



STIHL

ANNUAL REPORT 2018

TRADITION AND TRANSFORMATION —

KEY FIGURES

CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG		2018	2017	2016
Revenue	million euros	3,782.1	3,791.8	3,458.4
Proportion of revenue outside Germany	%	89.5	89.8	89.7
Wages and salaries, social security, pension contributions	million euros	905.7	837.4	769.3
Employees	December 31	17,122	15,875	14,920
Capital expenditure	million euros	324.4	248.3	209.3
Depreciation and amortization	million euros	158.8	155.5	151.1
Total assets	million euros	5,844.4	5,439.1	5,287.8
Equity ratio	%	69.9	70.2	70.5
ANDREAS STIHL AG & CO. KG		2018	2017	2016
Revenue	million euros	1,198.2	1,146.9	1,012.4
Proportion of revenue outside Germany	%	89.2	88.9	88.9
Wages and salaries, social security, pension contributions	million euros	393.0	350.2	317.6
Employees	December 31	4,997	4,654	4,366
Capital expenditure	million euros	123.7	69.6	70.0
Depreciation and amortization	million euros	56.1	51.6	48.4
Total assets	million euros	1,375.8	1,305.2	1,260.2
Equity ratio	%	44.3	44.4	44.4

3,782.1

MILLION EUROS
REVENUE IN 2018

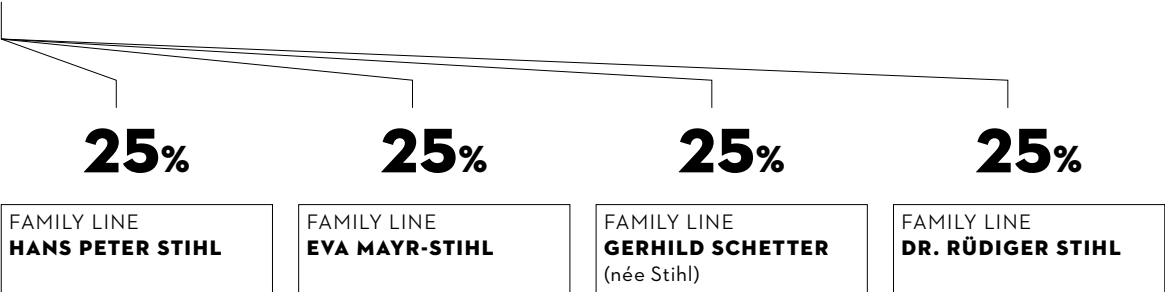
17,122

EMPLOYEES
GROUP-WIDE IN 2018

69.9

PERCENT
EQUITY RATIO IN 2018

OWNERSHIP STRUCTURE OF STIHL HOLDING AG & CO. KG



STIHL WORLDWIDE

REPRESENTED IN OVER

160

**COUNTRIES AND
GLOBALLY POSITIONED ON
FIVE CONTINENTS**

The STIHL Group develops, manufactures and distributes outdoor power equipment for forestry, agriculture, landscape maintenance, the construction industry and discerning consumers. Digital solutions and services complement the product range. Products are sold to end users through STIHL-authorized servicing dealers. The STIHL Group's sales network consists of 38 STIHL-owned sales and marketing companies, approximately 120 importers and more than 50,000 independent, STIHL-authorized dealers in over 160 countries. STIHL has been the world's best-selling chainsaw brand since 1971.



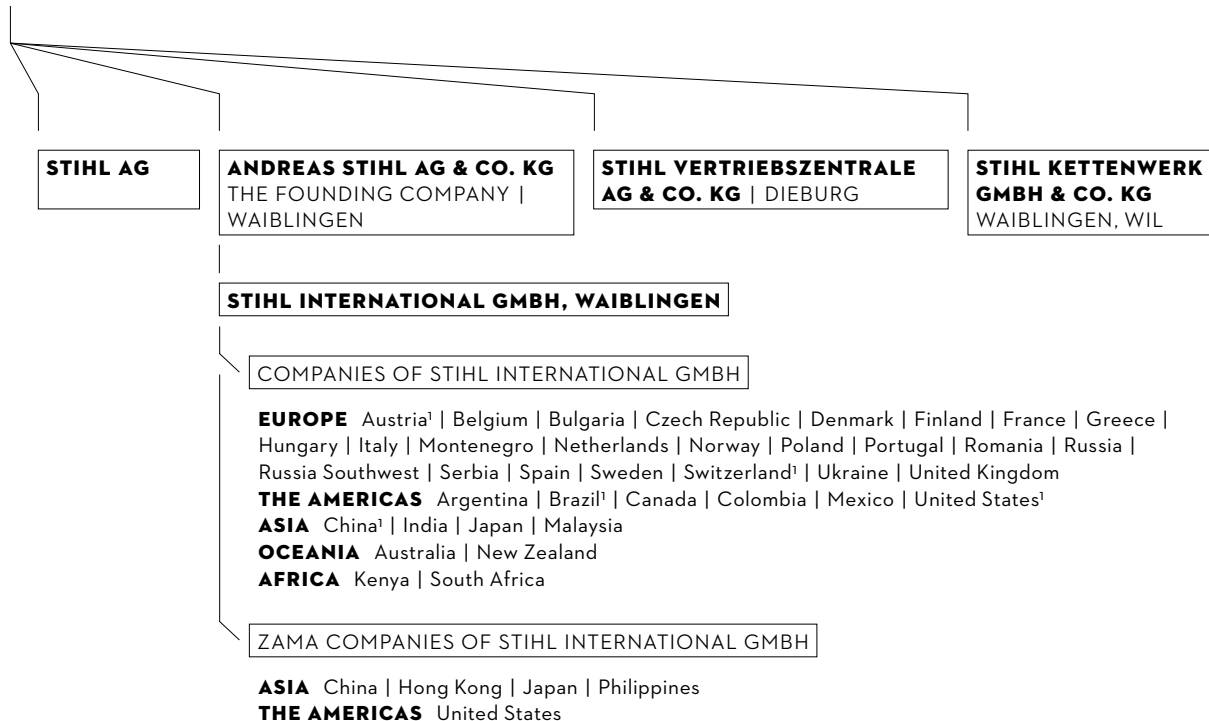
STIHL HOLDING AG & CO. KG

(The General Partners: Hans Peter Stihl and STIHL AG)

38

**STIHL-OWNED SALES
AND MARKETING
COMPANIES WORLD-
WIDE**

KEY FIGURES | THE STIHL GROUP



¹ STIHL production and sales companies



In little more than 90 years, STIHL has transformed from an established member of the German *Mittelstand* to a global enterprise; from a classic mechanical engineering firm to the market and technology leader for chainsaws and other handheld outdoor power equipment. Our fundamental approach has never wavered: We are a family-owned company that makes it easier for people to work in and with nature. We provide inspiration with innovative products. And we never lose sight of our responsibility to our customers and employees.

Our core values do not just allow STIHL to change and adapt. Change is part of our DNA. We do not rest on our laurels here. We are continuously developing new products, expanding into new markets and growing the breadth and depth of our expertise. We strike the right balance between stability and flexibility, between tradition and innovation, as we strive for sustainable, long-term growth.

CONTENTS

JOURNAL

ADVISORY AND EXECUTIVE BOARD

ANNUAL REVIEW

04



GERMANY | WAIBLINGEN

SHAPING CHANGE

STIHL is changing – from a mechanical engineering firm with its roots in the German *Mittelstand* to a multifaceted technology leader and global enterprise. Interview with CEO Dr. Kandziora.

08



GERMANY | WAIBLINGEN

PROGRESS

Technical ingenuity, making it easier for people to work in and with nature. No product is more synonymous with this principle than the chainsaw. A timeline of innovation.

MANAGEMENT REPORT

- 40** Management Report – The STIHL Group
- 42** Management Report – The STIHL Founding Company
- 44** Quality, Occupational Safety and Environmental Protection
- 46** Corporate Responsibility at STIHL
- 48** Human Resources
- 51** Development
- 54** Production
- 56** Markets
- 58** Purchasing

10



STIHL GROUP | WORLDWIDE

18



AUSTRIA | LANGKAMPFEN

26



KENYA | NAIROBI

DOERS

STIHL is and remains a family-owned enterprise. What does that mean for the 17,000 employees of STIHL Group companies around the world? We talked to some of them to find out.

SETTING A COURSE

Green becomes orange! Integrating VIKING into the STIHL brand offers huge growth potential. A visit to STIHL Tirol in Langkampfen.

NEW GROUND

The agricultural industry in Kenya is growing – and with it the desire for high-quality products to boost productivity and make day-to-day activities easier. A report on a unique market with growing demand.

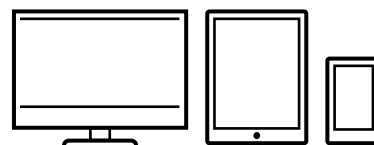
FINANCIAL STATEMENTS

- 60 Balance Sheet Structure
- 60 Balance Sheet
- 62 Supplement to the Financial Statements
- 63 Notes
- 64 Companies of STIHL Holding AG & Co. KG
- 65 Boards of the Group

- 66 Publishing Information, the Year in Review: 2018

ONLINE

THE STIHL ANNUAL REPORT 2018 IS ALSO AVAILABLE ONLINE.



FIND OUT MORE AT
AR2018.STIHL.COM

GERMANY | WAIBLINGEN

SHAPING CHANGE

STIHL has been around for 93 years and has seen a lot in that time. Looking back, 2018 was a year that presented the STIHL Group with a diverse range of challenges. In an interview, Dr. Bertram Kandziora, Chairman of the Executive Board, tells us where the Group stands right now, what challenges it faces and the path STIHL is taking moving forward into the future.





**“STIHL IS AND HAS
ALWAYS BEEN A LIVING
WORLD THAT IS SHAPED
BY PEOPLE.”**

DR. BERTRAM KANDZIORA, CHAIRMAN OF THE EXECUTIVE BOARD

WHAT WILL YOU REMEMBER PARTICULARLY ABOUT 2018?

DR. BERTRAM KANDZIORA – In 2018, after an extended period of development, we launched some new and groundbreaking products. When it comes to gasoline-powered tools, we are talking about the STIHL MS 500i and the STIHL TS 440, two absolute top products that have allowed us to set ourselves miles apart from the competition yet again. We also started producing high-pressure cleaners in-house within the STIHL Group. In addition, our plant in Prüm reported a major new order from an external customer. This facility in the Eifel region is a technological powerhouse in every respect. It offers unique manufacturing concepts that aren't available anywhere else in this form, giving it a well-deserved position at the top of the very competitive foundry market. New orders also mean a significant increase in employment.

THAT ALL SOUNDS VERY POSITIVE. WERE THERE ALSO THINGS THAT DID NOT GO AS WELL?

KANDZIORA – Yes, and it's something quite ordinary: the weather. A cold spring followed by a long, hot summer is not good for sales. But that kind of thing changes all the time, and our competitors also have to contend with it. Other issues, such as restrictions on free trade, don't seem poised to pass as quickly. Changes in exchange rates, which hit us particularly hard in 2018, are also difficult to predict.

YOU MENTIONED POLITICAL CONDITIONS. HOW DO DEVELOPMENTS SUCH AS BREXIT OR RESTRICTIONS ON FREE TRADE IMPACT THE STIHL GROUP EXACTLY?

KANDZIORA – The current path with regard to free trade is absolutely leading us astray. The world is interconnected, and protectionism inevitably ends up hurting the people on both sides. Specifically, we are affected by the import duties in the U.S. We have to wait and see what happens in the wake of Brexit. Still, we are committed to ANDREAS STIHL Ltd. in the United Kingdom.

In fact, we are currently expanding there. The STIHL Group has long-term plans for the UK, which we see as a market with a bright future that we would, of course, like to continue serving.

WHERE DID STIHL STAND AT THE END OF 2018?

KANDZIORA – The past fiscal year has seen the convergence of a lot of factors. We're roughly on par with the previous year when it comes to sales volume and revenue. In terms of our focus, we're on the right track, but we need to make a few adjustments here and there, especially when it comes to battery-powered products and the associated marketing strategies, given that we are now reaching a new scale in multiple markets. But we also need to focus on gasoline-powered products.


The STIHL Group has been so successful for decades because it is where the right people come together. They are dedicated to their mission, they are enthusiastic and they are motivated. That's why we have so many long-serving employees who are exploring new fields, going out and getting additional training and taking on new challenges in the workplace.

LOOKING TOWARD THE FUTURE, WHAT WILL STIHL BE LIKE IN A FEW YEARS' TIME?

KANDZIORA – We are constantly evaluating the kind of strategy we need in order to be successful over the next decade. Society, like markets, is constantly changing, and you have to develop strategies to take on new challenges before it is too late. Life punishes those who delay, as we all know. But no matter how much changes in the world around us, we stand by values and principles such as hard work, honesty, fairness, candor and loyalty. They remain the cornerstone of everything we do as we seek to maintain positive, long-term partnerships with dealers, suppliers and other business partners.

**THANK YOU FOR SPEAKING TO US,
DR. KANDZIORA.**





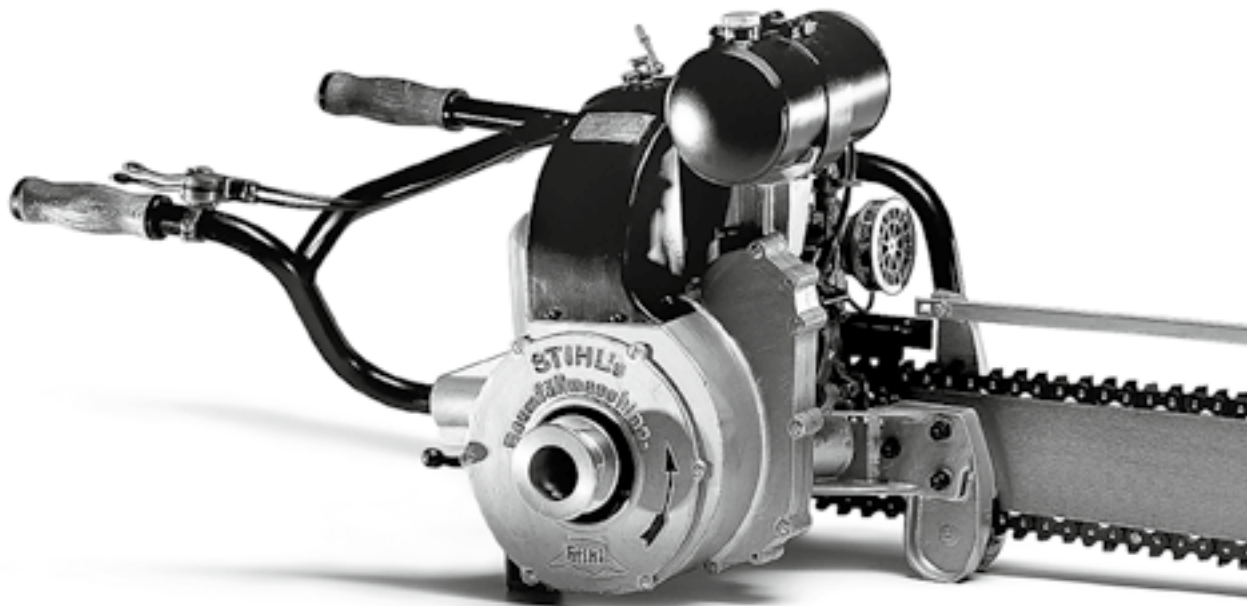
GERMANY | WAIBLINGEN

PROGRESS

It all started with the chainsaw. To this day, it is the product for which the STIHL brand is best known worldwide - and it is a product that has evolved continuously since the 1920s. A look back shows that innovation and the will to revolutionize existing technologies and products is part of the STIHL DNA.

