateral in the total amount of EUR 13 thousand (previous year: 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 2020. 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 were made in June 2020, the last are to be made 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 2020.

## 2.15 Derivative financial liabilities

(in EURk)	2020	2019
Non-current derivative financial instruments included in hedge accounting	738	44
Non-current financial liabilities measured at fair value through profit or loss	0	0
	<b>738</b>	<b>44</b>

(in EURk)	2020	2019
Current derivative financial instruments included in hedge accounting	4,983	1,109
Current financial liabilities measured at fair value through profit or loss	1,113	731
	<b>6,096</b>	<b>1,840</b>

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

## 2.16 Other liabilities

### OTHER LIABILITIES

(in EURk)	2020	2019
Non-current	1,759	0
Current	29,148	18,463
	<b>30,907</b>	<b>18,463</b>

The non-current other liabilities include the purchase price liability (conditional consideration and put liability) for the acquisitions of Lawn Star and Mould Star totalling EUR 1,507 thousand.

The current other liabilities include repayment obligations from customer contracts amounting to EUR 592 thousand (previous year: EUR 1,566 thousand). These liabilities refer to the Group's obligation to take back delivered goods in the following year. On the other hand, the Group's right to reclaim goods was recognised under "other non-financial assets".

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

The adoption of IFRS 16 results in lease liabilities in the following amounts as at 31 December 2020:

### LEASE LIABILITIES

(in EURk)	2020	2019
Non-current	10,019	8,084
Current	2,796	4,813
	<b>12,815</b>	<b>12,897</b>

## 2.17 Disposal group classified as held for sale

In financial year 2019, the management of the Einhell Group resolved to dispose of its subsidiary Einhell Beograd d.o.o. Therefore, Einhell Beograd was recognised as a held-for-sale disposal group as at 31 December 2019. The management's plans to sell Einhell Beograd were revised after failing to agree on a purchase price with the prospective buyer. As a result, the assets and liabilities are no longer recognised as held for sale as at 31 December 2020.

# 3. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

Lawn Star and Mould Star were consolidated for the first time as at 1 July 2020 and a pro-rata result for the period is shown as at 31 December 2020.

In the first six months until 31 December 2020, the two companies contributed revenue of EUR 1,540 thousand and operating earnings of EUR 75 thousand to consolidated net profit. If the companies had been consolidated from the beginning of the financial year, revenue would have increased by another EUR 1,377 thousand and operating earnings by another EUR 64 thousand.

## 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 in accordance with IFRS 15. The customer contracts within the meaning of IFRS 15 all have a maximum term of one year.

For the Einhell Group, revenue is always recognised at a point in time. There are no products and services, for which revenue is recognised over a period of time.

67% of revenue (previous year: 65%) was contributed by the Tools segment, while the Garden & Leisure segment contributed 33% (previous year: 35%).

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.

### REVENUE BY REGION

(in EURk and %)	2020		2019		Change	
D/A/CH	301,631	41.6	247,011	40.8	54,620	22.1
Western Europe	139,930	19.3	121,780	20.1	18,150	14.9
Eastern Europe	69,191	9.6	63,439	10.5	5,752	9.1
Overseas	170,993	23.6	126,894	20.9	44,099	34.8
Other countries	42,931	5.9	46,569	7.7	-3,638	-7.8
<b>Total</b>	<b>724,676</b>	<b>100.0</b>	<b>605,693</b>	<b>100.0</b>	<b>118,983</b>	<b>19.6</b>

## 3.2 Other own work capitalised

Own work capitalised amounts to EUR 1,041 thousand in the financial year (previous year EUR 219 thousand) and mainly refers to the development of own software solutions.

## 3.3 Other operating income

(in EURk)	2020	2019
Income from the reversal of provisions	3,851	2,040
Commission income	1,419	852
Income from costs for inspection of goods charged to suppliers	21	34
Income from costs charged to suppliers (waste disposal, freight)	439	417
Income from the receipt of receivables that had been written off and from the reversal of the allowance for doubtful receivables	189	314
Proceeds from disposal of fixed assets	30	65
Income from damage compensation	135	189
Income from PV plant	540	511
Other income	2,307	2,465
<b>Total</b>	<b>8,931</b>	<b>6,887</b>

## 3.4 Cost of materials

(in EURk)	2020	2019
Expenses for raw materials and supplies and purchased goods	464,661	399,149
Expenses for purchased services	165	157
<b>Total</b>	<b>464,826</b>	<b>399,306</b>

## 3.5 Personnel expenses

(in EURk)	2020	2019
Wages and salaries	79,670	66,501
Social security contributions	7,519	7,370
Employer contribution to pension insurance	4,247	4,146
Expenses for old-age pensions	653	529
<b>Total</b>	<b>92,089</b>	<b>78,546</b>

### NUMBER OF EMPLOYEES (ANNUAL AVERAGE)

	2020	2019
D/A/CH	680	658
Western Europe	175	160
Eastern Europe	236	241
Overseas	216	204
Other countries	351	313
<b>Total</b>	<b>1,658</b>	<b>1,576</b>

## 3.6 Depreciation and amortisation

(in EURk)	2020	2019
Amortisation of intangible assets (without goodwill)	542	541
Depreciation of property, plant and equipment	4,122	3,542
Depreciation of right-of-use assets according to IFRS 16	4,959	4,341
<b>Total</b>	<b>9,623</b>	<b>8,424</b>



