

A full-page photograph of two men in a forest. The man on the left, with grey hair and glasses, wears a brown and black jacket and blue jeans, holding a tablet. The man on the right, with brown hair and glasses, wears a dark brown jacket and dark trousers with rubber boots. They are standing on a forest floor with fallen leaves and a tree stump. The background is a dense forest with trees showing autumn foliage in shades of yellow, orange, and brown.

STIHL

ANNUAL REPORT 2019

KNOWLEDGE

KEY FIGURES

CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG		2019	2018	2017
Revenue	million euros	3,932.5	3,782.1	3,791.8
Proportion of revenue outside Germany	%	89.9	89.5	89.8
Wages and salaries, social security, pension contributions	million euros	935.6	905.7	837.4
Employees	December 31	16,722	17,122	15,875
Capital expenditure	million euros	308.2	324.4	248.3
Depreciation and amortization	million euros	173.3	158.8	155.5
Total assets	million euros	6,315.5	5,844.4	5,439.1
Equity ratio	%	70.4	69.9	70.2
ANDREAS STIHL AG & CO. KG		2019	2018	2017
Revenue	million euros	1,207.7	1,198.2	1,146.9
Proportion of revenue outside Germany	%	89.4	89.2	88.9
Wages and salaries, social security, pension contributions	million euros	414.6	393.0	350.2
Employees	December 31	5,090	4,997	4,654
Capital expenditure	million euros	133.5	123.7	69.6
Depreciation and amortization	million euros	62.9	56.1	51.6
Total assets	million euros	1,564.3	1,375.8	1,305.2
Equity ratio	%	39.0	44.3	44.4

3,932.5

MILLION EUROS
REVENUE IN 2019

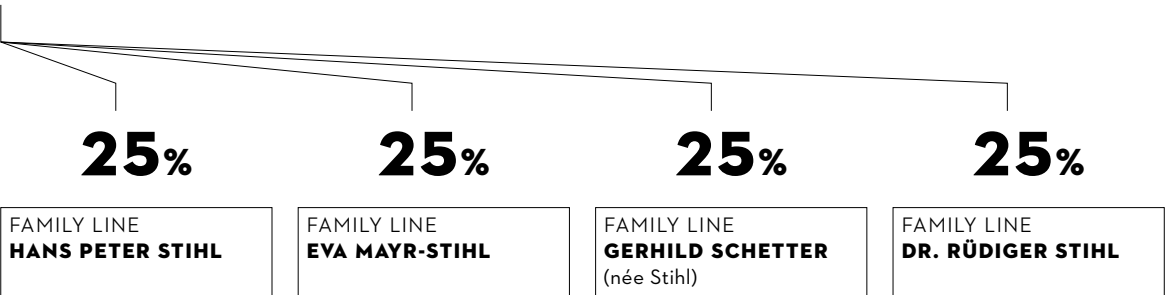
16,722

EMPLOYEES
GROUP-WIDE IN 2019

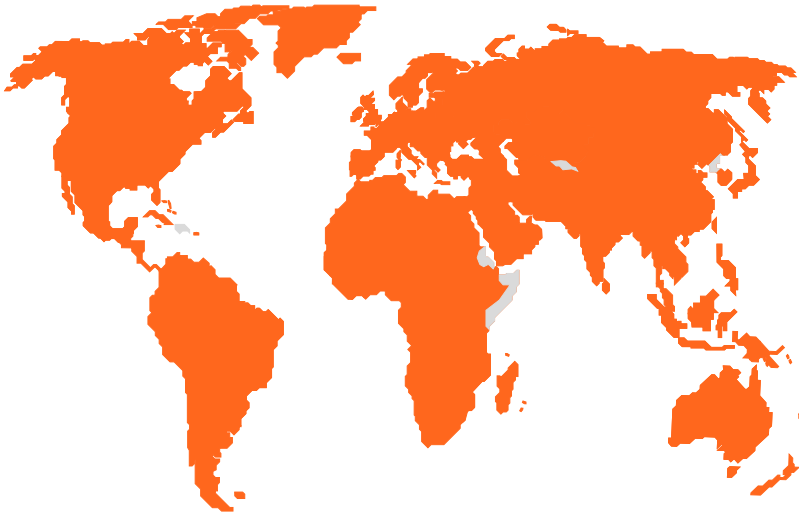
70.4

PERCENT
EQUITY RATIO IN 2019

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 authorized servicing dealers. The STIHL Group's sales network consists of 41 sales and marketing companies, approximately 120 importers and more than 53,000 independent, authorized dealers in over 160 countries. STIHL has been the world's best-selling chainsaw brand since 1971.

KEY FIGURES | THE STIHL GROUP

STIHL HOLDING AG & CO. KG

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

41

**SALES AND
MARKETING
COMPANIES
WORLDWIDE**



¹ STIHL production and sales companies



In little more than 90 years, STIHL has grown from an established member of the German Mittelstand into a global enterprise, and from a traditional mechanical engineering firm into a market and technology leader for chainsaws and other handheld outdoor power equipment. Along the way, battery power has come to be an increasingly important part of our business and now occupies a firm place within our product portfolio.

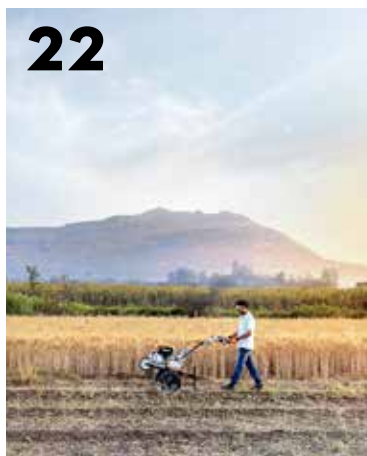
This success attests first and foremost to our innovative drive and vast store of knowledge, which has been passed down and built over generations and put to work profitably across the entire value chain. Our most important sources of knowledge are the men and women of the STIHL Group and those who work with STIHL equipment all over the world. With support from digital solutions, we develop new products and business models, tap into new markets and target groups, and provide solid training to the next generation of skilled workers the world over.

MEASURING
THE
FOREST
—

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FERTILE
GROUND
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04

DEVELOPED
IN-HOUSE
—



14

SOMETHING
OLD,
SOMETHING
NEW
—



A WEIGHTY
MATTER
—

30

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The development of new battery-operated tools links new knowledge with experience gleaned from other, long-standing areas. One example: the STIHL AP 300S.

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Different starting positions, one shared goal: to lead the field of forestry as it moves into a digital future. A walk through the woods with two visionaries.

14 SOMETHING OLD, SOMETHING NEW

Dual vocational training and academic study is an export hit. At many locations around the Group, talented young people are following this model from Germany as they embark on professional life. STIHL Incorporated in Virginia Beach is one example.

22 FERTILE GROUND

India: With its increasingly mechanized agriculture sector, it is an exciting and ever-growing market. Parind Prabhudesai, Managing Director of ANDREAS STIHL Pvt. Ltd. in India, talks about his country.

30 A WEIGHTY MATTER

Every gram counts. STIHL's expertise in lightweight construction is on full display with the MS 400, the world's first chainsaw with a magnesium piston.

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READ ONLINE

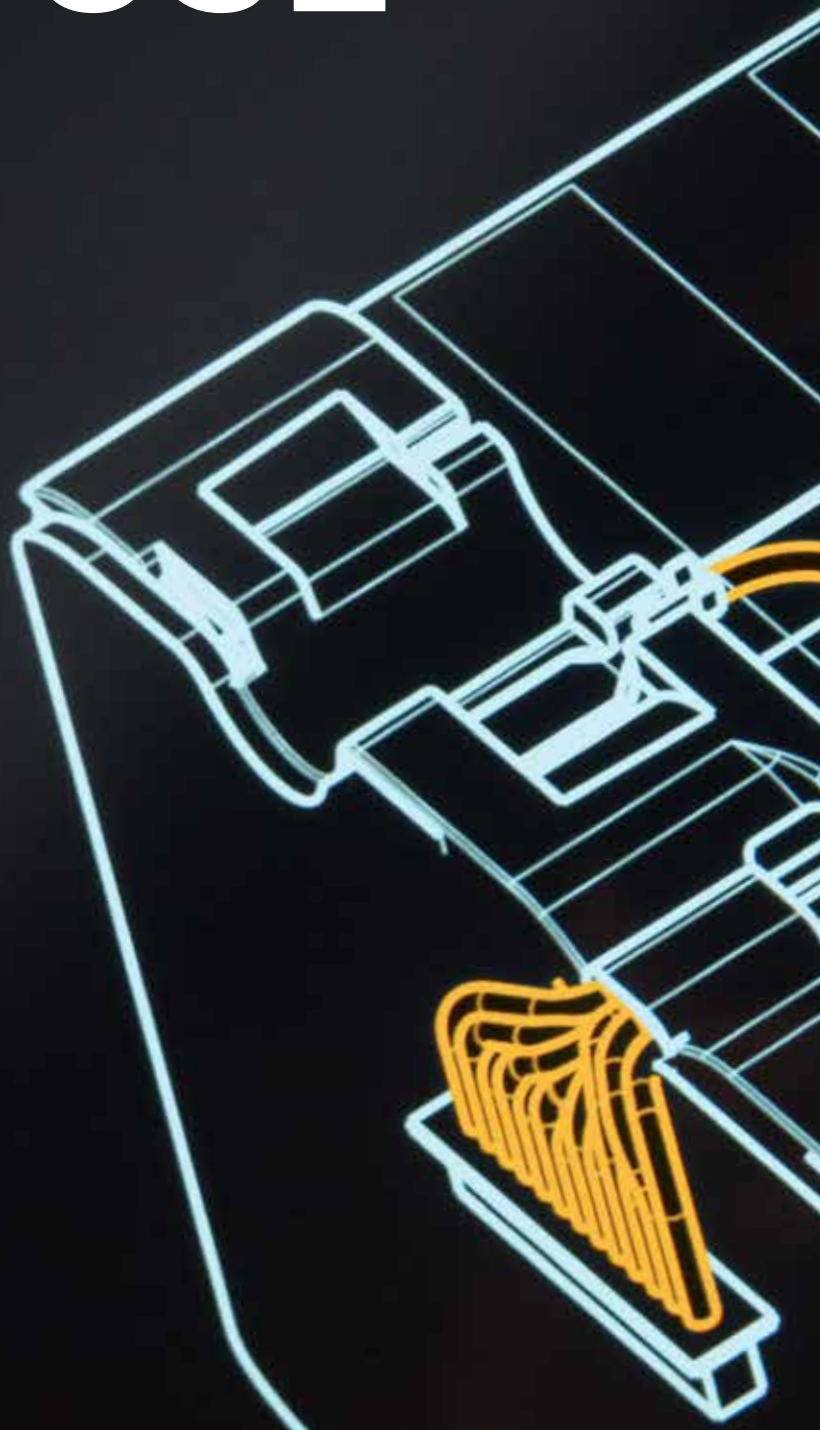
THE STIHL GROUP'S 2019 ANNUAL REPORT IS ALSO AVAILABLE ONLINE.

FIND OUT MORE AT [AR.STIHL.COM/2019](https://ar.stihl.com/2019)

GERMANY | WAIBLINGEN

DEVELOPED IN-HOUSE

At first glance, battery-powered technology doesn't have much to do with gasoline products. But on closer inspection, it soon becomes clear that the development of new battery-powered tools links a wealth of new knowledge with a great deal of experience from other areas. Take the STIHL AP 300S, for example. This new battery pack is the product of new and innovative methods that are built on the foundation of existing knowledge and expertise developed over decades.







01

THE PRODUCT IDEA

DEPARTMENT

System Design Battery Packs

It all starts with an idea. And sometimes, the idea is both abstract and crystal clear: more power for a new chain-saw, using a battery pack that will become the centerpiece of a new generation of STIHL batteries. The new motor will have over 2.1 kilowatts of power output - far beyond anything currently available on the market. To make this idea a reality, the entire development team must build up new competencies and new areas of knowledge, but not in the abstract - they can also rely upon a vast store of internal experience and expertise developed over decades.

CONCEPTUALIZATION AND INITIAL PROTOTYPE

02

DEPARTMENT

System Design Battery Packs, Materials Technology Tribology

What cell will be able to meet the new requirements? How can higher electrical currents be harnessed safely and effectively? The concept stage involves many meetings, calculations, virtual and real-world tests and evaluations of the new cells' power, safety and durability. The capacity to carry higher currents is one of the biggest challenges. To get it to the right level, the STIHL AP 300 S is designed with a whopping 30 cells, all connected with each other to unlock power that has never before been possible. And yet, that isn't the only issue. Existing materials and bonding techniques cannot accommodate the desired power levels. New ideas and new materials will be needed for a new, innovative method.



SIMULATION AND OPTIMIZATION

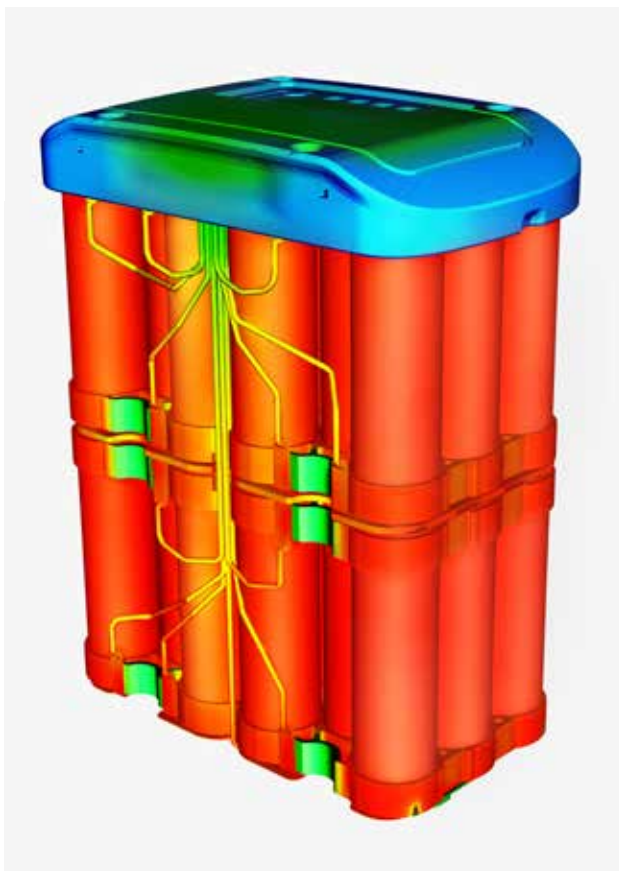
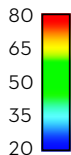
03

DEPARTMENT

Flow Calculation Methods

Simulations of structural mechanics and thermal properties start when the prototypes are put together, if not before. This is true of both battery-powered products and traditional products that run on gasoline. In both cases, simulations help engineers replicate complex processes and enable targeted improvements early in the development process, cutting down on the total number of testing cycles and developmental iterations. The new packs also undergo their first safety tests, including the drop tests they will need to pass before they are approved, on the computer. Feedback from the simulations reaches the product designers quickly, so they can tweak the design. This is an important point, since the housing of the STIHL AP 300S was developed in-house.