TYPE A TREE-FELLING MACHINE

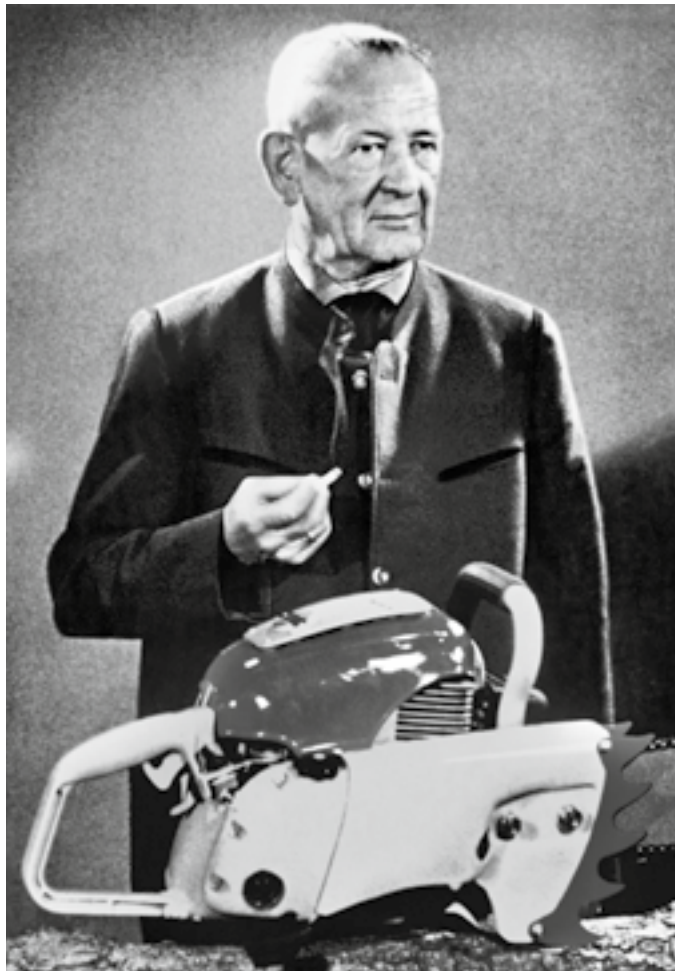
Spurred on by their success, Andreas Stihl and his employees continue to develop the gasoline saw. By 1931, they have increased its output to 8 horsepower.



1929

1926

TYPE A TREE-FELLING MACHINE



Andreas Stihl with the legendary Contra.

THE DAWN OF A NEW ERA

STIHL CONTRA

The launch of the Contra gasoline-powered chainsaw marks the start of a new era for STIHL. The 6-horsepower, 12-kilogram product is the first gearless STIHL chainsaw. Equipped with numerous innovations such as direct drive, a new diaphragm carburetor, improved chain lubrication, a reinforced guide bar and state-of-the-art muffler, the Contra ushers in a new era in forestry work. In North America the saw is called the STIHL Lightning.

1959

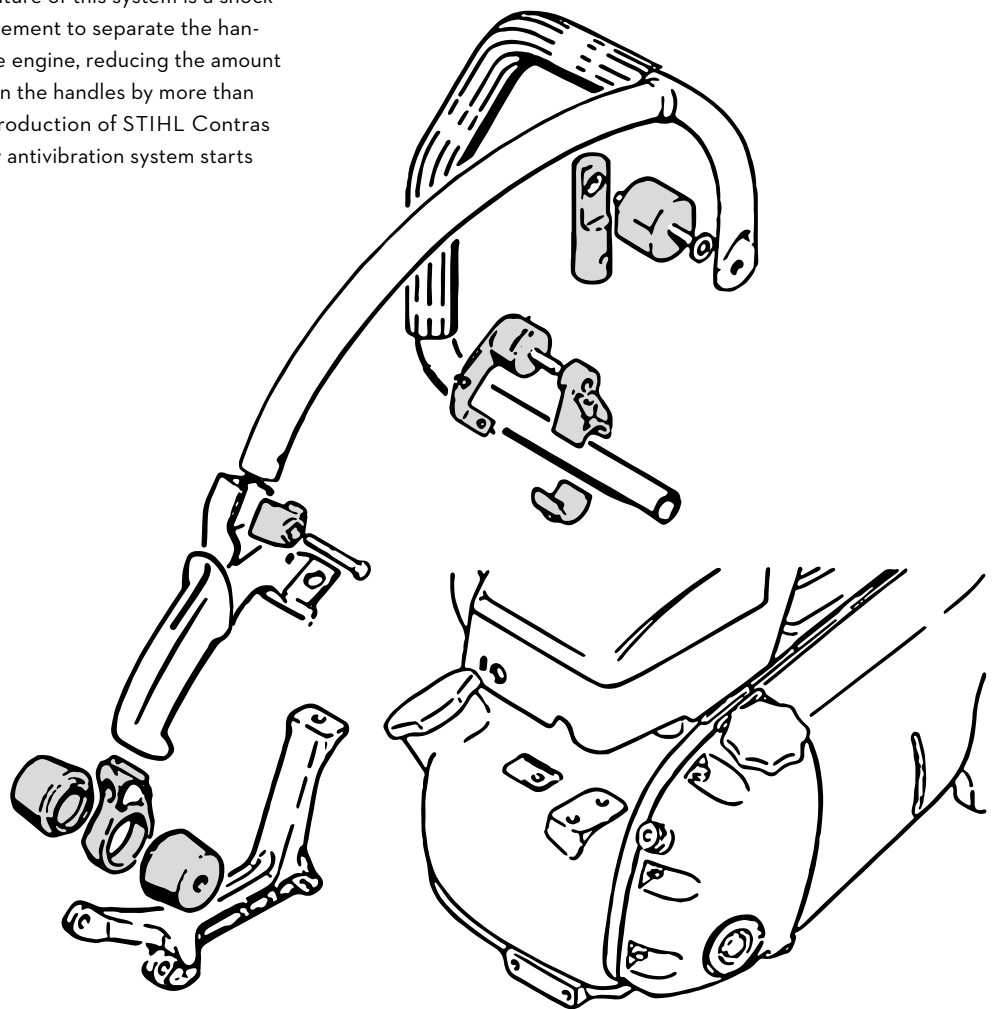


1926 •••••

STIHL CONTRA

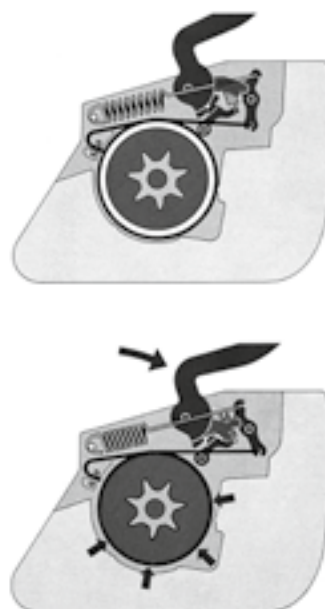
ANTIVIBRATION SYSTEM

The main feature of this system is a shock-absorbing element to separate the handles from the engine, reducing the amount of vibration in the handles by more than half. Mass production of STIHL Contrass with the new antivibration system starts in 1965.



1926

ANTIVIBRATION SYSTEM



ACTIVATION IN THE BLINK OF AN EYE

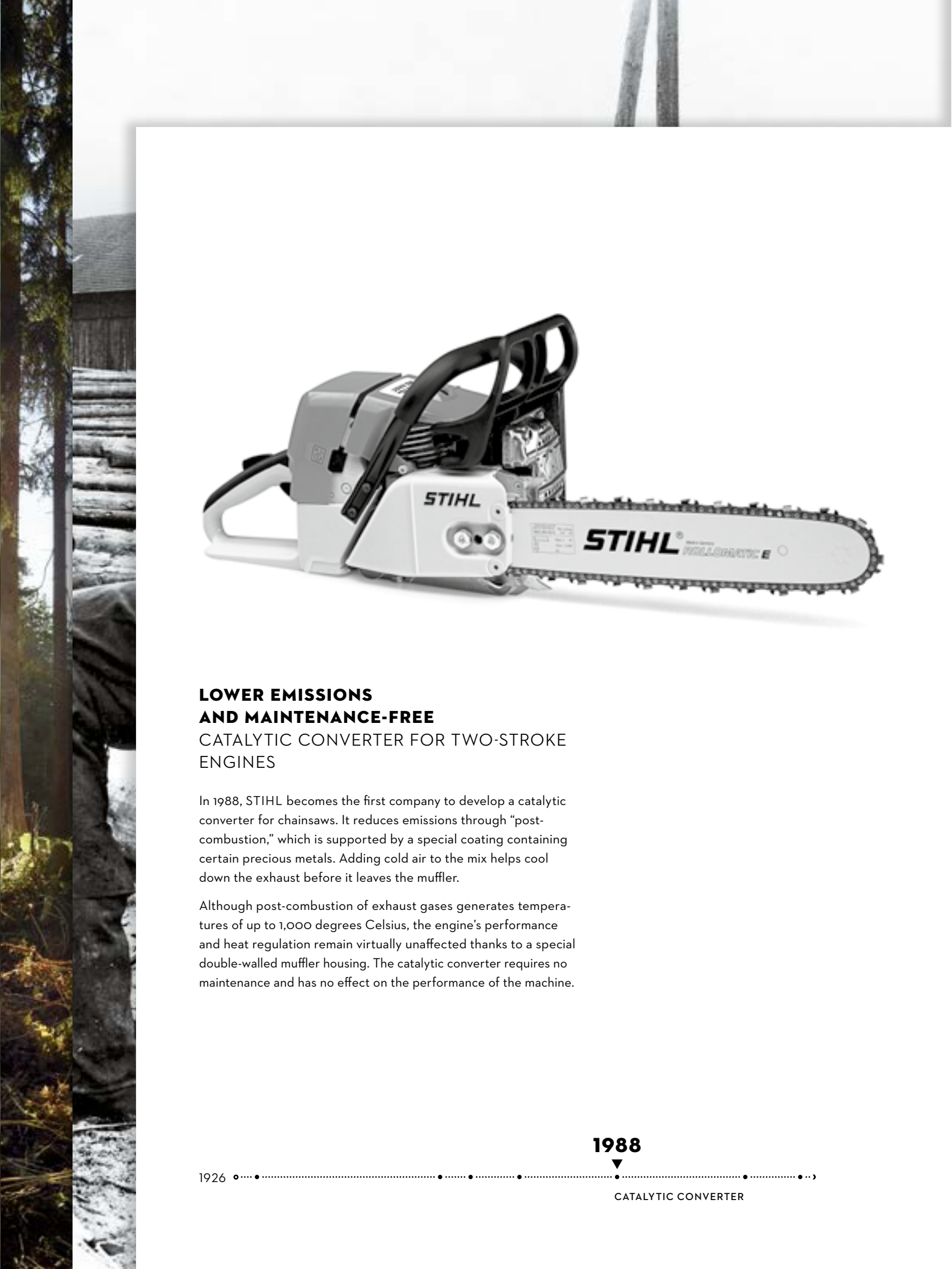
QUICKSTOP® CHAIN BRAKE

To further reduce the risk of injury from chainsaw operation, STIHL launches another innovation in the early 1970s: the first QuickStop® chain brake – the only product of its kind at the time. Actively pressing the front hand guard manually triggers the brake and brings the saw chain to a complete stop within fractions of a second.

1972

1926 •••••

QUICKSTOP® CHAIN BRAKE



CATALYTIC CONVERTER FOR TWO-STROKE ENGINES

Although post-combustion of exhaust gases generates temperatures of up to 1,000 degrees Celsius, the engine's performance and heat regulation remain virtually unaffected thanks to a special double-walled muffler housing. The catalytic converter requires no maintenance and has no effect on the performance of the machine.

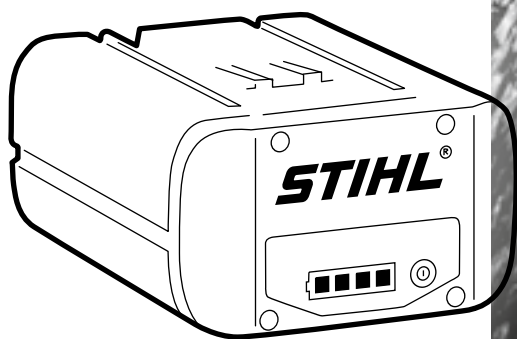
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CATALYTIC CONVERTER

A POWERFUL SYSTEM BATTERY TECHNOLOGY

The introduction of battery technology marks the start of a new era. The STIHL HSA 65 and HSA 85, the first two STIHL hedge trimmers with lithium-ion technology, hit the market in 2009. A wide range of additional products for all customer segments follows. The first STIHL battery-powered chainsaw, the MSA 160 C, is launched in 2010.

In the years that follow, the range of battery-powered products grows steadily, meeting the requirements of professionals and demanding DIY users alike. In 2018, STIHL takes the next major step by establishing its own battery pack production plant in Waiblingen. The highly automated and high-tech manufacturing facility produces backpack batteries for professional applications. The first batteries to roll off the production line are slated for launch in 2019 and will be delivered primarily to European dealers.



2009

ELECTRONIC HEART

STIHL INJECTION

Hans Peter Stihl outlined the first chainsaw with electronic fuel injection in his university thesis. Today, this idea's time has finally come. With the MS 500i, STIHL unveils the world's first chainsaw with electronic fuel injection and ushers in yet another new era in chainsaw technology.

The revolutionary STIHL injection system makes starting easier than ever in all operating conditions. It also provides extremely high performance, reduced weight and rapid acceleration, taking the chain from 0 to 100 kilometers per hour in 0.25 seconds.



2018

1926 •••••

STIHL INJECTION



STIHL GROUP | WORLDWIDE

DOERS

Today, more than 17,000 people around the world work for the companies of the STIHL Group, yet it remains a family organization with its roots solidly in the German *Mittelstand*. That balance of stability and growth is also reflected in the way our people interact and work with each other. Along with a solid foundation based on training and education, which ensures core competencies, STIHL Group companies offer employees individualized opportunities for professional development and advancement, allowing our colleagues to take on new and varied challenges. We spoke to a few of the many individuals who have taken advantage of these opportunities. And we asked Dr. Michael Prochaska, Executive Board Member, Human Resources and Legal Affairs, why STIHL is and remains an attractive employer.





“WE HAVE A LOT OF IDEAS ABOUT THE TYPE OF AUTOMATED AND INTELLIGENTLY CONNECTED OUTDOOR POWER EQUIPMENT THAT WILL EXIST IN THE FUTURE.”

