

# QUARTERLY REPORT

30. September 2018



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## At a glance

The EINHELL Group managed to increase its business volume between January and September 2018 and generated revenue of EUR 450.2 million.

Profit before income taxes and PPA effects amounts to EUR 31.3 million. This is equivalent to an operating margin of about 7.0%. Purchase price allocation (PPA) effects reduce earnings by about EUR 0.8 million. Adjusted for PPA effects, profit before income taxes amounts to EUR 30.5 million, and the pre-tax margin is roughly 6.8%.

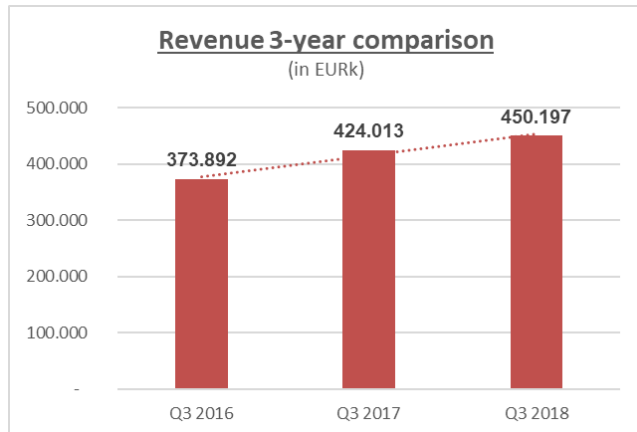
## Financial figures

Revenue		
Q3 2018	450.197	+6,2%
Q3 2017	424.013	
Profit before income taxes (before PPA)*		
Q3 2018	31.316	+4,1%
Q3 2017	30.095	
Profit before income taxes (after PPA)*		
Q3 2018	30.494	+6,0%
Q3 2017	28.755	
EBIT (before PPA)*		
Q3 2018	33.897	+4,4%
Q3 2017	32.478	
EBIT (after PPA)*		
Q3 2018	33.075	+5,9%
Q3 2017	31.246	
Equity ratio		
Q3 2018	49,0%	+2,3%
Q3 2017	47,9%	
Profit per share		
Q3 2018	5,7	+16,3%
Q3 2017	4,9	
Net debt		
Q3 2018	80.491	+57,5%
Q3 2017	51.117	
Staff		
Q3 2018	1.580	+5,5%
Q3 2017	1.497	

\* PPA = Purchase Price Allocation

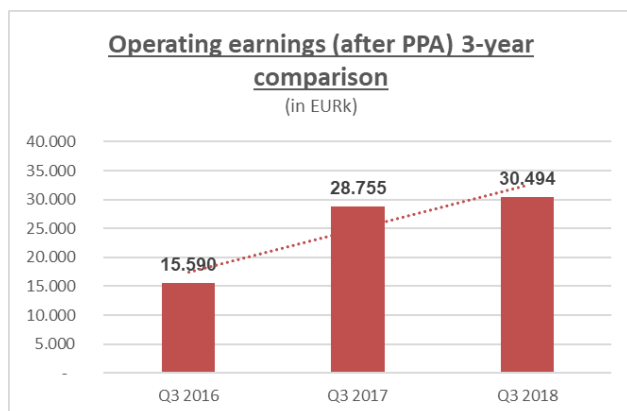
## Revenue, earnings and financial position

### Revenue

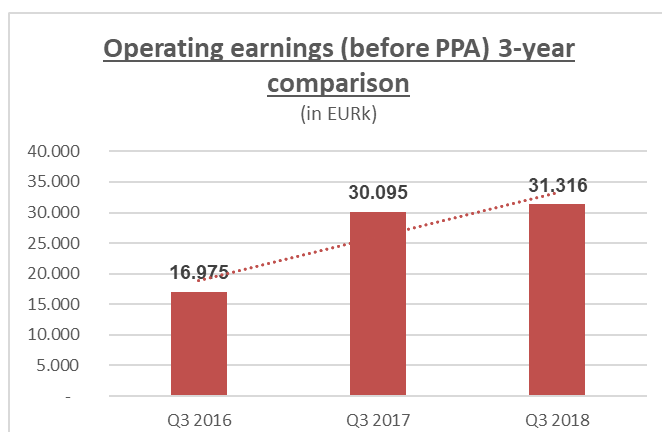


From January to September 2018, the EINHELL Group generated revenue of EUR 450.2 million (previous year: EUR 424.0 million). Revenue is thus 6.2% ahead of the previous year's level.