## 3.7 Other operating expenses

(in EURk)	2020	2019
Expenses for buildings including maintenance of fixed assets	2,266	2,139
Legal and consulting expenses	4,069	2,990
Expenses for external stock keeping	9,995	11,067
Expenses on freight outward	24,537	20,987
Advertising expenses	28,643	22,595
Commission expenses	3,500	3,157
Fleet expenses	1,161	1,483
Product-related technical expenses/service expenses	2,638	2,519
Additions to warranty and guarantee provisions/other provisions	2,481	1,016
Compensation payments and contractual penalties	2,708	507
Expenses for hardware and software as well as office equipment	3,820	3,166
Insurance expenses	1,730	1,522
Travel costs	1,409	3,060
Fees and contributions	1,502	1,102
Waste disposal costs	2,773	1,556
Other operating expenses	15,871	12,616
<b>Total</b>	<b>109,103</b>	<b>91,482</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

(in EURk)	2020	2019
Interest income	138	225
Interest expenses	-903	-974
Expenses/income from currency translation/hedging	-1,844	-1,793
Impairment of financial assets	-33	0
<b>Financial result</b>	<b>-2,642</b>	<b>-2,542</b>
thereof expenses/income from derivatives not subject to hedge accounting	-736	-1,181

The financial result includes financial income amounting to EUR 9,424 thousand (previous year: EUR 6,399 thousand) and financial costs of EUR 12,066 thousand (previous year: 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

(in EURk)	2020	2019
Actual tax expenses	16,095	8,786
Deferred taxes	-1,535	-864
<b>Total</b>	<b>14,560</b>	<b>7,922</b>

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 that are measured at fair value through other comprehensive income are only recognised in other comprehensive income. Deferred tax assets on such changes in the fair value amount to EUR 1,664 thousand (previous year: EUR 214 thousand), while the corresponding deferred tax liabilities come out to EUR 1,627 thousand (previous year: EUR 1,114 thousand).

The subsidiaries capitalised deferred taxes from loss carryforwards of EUR 2,692 thousand (previous year: EUR 940 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 2020, no deferred taxes were recognised for loss carryforwards of EUR 8,381 thousand (previous year: EUR 15,766 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) that might result in deferred tax liabilities amount to EUR 3,497 thousand as at the reporting date (previous year: EUR 3,541 thousand) and did not give rise to the recognition of deferred taxes, because the Einhell Group can control their reversal and they will not be reversed in the foreseeable future.

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:

(in EURk)	2020	2019
Expected tax expenses	16,909	9,750
Tax expenses/income from intra-Group income/expenses	184	151
Goodwill impairment	0	0
Other non-tax-deductible expenses	1,313	1,659
Differing foreign tax rates	-1,385	-1,853
Tax-free income	-44	-746
Current losses without deferred taxes/utilisation of loss carryforwards without deferred taxes	-472	-23
Changes in loss carryforwards	-1,751	176
Taxes of previous years	-194	-1,192
<b>Reported tax expenses</b>	<b>14,560</b>	<b>7,922</b>

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% (2019: 30.0%).

## 3.10 Earnings per share

Earnings per share are calculated by dividing the earnings share of Einhell Germany AG's shareholders by the weighted average number of ordinary and preference shares outstanding in the financial year. In 2020 and 2019, there were no dilution effects on the number of shares. Therefore, diluted earnings per share equal the basic earnings per share.

The articles of association of Einhell Germany AG stipulate that preference shareholders are entitled to a dividend that is EUR 0.06 higher than the dividend paid out to the holders of ordinary shares.

(number of shares or in EURk)	2020	2019
Ordinary shares basic/diluted	2,094,400	2,094,400
Preference shares basic/diluted	1,680,000	1,680,000
Earnings after tax	41,805	24,577
Non-controlling interest	604	261
Earnings after tax and non-controlling interests	41,201	24,316
thereof earnings attributable to ordinary shares basic/diluted	22,806	13,437
thereof earnings attributable to preference shares basic/diluted	18,395	10,879
Earnings per ordinary share basic/diluted	10.89	6.42
Earnings per preference share basic/diluted	10.95	6.48

# 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 like, for instance, effects from intra-group elimination and debt consolidation.

### 2020

(in EURk)	Revenue by invoicing party	Revenue by invoice recipient	EBT	Depreciation and amortisation
D/A/CH	301,631	304,222	16,221	3,250
Western Europe	139,930	159,124	12,074	1,490
Eastern Europe	69,191	73,891	7,465	1,013
Overseas	170,993	181,819	20,078	1,650
Other countries	42,931	5,620	4,602	2,220
Reconciliation	0	0	-4,075	0
<b>Einhell Group</b>	<b>724,676</b>	<b>724,676</b>	<b>56,365</b>	<b>9,623</b>

The German companies generated revenue of EUR 277.9 million. The companies with the strongest revenue in Western and Eastern Europe are Einhell France with EUR 42.1 million, Einhell Italy with EUR 35.2 million and Einhell UK with EUR 25.6 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 138.5 million, mostly in Australia. Revenue in the Other countries is largely generated by the procurement companies in Hong Kong.

In the past financial year 2020, EUR 134,827 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.

## 2020

(in EURk)	Financial result	Interest income	Interest expenses	Non-current assets excl. deferred tax assets
D/A/CH	1,219	2,473	-585	44,707
Western Europe	-732	1	-733	7,641
Eastern Europe	-919	53	-928	10,479
Overseas	-864	181	-938	11,295
Other countries	-1,550	230	-506	6,710
Reconciliation	204	-2,800	2,787	0
<b>Einhell Group</b>	<b>-2,642</b>	<b>138</b>	<b>-903</b>	<b>80,832</b>

The share of non-current assets pertaining to Germany is EUR 41,953 thousand. The countries with the highest other assets are Australia with

EUR 9,642 thousand, China with EUR 5,853 thousand and France with EUR 3,461 thousand.