STEPHANIE JUNG, 26, ELECTRICAL ENGINEER AND EXPERT FOR ROBOTICS AT THE STIHL DEVELOPMENT CENTER AT ANDREAS STIHL AG & CO. KG, WAIBLINGEN



TIM GEGG, 47, Head of the Digital Competence Center at ANDREAS STIHL AG & Co. KG, Waiblingen | “Digitalization was uncharted territory for me as a mechanical engineer. My background is in product development. Still, I try to seek out new, special challenges every five years or so, and I love radical changes. What’s more, I have always received tremendous support and encouragement at STIHL. What will I be doing five years from now? I don’t know, but I’m sure I’ll still be at STIHL.”

15 
-YEARS
AVERAGE
COMPANY
TENURE

17,122
EMPLOYEES
GROUP-WIDE
(AS OF
DEC. 31, 2018)



SOME
200
NEW POSITIONS
(PLANNED FOR 2019)

FIND OUT MORE AT
CAREER.STIHL.COM



BRUCE SHI, 31, R&D Design Coordinator (ANDREAS STIHL Power Tools (Qingdao) Co., Ltd., China) | “My favorite day of the week at STIHL is Thursday. That is when the whole team meets in the obeya room, a special conference space. We use this room and the associated obeya methodology to focus on important questions and tasks that may not receive much attention in our day-to-day work. There are clear rules: no interruptions, no phone calls and complete concentration on the task at hand.”

ÁLVARO MARTÍNEZ, 27, Technical Service (STIHL SAS, Colombia) | "I love working at STIHL because there's always something new to learn. Because it doesn't matter whether you're a STIHL dealer, an employee at a distribution center or employed at a production site, you always feel like part of the brand, you're always welcome and you always get support."





“BACK HOME IN ULAANBAATAR, MY FATHER HAD A STIHL CHAINSAW. EVERYONE IN OUR NEIGHBORHOOD WANTED TO BORROW OUR SAW, THIS SPECIAL GERMAN PRODUCT.”

ERDENETSETSEG “EGI” ERDENEBILEG,
28, STUDENT EMPLOYEE, IT DEPARTMENT AT
ANDREAS STIHL AG & CO. KG, WAIBLINGEN

JOE QUARTARARO, 46, Senior Function Manager, Consumer eCommerce Systems (STIHL Incorporated, USA) | “STIHL has given me the opportunity to build a rewarding career in my 20 years at the company. I’m in a position to make a regular contribution to the company’s success by developing and implementing technical solutions. Life never gets boring here, and I look forward to mastering exciting new challenges and using new technologies with the aim of expanding STIHL’s business worldwide.”



MELANIE HEYD, 33, Business Management Specialist, Marketing Department (STIHL Vertriebszentrale AG & Co. KG, Dieburg) | “I have been at STIHL for 13 years, working at the distribution center in Dieburg, where I completed part-time advanced training with the support of my colleagues. Employee support is a top priority at STIHL. That is why I was more than happy to come back even after a three-month sabbatical. I have a great job and colleagues I can truly rely on.”



“IT’S FASCINATING HOW MANY PROJECTS THE COMPANY IS WORKING ON TO BEST MEET THE NEEDS OF THE MARKET WORLDWIDE. BEING A PART OF IT IS A GREAT JOY TO ME.”

FERNANDO POLGATI, 30, PRODUCTION PURCHASING EMPLOYEE (STIHL FERRAMENTAS MOTORIZADAS LTDA., BRAZIL)



3

QUESTIONS FOR DR. MICHAEL PROCHASKA

THE COMPANIES OF THE STIHL GROUP BROKE THE 17,000-EMPLOYEE MARK IN 2018. SUCH HUGE GROWTH IN SUCH A SHORT PERIOD OF TIME REQUIRES GOOD INSTINCTS.

Luckily, we can say that we are not strangers to growth. With a few exceptions, the STIHL organization has been getting bigger and bigger for the last several decades. Managing this growth requires a multilayered approach to promote the STIHL brand internally and externally.

WHAT STRENGTHS CAN STIHL PLAY TO IN THE BATTLE FOR SKILLED WORKERS?

STIHL is very well positioned in the global market, and has a highly dedicated and motivated workforce. We have been investing in facilities and working conditions for years now, and we offer generous benefits. What's more, in Germany STIHL has been rated one of the ten most beloved family companies and one of the companies with the best reputation overall.

WHAT ROLE DOES IN-HOUSE EDUCATION AND TRAINING PLAY IN THIS REGARD AT STIHL?

A very big one, since well-trained employees are a key ingredient of STIHL quality. In Waiblingen, we have had our own education and training program for more than 75 years. As a result, the training of skilled workers has been excellent for decades. For 2019, we have increased the number of apprenticeships in Waiblingen to 104. That means we have raised the total number by 73 percent in just two years. Nearly all apprentices and students are offered permanent employment upon completion of their training. In recent years, member companies across the Group have also been successful in rolling out the German dual training and education system to help ensure the workforce is well trained.

DR. MICHAEL PROCHASKA

has been the Executive Board Member for Human Resources and Legal Affairs at STIHL since January 1, 2012.

9th

**PLACE OUT OF 100
"TOP EMPLOYERS"**
FOCUS MONEY
2018



7th

**PLACE IN
"GERMANY'S
BEST PARTNERS"**
BRAND EINS
WISSEN
2019



In 2018, Hans Peter Stihl-Straße 5 in Langkampfen saw extensive construction work as an entirely new wing was added, providing 20,000 square meters of additional floor space. This expansion will not only help STIHL Tirol prepare for the upcoming season, but also provide the space needed to support its many responsibilities as the competence center for ground-supported outdoor power equipment within the STIHL Group.

AUSTRIA | LANGKAMPFEN

SETTING A COURSE —



Production Manager Josef Koller cannot hide how proud he is. As he guides a tour group and presents STIHL Tirol's new facilities, enormous satisfaction with the success of this major project – along with a certain relief – is visible on his face. Although Koller has been responsible for every expansion project during his long career in Langkampfen, the fourth major project was a challenge even for someone with his experience. At a cost of almost 23 million euros, this is the largest single investment in the Langkampfen site, and the biggest expansion in the Tyrol-based firm's history, adding another 20,000 square meters of floor space.

Just over a year separated the groundbreaking ceremony from the official dedication. "That can only work with a hard-hitting team," Koller emphasizes as he walks through the new complex. This project team worked well together and managed to meet all expectations for quality, budget and schedule.

VIKING IS NOW STIHL TIROL

Inside the building, workers are still applying the finishing touches. Outside, there are hardly any signs of the year-long construction project. But one thing is clear for miles around: An orange logo stands proudly on the building's facade, transforming VIKING into STIHL Tirol on the outside as well as on the inside.

VIKING GmbH joined the STIHL Group in 1992, but this marks the full integration of the VIKING brand of ground-supported outdoor power equipment into STIHL orange, following an 18-month brand transformation process. Many adjustments have been made, and a lot of steps taken together. An interdisciplinary and cross-location team was established to set a proper course and identify synergies that brand consolidation would create.

TRANSPARENCY AND GUIDANCE

The integration allows the Group to enhance collaboration between Waiblingen and Langkampfen, take advantage of the partnership and optimize internal processes. But there are also other benefits. "The merger of the two product ranges harbors great sales and revenue potential by opening up access to new markets, such as the USA and Canada, and offering stronger penetration of existing markets," says Dr. Clemens Schaller, who has been Managing Director in Langkampfen since May 2018. The Group is also certain that the one-brand strategy currently being pursued will offer more transparency and guidance to customers worldwide.



A challenging but successful construction phase at STIHL Tirol is now behind Josef Koller (left), Production Manager, and Dr. Clemens Schaller, Managing Director. The biggest expansion in the history of the Langkampfen facility was completed within one year.

“EXPANDING IN-HOUSE PRODUCTION WILL BE AN IMPORTANT CONCERN FOR STIHL TIROL OVER THE COMING YEARS.”

JOSEF KOLLER, PRODUCTION MANAGER, STIHL TIROL GMBH



STIHL Tirol is not just the competence center for ground-supported outdoor power equipment. The location has already made a name for itself for manufacturing a range of STIHL battery-powered products.

The AutoStore warehouse is one of the many special features of the new space. Melanie Kaupert managed the project: She now has 17 robots at her command to help with storing and dispensing the contents of more than 47,000 containers.



“The company name change and the expansion are important signals, both within the company and to external parties, that the STIHL Group is further strengthening the Langkampfen facility,” Dr. Schaller says. They were also important because the shift from VIKING green to STIHL orange was watched closely in the region – STIHL Tirol is an important employer in this part of Austria. “And of course we want to remain attractive to skilled workers.” Schaller adds that this will be aided through strengthened ties with the broader Group, access to the global manufacturing network and the Langkampfen location’s tremendous potential for further development. These changes will ensure that the location is viable and fit for the future, making it a “competence center for ground-supported outdoor power equipment” within the STIHL Group for the long term. The iMow robotic lawn mower, for instance, has its roots in Langkampfen. The little mower has to prove its worth every day in a range of specially designed test areas – sometimes at ground level, and sometimes up in the air. That’s because the 3,000-square-meter lawn on the roof of the expanded facility offers space for 17 devices and a range of tests.



ROOM FOR OPPORTUNITIES

A walk through the production halls and across the grounds reveals that STIHL Tirol not only has more space for smart new minds, but also plenty of opportunities for talented colleagues to flourish. It has more space for research and development activities, the training workshop and prototyping and operating equipment. The facility also has room to expand manufacturing and assembly of ground-supported outdoor power equipment and STIHL battery-powered products. It features in-house testing facilities with state-of-the-art monitoring and data-gathering systems, similar to those in Waiblingen. What’s more, the gray and rather nondescript exterior walls of the extension contain something very special: a fully automated small parts storage facility – the AutoStore warehouse. It has space for all of the location’s containers, boxes and packages of up to 60 x 40 centimeters that are needed to supply manufacturing operations.

**LANGKAMPFEN
IN AUSTRIA**
IS HEADQUARTERS
FOR STIHL
TIROL GMBH.



23 **MILLION EUROS**
WERE INVESTED
IN THE EXPANSION
OF THE FACILITY.

150
NEW JOBS
WERE CREATED IN
LANGKAMPFEN.



“THE BRAND CHANGE IS A CLEAR SIGNAL OF OUR BELIEF IN OUR EMPLOYEES’ ABILITIES - AND A SIGN OF APPRECIATION FOR THE WORK THAT HAS ALREADY BEEN DONE IN LANGKAMPFEN.”

DR. CLEMENS SCHALLER, MANAGING DIRECTOR, STIHL TIROL GMBH

“Nobody would think we have a warehouse like this,” Josef Koller says. As if by magic, up to 47,000 containers disappear into a labyrinth of squares. These are placed on top of each other in stacks up to 16 units high and transported to one of three spaces to be picked from storage by a fleet of 17 robots. One major advantage of this facility is that it requires no walkways. This makes optimal use of the available space. The AutoStore warehouse also stands out for its reliability: If a robot malfunctions, another one will automatically take over its fallen comrade’s remaining orders. There is also a range of flexible expansion options for the future. The number of robots in the facility can be more than doubled, if needed, and the AutoStore warehouse itself can be expanded to hold more than 66,000 containers.

CLEAR ASPIRATIONS FOR THE FUTURE

With the additional floor space, the new opportunities and, not least, the new name, Dr. Schaller’s executive team has clear aspirations for the future. “We want to build up the amount of manufacturing that takes place in-house in order to further cut production costs and take advantage of the economies of scale that higher production volumes facilitate,” Dr. Schaller explains. More specifically, that means thinking about the expansion of in-house manufacturing – and implementing it to the extent that it makes financial sense. “Taking this step would create more jobs and greater stability.”

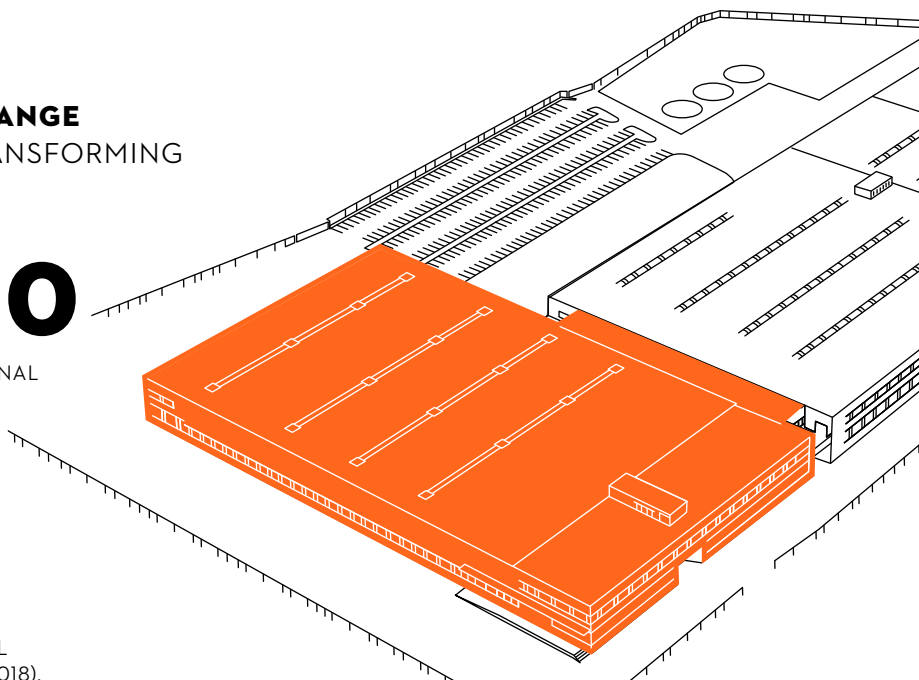
FROM GREEN TO ORANGE LANGKAMPFEN IS TRANSFORMING

20,000

SQUARE METERS OF ADDITIONAL
SPACE OPENED UP THROUGH
THE EXPANSION OF THE
LANGKAMPFEN FACILITY.

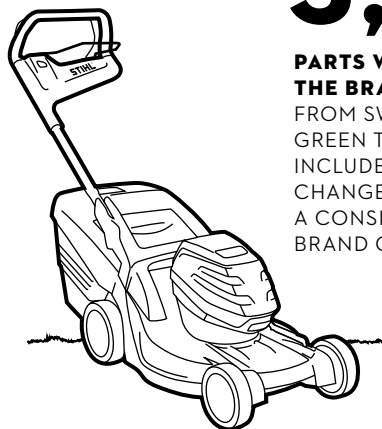
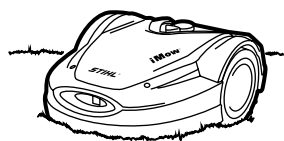
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EMPLOYEES WORK FOR STIHL
TIROL (AS OF DECEMBER 31, 2018).



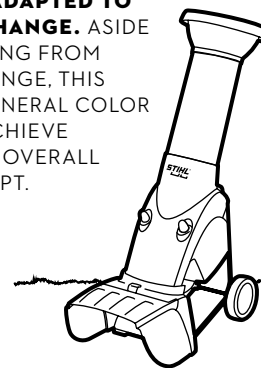
52

**GROUND-SUPPORTED OUT-
DOOR POWER EQUIPMENT
PRODUCTS** BRING THE TOTAL
STIHL PRODUCT RANGE TO
298 MODELS (AS OF DECEM-
BER 31, 2018).