### Earnings



From January to September 2018, the EINHELL Group generated profit before income taxes of EUR 30.5 million (previous year: EUR 28.8 million). The pre-tax margin is 6.8% (previous year: 6.8%).



Purchase price allocation (PPA) effects took earnings down by about EUR 0.8 million. Without PPA effects, profit before income taxes would have amounted to EUR 31.3 million and the pre-tax margin to 7.0%.

Given the excellent business performance in the first half of 2018, the earnings situation has slightly improved over the prior-year period.

Consolidated net profit after minority interest amounts to EUR 21.5 million in the period under review (previous year: EUR 18.5 million). Earnings per share amount to EUR 5.7 (previous year: EUR 4.9 per share).

The revenue growth was driven primarily by the strong demand for our products in the Power X-Change range.

Personnel expenses increased year-on-year to EUR 56.5 million, as the number of staff increased (previous year: EUR 51.4 million).

Other expenses increased to EUR 68.6 million (previous year: EUR 61.5 million), driven by the increase in revenue and higher logistics and marketing expenses.

The financial result of EUR -2.6 million (previous year: EUR -2.5 million) is slightly below the previous year.

### Financial position

The key line items in the statement of financial position as at 30 September 2018 and 30 September 2017 are as follows:

	Q3 2018	Q3 2017
	in EUR million	in EUR million
Non-current assets incl. deferred tax assets	52.4	47.6
Inventories	187.5	162.0
Receivables and other assets	134.1	139.4
Cash and cash equivalents	8.3	17.6
Equity	187.2	175.5
Liabilities to banks	88.8	68.7

In the period under review, the EINHELL Group made investments amounting to EUR 5.2 million (previous year: EUR 4.4 million). The majority of this was spent on operating and office equipment.

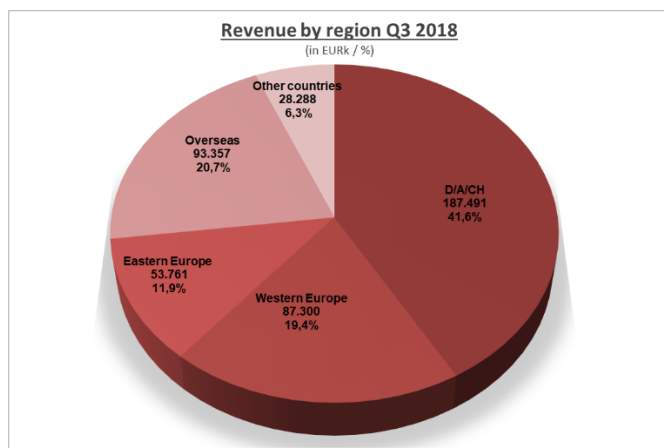
Goods inventories increased as against the prior-year period to EUR 187.5 million (previous year: EUR 162.0 million). Due to the unusually warm summer, goods sales were clearly below expectations in August and September.

Trade receivables are stated net of allowances for bad debts. At EUR 103.9 million, trade receivables are at the prior-year level (previous year: EUR 103.9 million). The application of the "Expected-loss Model", which is required by IFRS 9, results in an additional write-down requirement for trade receivables in the amount of EUR 0.1 million.

Other current assets decreased to EUR 30.1 million, down from EUR 34.3 million in the previous year. VAT receivables of our subsidiary at China have decreased significantly.

Cash and cash equivalents amount to EUR 8.3 million on the reporting date (previous year: EUR 17.6 million). Compared to the prior-year period, liabilities to banks increased from EUR 68.7 million to EUR 88.8 million. This was mainly caused by higher inventories in the third quarter.

**Performance by region**



The revenue performance was positive in the first nine months of financial year 2018. Despite lower revenue in the third quarter, nearly all regions reported revenue growth compared to the previous year.