## 2020

(in EURk)	Non-cash income	Non-cash expenses	Inventories	Impairment of inventories
D/A/CH	0	9	93,426	2,461
Western Europe	0	0	37,563	659
Eastern Europe	-79	11	26,049	375
Overseas	0	241	38,750	1,103
Other countries	0	0	10,434	6
Reconciliation	-327	1,805	-11,461	0
<b>Einhell Group</b>	<b>-406</b>	<b>2,066</b>	<b>194,761</b>	<b>4,604</b>

**2019**

<b>(in EURk)</b>	<b>Revenue by invoicing party</b>	<b>Revenue by invoice recipient</b>	<b>EBT</b>	<b>Depreciation and amortisation</b>
D/A/CH	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, Australia

with revenue of EUR 104.5 million. Revenue in Other countries was mainly generated by the procurement companies in Hong Kong.

In financial year 2019, EUR 103,470 thousand had been generated with one customer, corresponding to more than 10% of the Einhell Group's revenue. This revenue was generated in the Overseas region.

## 2019

<b>(in EURk)</b>	<b>Financial result</b>	<b>Interest income</b>	<b>Interest expenses</b>	<b>Non-current assets excl. deferred tax as- sets</b>
D/A/CH	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. The companies with the highest other assets are Australia with EUR 10,322 thousand, China with EUR 5,731 thousand and France with EUR 3,500 thousand.

**2019**

<b>(in EURk)</b>	<b>Non-cash income</b>	<b>Non-cash expenses</b>	<b>Inventories</b>	<b>Impairment of inventories</b>
D/A/CH	-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>



## 4.2 Working capital

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.

## CASH AND NON-CASH CHANGES IN LIABILITIES FROM DEBT CAPITAL

### 2020

(in EURk)	Liabilities from debt capital	Lease obligations	Total
1 January 2020	25,042	12,897	37,939
Cash changes	-234	-4,878	-5,112
Non changes in cash	0	4,659	4,659
Changes from currency translation	-1,942	-306	-2,248
Changes in basis of consolidation	47	443	490
<b>31 December 2020</b>	<b>22,913</b>	<b>12,815</b>	<b>35,728</b>

### 2019

(in EURk)	Liabilities from debt capital	Lease obligations	Total
1 January 2019	46,656	8,634	55,290
Cash changes	-21,323	-4,184	-25,507
Non changes in cash	0	8,447	8,447
Changes from currency translation	-291	0	-291
<b>31 December 2019</b>	<b>25,042</b>	<b>12,897</b>	<b>37,939</b>

# 6. RISK REPORT AND FINANCIAL INSTRUMENTS

## 6.1 Financial risk management

The Einhell Group operates internationally and is thus exposed to market risks from changes to interest rates (section “6.3 Interest risks”) and exchange rates (section “6.5 Foreign currency risks”). 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

Default risks arise from cash and cash equivalents and contractual cash flows from debt instruments that are recognised at amortised cost or at fair value through other comprehensive income. We do not expect any material default risks from these items in the statement of financial position. The carrying amount is the maximum default risk.

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 Einhell Group’s most significant exposure to default risks refers to its creditor relationships with wholesale and retail customers (outstanding trade receivables).

### **RISK MANAGEMENT**

To minimise the supplier default risk, both the procurement and project management teams work with the finance department to develop joint security concepts that are permanently validated and improved whenever required.

Einhell’s corporate policy is to minimise default risk from customer receivables by using instruments that are customary in international practice. These help Einhell evaluate the 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 whenever this is expedient.

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 119,197 thousand (previous year: EUR 92,869 thousand). In financial year 2020, there were no significant receivables for which new terms of payment were agreed. The payment terms vary from country to country and range from 30 to 180 days.

### **COLLATERAL**

For some trade receivables, the Group may request securities in the form of sureties or letters of credit, which the Group can rely on under the terms of the contract if the contracting party defaults on its payment. Whenever possible, the Group takes out Atradius trade credit insurance.

The default risk for trade receivables as at 31 December 2020, broken down by insured and uninsured trade receivables, is as follows:

(in EURk)	2020	2019
insured	63,929	52,265
uninsured	55,268	40,604
	<b>119,197</b>	<b>92,869</b>

## IMPAIRMENT OF FINANCIAL ASSETS

### DEFAULT RISK CATEGORIES

(in EURk)	Category	2020	2019
Trade receivables	1	120,040	93,398
Trade receivables with impaired creditworthiness	2	3,558	2,919
Cash and cash equivalents	N/A	32,087	25,729

The Group classifies each receivable in terms of its default risk.

Impairments of trade receivables are always measured at the amount of the expected credit loss over the term of the contract. In order to determine the expected credit loss, the receivables are allocated to different bands that reflect the time they have been past due.

Furthermore, they are allocated to geographical segments. A specific 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.

### COUNTRY RISKS

(in %)	2020	2019
Australia	0.00	0.00
Chile	0.70	1.30
China	0.40	0.50
France	0.10	0.30
Germany	0.00	0.00
Italy	1.30	2.10
Spain	0.60	1.00
Turkey	3.90	4.60
UK	0.10	0.50

Whenever this is required, the rates thus determined are multiplied by scaling factors in order to account for the differences between economic conditions.

Due to the COVID-19 pandemic, the Einhell Group expects higher default risks in financial year 2021. The expected increase in company insolvencies will also increase the default risk. Therefore, the Group recognised additional impairment losses in the amount of EUR 1,264 thousand as at 31 December 2020 to account for the increased default ratio in connection with the COVID-19 pandemic.