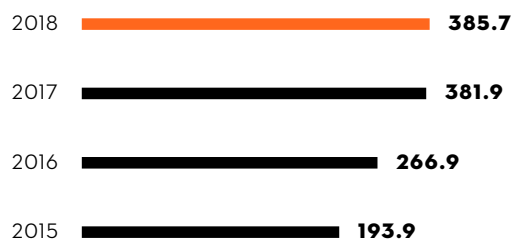
3,200

**PARTS WERE ADAPTED TO
THE BRAND CHANGE.** ASIDE
FROM SWITCHING FROM
GREEN TO ORANGE, THIS
INCLUDED A GENERAL COLOR
CHANGE TO ACHIEVE
A CONSISTENT OVERALL
BRAND CONCEPT.



REVENUE GROWTH STIHL TIROL GMBH*

REVENUE IN MILLIONS OF EUROS



*Known as VIKING GmbH until 2018.

TOP FIVE MARKETS

- > GERMANY
- > FRANCE
- > BENELUX COUNTRIES
- > POLAND
- > UNITED KINGDOM

The key sales countries for STIHL ground-supported outdoor power equipment and battery-powered products. STIHL Tirol's total export ratio is 98 percent.

KENYA | NAIROBI

NEW GROUND

Just recently, Patrick Okello was part of the “Afrika kommt!” program for talented future managers in Waiblingen. Today, as Managing Director of STIHL Marketing East Africa Ltd., he is expanding the newest member of the STIHL Group in his home country of Kenya. We join him to visit a very special country and to find out more about the potential of this emerging market.



Even at the beginning of his time with STIHL, Patrick Okello said: “I want to be an ambassador for STIHL in Africa.” That was 2016, when he graduated from a sales internship at ANDREAS STIHL AG & Co. KG in Waiblingen that was initiated by the “Afrika kommt!” project. The project aims to promote sustainable economic cooperation with Africa and to help participants build an international business network. In Patrick Okello’s case, it worked out brilliantly. After his internship officially ended, he stayed on as a STIHL consultant in East Africa. Since December 2017, he has been Managing Director of the Nairobi-based STIHL Marketing East Africa Ltd.



As Managing Director of STIHL Marketing East Africa Limited in Kenya, Patrick Okello is active in an exciting market.

Following ANDREAS STIHL (PTY.) Ltd. in South Africa, STIHL Kenya is the second member of the STIHL Group to operate on the African continent. With training and product demonstrations, STIHL Kenya supports dealers and importers as they make sales and teach customers how to use the products. In addition, targeted marketing campaigns such as messages in the local “Sheng” dialect aim to enhance awareness of the STIHL brand.

After completing his studies, Patrick Okello worked at the Ministry of Agriculture, Livestock and Fisheries in Nairobi – and became a small farmer himself on the side. That background prepared him well to understand the concerns and needs of customers he supports in his current role. Kenya’s agricultural economy is dominated by small farmers who have now banded together to form cooperatives in many areas to make it easier to gain access to financing.

“I see myself as someone who can help make business worthwhile for all agriculture and forestry customers,” Okello says. Along with a specialized product portfolio and in-depth product knowledge, STIHL Kenya offers customers support and targeted on-site training. STIHL is well known in Africa – but almost exclusively for its core product, the chainsaw. For many small farmers and cooperatives, chainsaws are not the only tool they need. They have much more need for tools like clearing saws for crop harvests, sprayers for crop protection and the specialized harvester for pruning tea plants.

“OUR CUSTOMERS’ LEVEL OF AWARENESS IS CHANGING: THEY INCREASINGLY VALUE QUALITY AND DURABILITY.”

PATRICK OKELLO



New market, new areas of application: In Africa, STIHL products are used for purposes such as tea plant maintenance and crop protection.





Patrick Okello trains small farmers in how to use STIHL products in a local setting.

“The tools have to be affordable and easy to repair,” says Waiblingen-based Product Manager Markus Mundl. “That is why emerging markets like Africa or Asia require different strategic product plans.” Trips, many conversations with locals and accurate observation of the market are now resulting in tools specially tailored to the needs, applications and technical knowledge of local users. “To put it very simply: one powerhead, countless possibilities,” Johannes Wetzel adds.

In Product Management in Waiblingen, Wetzel is responsible for the Africa market, and he has dealt extensively with the particular characteristics of this region. “It’s certainly not an easy market. It needs time to develop.” However, the STIHL Group is thinking ahead to the long term in this case and sees its role as helping customers help themselves. This makes the training courses

and other instructional measures offered by Patrick Okello and his team a key area of action. “People have to know what we do, what our products are capable of and what potential our customers can tap into with our tools,” Markus Mundl says.

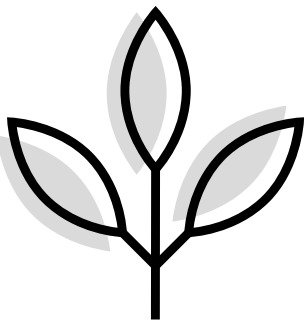
That makes the opening of a STIHL company in Kenya more than just a market cultivation measure. It is the consistent extension of the impulse that Andreas Stihl once formulated as the principle of his business activity: making it easier for people to work in and with nature. Despite the challenges that await him, Patrick Okello is looking to the future with a positive attitude: “Politics and the economy in Kenya are in flux. The small and medium-sized business sector is growing, and major opportunities are arising in East Africa. The STIHL Group understands this.”

KENYA IN FOCUS

A LOOK AT ITS MARKET POTENTIAL

“THE STRENGTH OF THE STIHL BRAND MAKES IT POSSIBLE FOR US TO TAP INTO EVEN THE MOST CHALLENGING MARKETS.”

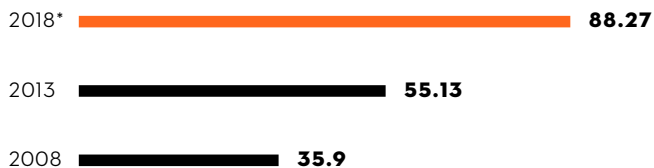
NORBERT PICK,
EXECUTIVE BOARD MEMBER, MARKETING AND SALES



THE WORLD'S THIRD-LARGEST TEA PRODUCER

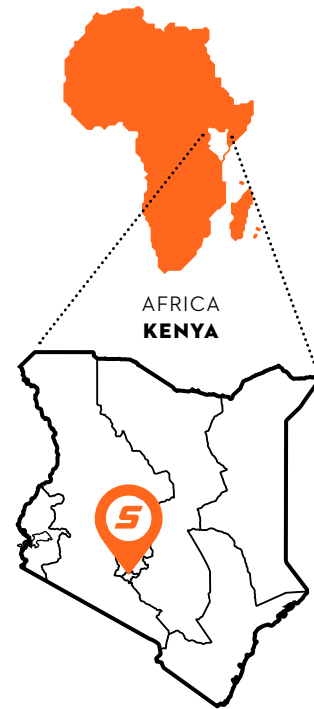
Kenya is the world's third-largest tea producer after China and India. Tea is Kenya's most important export product, accounting for 23 percent of the country's exports. (2017)

KENYA'S GROSS DOMESTIC PRODUCT IN BILLIONS OF U.S. DOLLARS



*Forecast, 2017.

Sources: IMF (International Monetary Fund), FAO (Food and Agricultural Organization of the United Nations), OEC (The Observatory of Economic Complexity), GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit)



NAIROBI, THE CAPITAL, IS
THE LOCATION OF STIHL
MARKETING EAST AFRICA LTD.

48.5%

OF THE **LAND SURFACE** IS
USED FOR AGRICULTURE.
THIS AMOUNTS TO AROUND
276,300 SQUARE KILOMETERS.

AROUND

2/3

OF THE **POPULATION** WORK IN
THE AGRICULTURAL SECTOR.

30%

OF KENYA'S GROSS DOMESTIC
PRODUCT IS ACCOUNTED
FOR BY **AGRICULTURE.**

LETTER FROM THE CHAIRMAN OF THE ADVISORY BOARD

Dear Business Partners,
Dear Staff,
Dear Friends of the STIHL Group,

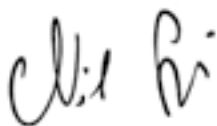
Another eventful year lies behind the STIHL Group. Innovative technologies and new approaches, especially digitalization, received a great deal of our attention. Digitalization offers the potential to develop new business models and products that make our customers' work even easier. At the same time, it allows us to further improve gasoline-powered products – our core business – and connect them intelligently.

Through all of these changes, it is important to reflect on the roots and values that have made STIHL great and which continue to set us apart to this day. Those values include the spirit of technical ingenuity so often talked about, as well as the commitment to global markets and technological leadership. By the end of 2018, the STIHL Group was larger than ever. We are making extensive investments in buildings, equipment, apprenticeships, further training and state-of-the-art working environments. Yet a business is more than the sum of its employees, buildings, machines and processes. It is more than its products and services. Above all, a business such as ours is a strong and reliable community that works toward common goals.

The Group currently has 38 sales and marketing companies, approximately 120 importeurs and more than 50,000 independent, STIHL-authorized dealers are active in over 160 countries. My grandfather Andreas Stihl laid the foundation for this international network back in the 1930s when he first sold his tools abroad. He was not afraid to target major foreign markets, such as the U.S. and Canada. You could say he was a pioneer of globalization.

He would be proud of the STIHL Group today – a global operation that is successful thanks to its excellent products, established principles and diversity. But just as my grandfather never stopped innovating or taking on new challenges, nor shall we.

On behalf of the Advisory Board, I would like to thank the Supervisory Board, the Executive Board, the employee representatives and the entire workforce worldwide for their commitment and for their positive and constructive cooperation.



DR. NIKOLAS STIHL

Chairman of the Advisory Board





THE EXECUTIVE BOARD OF STIHL AG

From left to right

DIPL.-BW. (FH) KARL ANGLER

Finance, Controlling,
Information Systems and Service

DR. MICHAEL PROCHASKA

Human Resources and Legal Affairs

DR. BERTRAM KANDZIORA

Chairman of the Executive Board,
Manufacturing and Materials

DIPL.-ING. WOLFGANG ZAHN

Research and Development

DIPL.-ING. (FH) NORBERT PICK

Marketing and Sales



REPORT OF THE EXECUTIVE BOARD

Dear Employees,
Dear Business Partners,

2018 was a special year for the STIHL Group. The past months have moved and challenged us in many respects. Through it all, we have remained focused on our core competencies: We define, develop, produce and sell products that spark enthusiasm and inspiration in our customers and make their work in and around nature easier. The STIHL MS 500i, the first professional chainsaw with electronic fuel injection, and the STIHL TS 440, a cut-off machine with expanded guard adjustability made possible by the world's first sensor-activated wheel brake, are excellent examples of what we strive to achieve. Both tools strongly support our claim to technological leadership in the industry. In addition, the past fiscal year saw the introduction of even more gasoline- and battery-powered products, as well as new digital applications.

At first glance, all of those things would appear to be sufficient to make 2018 yet another impressive chapter in our company's long success story - were it not for three other factors: the weather, global policy and exchange rates. With regard to the weather, we started the year with a long, cold spring followed by a very hot summer with little rain. Unfortunately, the weather also had an effect on demand for our products.

Our business is truly international. STIHL products are sold in some 160 countries worldwide, and the Group generates 90 percent of its revenue outside of Germany. An increase in anti-free-trade sentiment around the globe, the introduction of protective and punitive tariffs and the debate surrounding the United Kingdom's exit from the EU are not the foundation on which flourishing business is built.

Another factor, exchange rates, had a major impact. The conversion of global revenue into euros resulted in a negative currency effect of 170 million euros - or nearly 4.5 percent.

As a result, the year was not a success on all fronts. Yet despite all the adversities we faced, revenue more or less matched the level of just under 3.8 billion euros seen in the previous year. We also managed to post a slight increase in the quantity of products sold.

Change has been and will continue to be par for the course at STIHL, and we have always kept an eye on the future. Today, more than 17,000 people around the world work for STIHL Group companies. We are making extensive investments in training and educating our skilled workers. Only qualified and motivated employees have what it takes to keep the STIHL Group growing. That is why in 2019, we have once again significantly increased the number of apprenticeships at our German founding company, ANDREAS STIHL AG & Co. KG, while offering a wide range of additional training opportunities.

The growing workforce, along with numerous international awards that recognize STIHL as a leading employer in its industry, offers further evidence of how much people like working for the companies of the STIHL Group.

We are delighted to have so many dedicated and enthusiastic employees. On behalf of the entire Executive Board, I thank you very much for your outstanding work. I would like to thank the Advisory Board and the partners for the trust they have placed in me, and the members of the Employee Council for their constructive cooperation.



DR. BERTRAM KANDZIORA
Chairman of the Executive Board



ANNUAL REVIEW

MANAGEMENT REPORT

- 40** Management Report – The STIHL Group
- 42** Management Report –
The STIHL Founding Company
- 44** Quality, Occupational Safety and
Environmental Protection
- 46** Corporate Responsibility at STIHL
- 48** Human Resources
- 51** Development
- 54** Production
- 56** Markets
- 58** Purchasing

FINANCIAL STATEMENTS

- 60** Balance Sheet Structure
- 60** Balance Sheet
- 62** Supplement to the Financial
Statements
- 63** Notes
- 64** Companies of STIHL
Holding AG & Co. KG
- 65** Boards of the Group

MANAGEMENT REPORT - THE STIHL GROUP

Revenue at the STIHL Group in the past fiscal year was roughly on par with the level seen in 2017. In particular, less than favorable exchange rates had an impact on revenue. At 324.4 million euros, investments were twice as high as depreciation and amortization and were primarily earmarked for investments at the production companies of the Group and for construction activity.

REVENUE REACHES ALMOST 3.8 BILLION EUROS

In fiscal year 2018, the STIHL Group generated consolidated revenue of 3,782 million euros. Revenue therefore fell by 0.3 percent compared to the previous year (2017: an increase of 9.7 percent). The proportion of revenue generated outside Germany was 89.5 percent, compared with 89.8 percent in the previous year. The European Union accounted for 39.2 percent of total revenue.

Currency exchange had a negative effect on revenue, to the tune of 4.5%. Calculated at the average exchange rates of 2017, revenue would have grown by 4.2 percent. The U.S. dollar traded at an annual average of 1.18 against the euro and was above the previous year's level.

INVESTMENT IN GERMANY AND ABROAD

In 2018, investment volume (property, plant and equipment, as well as intangible assets) at the STIHL Group amounted to 324.4 million euros (2017: 248.3 million euros).

Of that amount, 38.1 percent was invested at ANDREAS STIHL AG & Co. KG, while 61.9 percent was invested in the other companies of the Group, both in Germany and abroad. Depreciation amounted to 158.8 million euros. Of the total investment, 88.1 percent was made at the production companies within the STIHL Group.

NUMBER OF EMPLOYEES DEC. 31, 2018 - STIHL GROUP COMPANIES


As forecast in the previous year, construction activity was at a high level in 2018. Further investments were made in the production and logistics facilities of the production companies. A new research and development center was opened in Brazil. In the U.S., the conversion of an existing warehouse space at STIHL Inc. will enable further growth of manufacturing capacity in Virginia Beach.

At STIHL Tirol GmbH in Austria, the largest expansion in the company's history was completed.

—

STRONG FINANCIAL STRUCTURE

The capital structure remains positive. The equity ratio at the end of the reporting period amounted to 69.9 percent. Equity therefore covers all noncurrent assets and inventories, as well as a part of the receivables and other assets.