°C



“Our approach was to harness the knowledge we had gained from developing gasoline products for new issues in battery-powered technology and expand on it with new areas of focus.”

**HENRIK GAUL,
DEPARTMENT HEAD
BATTERY PACK DEVELOPMENT**



04

TESTING

DEPARTMENT

Battery Pack Validation

The prototypes of the new battery packs are put to the test on proprietary test benches at Plant 2 in Waiblingen-Neustadt. A wide range of tests are performed to help uncover any potential issues with the design, configuration or applications. The tests focus on things like maximum temperatures during charging and discharging. Short circuits and electrical overloads are induced artificially to confirm that stringent safety requirements are met. A battery pack's lifespan and robustness are also part of the extensive testing phase of development. In the process, ANDREAS STIHL holds itself to a higher standard. All newly developed items must meet the company's own stringent quality standards.



05

SERIES PRODUCTION

DEPARTMENT

Product Development: Battery Packs and Chargers, Advanced
Production Development and Strategic Product Development



The new bonding method for connecting the 30 cells in the STIHL AP 300S is part of what makes the product special. It reaffirms STIHL's claim to technological leadership. STIHL is one of the first companies in the world to use a laser welding process for battery packs in the power tools segment. The copper connections, thinner than half a millimeter, are welded to the terminals of the cells using a precision laser. The path toward this innovative method involved substantial testing and simulations to achieve optimal performance, not to mention extensive dialog with external partners. And the result? The laser welding process is now in use for the STIHL AP 100, 200, 300 and 300S and in the AR 200L and 3000L manufacturing at ANDREAS STIHL's production facilities in Waiblingen-Neustadt. For one professional product, the STIHL AR 3000L, the team is tasked with connecting not just 30, but 90 cells. This is only possible using the new method.





ANKE KLEINSCHMIT has been the STIHL AG Executive Board member responsible for Research and Development since July 2019. Before that, she was in charge of the powertrain technology factory at Daimler AG, where she drove forward the digitalization of production activities, among other initiatives.

WHAT DRIVES US? OUR VISION.

STIHL battery-powered products are in high demand, and they are making advances all over the world. That also means they are taking the place of gasoline-operated tools earlier than anticipated. What tasks are product developers at STIHL facing in this context?

ANKE KLEINSCHMIT We have great expertise in gasoline-powered products, which we want to maintain. These are, and will remain, our core products. But it is crucial for us to invest in new technologies as well. That means not only battery-powered products, but also whole new ecosystems and business models, where we need to consider how we can recapture the ground being lost by gasoline models.

How will STIHL retain its technology leadership now and into the future?

ANKE KLEINSCHMIT Through more advanced development. The goal is to identify relevant technologies and innovations at the right time. My objective is for us to develop a clear vision of what STIHL should stand for in the future, including what business field we will operate in and what expectations customers will have for our products. We need to tackle this task, driven by our own vision. We don't always have to be the first to market, but we should be sure to view ourselves as one of the best.

Ms. Kleinschmit,
Thank you for talking with us.

Ms. Kleinschmit, you've been the Executive Board member for Research and Development at STIHL for nearly a year now. If you could describe the past few months in just one word, what would it be?

ANKE KLEINSCHMIT (laughs) Eventful is probably the word that best describes 2019. It's really exciting for me to be new at STIHL and get to know the company, the people and the culture. I also think it's important to experience the products, to come to identify with them and to have fun with them.

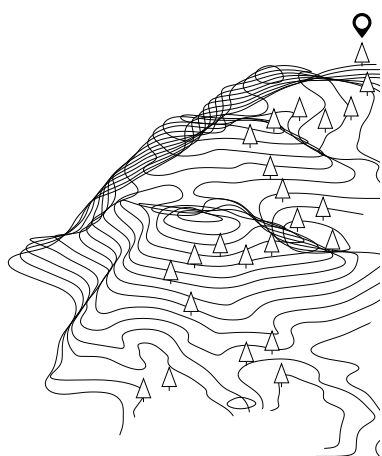
What do you think will be particular areas of focus in your future work?

ANKE KLEINSCHMIT Right now we're working on optimizing the product development process – and not just in one or two places, but along all of the interfaces. We're also hard at work on product topics: What sets STIHL products apart, and what do we want to stand for as a brand? To me, where we want to go in the future is the most important factor, and I discuss it a lot, both with my team and across departments.

GERMANY | SALEM, BADEN-WÜRTTEMBERG

MEASURING THE FOREST —

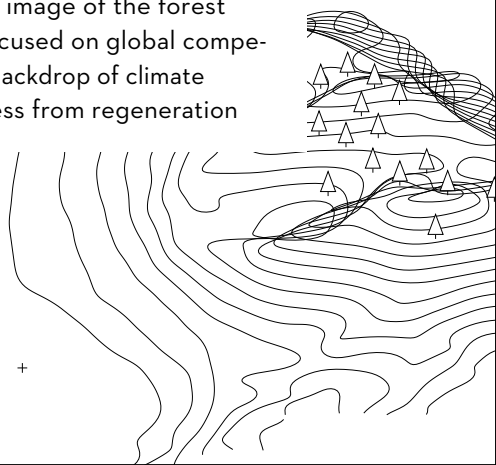
Different starting positions, one shared goal and one driving force: to lead the field of forestry as it moves into a digital future. On a recent walk through Germany's largest private forest, Michael Prince of Baden and Dr. Tim Gegg, Head of Digitalization at ANDREAS STIHL, shared their thoughts on the future of forestry.



When Michael Prince of Baden and Tim Gegg met for the first time, one thing was clear right away: They have good chemistry. Yet their starting positions could hardly be more different. Michael Prince of Baden, the youngest son of Maximilian, Margrave of Baden, is in charge of the family business. The noble family, whose seat is at Salem Palace, is especially active today in agriculture, forestry and viticulture. The margrave's forest is located in the western part of the Lake Constance area, in the foothills of the Alps. Dr. Tim Gegg, for his part, holds a doctorate in mechanical engineering. He is in charge of digitalization at ANDREAS STIHL, the family company based in Waiblingen whose chainsaws and power tools have become market leaders throughout the world. On a walk through the forests around Lake Constance, it doesn't take long to see why the two men have a connection. They share a common vision for digitalizing the field of forestry and moving it into the future.

MOVING TOWARD DIGITAL FORESTRY

The forest is many things: a habitat for people and animals, a soothing counterpoint to the hustle, bustle and noise of everyday life and an essential contributor to stabilizing the climate. But the forest is also an important source of timber – a renewable raw material. And there are several industrial sectors that depend on it, forestry chief among them. Forestry itself is currently undergoing a transformation as it moves away from the romanticized image of the forest manager to a model increasingly focused on global competition, set against the ever-present backdrop of climate change. Since the production process from regeneration



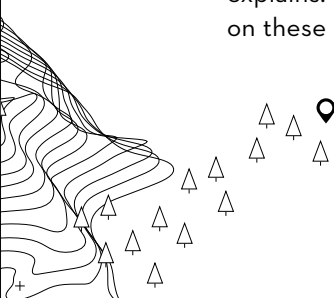


The image of the forest manager as someone who walks through the forest, merely “in tune” with the woods, is well out of date, according to Michael Prince of Baden (left) and Dr. Tim Gegg. These days, the job is more like that of a production manager.

planning to harvest lasts 80 to 100 years, this represents a huge business challenge. Flexible planning, process-oriented organization and the very latest in technology are all key factors. The traditional image of the forest manager strolling through the woods and relying on past experience alone is long since outdated. “Digitalization is opening up new possibilities for exploring more successful growth models, even as extreme weather events become more common, average temperatures climb and storms become more frequent,” the prince explains. Forestry strategies developed on these models can then be planned and

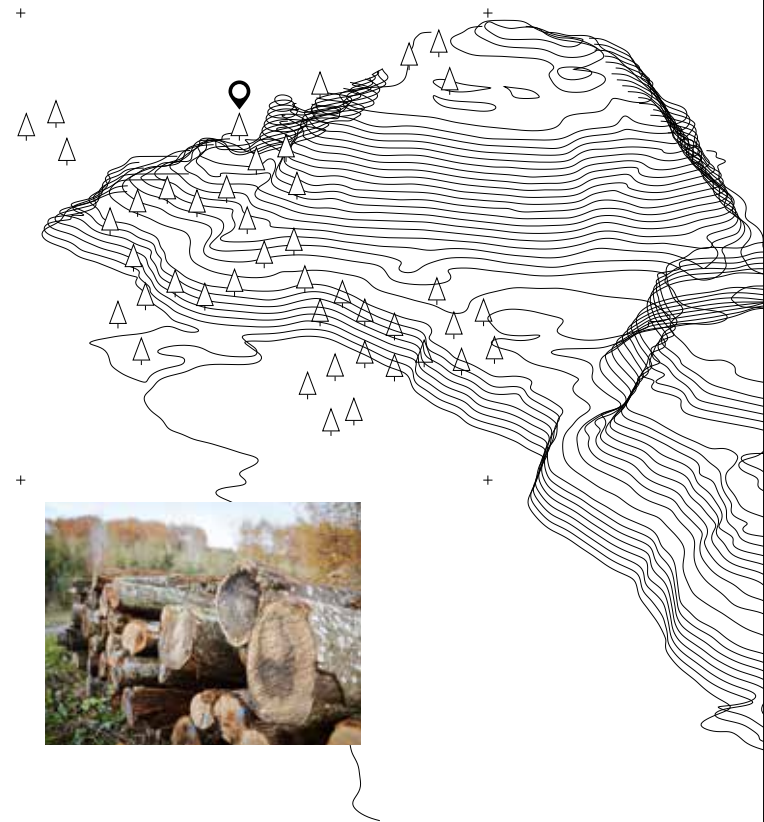
implemented systematically. The family’s forestry business engages in selective thinning, for example. Specific trees are identified as “future trees” and selected early in their lifecycle based on whether they have optimum characteristics to reach maturity in the future conditions that have been modeled. “This lets us balance environmental aspects related to good forestry practices and business.”

From an entrepreneurial standpoint, a forest is a long-term investment, with the forest manager acting as a financial advisor and asset manager in one. The prince believes digital solutions are needed to perform this task at the highest level. When he talks about digital forests, he points to Scandinavia as an example: “The value chain there is end to end. There are no breaks,





Digitalization has the potential to help everyone: the forest owner, the forest manager, timber users – and of course the forest itself.



and the flow of goods has been fully digitalized.” Even though forestry operations in Central Europe take place in conditions very different from those in the far north, the prince still believes too many stand-alone solutions are being pursued. “A lot of the approaches you see here are good, but there are still a lot of stand-alone solutions,” he says. “They don’t relate to the overall process, and they don’t bring all the different aspects together.”

Gegg seems to have been waiting for this very topic. “When it comes to the digital forest, we can’t think in narrow, compartmentalized ways,” he says. The STIHL Group is currently redefining its offerings in this area. Until now the name STIHL has stood first and foremost for high-quality power

equipment for use in forest management. Recently STIHL has begun to view its forestry equipment as a source of data as well. Digitalization is still a very new field for STIHL, but it is one that is very important to our future. “If we as an industry leader pursue a new approach, it sends a far-reaching signal. With our knowledge and our products, we have the potential and the brand name,” Gegg says with certainty. Michael Prince of Baden has a similar view: “The crucial impetus has to come from within the industry. Forestry itself is too disparate and diverse.”

“A FOREST IS A LONG-TERM INVESTMENT. AS AN ENTREPRENEUR THE FOREST MANAGER IS THEREFORE FINANCIAL ADVISOR AND ADMINISTRATOR IN ONE.”

MICHAEL PRINCE OF BADEN





11.4

**MILLION HECTARES
OF FOREST** CAN BE
FOUND IN GERMANY.
THAT'S ABOUT
ONE-THIRD OF
THE COUNTRY'S
TOTAL AREA.




POOLING KNOWLEDGE, FINDING PARTNERS

But industry alone cannot act as a savior. Instead, hand-in-hand cooperation will be needed to make digitalization a reality along the entire value chain. STIHL is strong in terms of knowledge about products and applications. The company also has a growing store of data – and with it, expertise – about the overall conditions and other stakeholders. This is why Gegg believes the task is to broaden STIHL's focus on an ongoing basis: "The key to digitalization is looking at overall processes and partnerships. Working with private forest owners, forest cooperatives and communal forestry businesses can be especially productive. After all, these entities have to think in business terms, and they will be increasingly reliant on accurate data and digital solutions in the future." Ideally, there would be a living digital twin of each forest that actively changes along with its analog counterpart. This is the only way to monitor investments in forests with as much accuracy as possible over the long term.

That is true of all stages of work, from planning, planting and cultivating future trees to valuation, sale and timber processing. "The flow of data has to start with biological production," Gegg points out. Creating a virtual link among the individual process steps helps determine at an early stage what kind of timber will be needed and when. The two men share the view that this can only have positive effects. For example, wood of all qualities can be put to optimum use instead of lying unused along the edge of the road. The processing industry will benefit because it can position itself differently and develop more attractive pricing models. And that, in turn, will mean everyone involved benefits from digitalization.



SKILLFULLY CONNECTING FOREST STAKEHOLDERS

PROF. MARTIN ZIESAK is a professor at the Bern University of Applied Sciences, School of Agricultural, Forest and Food Sciences (HAFL), where he works within the Forest Production group in the Forest Sciences department. Ziesak, who teaches forestry and engineering, is especially interested in new concepts for sustainable – and digitalized – forestry.

Prof. Ziesak, what are you working on these days?

MARTIN ZIESAK My subjects at the university include traditional process engineering, labor studies and forest development. All of them are logically connected and build on each other.

Those are very traditional disciplines. How do you connect them with the digitalization of forestry?

MARTIN ZIESAK When it comes to forestry work, the big picture is very spread out. That's different from an industrial company, for example, where we know exactly what process step takes place where. In the forest, the challenge is to digitalize specific work steps and work objects in such a way that everyone involved can plan and coordinate smoothly. Some of the sensors needed for this are already in place, but we still need more. The goal should be for the stakeholders who are active in the forest to grasp things automatically. The ultimate goal is to visualize the interconnected activity of data, data streams and stakeholders. We can use well-known concepts from "Industry 4.0" to generate real added value here, across practically every area of forestry.

How open is a highly traditional industry like forestry to these kinds of new approaches and processes?

MARTIN ZIESAK Forestry is highly conservative, and we're lagging behind a bit compared to Industry 4.0 or what you might think of as "Forestry and Lumber 4.0." But I think this is still a healthy attitude. People have been taking more of a wait-and-see approach, observing what works in practice and what new developments do in fact yield the added value that was hoped for. On the other hand, the industry faces dramatic change as a result of climate change and the very tense economic situation. That's why there's a lot of movement toward new technologies these days.

What applications do you think are leading the pack here?