The default risk of the customers of our South American subsidiaries is expected to be particularly high. Given the weak currencies, the effects of the pandemic could lead to massive economic disruptions. Furthermore, it is to be assumed that the upcoming elections in Argentina will further destabilise the country. The political situation in Chile is generally more stable, but credit insurers refuse to cover the receivables from some of the customers in this country. The Einhell Group therefore believes that the risk is significantly enhanced and recognised additional impairments of EUR 392 thousand.

When estimating expected credit losses, the Group takes into account appropriate and reliable information that is relevant and available without any unreasonable effort or cost. 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 following table contains information on the default risk and the expected credit losses for trade receivables as at 31 December 2020.

2020 (in EURk)	Loss rate	Gross carrying amount	Value adjustment	Creditworthiness impaired
Low risk	1.51%	118,862	1,809	No
Medium risk	8.67%	621	54	No
Below average	9.78%	557	54	No
Doubtful	42.42%	1,200	508	Yes
Loss	83.81%	2,358	1,976	Yes
		<b>123,598</b>	<b>4,401</b>	

2019 (in EURk)	Loss rate	Gross carrying amount	Value ad- justment	Creditwor- thiness im- paired
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 maximum default risk corresponds to the carrying amount of the receivables. 93% (previous year: 85%) of total gross receivables are not yet due on the reporting date.

The creditworthiness of trade receivables is deemed impaired if there are indications that they cannot be expected to be paid beyond any doubt. This is the case, for instance, if there are concrete signs of non-payment, such as insolvency.

The Group considers financial assets, save for trade receivables, to be in default 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 360 days past due as, based on past experience, it is highly unlikely that the payment will be made.

## 6.3 Interest risks

The interest risk of the Einhell Group stems mainly from interest-bearing financial liabilities.

Given the low interest level and the current market forecasts, the interest risk is currently estimated as being extremely low. Group management therefore decided not to hedge interest risks at present.

The Group is exposed to a cash flow risk from asset items (cash and cash equivalents) that are subject to variable interest rates. A change in the mar-

ket interest rate of 1% would have an effect on interests at the reporting date of EUR 318 thousand (previous year: EUR 257 thousand).

## 6.4 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 of 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. As at the reporting date, the Group has about EUR 156.2 million (previous year: EUR 145.5 million) in unsecured credit lines to finance its operating business; this includes the liabilities from debt capital in the statement of financial position. 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 at 31 December 2020 for amortisation, repayments and interest for non-current financial liabilities in the statement of financial position.

(in EURk)	2022	2023 - 2025	2026 ff.
Non-current liabilities to banks	3,259	9,626	7,092
Purchase price liabilities	63	1,797	0
Lease liabilities	3,776	5,700	543

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 are not shown separately as they will all be paid in 2021 and the effect of discounting is immaterial. The payment obligations thus basically equal their carrying amounts.

## CASH INFLOWS AND OUTFLOWS FROM FOREIGN EXCHANGE CONTRACTS

2020 (in EURk)	Total	of which non-current
Cash inflows with positive market values	365,175	31,284
Cash outflows with positive market values	355,836	29,609
Cash inflows with negative market values	432,634	108,116
Cash outflows with negative market values	432,073	103,756
<b>Total cash inflows</b>	<b>797,809</b>	<b>139,400</b>
<b>Total cash outflows</b>	<b>787,909</b>	<b>133,365</b>

2019 (in EURk)	Total	of which non-current
Cash inflows with positive market values	229,083	16,634
Cash outflows with positive market values	222,316	15,625
Cash inflows with negative market values	176,026	10,236
Cash outflows with negative market values	176,787	9,839
<b>Total cash inflows</b>	<b>405,109</b>	<b>26,870</b>
<b>Total cash outflows</b>	<b>399,103</b>	<b>25,464</b>

Sensitivities are specified in section "6.5 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. In the year under review and in the previous year, the remaining terms did not exceed two years on the reporting

date. 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.

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 via the parent company. The currency futures that are recognised at fair value through profit or loss mainly pertain to such currency hedges taken out by Einhell Germany AG to hedge internal loans.

The Group designates currency futures to hedge currency risks from procurement transactions and applies a hedging ratio of 1:1.

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 59,907 thousand or EUR -51,230 thousand, respectively, which, under cash flow hedge accounting, would be recognised in other comprehensive income.

Currency translation gains and losses are calculated on the basis of the exchange rates and the interest rates for the respective currency on the reporting date. These data are used to determine fictitious market values, which are then compared with the market values on the reporting date.

2020 (in EURk)	Change in exchange rate	+10%	-10%
	CNY	-47,034	55,803
	USD	-4,442	4,405
	Other	246	-301
	<b>Total effect</b>	<b>-51,230</b>	<b>59,907</b>

2019 (in EURk)	Change in exchange rate	+10%	-10%
	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 4,029 thousand or EUR -2,705 thousand, respectively.

2020 (in EURk)	Change in exchange rate	+10%	-10%
	CNY	-3,732	5,273
	USD	-1,601	1,965
	GBP	762	-932
	AUD	1,153	-1,409
	Other	713	-868
	<b>Total effect</b>	<b>-2,705</b>	<b>4,029</b>

2019 (in EURk)	Change in exchange rate	+10%	-10%
	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 2020

2020 (in EURk)	Gross amount shown	Offset- ting amount	Net amount shown
Derivatives with positive market values	7,409	0	7,409
Derivatives with negative market values	6,834	0	6,834

2019 (in EURk)	Gross amount shown	Offset- ting amount	Net amount shown
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 FROM CASH FLOW HEDGE

(in EURk)	Nominal volume		Market value	
	2020	2019	2020	2019
Long-term currency futures	31,284	16,634	574	418
Short-term currency futures	237,800	118,789	5,529	2,980
	<b>269,084</b>	<b>135,423</b>	<b>6,103</b>	<b>3,398</b>



## FINANCIAL INSTRUMENTS WITH A NEGATIVE MARKET VALUE FROM CASH FLOW HEDGE

(in EURk)	Nominal volume		Market value	
	2020	2019	2020	2019
Long-term currency futures	108,116	10,236	738	44
Short-term currency futures	239,882	100,133	4,983	1,109
	<b>347,998</b>	<b>110,369</b>	<b>5,721</b>	<b>1,153</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. Ineffectiveness resulting from cash flow hedges is immaterial to hedge accounting due to the short-term nature of the hedge transactions. 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 139,400 thousand. The market value of the derivatives amounts to EUR -164 thousand.