The EINHELL Group has been applying the revenue recognition provisions of IFRS 15 since 1 January 2018. Revenue decreased by EUR 0.9 million in the period under review due to the application of IFRS 15 "Revenue from Contracts with Customers". In the comparable period of the previous year, application of IFRS 15 would have reduced revenue by EUR 0.6 million.

Revenue in the individual regions developed as follows:

in EURk	Q3 2018	Q3 2017
D/A/CH region	187,491	176,547
Western Europe	87,300	75,020
Eastern Europe	53,761	51,266
Overseas	93,357	99,416
Other countries	28,288	21,764
<b>Einhell Group</b>	<b>450,197</b>	<b>424,013</b>

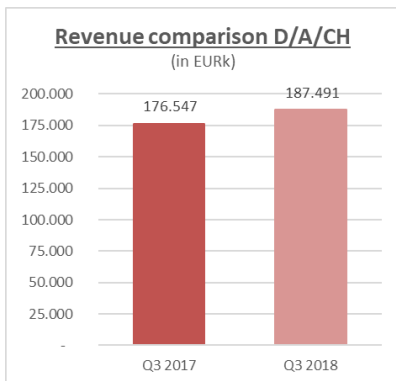
Currency translation effects of several foreign currencies against the euro led to a EUR 12 million revenue drop compared to the original planning. Moreover, due to the unusually warm summer, revenue was EUR 18 million below budget in the third quarter.

Despite higher revenue, profit before income taxes showed only a moderate increase from EUR 28.8 million to EUR 30.5 million. The development in the individual regions was as follows:

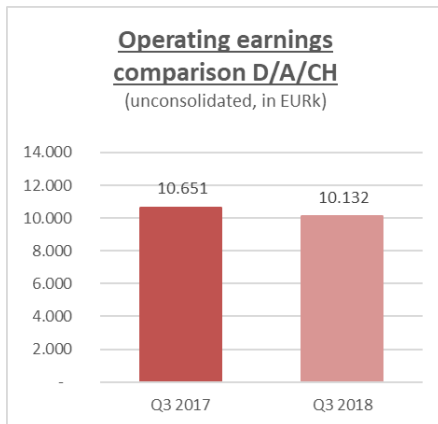
in EURk	Q3 2018	Q3 2017
D/A/CH region	10,132	10,651
Western Europe	4,466	4,541
Eastern Europe	4,674	3,597
Overseas	8,911	11,909
Other countries	6,975	10,952
Reconciliation	-4,664	-12,895
<b>Einhell Group</b>	<b>30,494</b>	<b>28,755</b>

Currency translation effects of several foreign currencies against the euro and exchange losses led to an earnings shortfall of about EUR 2 million. Profit before income taxes was about EUR 3 million below budget due to weak revenue in the third quarter.

**D/A/CH region**

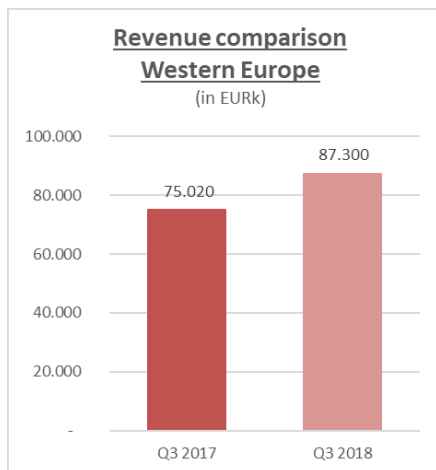


Revenue in the D/A/CH region amounts to EUR 187.5 million in the first nine months of financial year 2018 (previous year: EUR 176.5 million).



Higher staff costs, logistics costs due to high inventories and marketing expenses weigh on profit before income taxes in the D/A/CH region.