MARTIN ZIESAK Digitalization in forestry has been underway for decades now. The challenge is to use this pool of data and implement it profitably in new processes and products. That's why I see it more as a parallel run with multiple things in different dimensions. One task – and this is something I'm working on in the Smart Forestry project, for example – is to set up a clean architecture in which already fully mechanized steps are documented and used in the same way as all traditional tasks performed by hand using power tools. There is a clear development task to be pursued here, and we are tackling it.

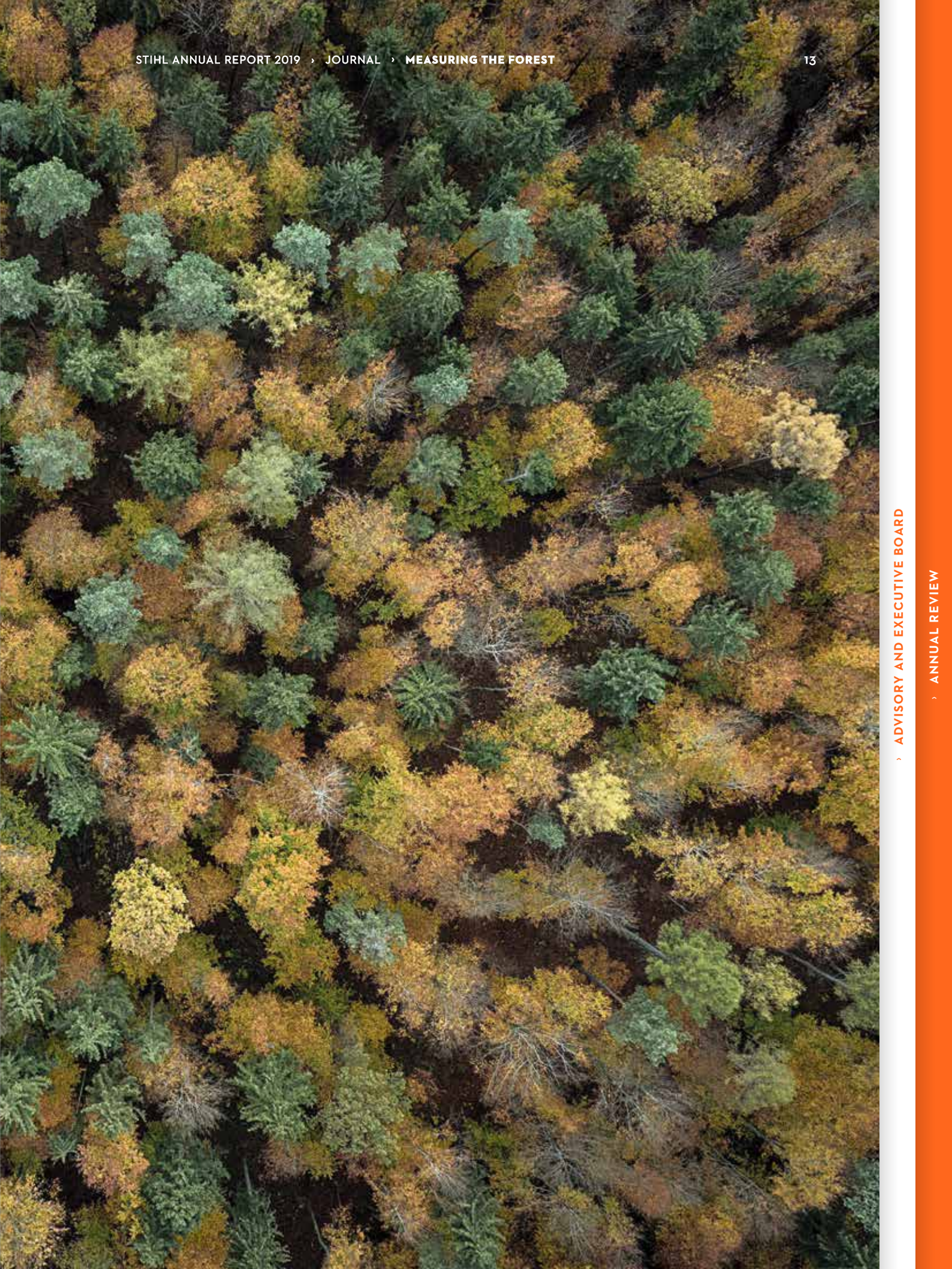
Speaking of tasks for the future, where do you think the biggest need for action lies?

MARTIN ZIESAK I'm a little concerned to see that there are a lot of stand-alone solutions being developed right now, generating individual areas of added value that don't come together into a single big picture. An overarching solution should ideally work independently of the manufacturer and combine the vision of smart processes with smart machines. The industry needs research projects that are relevant from the execution standpoint. Only if we pinpoint the concerns and needs of stakeholders in practice will we be able to do research that really makes sense.

What makes doing research in this field so fascinating to you personally?

MARTIN ZIESAK Even with all its traditional aspects, forestry is an industry with a lot of potential for the future, and one that performs a great social service. Personally, I want to help the industry and open doors to the future.



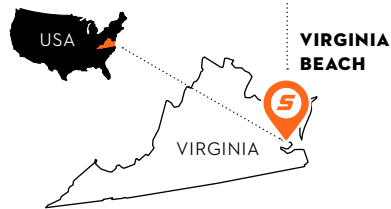


USA | VIRGINIA BEACH

SOMETHING OLD, SOMETHING NEW —

The concept of dual vocational training and academic study – a common practice in Germany for decades – is another hit export from ANDREAS STIHL, alongside the company's products. In many locations, talented young people are following this model as they embark on their professional lives. The U.S., known as a land of opportunity, is one of them. At STIHL Incorporated in Virginia Beach, Bradley Holmes (24) is an apprentice mechatronics engineer. He gives us a look at his day-to-day work.





6:00 a.m.

BRADLEY HOLMES starts his day early. While he is still an apprentice, his work days in accessory production are just eight hours long. Once he becomes a fully fledged mechatronics engineer, he will work 12-hour shifts.

“I WENT TO THE STIHL INCORPORATED SUMMER CAMP WHEN I WAS IN SCHOOL, AND MY TEAM AND I WON. THAT WAS WHEN I KNEW I WANTED TO WORK HERE.”

BRADLEY HOLMES

10:24 a.m.



8:30 a.m.



THE TRAINING WORKSHOP is an integral part of day-to-day work for Bradley and other apprentices at STIHL Incorporated, just as it is at ANDREAS STIHL in Waiblingen. It is here that apprentices learn about things like CNC processing, control techniques and working on projects. The training is intensive, with guidance provided by experienced trainers. Today's lesson also has to do with networked manufacturing with an eye to Industry 4.0. Bradley's program involves one-week assignments in the workshop four times a year.

12:20 p.m.

AT ONE OF FOUR BLOW-MOLDING MACHINES, Bradley watches over the process of manufacturing hollow plastic components. Production processes in Virginia Beach are highly automated, unlocking outstanding efficiency and achieving an excellent quality level. In just 32 seconds, the STIHL 4180 fuel tank is molded, welded, assembled and checked to make sure it is properly sealed, all inside an automated unit.



1:54 p.m.



BRADLEY'S APPRENTICESHIP takes him through a number of different stages. His favorite place to work is in plastics production, where fully automated vibration welding takes place. This technique is used to join individual components together. Plastics processing is a key manufacturing process at STIHL Incorporated. Running 24 hours a day, seven days a week, the plant's 90 injection molding machines, six trimmer line extruders and other state-of-the-art machines process over 16 million kilograms of polymer resin each year.

2:30 p.m.

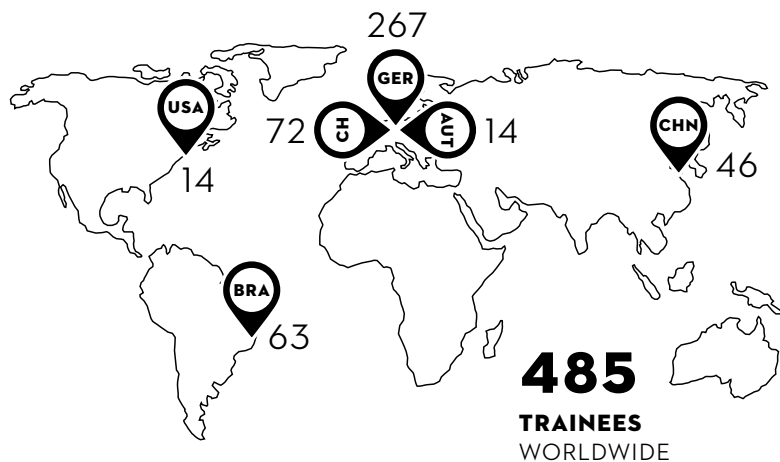
BRADLEY'S SHIFT IS OVER – but not his day. After work, he heads off to school. Classes start in the afternoon or in the evening, around 7 p.m. Bradley finished the theoretical part of his program at Tidewater Community College in 2019.



“THE APPRENTICESHIP PROGRAM LETS US CONTROL THE QUALITY OF TRAINING OUR SKILLED WORKERS RECEIVE. THAT’S HOW WE MAKE SURE WE HAVE THE RIGHT WORKERS AVAILABLE FOR OUR JOBS.”

SKIP JOHNSON,
HEAD OF THE APPRENTICESHIP PROGRAM
AT STIHL INCORPORATED

STIHL GROUP APPRENTICES AND TRAINEES AROUND THE WORLD AS OF DECEMBER 31, 2019





“THE SELECTION PROCESS FOR AN APPRENTICESHIP IS TOUGH. OUT OF MORE THAN 300 APPLICANTS, ONLY FOUR OR FIVE END UP BEING CHOSEN. I’M PROUD TO BE ONE OF THEM.”

BRADLEY HOLMES

7:00 p.m.

HIS APPRENTICESHIP AT STIHL INCORPORATED

isn’t enough for this ambitious budding mechatronics engineer. He plans to earn a bachelor’s degree from Old Dominion University, just as soon as his work schedule after the apprenticeship allows. Bradley gathers the strength he needs for his busy life during his free time, which he spends with his girlfriend, at the gym, playing video games or with his parents and two dogs, Arlo and Bella.





SKIP JOHNSON is the head of the apprenticeship program at STIHL Incorporated. He is very familiar with the dual vocational training and academic study system, having completed a German-American toolmaker apprenticeship himself back in 1988.

3 QUESTIONS FOR SKIP JOHNSON

What makes the dual vocational training and academic study system practiced in Germany so appealing for STIHL Incorporated?

SKIP JOHNSON The dual training system is appealing for several reasons, especially the fact that the training and instruction, both in the classroom and hands-on, are constantly being revised to keep up with advances in technology. The projects people are asked to complete in school and in practice change almost every year. Another advantage is that our apprentices get the latest training on the most recent machines available. This method also gives all our entry-level employees the same basic training, so they have a shared foundation they can build on.

When did STIHL Incorporated start offering this kind of training, and what kind of apprenticeships are available to young people in Virginia Beach?

SKIP JOHNSON STIHL Incorporated created an apprenticeship program geared heavily toward manual processing and tool construction back in 1985. About 15 years ago, we started focusing on the German dual training system. When we did that, we also started concentrating not only on the existing programs in machining and tool and mold construction, but also on electromechanical maintenance, which has now evolved into mechatronics. We've also introduced another four apprenticeship tracks over the past 15 years. That means we offer six registered apprenticeship tracks in all: mechatronics engineer, toolmaker, quality lab technician, CNC machinist, plastics process engineer and plastics technician.

Does this range of training options make STIHL Incorporated a rarity among American companies, and if so, do you see that as a competitive advantage?

SKIP JOHNSON Most companies don't offer a range of training options like this. Our selection process is unusual, and it's also very strict. But because of our good reputation as an employer and our working relationships with the local schools and communities, we can choose from the best talent available.

FOR
35

YEARS NOW, THE DUAL VOCATIONAL TRAINING AND ACADEMIC STUDY SYSTEM HAS BEEN A SUCCESS AT STIHL INCORPORATED.

INDIA | PUNE

FERTILE GROUND —



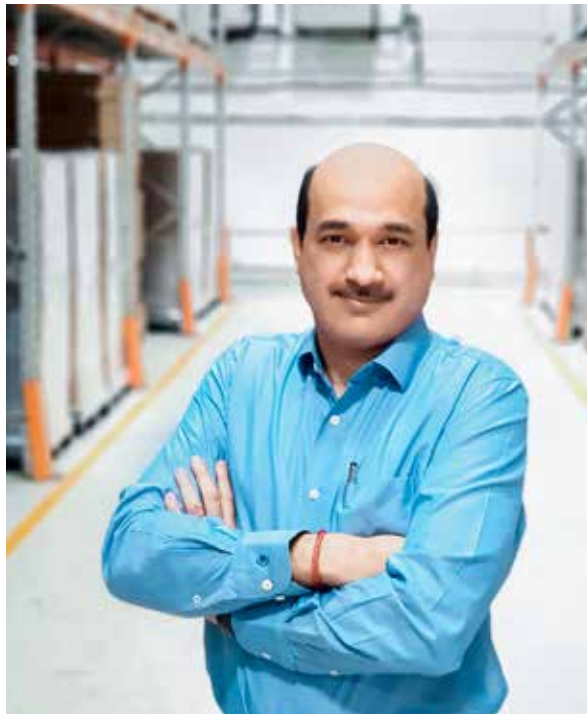
India. Just hearing the name conjures up images of fragrant spices and brightly colored saris, the peaks of the Himalayas and the coast of the Indian Ocean. The country's increasingly mechanized agriculture sector makes it an exciting market, and one that is currently experiencing rapid development and growth. We caught up with Parind Prabhudesai, Managing Director of ANDREAS STIHL Pvt. Ltd., the STIHL sales company in India, to talk about his home country.



India is a land of diversity and spirituality. From the soaring Himalayan mountain range in the north to the sweeping coastline of the south, India is home to many different topographies, soil cultures and forms of land use. The dominant one, though, is agriculture – after all, the people of India have long been known as skilled farmers and merchants. In this country of over 1.3 billion, which is second only to China in population, over 50 percent of people work in agriculture or related fields. Small-scale and subsistence farmers with less than two hectares of land account for 86.2 percent of the total. With the supply of potential workers so large, labor costs are low, which in turn creates substantial drag on growth in this important and highly promising sector of the economy. Mechanization did not really catch on until just recently, for example.

“With its varied topography, India offers a wealth of opportunities for our specialist areas of forestry, agriculture, horticulture and landscaping,” explains Parind Prabhudesai, Managing Director of ANDREAS STIHL Pvt. Ltd. in India. Unlike in Germany, the United States or Scandinavia, Prabhudesai and his team face the challenge that about a third of all Indians live below the poverty line. With purchasing power so low, low-priced products are in high demand. STIHL offers a number of these, such as the STIHL FS 230 clearing saw and STIHL MS 180 chainsaw. Another new item on the market is the STIHL MH 710 power tiller. Also typical of the Indian market are machines for cultivating and harvesting tea, along with robust demand for combination equipment to meet seasonal demand for different tool attachments. “Government subsidies put these items within reach for small farmers,” Prabhudesai explains.