Liquidity remains at a high level. In general, the Group's capital expenditures are funded without the need for borrowing.

—

SATISFACTORY EARNINGS

From a Group perspective, the earnings situation was satisfactory in 2018.

—

MANAGEMENT REPORT - THE STIHL FOUNDING COMPANY

ANDREAS STIHL AG & Co. KG, the founding company of the Group, recorded an increase in revenue to 1.2 billion euros in fiscal year 2018. At 123.7 million euros, investment volume nearly doubled year over year. Much of that total was earmarked for construction projects to expand the production and distribution facilities, including those in Ludwigsburg, Waiblingen and Prüm-Weinsheim.

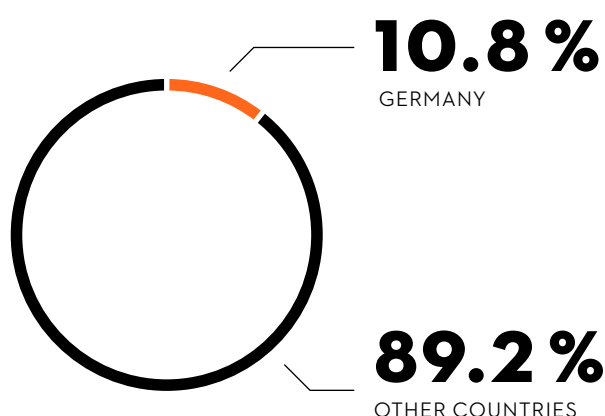
SLIGHT REVENUE GROWTH AT THE FOUNDING COMPANY

In fiscal year 2018, the revenue of the founding company increased by 4.5 percent to 1.2 billion euros (previous year's increase: 13.3 percent). The export ratio of 89.2 percent was on par with the level seen in the previous year (88.9 percent). The revenue growth was carried by all regions.

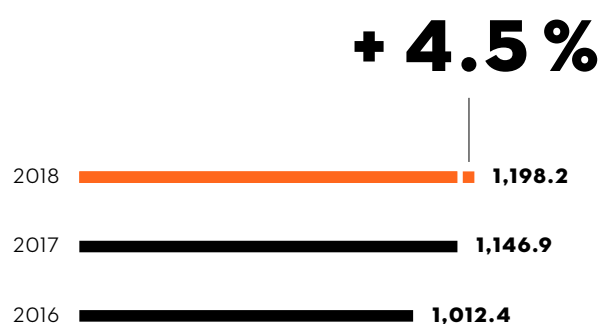
HIGH INVESTMENT

The investment volume (property, plant and equipment, as well as intangible assets) amounted to 123.7 million euros in fiscal year 2018 (previous year: 69.6 million euros). Much of this investment was directed to the expansion of the logistics center in Ludwigsburg, the development of the module system in Waiblingen-Neustadt, the development of the battery production line in Waiblingen-Hohenacker and the procurement of new production equipment at the Prüm-Weinsheim location. In addition, significant investments were made in research and development at the Waiblingen location, new production facilities and IT infrastructure. As in previous years, investments in 2018 exceeded depreciation.

REVENUE DISTRIBUTION IN 2018 - ANDREAS STIHL AG & CO. KG IN %



REVENUE GROWTH IN 2018 - ANDREAS STIHL AG & CO. KG IN MILLIONS OF EUROS



STABLE EQUITY RATIO OF 44.3 PERCENT AND CONTINUED HIGH LIQUIDITY

The equity ratio stands at 44.3 percent and therefore matches the level of the previous year (previous year: 44.4 percent). As a result, equity covers the vast majority of noncurrent assets. Total liquidity, including securities held as current and noncurrent assets, accounted for 34.7 percent of the balance sheet total. However, it should be noted that these positions are offset by high long-term obligations from the company pension plan.

—

SELF-FINANCED PENSION OBLIGATIONS INCREASED

The actuarial reports led to an increase in pension reserves and other liabilities from outstanding capital payments of 10.1 percent compared to 2017 (increase in the previous year: + 6.5 percent). The calculations are based on the Heubeck 2018 G mortality tables.

—

QUALITY, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

In our daily work, we put a range of values into practice that enable us to grow at a global level. Within the STIHL Group, this means there are a range of approaches available to improve product and process quality, to ensure optimal working conditions and to make responsible decisions with respect to the environment and energy consumption.

BOOSTING QUALITY IN THE LONG-TERM

Excellent quality – we don't settle for less. That is why, back in 2017, the Group launched a global quality initiative to ensure product and process quality. The campaign reflects the Group-wide culture of interdisciplinary cooperation and generated actions that are now part of the STIHL customer satisfaction model. With its holistic approach and enhanced quality awareness, the customer satisfaction model integrates technically oriented manufacturing processes and product requirements along with scheduling, cost planning and human factors.

ANDREAS STIHL S.A. de C.V. in Mexico provides a concrete example of the worldwide implementation of this commitment to quality. Over the past few months, it has placed a renewed emphasis on improving the quality of service to customers after the sale. Over 1,500 employees, servicing dealers and importers have spent approximately 500 hours in training while participating in more than 40 courses – either in Waiblingen, on-site in Puebla or in the surrounding forests.

In light of demanding quality expectations, the saw chain plant in Switzerland has intensified its focus on increasing digitalization by networking machines and entire systems. The project started with the grinding machines used for making the cutting teeth on saw chains. Automated processes were introduced to replace some aspects of the work that were previously done manually. One advantage of the digital platform is that it allows real-time status updates with faster and more comprehensive data availability.

Production logistics in Switzerland are also becoming digital. A study has been initiated to find out how pallets and containers conveying saw chain components through the production process can be tracked digitally. The study aims to optimize the flow of parts along the entire value-creation process in production and assembly. This type of strategic orientation provides the foundation for STIHL excellence.

—

WORKING SAFELY IN VIRGINIA BEACH

In 2018, STIHL Inc. in Virginia Beach recorded its lowest accident rate in almost two decades. Continuous investment in state-of-the-art safety systems and technologies have helped make this possible.

Occupational health and safety management is playing an increasingly important role at ANDREAS STIHL AG & Co. KG. Aside from implementing ergonomic workspaces in production areas and in offices, the company has introduced a new concept of “active, healthy breaks.” A range of health training workshops is also provided to all employees. The range of health services has been expanded to include the distribution of information on various health topics of interest to our employees. These materials are available from the company health service.

—

USING AND SAVING ENERGY SENSIBLY

The STIHL Group feels strongly about environmental protection and energy efficiency. It is committed to continuous improvement in this regard, both in terms of manufacturing processes and STIHL products. That is why a number of measures were implemented in the past fiscal year to sustainably reduce energy consumption over the long term and to ensure that energy is used in a targeted and environmentally responsible manner.

This is nothing new for the STIHL Group. In 2012, STIHL Gesellschaft m.b.H., the Group's Austrian distribution company in Vösendorf, constructed an administration building that is heated entirely without fossil fuels. Energy to heat the facility is generated by a solar installation and stored in a geothermal storage system. Two heat pumps cover peak demand and cooling needs. The Austrian distribution company also installed an energy monitoring system that offers a wide range of analytical tools with a modern user interface and advanced visualization features.

This means that the Vösendorf company can track all of its energy consumption in 15-minute increments, which ensures that data for optimizing energy consumption is readily available. As a result of this data

collection, selected light fittings will be replaced with LED technology in 2019. In the medium term, procuring a photovoltaic installation for the Vösendorf location is a priority. The data collected by the energy monitoring system will ensure that the solar panels are the right size to meet the facility's energy needs.

The production company in Austria, STIHL Tirol GmbH, already has a photovoltaic installation with 184 modules and an average annual yield of 62,000 kilowatt hours. The installation, used exclusively for in-house energy needs, saves around 37 metric tons of CO₂ each year. In 2018, STIHL Tirol was honored by the Austrian federal government for its extraordinary commitment to energy efficiency.

—

ENVIRONMENTAL PROTECTION - MADE BY STIHL

Continuously reducing waste is a major issue throughout the STIHL Group. That is why, in 2018, STIHL Inc. replaced all polystyrene packaging used in the employees' café with recyclable packaging. Furthermore, Virginia Beach now uses 10,000 recyclable containers for material and parts handling, reducing cardboard box use by 400 metric tons per year. The use of energy-efficient LED lighting is also expanding in Virginia Beach, and the recent installation of exterior LED lighting has translated into substantial energy savings.

In China, the newly launched ZAMA plant in Huizhou received an award from suppliers for its state-of-the-art wastewater treatment system, which is regarded by the local government as a model industrial operation. A new four-stage system makes it possible for the factory to reuse processed wastewater in production. It is worth pointing out that the old location in Shenzhen had itself managed to save 30 metric tons of industrial wastewater every day.

—

CORPORATE RESPONSIBILITY AT STIHL

Companies across the world are increasingly discovering the importance of sustainable business practices and broader forms of corporate responsibility. Sustainability and responsible action are nothing new for the STIHL Group. It has a long tradition of corporate responsibility, which guides its thinking and actions.

CORPORATE SOCIAL RESPONSIBILITY

“Making it easier for people to work in and with nature.” That was Andreas Stihl’s vision when he developed his first chainsaw. The key word in this sentence is “with.” It is no coincidence that the notion of sustainability arose in the field of forestry. And sustainability itself contains foundational ideas that have become fundamental to the STIHL philosophy: striving for success while also engaging in long-term thinking, and acting with prudence and responsibility. It is a thoughtful way of doing business, based on a spirit of partnership, one that keeps a close watch on the impact business practices have within the organization and in the broader community as well. The sense of responsibility is also present in STIHL’s desire to operate and grow on the basis of its own strength, and in its desire to empower employees, business partners and customers as well.

“Responsibility at STIHL” is how we describe a strategically oriented sustainability policy that encompasses the whole STIHL Group. It is integrated into business activity, part of our core business and closely linked to our definition of success. STIHL’s sustainability policy is the foundation for integrating economic, ecological

and social aspects into its business considerations. In this regard, the STIHL Group concentrates on five fields of action: sustainable management, employees, education, environment and society.

—

SUSTAINABILITY POLICY

Sustainable management

Much of the STIHL Group’s business success can be attributed to its stability and long-term focus. As a family-owned enterprise, the STIHL Group is not listed on any stock exchange and can therefore make decisions independently of the capital markets and fluctuations in the economy. Thanks to our steady, organic growth, we have continuously strengthened our competitive position, remained stable even when the broader economy has faltered, and created fulfilling jobs and careers for many individuals over decades. This strategy enables us to increase value for the long term.

Employees

STIHL takes its responsibility to the more than 17,000 employees of the Group companies very seriously.

We view security, cooperation and a spirit of partnership and open communication as the foundation for our shared success. As a manufacturing company, occupational health and safety is also an integral part of our management system. In addition, the company offers numerous opportunities for professional development so that employees can continuously expand their capabilities and grow in their careers.

Environment

As a leading global producer of chainsaws and power tools for forestry and agriculture, garden care, landscaping and construction, the STIHL Group acts with a sense of ecological awareness. Worldwide, STIHL products make a key contribution to cultivating, maintaining and caring for nature. They are used to maintain our woodlands and forests with sustainable land management practices. They are also used around the world to help reduce the risk of devastating wildfires. In our products and processes, we commit ourselves to environmental protection and energy efficiency and to continuous improvement in this regard. Group-wide, we are cutting our energy consumption for the long term and striving to use energy and other resources as efficiently and responsibly as possible.

Education

Education and professional training are of central importance to social and economic development. Led by the guiding principle of sustainability, we cooperate with schools and universities on education projects over the long term and provide outstanding training to those who join us. The goal is to recruit and train talented individuals and prepare them for rewarding careers. We also offer a combined vocational training and degree program at several production locations around the world, even in countries where an educational model of this type is not available from the state-run education system.

Society

At STIHL, we firmly believe that by initiating and supporting social and cultural projects, we are making a contribution to positive social development. We view this as part of our mission, which we happily take on, both in Waiblingen and at the various companies of the Group around the world.

—

EMBRACING SUSTAINABILITY A PROFILE OF STIHL PROJECTS

CARING FOR GREEN SPACE IN THE SOS-KINDERDORF FACILITY FOR DISADVANTAGED CHILDREN

In November 2018, seven volunteers from the STIHL chainsaw and power tool production team in Waiblingen carried out fall garden work at the SOS-Kinderdorf Württemberg facility for disadvantaged children in Schorndorf-Oberberken. This was the seventh time that ANDREAS STIHL AG & Co. KG employees had been invited to care for the green spaces in an SOS-Kinderdorf facility. This volunteer work is a firm component of STIHL's cooperation with SOS-Kinderdorf e.V. STIHL also supports several SOS-Kinderdorf projects through financial donations. Since 2017, the STIHL distribution center in Dieburg has been supporting the organization by donating products.

RAISING YOUNG PEOPLE'S AWARENESS OF CONSERVATION

Verein Bergwaldprojekt, a charity, organizes volunteer work throughout Germany. Volunteers carry out work in local forests under the guidance of trained specialists. This work is designed to help preserve the ecosystem's diversity and help make participants aware of the significance of the natural world around us. "Forest schools," which run weeks-long projects in cooperation with educational institutions, also give young people the opportunity to interact with nature. It is hoped that the time these youngsters spend in and with nature will help shape their everyday lives when the program is over. The goal is to encourage young people to act in a way that respects the environment and our natural resources. STIHL has been supporting Bergwaldprojekt e.V. for more than ten years and continued its involvement in 2018 by donating 25,000 euros. STIHL supported two weeks of the "forest school" project in Baden-Württemberg. Bergwaldprojekt also received donations in kind worth 5,000 euros.

HUMAN RESOURCES

The growth of the STIHL Group continues unabated, making it larger and more international with each passing day. At the end of 2018, Group companies employed more than 17,000 people worldwide for the first time ever – with nearly 5,000 employees in Germany at the founding company alone. And there appears to be no end in sight to this growth. Talented employees with varied skillsets are needed to take on the challenges posed by new STIHL products – and to support the growth of established departments.

DIGITAL TRANSFORMATION IN HUMAN RESOURCES

Digitalization remains a dominant topic within the Group, and, for human resources teams, the digital transformation continued to pick up speed in 2018. In the future, the cloud-based software package SuccessFactors will provide a common, contemporary and largely standardized human resources platform for staff and management alike. The Talent & Succession module provides another good example of our increasingly digital approach. It enables all employees to concretely mold and shape their career path within their company, making the talent development process transparent for both employees and managers. STIHL is thereby strengthening its employee-oriented culture and engaging in direct dialogue with its greatest resource – its talented workforce. The recruitment management and recruitment marketing processes are also being rolled out, with both elements of SuccessFactors initially slated for launch at STIHL Inc. in the U.S.

The importance of a digital skillset for individuals and the company is also being addressed as part of a new training concept in Waiblingen. Executives, employees and project teams are all being offered appropriate training to address changes brought about by digital transformation. A special program for apprentices, trainees and students of Baden-Württemberg Cooperative State University (DHBW) rounds out the range of training options. It provides a learning platform that they can use both on and off the job. The platform and its content will be directly linked to other training programs starting in September 2019.

The STIHL companies in China and Brazil rolled out a social learning app in 2018. In Brazil, it helps apprentices and trainees review information before and after certain training modules are completed. They can also explore the training content in greater depth. In China, the app allows employees to learn in their spare time. More than 70 employees there have already taken advantage of this offer.