**Western Europe**



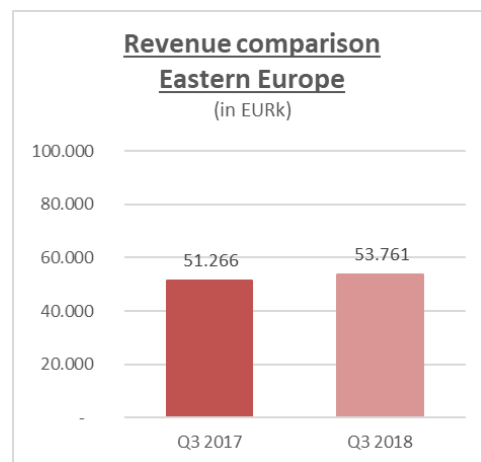
Revenue in the Western Europe region amounts to EUR 87.3 million (previous year: EUR 75.0 million). The companies with the highest revenue in the Western Europe region were Einhell France with EUR

28.4 million, Einhell UK with EUR 21.6 million and Einhell Italy with EUR 18.1 million.

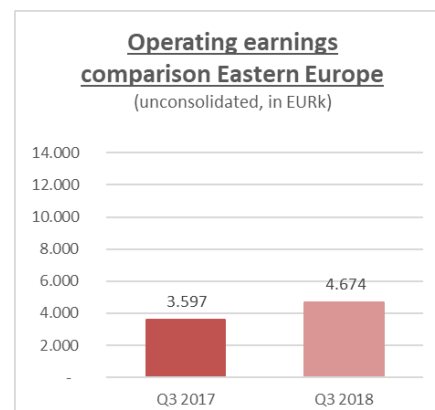


Earnings in the Western Europe region could not be increased in the first nine months. Higher logistics costs due to a heavy increase in inventories weighed particularly strongly on earnings.

**Eastern Europe**

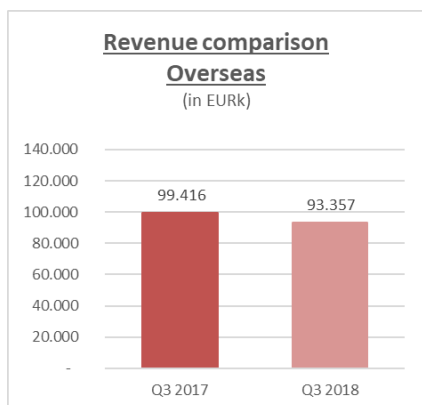


The companies with the highest revenue in the Eastern Europe region were Einhell Poland, Einhell Turkey and Einhell Croatia.

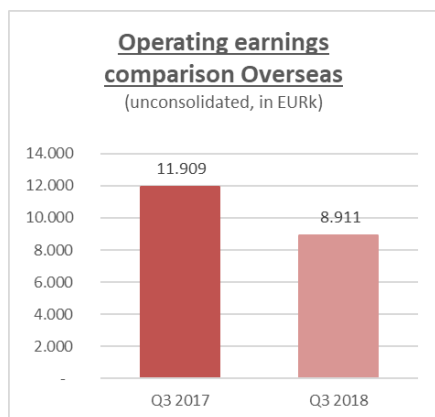


On an equally positive note, the companies in the Eastern Europe region were able to further increase their earnings. Croatia and Bosnia showed particularly positive trends.

**Overseas**



The Overseas region was unable to further expand its high revenue volume in the first nine months of financial year 2018. Revenue decreased from EUR 99.4 million to EUR 93.4 million. Revenue in the Overseas region is generated by the companies in Australia and South America.



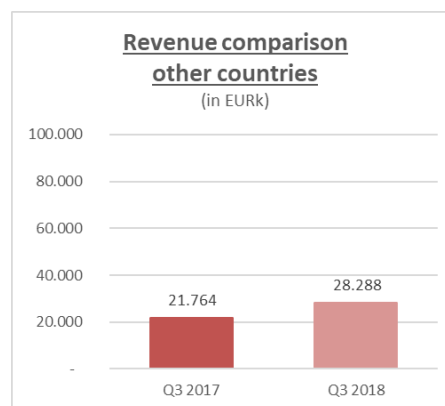
Profit before income taxes is clearly below the previous year in the first nine months of financial year 2018.