Name-brand products are sought after, as their ruggedness, durability and good results speak for themselves. On top of that, the Indian government only subsidizes certain products, most of them toward the higher end: “The goal is to make sure every farmer has the right machinery to make a living and do their part to contribute to the overall economy.”



Parind Prabhudesai has served as Managing Director of the sales company ANDREAS STIHL Pvt. Ltd. in India, based in Pune, since 2014. This operation is growing – just like the market in India. There are currently more than 1,600 STIHL points of sale throughout the country.

Thanks to the combination of improved technologies and increased mechanization, new irrigation options and government-supported pricing policy, the Indian agricultural sector is now posting growth figures. The STIHL distribution company in India monitors the industry closely and is part of campaigns aimed specifically at farmers. “This is a very exciting and important time for us,” says Prabhudesai. He views the shift currently taking place in the Indian agricultural sector as something of a revolution, a far-reaching change in farmers’ lives and working conditions.

With that in mind, the company is focusing its efforts on more than just selling products. It is also investing in outreach to potential new customers, in hopes that they will see and understand the added value and support that machines and technical aids can bring. That’s why the Indian sales company now operates all over the country. With a roadshow designed specifically for this purpose, “Parivartan Yatra” (Journey of Transformation), STIHL dealers are visiting even remote areas, using videos to explain product applications on-site, holding machine demonstrations in the field and seeking out direct dialog with farmers. “The fact that we work with various agricultural cooperatives also helps us get a larger group of people excited about this subject.” But that isn’t all; the company is also using social media, the Internet, TV, sponsoring of popular sports teams and specially converted vans to get the word out.

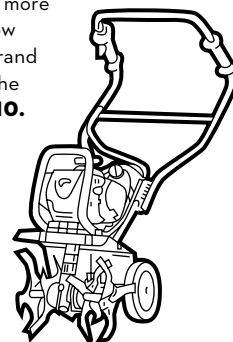
ANDREAS STIHL Pvt. Ltd. itself has been based in Pune since 2006. This city in the west of India, just under 150 kilometers away from Mumbai, is known for its educational institutions and IT parks. It is also home to more than 220 German companies. Construction work on a new, state-of-the-art facility in Pune got underway in 2019. The goal of the investment is to help provide training for sales partners and dealers throughout the country to reach more customers on a targeted basis. The company also has three regional offices along with additional warehouse capacity in Delhi, Kolkata and Bangalore, which allow it to offer STIHL products all over India.

“WITH STIHL TOOLS, WE ARE SUCCESSFULLY SUPPORTING THE DEVELOPMENT OF THE INDIAN AGRICULTURAL SECTOR.”

PARIND PRABHUDESAI,
MANAGING DIRECTOR, ANDREAS STIHL PVT. LTD., INDIA

A MECHANICAL “REVOLUTION”

The mechanization of agriculture in India is advancing rapidly, with support from government subsidies. More and more farmers can now afford name-brand products like the STIHL MH 710.



Power tillers like the STIHL MH 710 are popular with farmers in India. The Indian government recently began offering subsidies to purchase name-brand products. This makes it easier for even small farmers to buy equipment and do business.



“WE KNOW THE FARMERS AND THE GROWING CONDITIONS, AND WE KNOW WHAT EQUIPMENT THEY NEED. THAT’S OUR ADVANTAGE.”

PARIND PRABHUDESAI,
MANAGING DIRECTOR, ANDREAS STIHL PVT. LTD., INDIA





In addition to rice, the main staple, wheat is another important crop in India. The country is also one of the world's top producers of sugarcane, tea and cotton. Spices are another important crop.

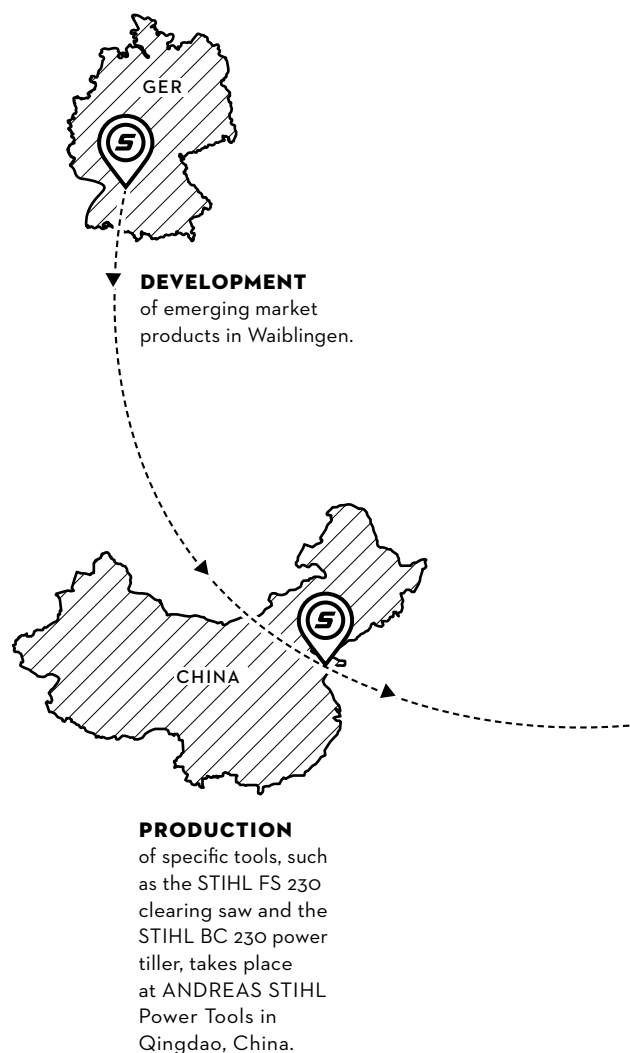


India is very diverse, something that is reflected in brightly colored saris - and Indian cuisine. The spectrum of tastes and colors ranges from amchoor, a light yellow powder made from dried green mango, to brown cinnamon sticks.

Aside from that, there are adjacent training facilities where authorized STIHL dealers can receive training, and direct contact with customers is possible. In addition to construction and structural development, Prabhudesai has always been highly interested in the results of market research, which he uses to build as much knowledge as possible regarding his customers' needs and concerns. Various studies have helped to launch products and identify areas with potential for expansion of the company's sales and distribution network. "We know the farmers and the growing conditions, and we know what equipment they need. That's our advantage," he says.

The STIHL Group puts that advantage to work across the entire production alliance. Knowledge of the specific needs and concerns of farmers in India and of the demand for low-priced, robust and yet high-quality tools there informs development activities at ANDREAS STIHL in Germany. The result is a product range aimed specifically at the requirements in emerging markets. The tools are capable, price-conscious, robust, versatile and easy to repair, even by owners themselves. Products developed with a great deal of understanding of the Asian market as a whole, such as the STIHL FS 230 clearing saw and STIHL BC 230 cultivator, are produced at ANDREAS STIHL Power Tools in Qingdao, China. "We've won over customers in India with this product range, based on the skill and expertise of the entire STIHL Group."

THE INTERNATIONAL STIHL PRODUCTION ALLIANCE



INDIA - A MARKET ON THE RISE

1,350,000,000

PEOPLE LIVE IN INDIA, ABOUT 18%
OF THE GLOBAL POPULATION.

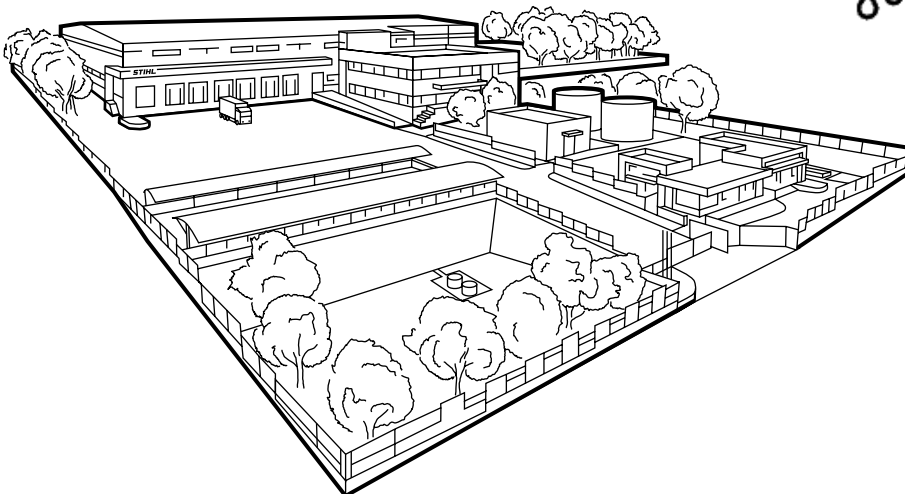
SALES

by the sales head-
quarters in Pune
and three other ware-
houses, located in
Delhi, Kolkata and
Bangalore, along with
1,625 points of sale.

INDIA

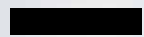
MORE THAN

50 %

OF THE POPULATION
WORKS IN
AGRICULTURE.DELIVERY
to the entire
Asian market.7,100 M²OF OPERATIONAL FACILITY AND OFFICE SPACE
IS UNDER CONSTRUCTION IN CHAKAN, NOT FAR
FROM THE EXISTING LOCATION IN PUNE.The **MONSOON** deter-
mines conditions in India.
Agriculture is heavily influ-
enced by the four-month
rainy season.

GERMANY | WAIBLINGEN

A WEIGHTY MATTER



Every gram counts. After all, the lighter the product, the more comfortable it is for the customer. That is why STIHL products are continuously pushing the boundaries of what is possible in lightweight design. The latest example is the STIHL MS 400 C-M, the world's first chain-saw with a magnesium piston.





Lighter is better. The less a product weighs, the easier it is to work with. It may be a simple formula, but it takes work, time and knowledge to get there. The STIHL MS 400 C-M, the world's first professional chainsaw with a magnesium piston, was no exception. This one part has shed 20 grams compared to an aluminum piston, a 25 percent weight reduction in this key component. The change has brought gains too, though: Performance is up by 10 percent and the power-to-weight ratio now stands at 1.45 kg/kW. For operators, this tool is lighter yet delivers even more power.

"The aim was to close the gap between the MS 362 C-M and the MS 462 C-M," says project manager Jonas Lank. The new concept includes lower emission levels despite higher torque and more power. "An increase in comfort is usually associated with more weight. We here at ANDREAS STIHL do it exactly the other way around." Over a quarter of the parts in a professional chainsaw are made of steel. Twenty-five percent are plastic or rubber, and 40 percent are made of aluminum or magnesium. In particular, the use of magnesium calls for special expertise. Thanks to its own magnesium die-casting plant in Weinsheim, Germany, ANDREAS STIHL boasts such expertise. In Waiblingen, research is conducted regularly to determine which product components can be made from this material. This expertise is no longer reserved for internal customers – the Weinsheim plant has a steady flow of orders from external customers in the automotive and other industries.



"AN INCREASE IN COMFORT IS USUALLY ASSOCIATED WITH MORE WEIGHT. WE HERE AT ANDREAS STIHL DO IT EXACTLY THE OTHER WAY AROUND."

JONAS LANK,
PROJECT MANAGER MS 400 C-M

In the case of the MS 400 C-M, it was the piston – previously made of aluminum – that got the magnesium treatment. However, the decision to use magnesium requires a range of other developmental measures. "It's not a question of simply exchanging one material for another," Lank says. Assembly, maintenance and repair are almost identical. But when the saw is running at

full power, the pistons are exposed to temperatures of over 300 degrees Celsius. To ensure they can withstand this strain, without excessive wear, a special coating co-developed by ANDREAS STIHL must be applied.



But there was more for the developers in Waiblingen and Weinsheim to consider. Under extreme temperatures, magnesium expands more than aluminum. That, in turn, increases stress on other components. Consequently, other elements of the machine design had to be optimized. The experts enhanced both the inner mechanics and the software. The STIHL MS 400 C-M features the M-Tronic 3.0 engine

management system. Fully electronic engine management was first installed in the STIHL MS 441 C-M in 2010. Using sensor technology and intelligent algorithms, the saw detects its immediate operating environment and automatically adjusts settings such as ignition timing and fuel consumption to achieve optimum engine performance. Version 3.0 offers users the additional option of calibrating the machine manually. "All in all, this chainsaw is truly state-of-the-art," says Lank.



LIGHTWEIGHT CONSTRUCTION AND VERTICAL MANUFACTURING

MS 400 C-M COMPONENTS PRODUCED IN-HOUSE



HOUSING, HANDLE AND TANK HOUSING

-  Fiberglass-reinforced, injection-molded plastic
-  Plant 2 + Plant 6, GER



AIR GUIDE SHROUD

-  Two-component injection molding
-  Plant 2, GER



CRANKSHAFT

-  Forged steel parts
-  Plant 1, GER



CYLINDER

-  Aluminum gravity casting
-  STIHL Ferramentas Motorizadas Ltda., Brazil

PISTON

-  Magnesium die casting
-  Plant 4, GER / STIHL Incorporated, USA

CRANKCASE AND SPROCKET COVER

-  Magnesium die casting
-  Plant 4, GER



The shift from aluminum to magnesium **CUTS WEIGHT BY 25%** in this key component alone.

1.45
KG/KW

is the **POWER-TO-WEIGHT RATIO** of the **MS 400 C-M**. That's a gain of more than 10% in terms of power compared to the STIHL MS 362 C-M.



ANDREAS STIHL won **FIRST PLACE** in the Euroguss magnesium component competition for developing and manufacturing the magnesium piston.

LETTER FROM THE CHAIRMAN OF THE ADVISORY BOARD

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

As a member of the Stihl family, I am proud of how the STIHL Group has developed over the years and decades – especially because the conditions we have faced around the world have not always been easy. Today, STIHL is a leading global brand of power tools for forestry, agriculture, landscape maintenance and the construction sector. Our products are valued by professional users and discerning consumers alike for the quality and value they deliver. The fact that we are in this position today is due to the great dedication, hard work and knowledge of all our employees and their willingness to dig in and engage with new things time and again.

Take my grandfather, Andreas Stihl, for example. Eighty years ago, he decided to establish an in-house training workshop at STIHL. It was a visionary decision, and a farsighted step for the founding company's long-term success. That same principle – of building, generating and retaining knowledge – has proven its value right up to the present day.

It has also been 60 years since my father, Hans Peter Stihl, joined the company. Then, as now, bold decisions were essential to making STIHL the number one brand in the chainsaw world and to defending and expanding upon this position over the decades to come. Where we stand today offers confirmation that it is worthwhile to press ahead in search of innovative solutions to technical challenges and even to take unfamiliar paths so that we can offer our customers products that help them get the job done even more efficiently.

Through it all, one thing has remained the same: our commitment to technological leadership. We offer surprising and innovative solutions while at the same time working tirelessly to improve. To that end, we will forge new paths. We will continue to connect with others and engage in dialogue, both within the company and with the wider world. We have the power to grow – even above and beyond ourselves.