The changes in the reserve for cash flow hedges is illustrated in the statement of changes in equity.

### Cash flow hedging

The Group mainly controls and monitors market risks through its operating business activities and uses derivative financial instruments whenever required. The Einhell Group only uses these instruments to hedge procurement risks.

The Group held the following instruments to hedge against currency translation risks as at 31 December 2020.

2020	Maturity	
Hedge against material currency translation risks	up to one year	more than one year
<b>Currency futures</b>		
Net risk in EURk	508,459	139,340

Hedge against material currency translation risks	Delta reporting date rate vs. hedging rate in %	
CNY	-9% to 9%	-8% to -1%
USD	-12% to 22%	
GBP	-1% to 0%	
AUD	-2% to -1%	

2019	Maturity	
Hedge against material currency translation risks	up to one year	more than one year
<b>Currency futures</b>		
Net risk in EURk	304,098	26,871

Hedge against material currency translation risks	Delta reporting date rate vs. hedging rate in %	
CNY	-4% to 11%	4% to 7%
USD	-25% to 4%	
GBP	-7% to 1%	
AUD	-1% to 0%	

## 6.6 Market values and carrying amounts of financial instruments

Pursuant to IFRS 9, financial instruments (assets and liabilities) are allocated to different measurement categories. The allocation to a particular measurement category determines whether the financial instrument is measured 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. 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 carrying amounts and fair values of non-current liabilities from debt capital do not vary greatly either, as there are no significant changes regarding the creditworthiness of the Company that would lead to a change in the discount rate.

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.

2020 (in EURk)	Carrying amount						Fair value				
	Measurement at FVTPL is mandatory – others	Contingent consideration at fair value	Fair value – hedging instruments	Financial assets at amortised cost	FVOCI – equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>											
Currency futures for hedging purposes			6,103				6,103		6,103		6,103
Hedging derivatives not subject to hedge accounting	1,306						1,306		1,306		1,306
Non-derivative financial assets					333		333		333		333
	<b>1,306</b>	<b>0</b>	<b>6,103</b>	<b>0</b>	<b>333</b>	<b>0</b>	<b>7,742</b>				
<b>Financial assets not measured at fair value</b>											
Trade receivables				119,197			119,197				
Cash and cash equivalents				32,087			32,087				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,284</b>	<b>0</b>	<b>0</b>	<b>151,284</b>				
<b>Financial liabilities measured at fair value</b>											
Currency futures for hedging purposes			5,721				5,721		5,721		5,721
Hedging derivatives not subject to hedge accounting	1,113						1,113		1,113		1,113
Contingent consideration		319					319			319	319
	<b>1,113</b>	<b>319</b>	<b>5,721</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,153</b>				
<b>Financial liabilities not measured at fair value</b>											
Loans and overdrafts (secured, unsecured)						22,913	22,913				
Trade payables						96,799	96,799				
Put liabilities for the acquisition of non-controlling interests in South Africa						1,188	1,188				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120,900</b>	<b>120,900</b>				

2019 (in EURk)	Carrying amount						Fair value			
	Measurement at FVTPL is mandatory – others	Fair value – hedging instruments	Financial assets at amortised cost	FVOCI – equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>										
Currency futures for hedging purposes		3,398				3,398		3,398		<b>3,398</b>
Hedging derivatives not subject to hedge accounting	999					999		999		<b>999</b>
Non-derivative financial assets				406		406		406		<b>406</b>
	<b>999</b>	<b>3,398</b>	<b>0</b>	<b>406</b>	<b>0</b>	<b>4,803</b>				
<b>Financial assets not measured at fair value</b>										
Trade receivables			92,869			92,869				
Cash and cash equivalents			25,729			25,729				
	<b>0</b>	<b>0</b>	<b>118,598</b>	<b>0</b>	<b>0</b>	<b>118,598</b>				
<b>Financial liabilities measured at fair value</b>										
Currency futures for hedging purposes		1,153				1,153		1,153		<b>1,153</b>
Hedging derivatives not subject to hedge accounting	731					731		731		<b>731</b>
Contingent consideration						0			0	<b>0</b>
	<b>731</b>	<b>1,153</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,884</b>				
<b>Financial liabilities not measured at fair value</b>										
Loans and overdrafts (secured, unsecured)					24,454	24,454				
Trade payables					78,189	78,189				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,643</b>	<b>102,643</b>				

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 Lawn Star and Mould Star.