FAMILY AND CAREER AT STIHL

In late 2018, the founding company and the city of Waiblingen signed a partnership agreement for the planned Mia Stihl day-care center. The facility is being built near the Bürgerzentrum Waiblingen civic center, not far from Plants D1, D2 and D6. The center will offer slots for 55 children in total, 20 of which will be reserved for the city of Waiblingen to provide to the general public. An external service provider, pme Familien-service GmbH, will operate the facility. STIHL expects the day-care center to help employees achieve an even better balance between their family lives and their careers, while also making it easier for them to re-enter the workforce after having a child. The official groundbreaking ceremony took place in February 2019, with the center scheduled to open in fall 2020.

HUMAN RESOURCES MARKETING AND RECRUITMENT

STIHL is growing, placing it on the front line in the competition for the most talented job applicants. In Germany, to set itself apart from its many competitors, the founding company launched a new human resources marketing campaign in 2018 known as “Warum STIHL” (“Why STIHL”). The new campaign focuses on authenticity and credibility by offering personal insights into the company. The German business publication *brand eins* has written 29 individual portraits that allow readers to get a hands-on, close-up look at STIHL. Not only are the stories part of a print magazine, they also make up the key content of the careers website **CAREER.STIHL.COM**.

In the U.S., STIHL Inc. has maintained a special recruitment relationship with the Society of Women Engineers (SWE) at Old Dominion University in Norfolk, Virginia, for several years. Last year, STIHL Inc. organized a series of “Day in the Life” events with some two dozen future engineers. This program offered students an opportunity to speak to engineers and executives, tour the plant in Virginia Beach and get a more in-depth look at current projects.

TRAINING AND EDUCATION

Continuous training of existing staff is the best way to guarantee a good stream of skilled employees. Starting in 2019, STIHL will be offering twelve apprenticeship programs at ANDREAS STIHL AG & Co. KG and eight degree programs at Baden-Wuerttemberg Cooperative State University (DHBW), thereby increasing the total number of apprenticeships at STIHL in Germany from 60 to 75. In 2018, ANDREAS STIHL Power Tools (Qingdao) Co., Ltd. in China expanded its apprenticeship program to offer participants the option of becoming a mechatronics engineer.

AWARDS

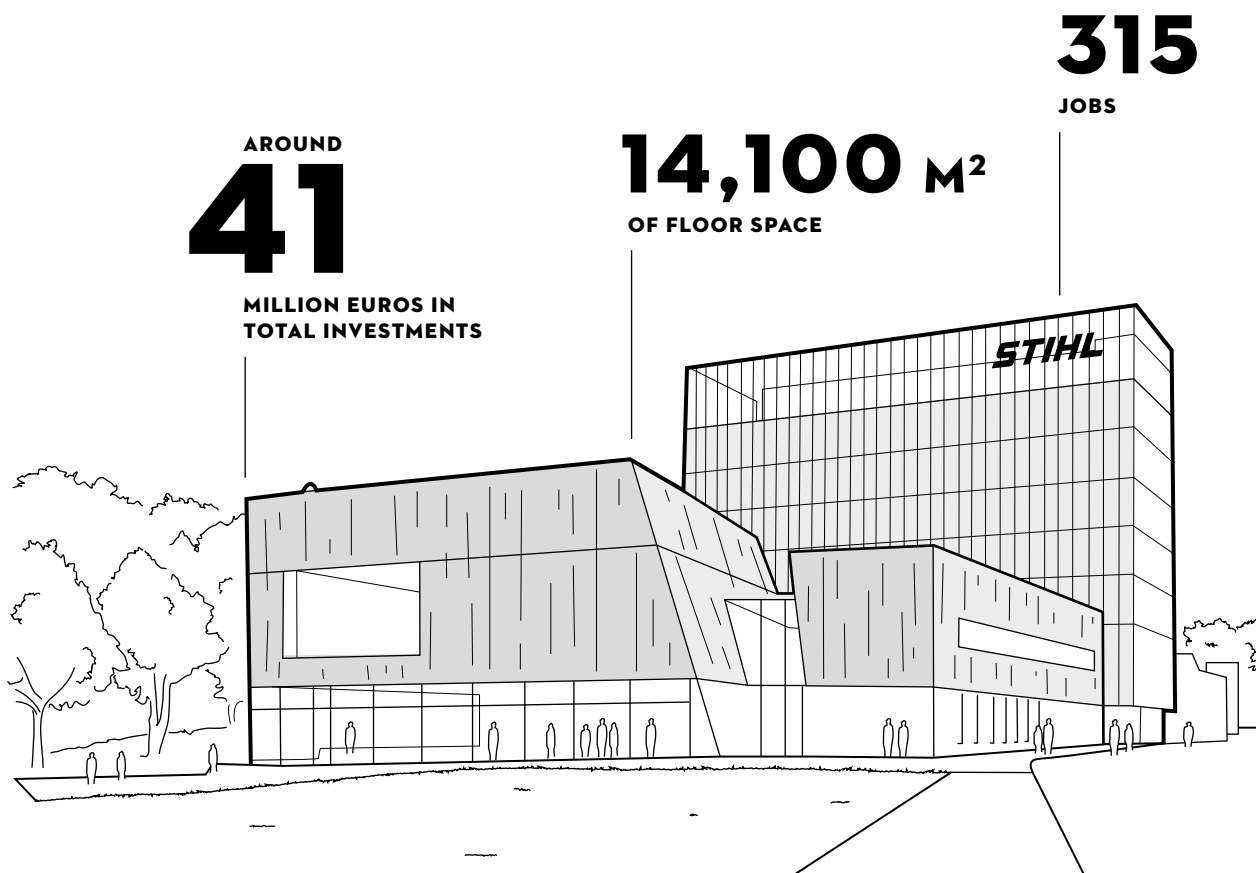
“Leading Employers” is a German organization that looks at more than 70,000 companies to recognize the top 1 percent of employers across all industries, company sizes and organizational forms. The founding company, ANDREAS STIHL AG & Co. KG, was ranked 35th overall and seventh out of 10,500 companies in the state of Baden-Württemberg. The independent study analyzed several million points of data related to staff offerings, employee satisfaction, values, image, HR expertise and financial security.

In addition, the founding company has one of the best reputations of any company in all of Germany, according to a study performed by the statistics website “Statista” in cooperation with the publication *brand eins Wissen*. STIHL came in seventh in this ranking of more than 2,000 companies. The family enterprise in Waiblingen won second place in the consumer goods manufacturing category.

In 2018, STIHL Ferramentas Motorizadas Ltda. in Brazil was voted the fifth-best employer in the state of Rio Grande do Sul for the second time in a row. The company also received the Top Ser Humano award from the Brazilian Association for Human Resources (Associação Brasileira de Recursos Humanos, ABRH-RS) for its Desenvolver internship program, which mainly targets graduates and students with technical majors.

BRAND WORLD OF STIHL

MAJOR RENOVATION AND BUILDING
PLANS FOR PLANT 1 IN WAIBLINGEN



Plant 1 in Waiblingen is slated for renovation and will contribute to the modernization of the Group's Waiblingen location. The site will receive new buildings, a redesigned plant entryway and the new Brand World of STIHL, featuring a museum. According to Chairman of the Executive Board, Dr. Bertram Kandziora, the flagship project reaffirms the company's commitment to its Waiblingen location.

The most radical changes are planned at Plant 1 in Waiblingen, where the current

product exhibition is being expanded to create the Brand World. The high-rise administrative building is also being completely gutted and rebuilt. It will receive a new exterior, and the museum will be torn down to focus attention on the new ensemble of buildings.

"The Brand World will allow people to experience the STIHL brand in a unique way on a total of three floors," says Dr. Kandziora, explaining the project. The new Brand World of STIHL will encompass a total floor space of nearly

5,000 square meters and will incorporate a variety of different elements, such as a product exhibition, product demonstration spaces, a company and brand museum and a cafeteria.

Construction work is scheduled to start in mid-2019. Due to the extensive construction and renovation measures, some 350 employees have temporarily moved into a provisional office space in Fellbach, where they are spread out over 9,400 square meters on a total of five floors.

DEVELOPMENT

Change is part of our DNA, and it has been for more than 93 years, allowing STIHL to successfully bridge the gap between tradition and progress – especially in product development. In 2018, the challenges were twofold: Expand the extensive range of gasoline- and battery-powered products while opening up new lines of business. With the aim of advancing the development of STIHL products with digital features, Research and Development defined new roles, new business structures and new working methods.

NEW FLAGSHIPS

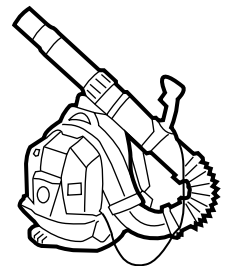
The STIHL MS 500i is the world's first chainsaw with electronic fuel injection. It is and will remain the flagship of STIHL's chainsaw product range. A true innovation, this chainsaw is designed for professional hardwood harvesting and provides power and rapid acceleration in a package that is lightweight and highly maneuverable. Precise fuel metering ensures optimum engine performance and excellent starting, regardless of elevation or air temperature. Because fuel injection eliminates the need for a choke or master control lever, starting the engine is simplified in all conditions. The combination of revolutionary engine technology and intelligent, lightweight design results in the best power-to-weight ratio of any chainsaw in the world in the 80-cubic-centimeter class.

The STIHL BR 800, our flagship in the blower category, represents another extraordinary product innovation. The strongest backpack blower ever manufactured by STIHL, it is the perfect addition to the existing model

range. It has been designed to be both robust and ergonomic, featuring a brand-new side-starter. Engineered primarily for the demands of the U.S. and Canadian markets, the STIHL BR 800 wins users over with reliability and performance. At 41 newtons, the BR 800 offers 7 newtons more blowing force than other models in the product line.

In 2018, STIHL unveiled the STIHL RE 90, RE 95 and RE 100 to RE 130 Plus series: our first-ever high-pressure clean-

ers developed in-house. As with all STIHL products, close attention was paid during development to performance, ergonomics and design. Part of the challenge during development included finding and evaluating



THE **STIHL BR 800** OFFERS AN IMPRESSIVE 41 NEWTONS OF BLOWING FORCE.

more than 35 component suppliers, since high-pressure hoses, cleaning nozzles, special seals and the like are not used in any other STIHL products. In cooperation with their colleagues in Qingdao, the product designers in Waiblingen were also responsible for developing the entire range of gasoline-powered cleaners and accessories. The development center is now also home to a productive test bay with test benches that can be used for an array of tests. Except for electromagnetic compatibility testing, all certification-relevant tests can be performed in-house. Right now, a total of nine products from three model ranges are in the works, along with 53 country-specific variants tailored for customer groups ranging from DIY users to professionals.

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IMOW CAMPAIGN

“Our goal is to become one of the two leading providers in the field of robotic lawn mowers,” says Wolfgang Zahn, the Executive Board Member for Research and Development. His words provide a clear vision for the future. But with the autonomous lawn mower, STIHL is active in a sector where several competitors are currently aiming for domination. In response to this challenge, STIHL Tirol and experts from Research and Development in Waiblingen joined forces last year to launch a special iMow campaign. The brand change and the even closer collaboration between the two locations has strengthened the STIHL Group as a whole in the robotic lawn mower segment. The full integration of VIKING has created a powerful union that allows STIHL to adapt to changing market demands and significantly strengthen development in the field of robotics.

ANDREAS STIHL AG & Co. KG in Waiblingen manages all iMow-related projects, while STIHL Tirol GmbH in Langkampfen remains the competence center for functional development and testing. A newly created department based in Waiblingen – Product Development, iMow & Accessories, STIHL Group – is at the heart of the campaign.

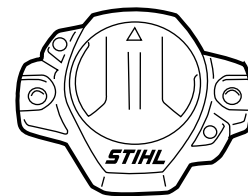
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SMART CONNECTIVITY

The focus on the iMow is part of STIHL's constant drive to be a technological leader and deliver top quality – and its desire to tap into new business opportunities. The STIHL robotic mower product portfolio is expected to cover all mower segments, from entry-level to high-performance. Through the iMow, STIHL dealers and customers will gain access to the world of smart gardening. Wireless controls, autonomous operation, indirect charging and enhanced connectivity with other smart garden tools represent a first step toward a connected, future-ready portfolio. In 2018, the iMow team revamped the STIHL RMI 422 on-board communications system, including the software that makes it all work. Now it is possible to connect to the STIHL RMI 422 C and operate it using the iMow app or a smart watch app.

For customers wanting to connect older tools and track important data, STIHL offers the Smart Connector, bundled with the STIHL app and the STIHL Connect portal. Fastening the Smart Connector is fast and easy. Regardless of the model, it provides customers access to digital services, maintenance and tool care tips, and support for effective fleet management.

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THE
STIHL SMART CONNECTOR
CAN INTELLIGENTLY CON-
NECT NEARLY ANY TOOL.

FRUGAL PRODUCTS IN ASIA

SPECIAL TOOLS MADE BY STIHL
FOR EMERGING MARKETS



STIHL is taking a new approach to the Asian market. Thanks to "frugal" products, we are winning over emerging markets in no time flat. The acronym "frugal" stands for "functional, robust, user-friendly, growing, affordable and local."

For STIHL, the development of frugal products means remaining consistently focused on customers' needs. It also means overcoming preconceived notions and ideas that are often dictated by es-

tablished markets. Frugal product development focuses on customer benefits, which also vary from one market to the next. As a result, it is essential to precisely define the local requirements facing the products and narrow them down to the absolute necessities. Frugal products should be equal to their less expensive Asian competitors in every way while also offering the top quality that people have come to expect from STIHL.

In the past twelve months, the Group has succeeded in adapting a host of products for emerging markets, including clearing saws, earth augers, water pumps and hedge trimmers. On the basis of a single engine, for example, four products were developed. In the first year alone, STIHL produced 35,000 units that were tailored to the needs of an entirely new group of customers.

PRODUCTION

At the manufacturing facilities across the STIHL Group, 2018 was marked by a continued focus on core values on the one hand and transformation on the other. To continue manufacturing innovative, high-quality products that fulfill an increasingly diverse range of customer needs, many investments were made in machines, systems and buildings in the past fiscal year.

MAJOR DEMAND - MAJOR CHALLENGES

Demand for professional STIHL products continues to grow. This strong demand led to unexpectedly high production totals in 2018, almost 30 percent above 2016 figures. Such volume entails major challenges to ensure suitable space is available for production and administration. In Waiblingen, buildings were rented outside Plants 1, 2 and 6 to house new capabilities, like in-house battery pack manufacturing, and to accommodate employees who have been displaced by the conversion of the administrative offices at Plant 1.

2018 also saw increased activity at STIHL's magnesium die-casting plant in Prüm-Weinsheim. This facility's die-casting expertise is increasingly in demand beyond the Eifel region and outside the STIHL Group. External contracts are increasing. The components manufactured in Plant 4, most of which are developed in-

house, are now even winning international awards. For example, the suspension strut for the Audi A8, manufactured in Prüm-Weinsheim, was honored as a pioneering product by the European Association for Magnesium e.V. (EFM). Of course, lightweight components made from magnesium are present in almost all STIHL products, particularly gasoline-powered chainsaws and cut-off machines.