On behalf of the Advisory Board, I would like to thank all our partners, 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 and Information Technology

DR. MICHAEL PROCHASKA

Human Resources and Legal Affairs

DR. BERTRAM KANDZIORA

Chairman of the Executive Board,
Manufacturing and Materials

DIPL.-ING. (FH) NORBERT PICK

Marketing and Sales

DIPL.-ING. (FH) ANKE KLEINSCHMIT

Research and Development

*STIHL AG is the managing partner
of STIHL Holding AG & Co. KG and
ANDREAS STIHL AG & Co. KG.



REPORT OF THE EXECUTIVE BOARD

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

2019 was a very challenging year for the STIHL Group. Our industry is in flux worldwide, and STIHL is among those feeling the ripple effects. We did manage to increase our share of the global gasoline-powered outdoor power equipment market over the past few months, which underscores the fact that our key products will continue to be those powered by fuel. Still, the forecasts that battery-powered tools would replace gasoline-powered products have proven accurate, and this development is expected to continue to pick up steam.

This especially challenging phase of change was also marked in the past fiscal year by slowing global economic growth, trade wars and the uncertainty surrounding Brexit. Global weather conditions were another issue for us, as soaring temperatures and low precipitation across large parts of the world weighed significantly on our business.

Although overall conditions were tough, we posted 3.9 billion euros in revenue across the STIHL Group, a gain of 4 percent year over year. The sales volume was practically unchanged from 2018 levels.

Here at STIHL, we have known about our customers' varied needs for many years. To successfully meet these needs, we are increasingly focusing on a diverse portfolio of gasoline- and battery-powered products. We are also working on new digital products and new business models. After all, we are currently in the middle of a process of transformation that encompasses much more than technological change. Our customers' needs

and purchasing habits are evolving, with activities increasingly moving to the Internet. We are now taking these requirements into account.

Independent servicing dealers are and will remain part of the STIHL DNA. With more than 53,000 dealers around the world, we have an excellent dealer network worldwide. We plan now to work with our dealers to expand this successful business model and adapt it to the new overall conditions that are in place. By launching our own premium online shop, we are increasingly turning to the Internet as a sales channel. Our own marketing company “STIHL direct,” ensures quality and efficiency.

The expertise and dedication of our staff is the foundation for new ideas and the new options we are able to offer our customers. It is the people of the STIHL Group who make sure we do more than just accumulate knowledge; we also put it to work. On behalf of the entire Executive Board, I would like to thank all our employees very much for their outstanding work. I would also like to thank the owners for the trust they have placed in the Executive Board, and the members of the Employee Council for their constructive cooperation.



DR. BERTRAM KANDZIARA
Chairman of the Executive Board



ANNUAL REVIEW



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MANAGEMENT REPORT - THE STIHL GROUP

The STIHL Group posted revenue of 3,932 billion euros in the past fiscal year, a gain of 4.0 percent over 2018. Compared to 2018, the STIHL Group benefited from positive currency effects. Capital expenditure stood at 308.2 million euros in 2019, down slightly from the previous year, with investments around the world concentrated mainly in production and logistics facilities.

REVENUE REACHES OVER 3.9 BILLION EUROS

In fiscal year 2019, the STIHL Group generated consolidated revenue of 3,932 billion euros. Revenue therefore increased by 4.0 percent compared to the previous year (2018: a decrease of 0.3 percent). The proportion of revenue generated outside Germany was 89.9 percent, compared with 89.5 percent in the previous year. The European Union accounted for 39.3 percent of total revenue.

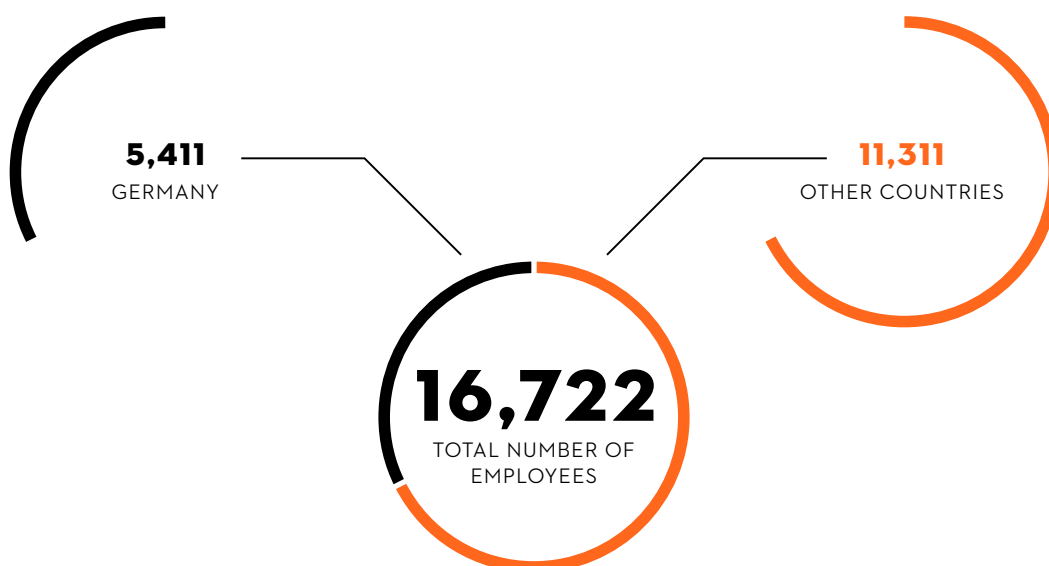
Currency exchange had a positive effect on revenue, to the tune of 1.3 percent. Calculated at the average exchange rates of 2018, revenue would have grown by 2.7 percent. The U.S. dollar traded at an annual average of 1.12 against the euro and was below the previous year's level.

INVESTMENT IN GERMANY AND ABROAD

In 2019, investment volume (property, plant and equipment, as well as intangible assets) at the STIHL Group amounted to 308.2 million euros (2018: 324.4 million euros).

Of that amount, 43.3 percent was invested at ANDREAS STIHL AG & Co. KG, while 56.7 percent was invested in the other companies of the Group, both in Germany and abroad. Depreciation amounted to 173.3 million euros. Of the total investment, 90.3 percent was made at the production companies within the STIHL Group.

Construction activity was again at a high level in 2019. As in previous years, investments focused mainly on production and logistics facilities at the production companies. Logistics space at the Ludwigsburg site

NUMBER OF EMPLOYEES DEC. 31, 2019 - STIHL GROUP COMPANIES

was expanded to more than 50,000 square meters, and STIHL Incorporated invested about USD 30 million in a new administrative building and numerous expansion and optimization measures.

—

SATISFACTORY EARNINGS

From a Group perspective, the earnings situation was satisfactory in 2019.

—

STRONG FINANCIAL STRUCTURE

The capital structure remains positive. The equity ratio at the end of the reporting period amounted to 70.4 percent. Equity therefore covers all non-current 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.

—

MANAGEMENT REPORT - THE STIHL FOUNDING COMPANY

The STIHL founding company posted slight revenue growth, up 0.8 percent, at the end of fiscal year 2019. Investment volume remains at a high level, at 133.5 million euros, along with the export ratio, at 89.4 percent, and the equity ratio, at 39.0 percent.

SLIGHT REVENUE GROWTH AGAIN AT THE FOUNDING COMPANY

In fiscal year 2019, revenue at the founding company again grew slightly by 0.8 percent (previous year: 4.5 percent) to stand at 1,208 billion euros. The export ratio is still very high, at 89.4 percent (previous year: 89.2 percent). Revenue growth was achieved in particular in the European Union and in North America.

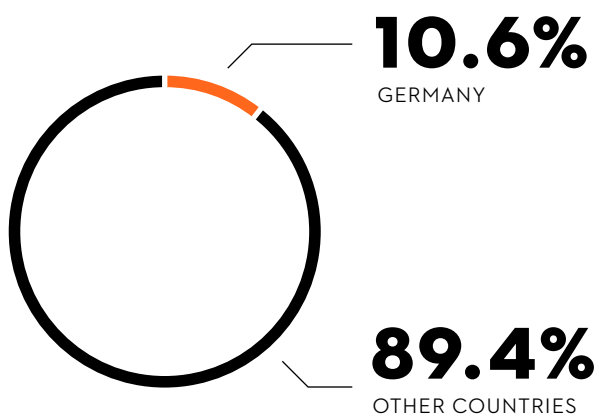
HIGH INVESTMENT

The investment volume (property, plant and equipment, as well as intangible assets) amounted to 133.5 million euros in fiscal year 2019 (previous year: 123.7 million euros). Much of this investment was

directed to the expansion of the logistics center in Ludwigsburg, the expansion of the production logistics center in Waiblingen-Neustadt, the start of the Brand World of STIHL and the high-rise in Waiblingen, the purchase of a property for battery production and service center facilities in Waiblingen-Hohenacker, and the expansion of the production facilities at the 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 significantly exceeded depreciation in 2019.

REVENUE DISTRIBUTION IN 2019 - ANDREAS STIHL AG & CO. KG IN %



REVENUE GROWTH IN 2019 - ANDREAS STIHL AG & CO. KG IN MILLIONS OF EUROS



STABLE EQUITY RATIO AND CONTINUED HIGH LIQUIDITY

The equity ratio stands at 39.0 percent (previous year: 44.3 percent) and is therefore still at a high level. As a result, equity covers the vast majority of non-current assets. Total liquidity, including securities held as current and non-current assets, accounted for 37.9 percent of the balance sheet total. 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 11.0 percent in total compared to 2018 (increase in the previous year: + 10.1 percent). The calculations are based on the Heubeck 2018 G mortality tables.

—

MARKETS

Despite significant market challenges, the STIHL Group was able to achieve sales levels on par with the previous year. Challenges included the effects of climate change, particularly the increasing threat of drought and heat. They also included trade disputes and the weakening economic climate, which prevented further growth.

SALES ON PAR WITH THE PREVIOUS YEAR

In fiscal year 2019, the STIHL Group's sales were stable, compared to the previous year. Following an extremely dry summer in 2018, particularly in Central Europe, many dealers still had high inventories at the end of the season and were accordingly restrained when it came to new orders.

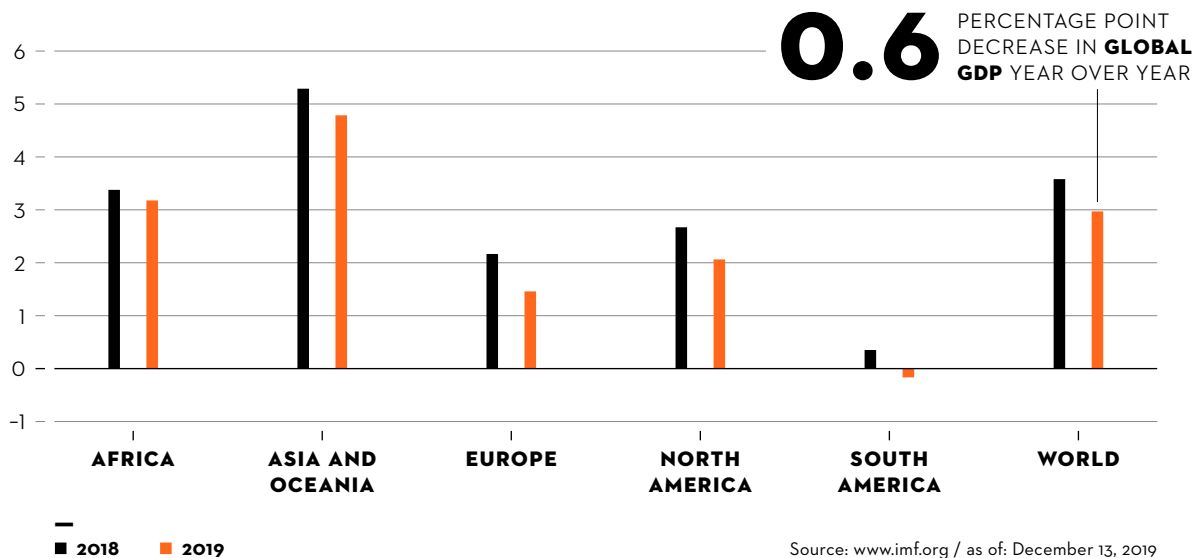
In 2019, the continents of the southern hemisphere experienced severe drought and floods, consequences of ongoing climate change. There was a noticeable global economic downturn in the second half of the year, which had a particularly marked effect on emerging markets in Asia, as well as Russia and South Africa. Argentina is also in the midst of another major crisis.

POSITIVE DEVELOPMENT OF BATTERY-POWERED PRODUCTS

The positive trend in sales of battery-powered products continued in Western Europe and North America. At the same time, both markets experienced uncertainty resulting from the ongoing Brexit negotiations, the upcoming U.S. election and continuing disputes regarding international trade agreements. Economic growth in Eastern Europe was stable over the past year, with the exception of Russia, where the population was forced to accept a decrease in its purchasing power.

REAL GLOBAL GDP GROWTH 2018/2019

IN %

**INCREASING MECHANIZATION IN EMERGING MARKETS**

In Latin America, Asia and Africa, the increasing mechanization of agriculture and forestry resulted in a growing need for power tools. However, that trend was offset by climatic challenges, along with political and economic instability, so that overall demand remained flat compared to the previous year.

—

CONSISTENT EXPANSION OF THE DEALER NETWORK

The network of authorized STIHL dealers was further expanded in almost all regions in the past year. This was, above all, true of China and India (countries that

cover a large geographical area), where the expansion of the sales network is an important condition for continued growth.

A number of STIHL Group member companies celebrated anniversaries in fiscal year 2019: Argentina has had its own distribution company (STIHL Motoimplementos S.A.U.) for the past 20 years. There was also a special reason to celebrate in Dieburg: The German distribution center marked its 50th anniversary with a company party. And it made a strong statement about the future with the construction of its new logistics building, a further milestone in the history of the distribution center.

—

DEVELOPMENT

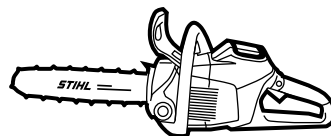
The development process is essential, and is at the core of the new technologies and products that inspire STIHL customers. In recent years, ANDREAS STIHL has increasingly transformed from a traditional mechanical engineering company into a supplier of modern power tools – one that is equally comfortable making battery and gasoline-powered products, and is engaged with the latest technologies and power systems. In 2019, we underlined that shift with high-performing new products, along with a deliberate increase in vertical integration and in-house production.

NEW BATTERY AND GASOLINE-POWERED PRODUCTS

The new EU5-compliant MS 194 T chainsaw for professional in-tree use not only boasts 20 percent lower emissions than the MS 193 T, but also impresses with an ideal weight (3.3 kilograms) and 10 percent more power and torque. Further product features include the practical stop-start Master Control Lever, as well as higher cutting performance, thanks in part to the new 2-MIX engine. The attractive price of this gasoline-powered chainsaw was achieved by consistent alignment with the needs of the target customer group and the optimization of cost-benefit potential.