The main reason for the decline in revenue and profit is that some companies in this region were unable to meet their revenue and profit forecasts. This is also attributable to the weakness of the Australian dollar in relation to the euro. In addition to the earnings drop in Australia, the strong currency losses in Argentina also had a negative impact on the profit development.

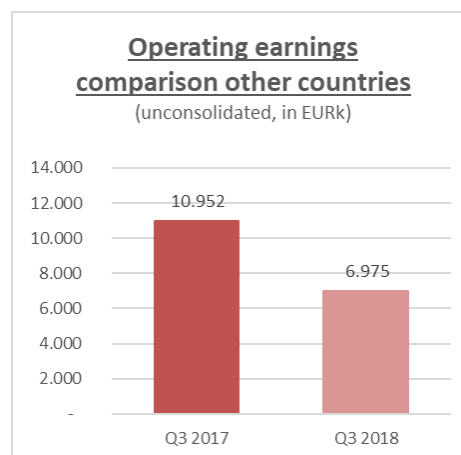
As at 30 September 2018, we have for the first time applied accounting policies for hyperinflationary countries in Argentina and have adjusted the financial statements of this subsidiary for the current reporting period to account for the changes in the general purchasing power of the local currency on the basis of the

relevant price indices on the reporting date. The adjusted financial statements of our subsidiary in Argentina are translated at the rate on the reporting date. The adjustment led to a slight drop in revenue. The positive effects resulting from the remeasurement have slightly reduced the accumulated FX losses.

**Other countries**



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



Most of the companies in China and Hong Kong also function as Group purchasing companies. In this function, they increasingly took over marketing activities, which has a significant negative impact on their profit performance.

**Events after reporting date**

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

## Outlook

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

In financial year 2018, the Einhell Group expects revenue of approximately EUR 575 million to EUR 585 million. We also expect an operating margin before taxes of approximately 6.0%.

**Consolidated statement of financial position (IFRS) as at 30 September 2018 (abbreviated)**

Assets	30.09.2018 EURk	30.09.2017 EURk
<b>NON-CURRENT ASSETS</b>		
Intangible assets	16,461	18,151
Property, plant and equipment	24,216	20,830
Non-current financial assets	713	388
Other non-current assets	526	434
Deferred tax assets	10,458	7,776
	52,374	47,579
<b>CURRENT ASSETS</b>		
Inventories	187,470	162,022
Trade receivables	103,921	103,914
Other assets	30,129	34,296
Assets held for sale	0	1,231
Cash and cash equivalents	8,260	17,563
	329,780	319,026
	<u>382,154</u>	<u>366,605</u>

Equity and liabilities	30.09.2018 EURk	30.09.2017 EURk
<b>EQUITY</b>		
Subscribed capital	9,662	9,662
Capital reserve	26,677	26,677
Retained earnings	169,005	148,499
Other reserves	-20,344	-11,336
Equity of shareholders of Einhell Germany AG	185,000	173,502
Non-controlling interest	2,154	1,953
	187,154	175,455
<b>NON-CURRENT LIABILITIES</b>		
Provisions	4,082	4,241
Liabilities from debt capital	104	0
Deferred tax liabilities	2,741	2,646
Other liabilities	35	0
	6,962	6,887
<b>CURRENT LIABILITIES</b>		
Trade payables	37,223	50,940
Provisions	30,879	34,934
Liabilities from debt capital	88,647	68,680
Other liabilities	31,289	29,502
Liabilities in connection with assets held for sale	0	207
	188,038	184,263
	<u>382,154</u>	<u>366,605</u>



**Consolidated income statement (IFRS) for the period from 1 January to 30 September 2018**

	01.01. – 30.09.2018	01.01. – 30.09.2017
	EURk	EURk
Revenue	450,197	424,013
Other operating income	8,603	4,525
Cost of materials	-296,783	-280,729
Personnel expenses	-56,530	-51,378
Depreciation and amortisation	-3,793	-3,730
Other operating expenses	-68,619	-61,455
Financial result	-2,581	-2,491
<b>Profit before income taxes</b>	<b>30,494</b>	<b>28,755</b>
Income taxes	-8,692	-10,015
<b>Consolidated net profit</b>	<b>21,802</b>	<b>18,740</b>
<b>Thereof share of minority shareholders in consolidated net profit/loss</b>	<b>311</b>	<b>251</b>
<b>Thereof share in consolidated net profit/loss of shareholders of EINHELL Germany AG</b>	<b>21,491</b>	<b>18,489</b>