Other innovations bear the signature of STIHL's plant in the Eifel. One example is the flywheel of the STIHL MS 500i. Putting the flywheel mass on the outside in the form of a steel ring allowed the total weight of the STIHL MS 500i to be reduced by approximately 100 grams. The aluminum flywheel was bonded to a steel ring and a magnetic ring, which consisted of plastic on the bond surface. Connecting magnesium or aluminum die-cast components to steel or plastics using bonding agents can now be carried out in a uniform,

reliable process. This complicated process was developed specially for this particular chainsaw component, but is opening up new possibilities for other, future products.

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GLOBAL MANUFACTURING NETWORK - EXPANDING CAPABILITIES

The STIHL Group's global manufacturing network helps ensure favorable production conditions and high quality. Having manufacturing capabilities in a local market at the right time helps generate competitive pricing. It also offers the flexibility to avoid economic turbulence in a particular market that may affect currency exchange rates, consumer confidence or employment conditions.

The past fiscal year saw a number of important new developments outside of Germany: At the end of 2017, ANDREAS STIHL Power Tools (Qingdao) Co., Ltd. in China began using polymer injection molding. This allowed the Qingdao plant to expand the level of in-house product manufacturing. The STIHL FS 230 and STIHL FR 230 clearing saws, produced in China, are the first STIHL-branded products designed specifically for the Asian market. With the STIHL MSE 141, Qingdao is producing its first electric chainsaw locally. The first high-pressure cleaners to be made in-house, the STIHL RE 100 to RE 130, are also produced in Qingdao. This represents the dawn of a new technological era for the Asian production company.

The STIHL chain plant in Wil, Switzerland, successfully worked on an innovative new stamping technology over the course of 2018. For many years, STIHL saw chains have been produced with Swiss precision. They are made with special machines that the company designed and manufactured itself. The in-house production of saw chains and guide bars assures optimal harmonization between these cutting attachments and the chainsaw.

As a supplier of cylinders, STIHL Ferramentas Motorizadas Ltda. in Brazil plays a key role in our global manufacturing network: Around 75 percent of all cylinders used in the STIHL Group are manufactured in

the São Leopoldo plant. As a cylinder competence center, the location drives new technologies and innovations in cylinder production to continue to meet the high requirements of the market. In 2018, our colleagues in South America also celebrated a very special occasion: Its 80 millionth cylinder rolled off the production line. In addition, a modern 3,200-square-meter research and development center was built at STIHL Brazil.

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NEW PRODUCTION SITES FOR ZAMA AND STIHL INC.

In 2018, ZAMA, which manufactures carburetors, oil pumps and other precision parts for small engines, successfully moved its operations to a new production site in the southern Chinese city of Huizhou. The symbolic groundbreaking ceremony for the plant, which cost around 36 million euros, took place in mid-2016. Establishing the largest carburetor factory in STIHL's global manufacturing network in a new location is by far the biggest construction investment that ZAMA has ever made and the most significant milestone in the company's history. The new production site encompasses a surface area of 20,000 square meters, and incorporates new production and storage facilities as well as new office spaces. Huizhou, where the new site is based, is approximately 60 kilometers from ZAMA's previous location. The company, which employs around 2,100 people, moved after 25 years when its lease expired. On a global level, the STIHL Group anticipates further growth in carburetor sales and is therefore using the opportunity to modernize ZAMA's logistics and parts of its manufacturing technology. This has been a success – the plant is now a showpiece in the region.

There is construction activity in the USA too. At STIHL Inc. in Virginia Beach, work began in 2018 on the conversion of an existing warehouse into a production building. This step enabled the mowing line production buildings to be consolidated, opening up additional space in the main building for assembly and injection molding. These changes offer the opportunity for further growth in Virginia Beach.

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MARKETS

Despite unfavorable weather conditions, particularly in North America and Europe, the STIHL Group successfully defended its leading position on the global market with modest revenue growth.

DIFFICULT WEATHER CONDITIONS WORLDWIDE

After a record year in 2017, the STIHL Group's revenue grew modestly in 2018. Apart from the very strong euro, the primary driver was weather conditions in the western hemisphere and in Eastern Europe, including Russia. The long, cold winter in North America and Europe was followed by a very dry summer that reduced demand for outdoor power equipment. However, STIHL managed to grow revenue in both battery-powered and gasoline-powered product segments. Meanwhile, STIHL also recorded a significant increase in the sale of robotic lawn mowers.

In Europe, the long winter, combined with a late start to the growing season and persistent dryness in the summer, had a particularly negative effect on the entire outdoor power equipment industry. Battery-powered products, however, continue to enjoy great popularity and record growth regardless of weather conditions. For example, STIHL is posting double-digit growth rates

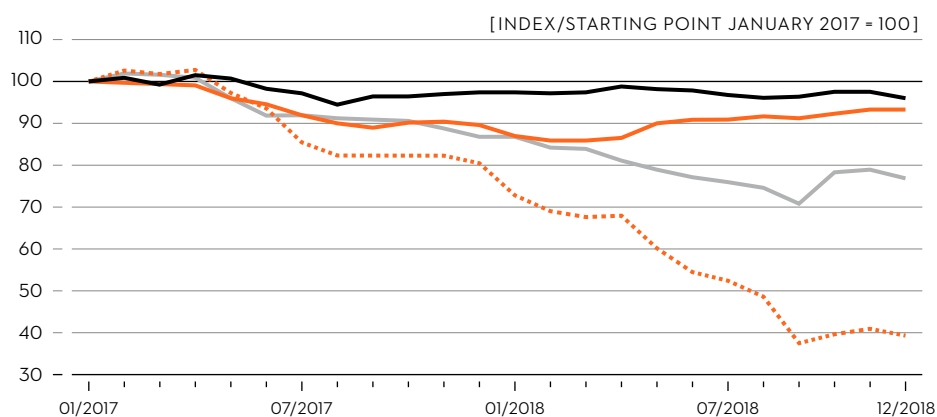
in battery-powered lawn mowers, which are all now sold exclusively under the STIHL name following the integration of VIKING.

Since October 2018, ANDREAS STIHL AG & Co. KG has been selling certain merchandise directly to customers in Germany and Austria through a central online shop. This new platform appeals to different target customer groups and aims to grow interest in the STIHL brand.

2018 once again saw a number of milestones for the STIHL Group: ANDREAS STIHL S.A. in Greece celebrated its 20th anniversary, while ANDREAS STIHL, spol. s r.o. in the Czech Republic celebrated 25 years. ANDREAS STIHL Ltd., founded in Camberley, Surrey, in 1978, and currently undergoing an expansion, celebrated its 40th year as a member of the STIHL Group. The anniversary celebration was topped off by the STIHL TIMBERSPORTS® World Championship, which took place in Liverpool in October and was well covered by the media.

EXCHANGE RATE MOVEMENTS AGAINST THE EURO 2017/2018

CHANGES IN PERCENT / MONTHLY RATES / SOURCE: STIHL



The graph shows the development against the euro of the following currencies in the years 2017–2018.

— British pound (GBP)
— US dollar (USD)
— Brazilian real (BRL)
- - - Argentinian peso (ARS)

The figures are based on the respective monthly average exchange rates in the period January 2017 to December 2018 and are indexed against the starting point, January 2017 (= index 100).

REVENUE GROWTH DESPITE DIFFICULT CONDITIONS

Revenue growth for the entire outdoor power equipment industry was hampered by unfavorable weather conditions in North America. In particular, the industry had to contend with a long winter. Regardless, battery-powered technology continued to gain ground in North America, and the market for battery-powered products saw strong growth in 2018. STIHL managed to grow its revenue significantly in this segment, particularly with the battery-powered lawn mower that was launched in the U.S. and Canadian markets.

An unstable economic and political situation along with unfavorable weather conditions reduced overall demand in Latin America. In Argentina in particular, drought and the ongoing economic crisis, together with the associated collapse in the currency, led to a decline in sales. Drought and political unrest in other regions of Latin America are also a cause for concern. Contrary to these market trends, however, and thanks to brand strength, chainsaw and power tool revenue grew in the region.

CHINA AND INDIA AS DRIVERS OF GROWTH

Despite U.S. sanctions against Iran and the temporary economic turbulence in Turkey, the STIHL Group saw double-digit growth in Asia, primarily facilitated by strong sales figures from China and India. Group members represent the STIHL brand in both countries. In China, the STIHL Group also has a manufacturing facility.

The strong growth experienced in the Australian market in recent years was slowed by a long period of drought in 2018. Despite dry conditions for much of the year, STIHL managed to boost its revenues in this region.

In 2018, the African market recovered following the severe drought of the preceding year. STIHL generated double-digit revenue growth there, driven largely by markets in sub-Saharan and East Africa. The Group also opened another marketing company in the form of STIHL Marketing East Africa Limited in Nairobi, Kenya.

PURCHASING

STIHL's foundational values have long shaped the strategic and operational actions of its purchasing team, which operates at a Group-wide level. This means that relationships with suppliers are handled intensively but fairly, in a spirit of partnership and with a long-term focus. They are based on shared social responsibility in areas such as environmental awareness and energy efficiency. One of STIHL's firm beliefs is that quality, delivery capacity and competitiveness can make the biggest contribution to the entire STIHL Group through partnerships that respect shared values.

HELPING TO SHAPE CHANGE

The world of STIHL and the world around STIHL are in flux – this was apparent in 2018. External influences are becoming more dynamic and technologies are rapidly changing – bringing new requirements, new processes and new working environments with them. Digitalization in particular is having a major influence on almost all areas of the working day. For Purchasing, that means an even stronger focus on new methods, as cooperation with suppliers across the value chain takes on even greater importance.

But it is not just new technologies and conventions that influence our thoughts and actions. The global markets in which STIHL Group companies participate are also changing. 2018 was characterized by political disruptions and uncertainty, including legal changes concern-

ing energy matters, challenges to free trade and uncertainty regarding the possible consequences of Brexit. These developments require honed, flexible and powerful supply chain management. Furthermore, technological and economic alternatives must be capable of rapid testing and development. That capability, in turn, makes it necessary for Purchasing to develop and implement differentiated strategies to ensure effective action in global markets in collaboration with suppliers.

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DEPLOYING RESOURCES IN A FLEXIBLE, TARGET-ORIENTED MANNER

Long-term and reliable partnerships with suppliers help position the STIHL Group to seamlessly take on unknowns as they arise. Our partnerships help secure

needed goods and services, even in unsettled political waters. In addition, the purchasing team is proactive, secures pricing at an early stage, develops new sources of supplies and continuously taps into new procurement channels beyond existing markets. Furthermore, international partners are increasingly integrated into the STIHL Group's supplier and sales networks.

The broadening of the STIHL product range presents just one example of the new challenges facing the purchasing team. Battery-operated tools and new gasoline- and electric-powered STIHL high-pressure cleaners require new expertise and new approaches, along with new technologies and new capabilities. The expansion of supplier relationships is based on established supplier management guidelines. These provide stability and an important point of reference because prevailing terms and conditions in new procurement markets can diverge radically from the familiar environment of gasoline-powered products. In-house production within the STIHL Group continues to be another key pillar of our business, and is supported at every step by the procurement of products and services.

Regardless of new requirements, supplier management at STIHL is continually being refined.

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SOFTWARE AS A DRIVER OF AND KEY TO CHANGE

For a number of years, the STIHL Group has faced disruptive changes in traditional technologies, with global megatrends such as Industry 4.0, the internet of things, electromobility and the growth of battery power. For Purchasing, these changes increase complexity, particularly with respect to the procurement of software and associated services. In the future, more and more STIHL devices will be "connected" via cloud services. Purchasing ensures that connectivity apps – more specifically the STIHL Connect app – are compatible with the corresponding tool software.

The importance of software procurement cannot be underestimated, as today almost all business processes are software-driven. In order to purchase a new operating system at the most competitive price, for instance,

a range of procurement options must be evaluated with a clear understanding of the needs of the relevant STIHL companies.

Sweeping changes to our business require changes to how we conduct business. That means new processes and new systems – sometimes optimized with Group-wide software application packages. Internal and external cooperation as well as increasing efficiency are the focal points and take place within the scope of harmonization of the STIHL system landscape.

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GROWTH REQUIRES SPACE

The STIHL Group is growing. This brings with it an increase in construction activity. To date, construction contracts have largely been awarded to local or regional companies if sufficient capacity was available at a suitable price. Because of the favorable economic conditions, the workload of many construction companies has fundamentally changed. Order books are full and capacities are tight. Purchasing has responded by putting out inquiries at a national level using an electronic contract-awarding platform and new contract-awarding models.

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BALANCE SHEET STRUCTURE OF STIHL HOLDING AG & CO. KG (CONSOLIDATED GROUP)
IN MILLIONS OF EUROS

ASSETS	3,247	1,220	1,377	5,844
	FIXED ASSETS	INVENTORIES	OTHER ASSETS	
LIABILITIES	4,083	724	1,037	5,844
	EQUITY	PROVISIONS	OTHER LIABILITIES	

BALANCE SHEET AT DECEMBER 31, 2018

(Condensed version)

ASSETS	CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG		ANDREAS STIHL AG & CO. KG	
IN THOUSANDS OF EUROS				
Notes to the balance sheets	DEC. 31, 2018	Dec. 31, 2017	DEC. 31, 2018	Dec. 31, 2017
FIXED ASSETS				
Intangible assets	56,097	37,312	44,032	25,503
Property, plant and equipment	1,265,970	1,127,810	357,851	310,590
Financial assets (1)	1,925,324	1,745,618	387,838	337,368
	3,247,391	2,910,740	789,721	673,461
CURRENT ASSETS				
Inventories	1,219,996	1,041,539	233,171	192,432
Receivables and other assets				
Trade receivables	507,911	472,132	31,259	33,645
Receivables from related companies	20,240	21,331	185,567	143,303
Receivables from companies in which an equity interest is held	47	0	0	0
Other assets	97,006	98,113	11,231	21,601
	625,204	591,576	228,057	198,549
Securities (2)	57,128	51,711	0	5,000
Cash and bank balances	583,696	753,954	104,365	218,892
	2,486,024	2,438,780	565,593	614,873
DEFERRED EXPENSES AND ACCRUED INCOME	24,896	22,021	3,221	2,990
DEFERRED TAX ASSETS	86,075	67,590	17,268	13,834
TOTAL	5,844,386	5,439,131	1,375,803	1,305,158

BALANCE SHEET STRUCTURE OF ANDREAS STIHL AG & CO. KG
 IN MILLIONS OF EUROS

ASSETS	790	233	353	1,376
	FIXED ASSETS	INVENTORIES	OTHER ASSETS	
LIABILITIES	610	481	285	1,376
	EQUITY	PROVISIONS	OTHER LIABILITIES	

EQUITY AND LIABILITIES
 IN THOUSANDS OF EUROS

CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG
ANDREAS STIHL AG & CO. KG