Since May 2019, the 2.1-kilowatt STIHL MSA 220 C-B has been the most powerful battery-powered chainsaw in the STIHL range. It boasts approximately 15 percent more power than the previous model. Input

power has almost doubled compared to the first generation of battery-powered chainsaw, the 1.1-kilowatt MSA 160 from 2010. The newest generation of battery-powered chainsaws wows users with its high chain speed, powerful full-chisel saw chain and ergonomic design. The 36 V AP 300S lithium-ion battery is compatible with all STIHL AP system tools, allowing customers to operate more than 20 power tools with a single battery. And the MSA 220 C-B can be used indoors, making it ideal for municipal and horticultural professionals, as well as tradespeople.

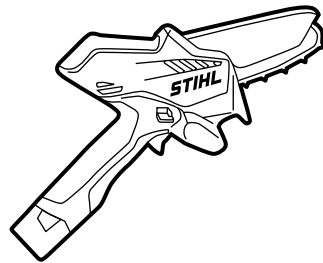


THE **STIHL MSA 220 C-B** IS THE MOST POWERFUL CHAINSAW IN THE STIHL BATTERY-POWERED RANGE.

The AP 300 S lithium-ion battery can also be used to operate the RMA 765 V professional battery-powered lawn mower. It features a durable hybrid housing consisting of a dual mowing deck made from die-cast aluminum and an impact-resistant polymer insert. Proven features such as the low-vibration, maintenance-free EC motor and the practical mono-comfort handlebar have been retained in the lightweight 42-kilogram tool, along with the intuitive control unit. The quiet, exhaust-free RMA 765 V is particularly suited to professional landscape maintenance in noise-sensitive environments.

The STIHL GTA 26 battery-powered garden pruner is another innovation from STIHL. This new tool is as compact as a battery-powered screwdriver and lets users trim branches and limbs around the home with relative ease.

Inside the tool, a reliable and powerful electric motor uses a newly developed steel gear to transmit its power directly to a STIHL sprocket. The motor is powered by high-performance battery cells. Together with the 1/4" PM3 chain developed especially for battery-powered products, the garden pruner delivers impressive performance. The GTA 26 battery-powered garden pruner is part of the new AS battery system, which currently includes the HSA 26 garden shears and will be expanded in the future.



THE **STIHL GTA 26** BATTERY-POWERED GARDEN PRUNER IS AN INNOVATIVE AND VERSATILE CUTTING TOOL FOR GARDEN OWNERS.

increase cutting performance by up to 20 percent. STIHL's new cutting attachment sets new standards in terms of efficiency.

Its 0.325" RS Pro saw chain has a cutting width of 6.8 mm, the narrowest ever. It possesses a design that helps reduce kickback and transmits up to 20 percent less vibration than comparable STIHL models. The narrow contour of the accompanying Light O4 guide bar offers a weight reduction of up to 200 grams. The new design clearly highlights the new bar's characteristics and features. The advantages of lower weight include improved balance and greater maneuverability.

BATTERY MADE BY STIHL

The Development and Production departments have worked together closely to develop the first STIHL battery to be produced in Waiblingen. In 2019, the AR 2000 and AR 3000, which were manufactured by a strategic partner, were replaced by the new AR 2000 L and AR 3000 L models, produced in-house at ANDREAS STIHL. They feature a personalized carrying system and a robust design, and are compatible with all AP system products. The collaboration between Development and Production was key to the success of this project, allowing the company to leverage its considerable expertise to bring an innovative new product to market.

MORE EFFICIENT AND VERSATILE THAN EVER

Development of a new saw chain and guide bar has produced a cutting attachment that promises maximum performance for every application. Lower vibration and weight, together with greater maneuverability,

PRODUCTION

In 2019, the STIHL Group also gained new knowledge in Production. Modern technological processes, concepts for digital industry and growing production sites in the global manufacturing network are just a few examples of this transfer of knowledge in fiscal year 2019.

BATTERIES - A PROMISING SEGMENT

Increasing demand for STIHL tools and new competitive conditions call for the continuous development of production capabilities – and a global perspective. The Group continued to implement its battery strategy in 2019 by establishing its own battery production capacities. In one-and-a-half years, the Group has developed a highly automated battery production facility, which increases vertical integration and in-house production in the battery segment. Backpack batteries for professional applications are produced in Waiblingen, Germany. ANDREAS STIHL has thereby been able to develop comprehensive knowledge about batteries, and is profiting significantly from intensive interdepartmental cooperation. The company delivers the batteries produced in-house directly to its customers, and is thereby meeting the rising demand for battery-powered products. STIHL Tirol has launched numerous new battery-powered products on the market, and additional assembly lines for the production of battery-powered tools are being established at STIHL Incorporated in Virginia Beach, USA.

NEW DEVELOPMENTS FROM WAIBLINGEN

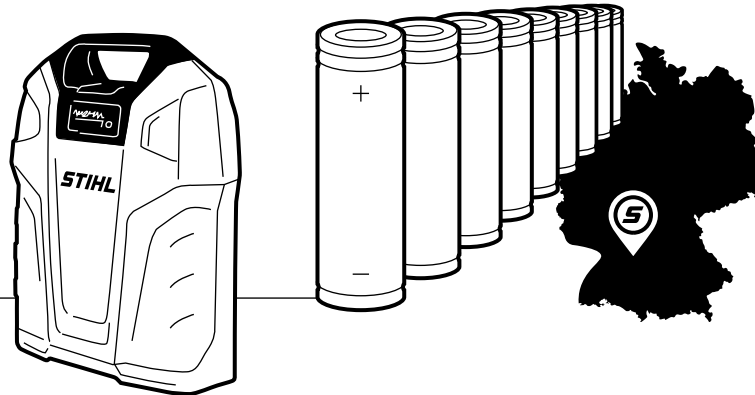
The STIHL MS 500i is the world's first chainsaw with electronically controlled fuel injection, and has been in high demand since its launch. To meet the high demand, assembly capacity was increased and production was effectively ramped up. The full startup of production logistics at Plant 2 in Waiblingen was also completed successfully. Today, all key internal and external customers can be supplied by this highly automated warehouse, and the old warehouse in Ludwigsburg will close in spring 2020.

The new corporate design will include a new look for STIHL chainsaw guide bars. To ensure optimum printing, a digital printer is being integrated into the painting system at the in-house guide bar manufacturing facility within Plant 2 in Waiblingen-Neustadt. The new four-color inkjet printer can print a guide bar in just 3.5 seconds.

BATTERY MANUFACTURING

NEW PRODUCTION SITE IN WAIBLINGEN

UP TO

90**INDIVIDUAL
BATTERY CELLS**ARE INSTALLED IN
THE STIHL AR 2000L
AND AR 3000L BACK-
PACK BATTERIES.THE BATTERIES
FOR PROFESSIONAL
APPLICATIONS ARE
ASSEMBLED AT THE
**HIGHLY AUTOMAT-
ED BATTERY PROD-
UCTION FACILITY**
IN WAIBLINGEN.**DIGITALIZATION IN PRODUCTION**

Digitalization is driving the development of new production concepts at the STIHL Group. For example, in Weinsheim the company has invested in several highly automated processing and washing systems, along with a commissioning station for the processing of die-cast magnesium components. All the systems are connected, and therefore allow the direct exchange of data.

A similar implementation is taking place at the Group's Swiss chain plant. The digitalization and connection of the tooth grinding and assembly machines was completed at both chain plants and has led to an overall increase in machine availability, thanks to targeted information and data processing.

The development of apps for individual production areas has also added considerable value. And because they offer significant advantages in day-to-day operations, they have been very well received by employees.

NEW COMPETENCIES IN TECHNOLOGY

Meanwhile, the STIHL Group continued to increase the vertical integration of in-house manufacturing systems and technological competence in Weinsheim by introducing a gravity casting process for piston production. With the MS 400, STIHL was able to integrate a magnesium piston for the first time, significantly increasing the chainsaw's power-to-weight ratio. Numerous tests, and meticulous process and system technology, allowed the development of a specific magnesium alloy, which is now in series production. At Plant 4, ANDREAS STIHL collaborated with external partners to develop a new hot chamber die-casting machine with significantly higher clamping force. That allowed the company to achieve the high-quality, efficient production of die-cast magnesium components.

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QUALITY

The new STIHL Group quality strategy took effect at the beginning of 2019. Its holistic approach enhances quality awareness across all processes, throughout the Group. This integrated concept aims to ensure that customers remain passionate about our products, services and the STIHL brand over the long term.

Today the STIHL Group faces numerous challenges. Global outdoor power equipment markets are becoming more complex and product offerings are becoming more diverse as a result. Expectations regarding the performance of our tools' power systems, whether old or new, are growing. Meanwhile, the rapid digitalization of production, as well as the demand for services in the forestry, horticulture, landscaping, agriculture and construction sectors, continues to accelerate.

An uncompromising commitment to quality and performance in service of customer demands is, and will always be, inherent in the STIHL brand.

The new STIHL quality model focuses on the fulfillment of all requirements: not just traditional technical processes and product requirements, but also demands relating to people, costs and deadlines. That can be achieved methodically with the help of STIHL's customer satisfaction model. It requires ongoing evaluation of the attributes, requirements, understanding, robustness, confirmation, effective-

ness and transparency for each process. Results are continuously compared with expectations. Increasing compliance leads to further improvements in the STIHL brand's outstanding quality.

The holistic nature of the total quality model, together with the consistent step-by-step approach, means a new way of thinking for all those involved. Initial implementation includes optimizing internal processes, bringing new products to market faster and more reliably, and making more targeted use of feedback from global markets.

Over the long term, the success of the model will be reflected in increasing customer satisfaction and key economic figures.

The STIHL quality strategy is structured as a sustainable, long-term program. It reflects the brand's concept and our culture of always surpassing ourselves in everything we do.

THE FORMULA FOR CUSTOMER SATISFACTION

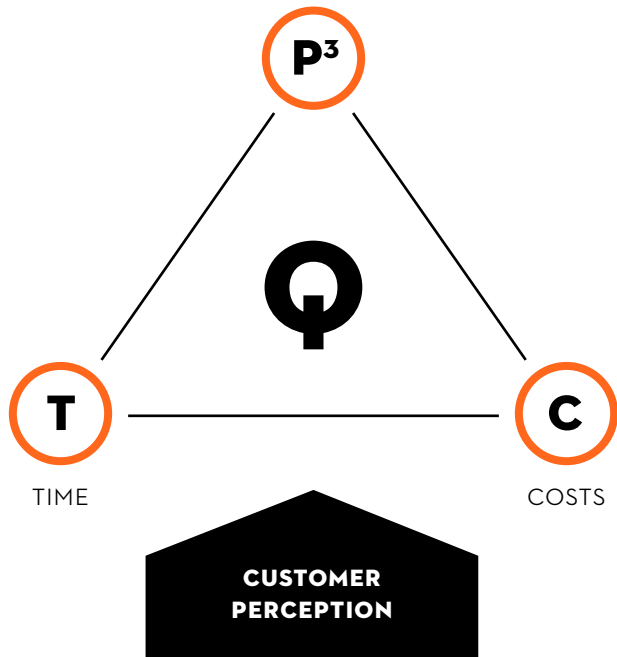
THE STIHL QUALITY STRATEGY

THE STIHL TOTAL QUALITY MODEL

Quality is affected by requirements regarding the performance of people, processes, products and services, and involves deadlines and cost targets. All the requirements of the individual aspects listed must be fulfilled to achieve the optimum result: outstanding STIHL quality.

Customer perceptions are thereby regularly taken into account and compared with existing requirements. Where needed, requirements are updated to maintain focus on the customer.

PERFORMANCE OF
PEOPLE - PROCESSES - PRODUCTS



THE STIHL CUSTOMER SATISFACTION MODEL

Quality is achieved when every stage in the model is addressed fully, and in the correct order, based on customer requirements. That is best achieved by a strong culture of inter departmental cooperation.



STRONG CULTURE OF CROSS-FUNCTIONAL COLLABORATION

OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL PROTECTION

STIHL Group companies value the occupational health and safety of their employees, and take a responsible approach to the use of natural resources. A broad range of measures in these areas are in place across the Group. What they all have in common is that they not only benefit employees, but also our environment by supporting a holistic approach to sustainability.

HOLISTIC APPROACH FOR THE BODY AND MIND

Small measures at the level of the individual can often result in significant change. That is true at ANDREAS STIHL. With its Mental Strain project, ANDREAS STIHL has added work-related psychological pressures to the risk assessment required by the German Occupational Safety and Health Act (Arbeitsschutzgesetz). Among other things, the aim of the project is to reduce work-related stress, and thereby prevent mental illness and improve working conditions. Potential fields of action in five subject areas are determined with the help of an anonymous, digital employee survey. Then short-term and long-term measures for employees, managers and the working environment will be developed in workshops. There are plans to repeat the survey at regular intervals, which will also allow the effectiveness of the measures to be assessed. This subject is also being actively addressed at STIHL Tirol in Austria and at STIHL Ferramentas Morotizadas in Brazil, where similar programs are underway.

To promote physical and mental health and maintain balance, STIHL Group companies offer employees at numerous locations a wide range of learning opportunities and activities involving occupational health. Break-time training sessions for production and office workers regularly cover exercises for mobility, stretching, relaxation and coordination – right at the workstation. Individualized support is available from company counseling services, along with information and awareness measures for managers and teams. These initiatives were developed based on employee interest and have been very popular.

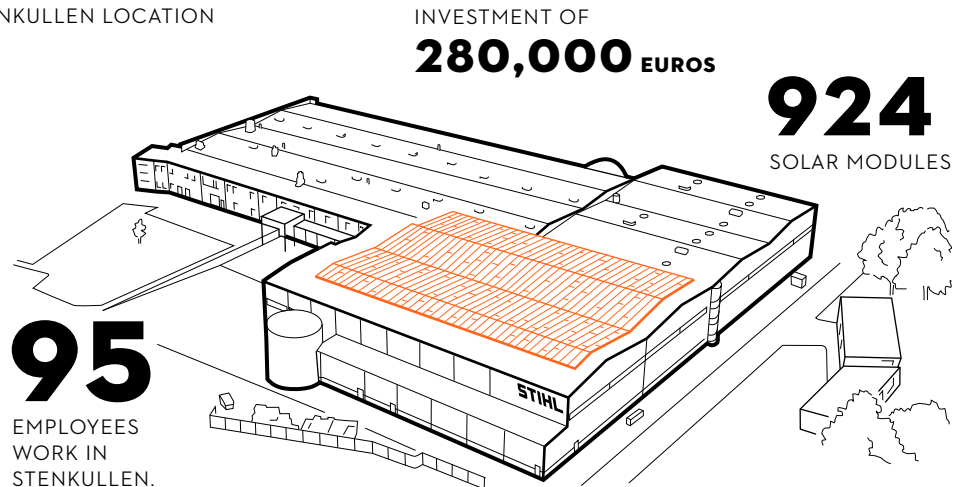
SUSTAINABLE MANAGEMENT

Following measures for individuals, we will take a look at activities across the Group. Over the past year, STIHL Group companies have implemented measures to ensure continuous improvement in the areas of environmental protection and energy effi-

SUNNY DAYS IN SWEDEN

ENERGY SYSTEM AT THE STENKULLEN LOCATION

A total of 924 solar modules were installed at the expanded warehouse in Stenkullen. That allows the warehouse to run autonomously during the daytime. The panels reduce annual consumption of externally generated electricity by approximately 240,000 kilowatt hours.



ciency. These various initiatives have helped contribute to the common goal of sustainable management.