## Consolidated statement of cash flows (IFRS) for the period from 1 January to 30 September 2018

in EURk	01.01. – 30.09.2018	01.01. – 30.09.2017
<b>Cash flows from/used in operating activities</b>		
Profit before taxes	30,494	28,755
+ Depreciation and amortisation of intangible assets and property, plant and equipment	3,793	3,730
- Interest income	-121	-175
+ Interest expenses	1,192	1,460
+/- Other non-cash expenses and income	442	373
<b>Operating profit before changes in net working capital</b>	<b>35,800</b>	<b>34,143</b>
+/- Decrease/increase in trade receivables	-25,470	-37,927
+/- Decrease/increase in inventories	-9,882	-36,641
+/- Decrease/increase in other assets	-4,315	-13,761
+/- Decrease/increase in assets held for sale	0	751
+/- Increase/decrease in non-current liabilities	107	-526
+/- Increase/decrease in current liabilities	-230	13,686
+/- Increase/decrease in trade payables	-47,636	-16,580
+/- Increase/decrease in liabilities in connection with assets held for sale	0	-151
<b>Cash flows generated from operating activities</b>	<b>-51,626</b>	<b>-57,006</b>
- Taxes paid	-11,232	-6,270
+ Interest received	84	192
- Interest paid	-893	-952
<b>Net cash from/used in operating activities</b>	<b>-63,667</b>	<b>-64,036</b>
<b>Cash flows from/used in investing activities</b>		
- Payments to acquire assets	-4,834	-4,363
- Payments for acquisition of consolidated companies	-738	-523
+ Proceeds from disposal of assets	24	141
+/- Increase/decrease in goodwill	0	0
+ Proceeds from disposal of consolidated companies	600	0
- Payments to acquire financial assets	-170	0
- Cash-outflow from changes to companies included in the consolidation	0	0
<b>Net cash used in investing activities</b>	<b>-5,118</b>	<b>-4,745</b>
<b>Cash flows from/used in financing activities</b>		
+ Proceeds from taking out financial liabilities	66,681	35,876
- Payments for repayment of financial liabilities	0	0
- Payments for acquisition of equity investments	0	0
+ Proceeds from non-controlling interest	0	0
- Dividend payments to shareholders of EINHELL Germany AG	-4,404	-2,894
- Dividend payments to non-controlling interest	-200	-200
- Payments for liabilities for finance leases	0	0
<b>Net cash used in financing activities</b>	<b>62,077</b>	<b>32,782</b>
Changes to cash and cash equivalents due to currency exchange	568	-1,142
<b>Net decrease/increase in cash and cash equivalents</b>	<b>-6,140</b>	<b>-37,141</b>
Cash and cash equivalents at beginning of reporting period	14,400	54,704
<b>Cash and cash equivalents at end of reporting period</b>	<b>8,260</b>	<b>17,563</b>

## Segment reporting

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

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

### Segment reporting by region

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

September 2017 in EURk	D/A/CH region	Western Europe	Eastern Europe	Overseas	Other countries	Reconciliation	Group
Revenue based on registered office of the invoicing party	176,547	75,020	51,266	99,416	21,764	0	424,013
Revenue based on registered office of the invoice recipient	169,423	90,754	55,251	105,493	3,092	0	424,013
Profit before income taxes	10,651	4,541	3,597	11,909	10,952	-12,895	28,755

## Financial calendar 2018/2019

Annual financial statements 31 December 2018		End of April 2019
Quarterly notification as of 31 March 2019		Mid-May 2019
Annual General Meeting 2019	Friday,	28 June 2019
Half year financial report as of 30 June 2019		Mid-August 2019
Quarterly notification as of 30 September 2019		Mid-November 2019

## Legal company information

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## Disclaimer

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

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



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