Notes to the balance sheets	DEC. 31, 2018	Dec. 31, 2017	DEC. 31, 2018	Dec. 31, 2017
EQUITY (3)	4,082,698	3,817,032	610,000	580,000
PROVISIONS (4)				
Provisions for pensions and similar obligations	450,488	407,989	410,834	370,865
Provisions for taxes	13,731	19,016	5,710	1,438
Other provisions	260,057	224,887	64,296	60,687
	724,276	651,892	480,840	432,990
LIABILITIES				
Liabilities to banks	14,645	9,986	0	0
Loan from the Eva Mayr-Stihl Foundation (5)	150,000	150,000	150,000	150,000
Participating capital (6)	33,774	32,181	33,774	32,181
Advance payments received	2,951	220	0	0
Trade payables	213,571	203,784	35,943	30,366
Liabilities to related companies	42	42	17,290	25,887
Liabilities to companies in which an equity interest is held	2,781	2,904	0	0
Liabilities to owners	533,422	482,198	15,644	20,218
Other liabilities	80,237	84,627	31,113	32,683
	1,031,423	965,942	283,764	291,335
DEFERRED EXPENSES AND ACCRUED INCOME	745	0	1,087	832
DEFERRED TAX LIABILITIES	5,244	4,265	112	1
TOTAL	5,844,386	5,439,131	1,375,803	1,305,158

SUPPLEMENT TO THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF STIHL HOLDING AG & CO. KG

Information required by Section 13 Subsection 3 in conjunction with Section 5 Subsection 5 Sentence 3 of the German Companies Disclosure Act (Publizitätsgesetz):

1. Revenue	In thousands of euros	3,782,130
2. Income from equity investments	In thousands of euros	4
3. Wages, salaries, social security contributions and expenses for pensions and other employee benefits	In thousands of euros	905,714
4. Average number of employees in the twelve months ending on the balance sheet date		16,697

Waiblingen, March 2019

STIHL Holding AG & Co. KG
The General Partners
Dipl.-Ing. Hans Peter Stihl
STIHL AG

ANDREAS STIHL AG & CO. KG

Information required by Section 5 Subsection 5 Sentence 3 of the German Companies Disclosure Act (Publizitätsgesetz):

1. Revenue	In thousands of euros	1,198,184
2. Income from equity investments	In thousands of euros	0
3. Wages, salaries, social security contributions and expenses for pensions and other employee benefits	In thousands of euros	393,037
4. Average number of employees in the twelve months ending on the balance sheet date		4,856

Waiblingen, March 2019

ANDREAS STIHL AG & Co. KG
The General Partners
Dipl.-Ing. Hans Peter Stihl
STIHL AG

The annual financial statements of the STIHL Holding AG & Co. KG group and ANDREAS STIHL AG & Co. KG are disclosed in the German Federal Gazette, in accordance with the German Companies Disclosure Act (Publizitätsgesetz).

NOTES

ACCOUNTING AND VALUATION METHODS

Fixed assets are valued at the cost of acquisition or production. Cost of production includes the costs of materials and labor, and an appropriate share of material and production overhead. Assets with a limited useful life are subject to systematic depreciation. Wherever deemed necessary, impairments are recognized to reflect assets' lower fair values.

Inventories are valued at the cost of acquisition or production, or at fair value if this is lower. General sales risks are reflected by appropriate range deductions. Receivables and other assets are measured at their nominal values. Allowances are made for recognizable individual risks and general default risk. Provisions for pensions are measured in accordance with the projected unit credit method on the basis of the Heubeck 2018 G mortality tables. All recognizable risks and contingent liabilities are taken into consideration in the measurement of other provisions. Liabilities are recognized at their settlement amounts.

SCOPE OF CONSOLIDATION

The consolidated group includes STIHL Holding AG & Co. KG and all domestic and foreign affiliated companies (see list).

Due to their lesser importance, Carl Benz Center GmbH & Co. KG, Stuttgart, and Carl Benz Center Neckarpark GmbH, Stuttgart, are not included in the consolidated financial statements.

CAPITAL CONSOLIDATION

Capital consolidation takes place in accordance with Section 301 Subsection 1 to Subsection 3 of the German Commercial Code (HGB). Differences arising from first-time consolidation before January 1, 2010 were offset against retained earnings.

OTHER CONSOLIDATION METHODS

The Group's internal receivables and liabilities, revenues, income and expenses are eliminated. Inter-company profits are eliminated pursuant to Section 304 Subsection 1 of the German Commercial Code (HGB). Deferred taxes are recognized on inter-company profits as well as on debt consolidation affecting profit and loss.

CURRENCY CONVERSION

The balance sheet values of the capital and reserves were converted at the respective average historical exchange rates of the respective year. Other assets and liabilities were converted at the average spot exchange rate on the balance sheet date.

NOTES TO THE BALANCE SHEETS

OF THE CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG AND OF ANDREAS STIHL AG & CO. KG

ASSETS

(1) Financial assets

The financial assets reported in the consolidated financial statements mainly relate to equity investments, securities held as fixed assets and other loans.

(2) Securities

These are predominantly other securities used for short-term investments.

EQUITY AND LIABILITIES

(3) Equity

Equity in both balance sheets is shown as a total amount in accordance with Section 9 Subsection 3 of the German Companies Disclosure Act (Publizitätsgesetz).

(4) Provisions

The pension provisions cover pre-existing pension entitlements and future benefits.

Other provisions include possible provisions for outstanding employee benefits, tax payments and other contingencies.

(5) Loan from the Eva Mayr-Stihl Foundation

The loan is available to ANDREAS STIHL AG & Co. KG.

(6) Profit participation capital

A large number of employees of ANDREAS STIHL AG & Co. KG exercised the option to participate further in the capital of the company in the form of participation rights in fiscal year 2018.

(7) Average number of employees of the Group

Europe	7,690
America	4,816
Asia/Oceania/Africa	4,191
TOTAL	16,697

COMPANIES OF STIHL HOLDING AG & CO. KG

Name of the company	Equity interest in %	Name of the company	Equity interest in %
CONSOLIDATED COMPANIES			
Germany			
STIHL Holding AG & Co. KG, Waiblingen	100.0	ANDREAS STIHL EOOD, Sofia, Bulgaria	100.0
STIHL AG, Waiblingen	100.0	STIHL d.o.o. Beograd, Belgrade, Serbia	100.0
ANDREAS STIHL AG & Co. KG, Waiblingen	100.0	OOO ANDREAS STIHL Marketing, St. Petersburg, Russia	100.0
STIHL International Gesellschaft mit beschränkter Haftung, Waiblingen	100.0	OOO STIHL SUEDWEST, Krasnodar, Russia	100.0
STIHL Vertriebszentrale AG & Co. KG, Dieburg	100.0	STIHL Limited, London, Ontario, Canada	100.0
ANDREAS STIHL Verwaltungs-GmbH, Waiblingen	100.0	ANDREAS STIHL S.A. de C.V., Cuautlancingo, Puebla, Mexico	100.0
STIHL-Verwaltungsgesellschaft mbH, Waiblingen	100.0	STIHL SAS, Rionegro, Antioquia, Colombia	100.0
STIHL Kettenwerk Verwaltungs-GmbH, Waiblingen	100.0	STIHL Motoimplementos S.A.U., El Talar, Buenos Aires, Argentina	100.0
STIHL Beteiligungsgesellschaft GmbH & Co. KG, Waiblingen	100.0	ANDREAS STIHL (PTY.) Ltd., Pietermaritzburg, South Africa	100.0
STIHL Kettenwerk GmbH & Co. KG, Waiblingen	100.0	Kabushiki Kaisha STIHL, Kaminokawa-machi, Tochigi, Japan	100.0
Zama Holding GmbH, Waiblingen	100.0	Taichang ANDREAS STIHL Power Tools Co., Ltd., Taichang City, Jiangsu, China	100.0
STIHL Digital GmbH, Waiblingen	100.0	ANDREAS STIHL Pvt. Ltd., Kuruli, Tal-Khed, Dist. Pune, India	100.0
Other countries		STIHL SERVICE CENTRE SOUTHEAST ASIA SDN. BHD., Petaling Jaya, Malaysia	100.0
STIHL Incorporated, Virginia Beach, Virginia, USA	100.0	STIHL MARKETING EAST AFRICA LIMITED, Nairobi, Kenya	100.0
STIHL Ferramentas Motorizadas Ltda., São Leopoldo, Rio Grande do Sul, Brazil	100.0	Zama Corporation Ltd., Tai Po, NT, Hong Kong	100.0
ANDREAS STIHL Power Tools (Qingdao) Co., Ltd., Qingdao, China	100.0	Zama Japan Kabushiki Kaisha, Hachimantai-shi, Iwate-Ken, Japan	100.0
STIHL Tirol GmbH, Langkampfen, Austria	100.0	Guang Dong Zama Precision Industry Co., Ltd., Guangdong, China	100.0
STIHL Gesellschaft m.b.H., Vösendorf, Austria	100.0	U.S.A. Zama, Inc., Franklin, Tennessee, USA	100.0
STIHL Vertriebs AG, Mönchaltorf, Switzerland	100.0	Zama Precision Industry Manufacturing Philippines, Inc., Sto. Tomas, Philippines	100.0
ANDREAS STIHL Ltd., Camberley, Surrey, United Kingdom	100.0	Zama Precision Industry (Huizhou) Co., Ltd., Huizhou City, China	100.0
ANDREAS STIHL N.V., Puurs, Belgium	100.0	STIHL PTY. Ltd., Knoxfield, Victoria, Australia	100.0
ANDREAS STIHL SAS, Torcy, Marne-la-Vallée, France	100.0	STIHL Limited, Auckland, New Zealand	100.0
ANDREAS STIHL S.A., Torres de la Alameda, Spain	100.0	NONCONSOLIDATED COMPANIES	
ANDREAS STIHL S.A., Sintra, Portugal	100.0	Carl Benz Center Objekt GmbH & Co. KG, Stuttgart, Germany	100.0
ANDREAS STIHL S.p.A., Cambiago, Italy	100.0	Carl Benz Center Neckarpark GmbH, Stuttgart, Germany	100.0
ANDREAS STIHL S.A., Acharnes, Attica, Greece	100.0	OTHER HOLDINGS	
ANDREAS STIHL A/S, Sandefjord, Norway	100.0	BMZ Holding GmbH, Karlstein am Main, Germany	20.0
ANDREAS STIHL Norden AB, Stenkullen, Sweden	100.0	Globe Holdings (Hong Kong) Co., Ltd., Hong Kong	35.0
ANDREAS STIHL Oy, Vantaa, Finland	100.0	GreenIQ Ltd., Petah-Tikva, Israel	34.4
ANDREAS STIHL Sp. z o.o., Tarnowo Podgórne, Poland	100.0	Freiraum GmbH, Stuttgart, Germany	18.0
ANDREAS STIHL, spol. s r.o., Modřice, Czech Republic	100.0	High-Tech Gründerfonds III GmbH & Co. KG, Bonn, Germany	1.0
ANDREAS STIHL Kereskedelmi Kft., Biatorbágy-Budapark, Hungary	100.0		
ANDREAS STIHL Motounelte S.R.L., Otopeni, Romania	100.0		
TOV ANDREAS STIHL, Kiev, Ukraine	100.0		
TOV ANDREAS STIHL Zemelna Kompanija, Kiev, Ukraine	100.0		

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Chairman of the Employee Council of the Weinsheim plant of
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Plant Safety Officer of ANDREAS STIHL AG & Co. KG
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ANDREAS STIHL AG & Co. KG

Marion Freytag, Burgstetten
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at ANDREAS STIHL AG & Co. KG
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First authorized representative of the Waiblingen office of the
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Dr. Klaus Langhans, Winnenden
Senior Manager, Blower Production, ANDREAS STIHL AG & Co. KG
(Member of the Supervisory Board from June 27, 2018)

Dipl.-Ing. (FH) Hardy Völler, Winnenden
Division Manager, Plastic Parts Production Center,
ANDREAS STIHL AG & Co. KG
(member of the Supervisory Board until June 27, 2018)

Gerhard Wick, Geislingen an der Steige
First authorized representative of the Esslingen office of the
trade union IG Metall
(Member of the Supervisory Board until June 27, 2018)

60

YEARS OF THE STIHL CONTRA A REAL BREAKTHROUGH



Business was good for Andreas Stihl at the end of the 1950s. The crisis of the post-war years was over, and STIHL was working its way to the top, buoyed by innovative products and highly motivated employees – some of whom had been with the company from day one. Still, it wasn't enough. The market wanted more – the next breakthrough product. Encouraged by his employees, Andreas Stihl put his engineering mind to work and started thinking about the possibility of a gearless chainsaw. After all, gearless chainsaw models had been winning over customers in the United States.

In 1959, the legendary STIHL Contra – sold in North America as the “STIHL Lightning” – was launched, and it revolutionized forestry work. Weighing just 12 kilograms and generating 6 horsepower, the Contra was lighter and more efficient than any other chainsaw available at the time. Its diaphragm carburetor and chipper chain made it the first genuinely competitive gearless chainsaw available on the market. The

Contra allowed forestry businesses to boost productivity by up to 200 percent. The launch of the saw also resulted in double-digit revenue growth at STIHL.

The Contra success story continued from 1959 to 1968, with further innovations added to this revolutionary chainsaw. In 1965, for example, the Contra adopted the patented STIHL antivibration system.

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This Annual Report is a translation of the original German version and is provided for your convenience. European products are shown throughout this Annual Report. Product names and features may vary by market.



Working with a STIHL Contra in 1961. |
Always wear proper personal protective equipment.

THE YEAR IN REVIEW: 2018



THE YEAR IN REVIEW:

2018

THE YEAR IN REVIEW: 2018

JANUARY



The new **ZAMA** plant in Huizhou, China, is one of the most high-tech, environmentally friendly carburetor production plants in the world. It also strengthens the STIHL Group's global manufacturing network.

FEBRUARY



ANDREAS STIHL AG & Co. KG becomes one of the first companies in Germany to develop an escape room theme as an **INNOVATIVE RECRUITMENT CONCEPT**.

MARCH



Yet another milestone is reached in expanding operations with the dedication ceremony at the **SALES LOGISTICS** building in Ludwigsburg.

APRIL



STIHL SPAIN invests in the future of spare-part logistics with the state-of-the-art Auto-Store system.

JULY



A new **DISTRIBUTION BUILDING** is completed in southern Russia after just two years of construction, serving an area twice the size of Germany.

AUGUST



German competitors secure multiple gold medals at the World Logging Championships with the brand-new **STIHL MS 500i** competition chainsaw.

SEPTEMBER



Perfect fit: STIHL supports the Remstal Gartenschau 2019 as a **DIAMOND SPONSOR**.

OCTOBER



In Liverpool, Australian Laurence O'Toole wins the **STIHL TIMBER-SPORTS® WORLD CHAMPIONSHIP** for the first time, ending record champion Jason Wynyard's reign.

MAY



A **SPECIAL PRIZE** is awarded to the “Undercover” recruitment campaign as Innovation of the Year at the Employer Branding Awards.

JUNE



The new ZAMA plant in Huizhou, China, receives an award for its commitment to **SUSTAINABILITY**.

JULY



Sharing the STIHL legacy: Waiblingen and Virginia Beach become **SISTER CITIES**.

NOVEMBER



STIHL Brazil's new **RESEARCH AND DEVELOPMENT CENTER** is opened in a special ceremony at the São Leopoldo location.

NOVEMBER



The STIHL Group underlines its vision for pioneering technology by establishing its **OWN BATTERY PRODUCTION PLANT** in Waiblingen.

DECEMBER



Signing the partnership agreement for the **MIA STIHL DAY-CARE CENTER** marks a further milestone in expanding the range of childcare services.

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