In Wiechs am Randen, the optimization of hangers on the powder-coating line increased productivity and significantly reduced oil consumption in the production process. Similar improvements were achieved at Plant 7 in Ludwigsburg by connecting to the district heating system operated by Stadtwerke Ludwigsburg-Kornwestheim as part of an expansion and reorganization of the plant. The municipal utility's five-kilometer integrated grid is operated using heat generated by renewable sources such as wood, biogas and solar panels, offering climate-friendly heating and avoiding the use of fossil fuels. Two heat exchangers provide a maximum heating capacity of 1.4 megawatts (MW), allowing the district heating system to cover approximately 50 percent of total demand. Along with the energy from renewable sources provided by the district heating system, the switch to LED lighting in the plant has further contributed to a reduction of CO₂ emissions.

The optimization of furnace technology on individual casting machines in Plant 4 in Weinsheim has also reduced energy consumption. The supplier of cast finished parts and components is working to reduce gas consumption, and thereby sustainably decrease its CO₂ emissions, by introducing recapture technology for new and retrofitted equipment. These measures have been implemented on a wide range of casting machines.

ENERGY-FRIENDLY CONSTRUCTION

In Stenkullen, Sweden, STIHL Norden has invested 280,000 euros in a new solar energy system. 924 solar panels with a total capacity of 240,000 kilowatt hours were installed on the roof of the newly constructed warehouse. The system went into operation in April 2019. During the daytime it generates enough energy to cover the building's own consumption, and excess green electricity is sold regionally. The solar energy system was subsidized in part by the Swedish government.

CORPORATE RESPONSIBILITY

As a responsible corporate citizen with its roots in forestry, the STIHL Group works globally to promote the sustainable use of forest resources. For example, by supporting the reforestation project One Million Trees for Borneo, run by the non-profit organization Fairventures Worldwide, we are helping protect rainforests in Indonesia. One of the project's special features is the active involvement of the local population, which helps ensure that degraded forests are used in a socially and ecologically sustainable manner, thereby also contributing to the protection of virgin forests.

One Million Trees for Borneo is not just the name but also the goal of the reforestation project in Indonesia run by the non-profit organization Fairventures Worldwide. And that goal – planting a million trees – is one that will soon be achieved. Fairventures has a sustainable approach and aims to achieve improvements on ecological, economic and social levels. It has recognized that preventing further destruction of virgin rainforests requires the active involvement of the local population. That means using some areas that have already been degraded for habitation, creating space for sustainable agriculture and making the long-term protection of the remaining rainforest a common goal.

AGROFORESTRY AS A SUSTAINABLE APPROACH

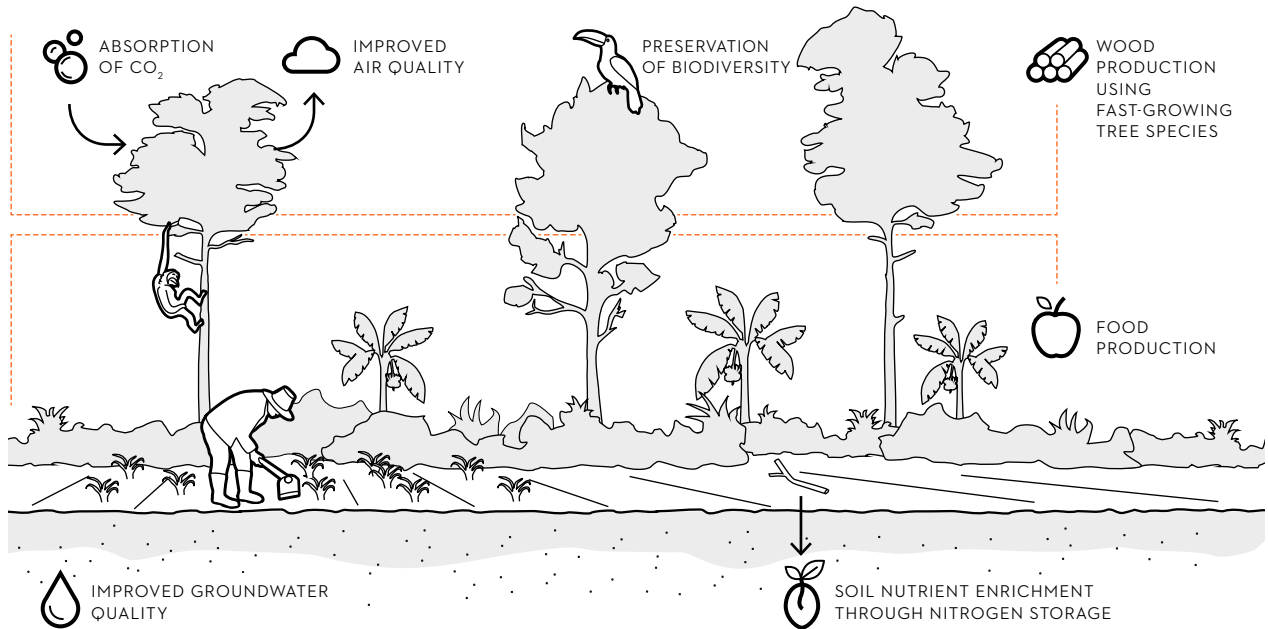
Fairventures helps small landholders replant degraded, deforested areas with a mix of fast-growing trees and a range of crops to supply food and create new sources of income. Establishing so-called “agroforestry” offers an economic alternative to logging and the harmful expansion of monocultures. Virgin rain-

forest in the area can also be preserved. Meanwhile, mixed planting offers a retreat for many species of animals, helping protect biodiversity. Soil and drinking water quality are also improved. While they are growing, the trees absorb carbon dioxide (CO₂) from the air, thereby reducing the impact of climate change. The trees from the plantations are ready to harvest after approximately seven years, contributing to sustainable forestry and reducing pressure on virgin forests.

STIHL'S CONTRIBUTION IN BORNEO

By supporting Fairventures financially, through donation of tools and by sharing its knowledge, STIHL Group companies are contributing to the success of the project, helping protect rainforests on the island of Borneo. With STIHL's help, the project area in Central Kalimantan has been expanded to include Katingan Regency. This area is at the heart of the biodiversity corridor between the Sebangau and Bukit Raya/Bukit Baka national parks, which is particularly important to the conservation of orangutans. Fair-

THE AGROFORESTRY SYSTEM



ventures' own nurseries in the area produced saplings of the fast-growing species sengon, white and red jabon, and acacia. Those seedlings were distributed to more than 80 landholders.

By donating STIHL tools - from clearing saws to earth augers and chainsaws, along with the appropriate personal protective equipment - and training users, STIHL is helping make farms more efficient and sustainable. As a positive side effect, those tools make farming more attractive and help stem the flow of people from the countryside. And the use of clearing saws reduces the need for agricultural chemicals. Now Fairventures is planning to launch its follow-up project, 100 Million Trees for Borneo, which will implement agroforestry over a larger area - with STIHL as a partner.

FAIRVENTURES A PORTRAIT

Fairventures Worldwide gGmbH is an organization that manages charitable projects and consults on cooperation for international development. It is headquartered in Stuttgart and operates in Indonesia and Uganda.

The organization's primary aims are restoring degraded land to improve local ecosystems and helping local populations combat deforestation and preserve biodiversity. Fairventures' agroforestry approach has helped it win public trust, and it is involved in the implementation of projects for the German federal government, Brot für die Welt and a number of foundations, as well as private donors.

FOR MORE INFORMATION, VISIT
WWW.FAIRVENTURES.ORG

CAPITAL EXPENDITURE

The STIHL Group's growth in terms of both production and sales continues unabated, and the Group is becoming larger and more international with each passing day. The international manufacturing network turns ideas into reality, supplying customers worldwide with high-quality STIHL products. Along with the broad knowledge required to make each of our tools, investment in modern equipment and buildings is the foundation for our success.

BRAND WORLD OF STIHL AND THE NEW WORLD OF WORK IN WAIBLINGEN

At ANDREAS STIHL, construction activity is a common sight at many of our plants. The largest current project is at Plant 1 in Waiblingen, where the Brand World of STIHL is being built. The existing office tower is being completely renovated and modernized, and the adjacent building is being demolished and rebuilt as an administrative building and company restaurant. The Brand World of STIHL will allow people to experience the STIHL brand in a unique way across three floors. With a total area of 5,000 square meters, the history of the company and its customers will be presented in an entertaining, interactive way, along with exhibits about natural history and the company's current innovations and activities. An on-site café will offer a place to relax, talk and enjoy refreshments. The preliminary measures were almost completed at the end of 2019. The new building, including the Brand World of STIHL, will go into operation in 2022.

The expansion of production logistics also continues at Plant 2 in Waiblingen. A 7,000-square-meter space and two additional floors will be home to the new world of work at STIHL. The new building will not only consolidate four areas in Production and Materials, but will also set new standards in terms of cooperation, facilitating the regular exchange of ideas. The new buildings will be ready at the end of 2020.

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THE MIA STIHL DAYCARE FACILITY IS TAKING SHAPE

Construction of the Mia Stihl daycare facility is starting in Waiblingen, in cooperation with the town's municipal authorities. It will have a total area of approximately 1,000 square meters and capacity for 55 children between six months and six years of age. Of those places, 35 will be reserved for children of STIHL employees and the other 20 will be for children from Waiblingen. The Mia Stihl daycare facility has a sustainable design with reduced energy con-

sumption. It is named after Mia Stihl, the wife of company founder Andreas Stihl, and is expected to open in fall 2020.

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MORE SPACE FOR LOGISTICS AND SALES

The major development project at Plant D7 in Ludwigsburg reached a key milestone in 2019. Since December, new logistics technology and processes have been used to handle customer orders. The expansion of Plant D7 included both new construction and the restructuring of existing buildings and technical systems. The newly constructed buildings cover 8,000 square meters, bringing the future total logistics space at the Ludwigsburg location to more than 50,000 square meters. Both the automatic container warehouse with approximately 85,000 container spaces and an automated pallet warehouse with around 20,000 pallet spaces are equipped with state-of-the-art warehouse technology. The expansion will eliminate bottlenecks and create space for planned growth. It is also expected to significantly simplify processes, resulting in major increases in efficiency.

There is also a lot going on at the Weinsheim plant. Located in Germany's Eifel region, the plant has become one of the largest and most modern magnesium die-casting facilities in all of Europe. It not only produces magnesium components for STIHL's own chainsaws and power tools, but also for the automotive, motorcycle, bicycle and electronics industries, as well as for medical technology. To create sufficient space for the plant's growth, STIHL is investing in larger and more efficient production logistics systems. An investment of 18 million euros will add 6,300 square meters of space and 28 new jobs.

In 2019, the Dieburg distribution center marked its 50th anniversary. The facility has grown continuously over the past five decades. And that growth is set to continue in its 51st year: 25 million euros will be invested in a long-term site development project over the next six years. The first step will be a new logistics warehouse for finished products.

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INTERNATIONAL GROWTH

Growth is visible not just in Germany, but throughout the Group. In October, STIHL Incorporated in the United States held a ceremony to mark the opening of a new administrative building. The 7,500-square-meter complex brings Marketing and Sales, Finance and Controlling, Product Information, and Customer and Technical Services together under one roof. A number of other projects were completed on the Virginia Beach campus to support STIHL Incorporated's growing business in the United States.

STIHL Kettenwerk in Wil, Switzerland, is adding a new entrance building and company restaurant to its site. The groundbreaking ceremony was held in October 2019. The investment volume amounted to around 15 million Swiss francs. Total floor space in the three-story entrance building will be approximately 2,700 square meters, and the canteen spaces will be located on the first and second floors. This will provide plenty of space for catering to employees and STIHL dealers, 2,000 of whom come from all over the world each year to visit the chain plant. The rest of the building will house a reception area, a training room for dealers and visitor groups, meeting rooms, offices and break rooms. The site's access road will also be redesigned.

The Swiss distribution company in Mönchaltorf will also be expanded, while the distribution companies ANDREAS STIHL Ltd. in the United Kingdom, STIHL Limited in Canada and ANDREAS STIHL Pvt. Ltd. in India will all construct completely new distribution facilities.

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HUMAN RESOURCES

In the modern world, we need new ways of retaining, developing and constantly expanding our knowledge – and that also applies to human resources management. Over the past year, STIHL Group members have introduced new forms of training and learning, effectively developed existing structures and systems and established new processes. Looking to the future, the companies work actively to meet the needs of their individual employment markets. The goal is to achieve the comprehensive transfer and development of knowledge – which is already reflected by numerous projects within the Group.

LEARNING MORE FROM EACH OTHER

STIHL's new adaptive learning platform (ALP) training concept is a departure from traditional seminar offerings. The goal is to align learning with a location's specific requirements wherever possible. The learning process therefore takes place in an environment in which participants can proactively contribute to their success by, for example, structuring individual stages of training or the final presentation of their achievements. Because it has a practical focus, ALP not only increases the relevance of the subject matter but also uses creative methods to help participants acquire the necessary knowledge. Learning thereby becomes an independent project with a direct connection to day-to-day working life. The ALP method was successfully implemented in numerous pilot projects at ANDREAS STIHL.

In 2019, the STIHL Group was focused on further developing its project management processes. The aim is to enable the whole organization to pursue successful, targeted and efficient project management. That should result in greater customer focus throughout the Group. At the same time, it will reduce administrative work and better identify and leverage inter-

departmental cooperation. The five-phase model that emerged from the initiative will serve as the basis for project management, with a focus on the full clarification of assignments. Numerous training opportunities were also offered in this area. Almost 400 project participants have already participated in training sessions aimed at various target groups.

An international management survey at ANDREAS STIHL and the STIHL Group production companies was successfully conducted in 2019. In particular, the overall management culture, elements of occupational health management, workplace safety and working conditions were all highly rated. The survey will be repeated annually. It will make a significant contribution to the positive development of the management culture across the member companies of the STIHL Group.

NEW TRAINING PROGRAMS

As a result of technological transformation and digitalization in production operations, the Swiss chain plant has increased the number of trainees in the

area of automation. A total of 22 young people are currently being trained as automation engineers and fitters. The training programs have been revised to better integrate those engineers and mechanics in day-to-day work at the plant. Specifically, that means more flexibility and earlier rotation through individual departments, STIHL-specific training and the development of interdisciplinary competencies including project management. The chain plant has therefore laid the groundwork for the optimum combination of theory and practice.