## NET GAINS AND NET LOSSES FROM FINANCIAL INSTRUMENTS

(in EURk)	2020	2019
<b>FVOCI</b>	<b>0</b>	<b>0</b>
of which interest result	0	0
<b>Financial assets and liabilities for which measurement at FVTPL is mandatory</b>	<b>-736</b>	<b>-1,181</b>
of which interest result	0	0
<b>at amortised cost</b>	<b>-3,893</b>	<b>-1,157</b>
Financial assets	-1,890	-112
of which interest result	138	225
Financial liabilities	-2,003	-1,045
of which interest result	-895	-974
<b>Contingent consideration recognised at FVTPL</b>	<b>-7</b>	<b>0</b>
of which interest result	-7	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.	Forecast annual EBT as per the most recent adopted business planning (up to about EUR 600 thousand p.a.) multiplied by a contractually defined factor.	<p>The estimated fair value would rise/fall if:</p> <ul style="list-style-type: none"> <li>• the annual average revenue growth rate were higher/lower</li> <li>• the EBIT margin were higher/lower</li> <li>• the risk-related discount rate were lower/higher</li> </ul> <p>A change in the annual revenue growth rate automatically entails a change in EBIT in the same direction.</p>
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.	N/A	N/A
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

**FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE**

Financial liabilities (secured and unsecured bank loans)	<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 2019 or 2020 in either direction.

c) Fair values in level 3

### RECONCILIATION OF FAIR VALUES IN LEVEL 3

#### CONTINGENT CONSIDERATION

(in EURk)	
As at 1 January 2020	0
Accounting of earn-out liability Lawn Star (Pty) Ltd	227
Loss recognised in borrowing expenses	6
Currency translation effects recognised in the currency adjustment item	19
Accounting of earn-out liability Mould Star (Pty) Ltd	60
Loss recognised in borrowing expenses	2
Currency translation effects recognised in the currency adjustment item	5
<b>As at 31 December 2020</b>	<b>319</b>

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 primarily 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.

Additional information on the right-of-use assets recognised in the statement of financial position is provided in the statement of assets (see section "2.1 Changes in non-current assets"). A maturity analysis of lease liabilities is provided in section "6.4 Liquidity risk".

### AMOUNTS RECOGNISED IN THE STATEMENT OF INCOME

(in EURk)	2020	2019
<b>Lease contracts according to IFRS 16</b>		
Interest expenses	235	243
Expenses for short-term leases	43	158
Expenses for leases of low-value assets	38	38

### AMOUNTS RECOGNISED IN THE CASH FLOW STATEMENT

(in EURk)	2020	2019
Total cash outflow for lease contracts	5,194	4,184

### 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 commencement 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.

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



## 7.2 Other financial obligations

The other financial obligations from orders outstanding amounted to EUR 340,069 thousand on the reporting date.

## 7.3 Corporate Governance Code

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).

## 7.4 Related party disclosures

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 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 2020, Philipp Thannhuber and Dr Markus Thannhuber received remuneration for their activities in the corporate 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.

(in EURk)	Value of transactions		Outstanding balances as at 31 December	
	2020	2019	2020	2019
Consulting (*)	27	13	0	0

(\*) 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 (managing director Philipp Thannhuber). 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.

A report pursuant to Section 312 of the German Stock Corporation Act (AktG) was prepared on Einhell Germany AG's relationships with affiliated companies, which is concluded with the following statement: "During the period under review, Einhell Germany AG did not enter into any legal transactions with Thannhuber AG, or in the interest or at the request of Thannhuber AG, and did not take or refrain from taking any measures that would have disadvantaged Einhell Germany AG."

Related parties further include key management personnel. This includes the Board of Directors and the Supervisory Board. Information on their remuneration is provided in the section "7.5 Remuneration of the Board of Directors and the Supervisory Board". A list of all the individual members is included in the section "9. CORPORATE BODIES".

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

Remuneration of key management personnel comprises:

(in EURk)

	LONG-TERM	
	2020	2019
Non-performance based components	0	0
Performance-based components	0	0
Increase in other entitlements	1,187	0
	<b>1,187</b>	<b>0</b>

(in EURk)

	SHORT-TERM	
	2020	2019
Non-performance based components	1,341	1,173
Performance-based components	6,839	3,537
Increase in other entitlements	0	207
	<b>8,180</b>	<b>4,917</b>

The additions to pension provisions amount to EUR 136 thousand (previous year: EUR 73 thousand). The final balance of the defined benefit obligations for active members of the Board of Directors amounts to EUR 2,183 thousand (previous year: EUR 1,616 thousand).

Members of the Board of Directors receive fixed and performance-based variable remuneration with short-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.

Liabilities for this group of persons totalling EUR 8,863 thousand (previous year:

EUR 7,092 thousand) were recognised in liabilities. EUR 2,987 thousand thereof (previous year: EUR 4,590 thousand) refer to commitments by Einhell Germany AG towards some members of the Board of Directors, whose claims accrue on a pro-rata basis over the term of their office. The entitlements each become fully vested after a maximum period of 12 years.

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 1,973 thousand (previous year: EUR 1,955 thousand) were set aside for former members of the Board of Directors. Pension benefits in the amount of EUR 118 thousand (previous year: 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 143 thousand (previous year: EUR 106 thousand) in the past financial year.

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

## 7.6 Auditor fees

Fees for the auditor Rödl & Partner GmbH (previous year: KPMG AG) entered as expense amount to EUR 171 thousand in the year under review (previous year: EUR 207 thousand). The fees pertain to the audit of the annual accounts and the consolidated financial statements. Fees of EUR 10 thousand (previous year: EUR 14 thousand) were recognised 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).

## 7.7 Events after the reporting date

No further events took place after the reporting date that could have a significant impact on net assets, financial position and results of operations.

# 8. LIST OF SHAREHOLDINGS

<b>31 December 2020</b>	<b>Capital share</b>	<b>Equity</b>	<b>Net income</b>
	in %	in EURk	in EURk
iSC GmbH, Landau a. d. Isar/Germany	100.0	1,129	0
Hansi Anhai Far East Ltd., Hong Kong/China	100.0	1,559	494
HAFE Trading Ltd., Hong Kong/China	100.0	2,927	-1,720
Hans Einhell China (Chongqing) Co. Ltd., Chongqing/China	100.0	3,337	-65
Hansi Anhai Youyang Ltd., Chongqing/China	100.0	5,920	3,713
Hans Einhell (Shanghai) Trading Co., Ltd., Shanghai/China	100.0	2,914	310
Hans Einhell Österreich Gesellschaft m.b.H., Vienna/Austria	100.0	3,751	1,294
Einhell Portugal – Comércio Int., Lda., Arcozelo/Portugal	100.0	4,311	312
Einhell Benelux B.V., Breda/Netherlands	100.0	985	235
Einhell Italia s.r.l., Milan/Italy	100.0	14,966	3,446
Comercial Einhell S.A., Madrid/Spain	100.0	6,726	2,122
Einhell Polska Sp.z o.o., Wroclaw/Poland	90.0	3,250	830
Einhell Hungaria Kft., Budapest/Hungary	100.0	2,284	811
Einhell Schweiz AG, Winterthur/Switzerland	100.0	3,170	982
Einhell UK Ltd., Merseyside/UK	100.0	2,656	427
Einhell Bulgarien OOD., Varna/Bulgaria	67.0	805	168
Einhell Croatia d.o.o., Sveti Križ Začretje/Croatia	100.0	5,529	1,339
Einhell BiH d.o.o., Vitez/Bosnia	66.7	3,364	598
Einhell d.o.o. Beograd, Belgrade/Serbia	100.0	2,107	42
Einhell Romania SRL, Bucharest/Romania	100.0	3,068	604
Svenska Einhell AB, Malmö/Sweden	100.0	29	-2
Einhell Holding Gesellschaft m.b.H., Wels/Austria	100.0	10,248	245
Einhell-Unicore s.r.o., Carlsbad/Czech Republic	100.0	1,772	161
Einhell Turkey Dis Ticaret Anonim Sirketi, Istanbul/Turkey	100.0	2,956	1,102
Anxall Hellas A.E., Athens/Greece	100.0	1,878	82
Einhell Chile S.A., Santiago/Chile	100.0	4,643	2,115
Einhell Nordic AS, Lystrup/Denmark	51.0	702	381
Einhell France SAS, Villepinte/France	100.0	6,336	2,115
Einhell Argentina S.A., Buenos Aires/Argentina	100.0	3,312	471
kwb Germany GmbH, Stuhr/Germany	100.0	2,293	745
Einhell LLC, St. Petersburg/Russia	100.0	1,596	391
Hans Einhell Ukraine TOV, Kiev/Ukraine	100.0	1,022	7
Einhell Holding Australia Pty. Ltd., Melbourne/Australia	100.0	24,384	4,631
Einhell Colombia S.A.S., Bogota/Colombia	100.0	277	169
Ozito Industries Pty Ltd, Melbourne/Australia	100.0	22,313	11,181
ECOMmerce System GmbH, Landau a. d. Isar/Germany	100.0	1,975	0
ECOMmerce System s.r.o., Prague/Czech Republic	90.0	1,016	-18
Lawn Star (Pty) Ltd, Cape Town/South Africa	51.0	625	50

Mould Star (Pty) Ltd, Cape Town/South Africa	51.0	177	25
Einhell Electro Machinery Technology Co. Ltd., Kunshan City/China	100.0	9,228	470
Einhell US Holding Inc., Dover/USA	100.0	92	-9

The figures for equity and earnings correspond to the figures shown in the annual financial statements that are all uniformly prepared in accordance with IFRS. Equity figures in foreign currency are converted at the exchange rate on the reporting date, while earnings figures are converted at the average rate.

# 9. CORPORATE BODIES

## 9.1 The Board of Directors

In financial year 2020, the Board of Directors of Einhell Germany AG comprised:

- **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 management, product processing, quality control, supply chain management
- **Dr Christoph Urban, Dingolfing**  
Services, IT

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

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 2020, the Supervisory Board of Einhell Germany AG comprised:

**Univ.-Prof. Dr.-Ing. Dr.-Ing. E.h. Dr. h.c. Dieter Spath, Sasbachwalden,**  
Chairman

- 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
- President of acatech – National Academy of Science and Engineering, Munich

**Philipp Thannhuber, Wallersdorf,**  
Deputy Chairman

- 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
- Member of the Board of Directors Thannhuber AG, Landau a. d. Isar

**Maximilian Fritz, Wallersdorf - Haidlfing,**  
Employee representative

- Sales representative

Univ.-Prof. 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 2021

Einhell Germany AG

The Board of Directors

Andreas Kroiss

Jan Teichert

Dr Markus Thannhuber

Dr Christoph Urban

"The auditor's report reproduced below also includes a "note on the audit of the electronic reproductions of the financial statements and the management report prepared for the purpose of disclosure in accordance with Section 317 (3b) of the German Commercial Code" ("ESEF note"). The subject of the audit on which the ESEF note is based (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in the Federal Gazette or retrieved from it."

## **Auditor's Report**

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

to Einhell Germany AG, Landau an der Isar

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

#### *Opinions*

We have audited the consolidated financial statements prepared by Einhell Germany AG, Landau an der Isar, and its subsidiaries (the Group) comprising the consolidated statement of financial position as at 31 December 2020, 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 2020 as well as the notes to the consolidated financial statements and a summary of significant accounting policies. We further audited the combined management report of Einhell Germany AG, Landau an der Isar for the financial year from 1 January to 31 December 2020. In accordance with German legal requirements, we have not audited the contents of the combined 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 applicable requirements of German commercial law pursuant to Section 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 2020, and of its financial performance for the financial year from 1 January to 2020 December 31, and, the combined management report as a whole provides an appropriate view of the Group's position.
- this combined management report is consistent in all material respects 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 combined management report does not cover the contents of those parts of the combined management report that are included in the "Other information" section.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (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 combined management report.

#### *Basis for the opinions*



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We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (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 combined 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 combined 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 2020. 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.

In our opinion, the matters set out below were the most significant for our audit (key audit matters):

### **Recoverability of goods**

Reasons for definition as a key audit matter

Goods in the amount of EUR 194.8 million are reported in the consolidated statement of financial position as at 31 December 2020. This item includes impairments in the amount of EUR 6.5 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

Our audit activities comprise, as a first step, obtaining an understanding of the process steps and internal controls implemented for the calculation 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 value adjustments recognised are appropriate. We verified the arithmetical accuracy of the calculations for determining the net realisable value and for determining the impairment amounts for inventories based on a deliberately risk-oriented selection as well as a random selection.

## Reference to related information

For the accounting and valuation methods applied in the financial year with regard to inventories, please refer to item “1.7 Accounting and valuation principles” and item “2.5 Inventories” in the notes to the consolidated financial statements and section “2.3 b) Management system” in the combined management report.

### **Accrual of revenue**

#### Reasons for definition as a key audit matter

In financial year 2020, revenue amounted to EUR 724.7 million. The Group recognises revenue upon transfer of control to the customer. 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. 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 and thus revenue is recognised in the wrong period.

#### Our audit approach

Our audit activities comprise, as a first step, obtaining an understanding of the process steps and internal controls implemented with respect to order acceptance, outgoing goods and invoicing and, in particular, with respect to the determination and verification of the correct or actual transfer of risk. In addition, we assessed the timing and amount of revenue recognised by matching the booked outgoing invoices to the related purchase orders and external proofs of delivery and payments received. This review was based on random samples of selected sales revenues in financial year 2020. We further used a mathematical statistical method to analyse select revenue bookings over a fixed period before and after the reporting date with respect to correct accrual by comparing external delivery notes for these random sample revenue bookings with the time of revenue recognition. 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. Furthermore, we examined credits for and cancellations of revenue for a certain period after the reporting date to identify any unrealised revenue in financial year 2020.

## Reference to related information

Please refer to item “1.7 Accounting and valuation principles” and item “3.1 Revenue” in the notes to the consolidated financial statements for information on the methods used to recognise revenue.

### *Other information*

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

- the non-financial group statement referred to in section “7. Corporate Social Responsibility (CSR)” in the combined management report,

# Rödl & Partner

- the Group's combined corporate governance statement referred to in the section "Corporate Governance Statement" in the combined management report, and
- non-mandatory information contained in the combined management report that is 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 combined management report that were audited or our corresponding auditor's report.

Our opinions on the consolidated financial statements and the combined 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 of the consolidated financial statements, we have a responsibility to read the other information referred to above and, in doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, the content of the audited information in the combined management report or the findings we 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 combined 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 applicable requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (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 combined 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 combined management report in accordance with German statutory requirements and to provide sufficient suitable evidence for the statements in the combined management report.

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

*Responsibility of the statutory auditor for the audit of the consolidated financial statements and the combined 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 combined 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 combined 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 combined 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 combined 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 combined 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 combined 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.

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- 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 combined 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 combined 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 combined 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 subjects 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**

### **Assurance report on the electronic reproductions of the consolidated financial statements and the combined management report prepared for the purpose of disclosure in accordance with Section 317 (3b) German Commercial Code (HGB)**

#### *Assurance conclusion*

We have performed an assurance engagement in accordance with Section 317 (3b) German Commercial Code (HGB) to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached file Einhell\_Germany\_AG\_KA\_KLB\_ESEF-2020-12-31.zip (SHA256 -hash value: e58082d81a76713b08404320ba454217e80440f24a168f0f6d20674ae6acfc33) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) German Commercial Code (HGB) for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) German Commercial Code (HGB) for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above.

#### *Basis for the assurance opinion*

We conducted our assessment of the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) German Commercial Code (HGB) and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) German Commercial Code (HGB) on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibility in accordance with this standard is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

#### *Responsibility of the legal representatives and the Supervisory Board for the ESEF documents*

The legal representatives are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 German Commercial Code (HGB) and for the markup of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 German Commercial Code (HGB).

In addition, the legal representatives are responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with

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the requirements of Section 328 (1) German Commercial Code (HGB) for the electronic reporting format, whether due to fraud or error.

The legal representatives are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette (Bundesanzeiger).

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

## *Auditor's responsibility for the assessment of the ESEF documents*

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) German Commercial Code (HGB), whether due to fraud or error. During our audit we exercise professional judgement and due scepticism. Moreover,

- we identify and assess the risks of material non-compliance with the requirements of Section 328 (1) German Commercial Code (HGB), whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to form the basis for our assurance conclusion;
- we obtain an understanding of the internal control system relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls;
- we evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable on the reporting date;
- we evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report;
- we evaluate whether the markup of the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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

We were appointed as statutory auditors of the consolidated financial statements by the Annual General Meeting on 19 June 2020. We received our mandate from the Supervisory Board on 30 November 2020. We have been in practice as statutory auditors of the consolidated financial statements of Einhell Germany AG, Landau an der Isar, since financial year 2020.

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

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## **Responsible statutory auditor**

The statutory auditor responsible for the audit is Stefan Welsch.

Nuremberg, 31 March 2021

Rödl & Partner GmbH

Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Landgraf  
Auditor  
(Wirtschaftsprüfer)

Welsch  
Auditor  
(Wirtschaftsprüfer)





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