STIHL Ferramentas Motorizadas in Brazil is facing similar challenges. To combat a shortage of skilled staff, the Brazilian company has developed a certified dual vocational training and academic study course in mechanical engineering in cooperation with the Brazilian Chamber of Foreign Trade. The three-year, full-time course allows employees to strategically obtain professional qualifications. The first students graduated in 2019, having increased their technical knowledge and specific soft skills. The content of the course was adapted to the particular requirements of the areas involved, including maintenance and development.

STIHL Tirol is pursuing similar programs at its Langkampfen location with a two-stage training program, "Durchstarten bei STIHL Tirol," assuring and improving quality, increasing the number of qualified staff in-house and developing employees through adult education. The program is aimed at all employees, with or without other professional training in metals or mechanical engineering. It offers everything from basic and preparatory training to full professional qualifications.

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TRANSPARENT APPLICATION PROCESS

STIHL Incorporated and other selected STIHL Group companies are using a cloud-based HR system to create an efficient, paperless employee recruitment process. Among the attractive features, applicants can check the status of their application conveniently from their smartphones.

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AWARD-WINNING! AN OVERVIEW OF OUR AWARDS AND PRIZES

GREAT PLACE TO WORK STIHL FERRAMENTAS MOTORIZADAS, BRAZIL



Last year STIHL Ferramentas Motorizadas in Brazil again received the Great Place to Work award from the institute of the same name. The results of the annual employee survey highlight successful HR management strategies, which support strong HR processes and ensure a positive working environment. In 2019, STIHL was among the 80 best companies in the country, and came in fifth place in the Rio Grande do Sul region.



WIR SIND INKLUSIV (WE ARE INCLUSIVE) QUALITY SEAL STIHL TIROL, AUSTRIA

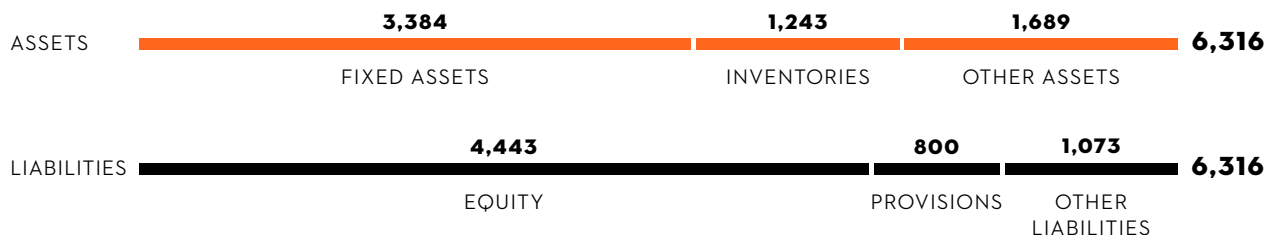
The Austrian Federal Ministry of Social Affairs, Health, Care and Consumer Protection's Sozialministeriumservice has recognized STIHL Tirol's exemplary commitment to employing people with disabilities. The initiative has existed for 15 years in the state of Tirol, and this is the second time STIHL Tirol has received the award since 2015.



BEST RECRUITERS ANDREAS STIHL, GERMANY

BEST RECRUITERS Germany recognized ANDREAS STIHL as a top recruiter with its gold seal. The company not only received the award in the system and mechanical engineering category, but also in the overall competition for all industries. With its cross-platform "WHY STIHL" campaign and supporting measures, STIHL is setting standards in recruitment.

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



BALANCE SHEET AS OF DECEMBER 31, 2019

(Condensed version)

ASSETS **CONSOLIDATED GROUP OF ANDREAS STIHL AG & CO. KG** **ANDREAS STIHL AG & CO. KG**
IN THOUSANDS OF EUROS

Notes to the balance sheets	DEC. 31, 2019	Dec. 31, 2018	DEC. 31, 2019	Dec. 31, 2018
FIXED ASSETS				
Intangible assets	65,510	56,097	63,694	44,032
Property, plant and equipment	1,398,221	1,265,970	406,903	357,851
Financial assets (1)	1,920,224	1,925,324	394,422	387,838
	3,383,955	3,247,391	865,019	789,721
CURRENT ASSETS				
Inventories	1,242,784	1,219,996	247,000	233,171
Receivables and other assets				
Trade receivables	474,832	507,911	29,906	31,259
Receivables from related companies	18,724	20,240	173,703	185,567
Receivables from companies in which an equity interest is held	208	47	0	0
Other assets	111,683	97,006	10,482	11,231
	605,447	625,204	214,091	228,057
Securities (2)	167,575	57,128	0	0
Cash and bank balances	771,244	583,696	213,203	104,365
	2,787,050	2,486,024	674,294	565,593
DEFERRED EXPENSES AND ACCRUED INCOME	24,790	24,896	3,945	3,221
DEFERRED TAX ASSETS	119,744	86,075	21,033	17,268
TOTAL	6,315,539	5,844,386	1,564,291	1,375,803

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

ASSETS	865	247	452	1,564
	FIXED ASSETS	INVENTORIES	OTHER ASSETS	
LIABILITIES	610	623	331	1,564
	EQUITY	PROVISIONS	OTHER LIABILITIES	

LIABILITIES
 IN THOUSANDS OF EUROS

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

Notes to the balance sheets	DEC. 31, 2019	Dec. 31, 2018	DEC. 31, 2019	Dec. 31, 2018
EQUITY (3)	4,443,311	4,082,698	610,000	610,000
PROVISIONS (4)				
Provisions for pensions and similar obligations	491,305	450,488	455,733	410,834
Provisions for taxes	19,677	13,731	8,900	5,710
Other provisions	288,728	260,057	158,522	64,296
	799,710	724,276	623,155	480,840
LIABILITIES				
Liabilities to banks	9,047	14,645	0	0
Loan from the Eva Mayr-Stihl Foundation (5)	150,000	150,000	150,000	150,000
Participating capital (6)	35,632	33,774	35,632	33,774
Advance payments received	7,409	2,951	0	0
Trade payables	202,151	213,571	42,435	35,943
Liabilities to related companies	0	42	30,507	17,290
Liabilities to companies in which an equity interest is held	2,454	2,781	0	0
Liabilities to owners	563,056	533,422	37,678	15,644
Other liabilities	81,019	80,237	33,565	31,113
	1,050,768	1,031,423	329,817	283,764
DEFERRED INCOME AND ACCRUED EXPENSES	552	745	1,077	1,087
DEFERRED TAX LIABILITIES	21,198	5,244	242	112
TOTAL	6,315,539	5,844,386	1,564,291	1,375,803

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	3,932,489
2. Income from equity investments	In thousands of euros	5
3. Wages, salaries, social security contributions and expenses for pensions and other employee benefits	In thousands of euros	935,587
4. Average number of employees in the twelve months ending on the balance sheet date		16,899

Waiblingen, March 2020

STIHL Holding 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.

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	1,207,718
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	414,596
4. Average number of employees in the twelve months ending on the balance sheet date		5,046

Waiblingen, March 2020

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

NOTES

ACCOUNTING AND VALUATION METHODS

Fixed assets are valued at the cost of acquisition or production. Cost of production includes direct material, direct labor and an appropriate proportion 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 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. In the measurement of other provisions, all recognizable risks and contingent liabilities are taken into consideration.

Liabilities are recognized at the amounts payable.

SCOPE OF CONSOLIDATION

The consolidated financial statements include STIHL Holding AG & Co. KG and all domestic and foreign affiliated companies (see list).

Due to their lesser importance, Carl Benz Center Objekt 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, payables, revenue, profits and expenses are eliminated. Intercompany profits are eliminated pursuant to Section 304 Subsection 1 of the German Commercial Code (HGB). Deferred taxes are recognized on intercompany profits as well as on debt consolidation affecting profit and loss.

CURRENCY CONVERSION

The conversion of the balance sheet value of the foreign companies for the capital and the reserves was made 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 reported financial assets 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

In the two balance sheets, the equity capital is shown in a total amount in accordance with Section 9 Subsection 3 of the German Companies Disclosure Act (Publizitätsgesetz).

(4) Provisions

The pension provisions cover preexisting pension entitlements and future benefits.

Other provisions relate to possible 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

The offer to the employees of ANDREAS STIHL AG & Co. KG to continue to participate in the capital of the company in the form of participation rights was increased in fiscal year 2019.

(7) Average number of employees of the STIHL Group companies

Europe	8,019
The Americas	4,840
Asia/Oceania/Africa	4,040
TOTAL	16,899

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	ANDREAS STIHL S.R.L., Lima, Peru	100.0
STIHL Beteiligungsgesellschaft GmbH & Co. KG, Waiblingen	100.0	ANDREAS STIHL Amazonas S.R.L., Pucallpa, Peru	100.0
STIHL Kettenwerk GmbH & Co. KG, Waiblingen	100.0	STIHL Motoimplementos S.A.U., El Talar, Buenos Aires, Argentina	100.0
Zama Holding GmbH, Waiblingen	100.0	ANDREAS STIHL (PTY.) Ltd., Pietermaritzburg, South Africa	100.0
STIHL Digital GmbH, Waiblingen	100.0	Kabushiki Kaisha STIHL, Kaminokawa-machi, Tochigi, Japan	100.0
SDP Digitale Produkte GmbH, Waiblingen	100.0	Taicang ANDREAS STIHL Power Tools Co., Ltd., Taicang City, Jiangsu, China	100.0
Other countries		ANDREAS STIHL Pvt. Ltd., Kuruli, Tal-Khed, Dist. Pune, India	100.0
STIHL Incorporated, Virginia Beach, Virginia, USA	100.0	STIHL SERVICE CENTRE SOUTHEAST ASIA SDN. BHD., Petaling Jaya, Malaysia	100.0
STIHL Ferramentas Motorizadas Ltda., São Leopoldo, Rio Grande do Sul, Brazil	100.0	STIHL MARKETING EAST AFRICA LIMITED, Nairobi, Kenya	100.0
ANDREAS STIHL Power Tools (Qingdao) Co., Ltd., Qingdao, China	100.0	Zama Corporation Ltd., Tai Po, NT, Hong Kong	100.0
STIHL Tirol GmbH, Langkampfen, Austria	100.0	Zama Japan Kabushiki Kaisha, Hachimantai-shi, Iwate-Ken, Japan	100.0
STIHL Gesellschaft m.b.H., Vösendorf, Austria	100.0	Guang Dong Zama Precision Industry Co., Ltd., Guangdong, China	100.0
STIHL Vertriebs AG, Mönchaltorf, Switzerland	100.0	U.S.A. Zama, Inc., Franklin, Tennessee, USA	100.0
ANDREAS STIHL Ltd., Camberley, Surrey, United Kingdom	100.0	Zama Precision Industry Manufacturing Philippines, Inc., Sto. Tomas, Philippines	100.0
ANDREAS STIHL N.V., Puurs, Belgium	100.0	Zama Precision Industry (Huizhou) Co., Ltd., Huizhou City, China	100.0
ANDREAS STIHL SAS, Torcy, Marne-la-Vallée, France	100.0	STIHL PTY. Ltd., Knoxfield, Victoria, Australia	100.0
ANDREAS STIHL S.A., Torres de la Alameda, Spain	100.0	STIHL Limited, Auckland, New Zealand	100.0
ANDREAS STIHL S.A., Sintra, Portugal	100.0		
ANDREAS STIHL S.p.A., Cambiago, Italy	100.0	NONCONSOLIDATED COMPANIES	
ANDREAS STIHL S.A., Acharnes, Attica, Greece	100.0	Carl Benz Center Objekt GmbH & Co. KG, Stuttgart, Germany	100.0
ANDREAS STIHL A/S, Sandefjord, Norway	100.0	Carl Benz Center Neckarpark GmbH, Stuttgart, Germany	100.0
ANDREAS STIHL Norden AB, Stenkullen, Sweden	100.0		
ANDREAS STIHL Oy, Vantaa, Finland	100.0	OTHER HOLDINGS	
ANDREAS STIHL Sp. z o.o., Tarnowo Podgórze, Poland	100.0	BMZ Holding GmbH, Karlstein am Main, Germany	20.0
ANDREAS STIHL, spol. s r.o., Modřice, Czech Republic	100.0	Globe Holdings (Hong Kong) Co., Ltd., Hong Kong	35.0
ANDREAS STIHL Kereskedelmi Kft., Biatorbágy-Budapark, Hungary	100.0	High-Tech Gründerfonds III GmbH & Co. KG, Bonn, Germany	1.0
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		

BOARDS OF THE GROUP

MEMBERS OF THE ADVISORY BOARD OF STIHL HOLDING AG & CO. KG

Dipl.-Ing. Hans Peter Stihl, Remseck
Honorary Chairman of the Advisory Board

Dr. Nikolas Stihl, Stuttgart
Chairman of the Advisory Board

Eva Mayr-Stihl, Remseck
Deputy Chair of the Advisory Board

Dipl.-Wirt.-Ing. Franz Fehrenbach, Stuttgart

Prof. Dr. Michael Hoffmann-Becking, Düsseldorf

Friedrich Merz, Düsseldorf and Arnsberg
Attorney at Law

Selina Stihl (MSc, MBA, ACA), Stuttgart

Dipl.-Ök. Karen Tebar, Waiblingen

Dr. Eberhard A. Veit, Göppingen

MEMBERS OF THE SUPERVISORY BOARD OF STIHL AG

Dipl.-Ing. Hans Peter Stihl, Remseck
Honorary Chairman of the Supervisory Board

REPRESENTING THE OWNERS

Dr. Nikolas Stihl,¹ Stuttgart
Chairman of the Supervisory Board

Dipl.-Wirt.-Ing. Franz Fehrenbach,¹ Stuttgart
Additional Deputy Chairman of the Supervisory Board
Chairman of the Supervisory Board of Robert Bosch GmbH
and Managing Partner of Robert Bosch Industrietreuhand KG

Prof. Dr. Michael Hoffmann-Becking, Düsseldorf
Attorney at Law and former partner at
the law firm Hengeler Mueller

Eva Mayr-Stihl, Remseck

Selina Stihl (MSc, MBA, ACA), Stuttgart

Dipl.-Ök. Karen Tebar, Waiblingen

REPRESENTING THE EMPLOYEES

Günter Meyer,¹ Weinsheim
Deputy Chairman of the Supervisory Board
Chairman of the Employee Council of the Weinsheim
plant of ANDREAS STIHL AG & Co. KG

Dipl.-Kfm. Thomas Bamesberger,¹ Stuttgart
Head of Production and Logistics at
ANDREAS STIHL AG & Co. KG

Marion Freytag, Burgstetten
Quality Officer in the Crankshaft Production Department at
ANDREAS STIHL AG & Co. KG

Tatjana Funke, Stuttgart
Secretary of the Baden-Württemberg Regional
Management of the trade union IG Metall

Matthias Fuchs, Ludwigsburg
Managing Director of IG Metall Ludwigsburg and Waiblingen

Dr. Klaus Langhans, Winnenden
Senior Manager, Development Planning at
ANDREAS STIHL AG & Co. KG

MEMBERS OF THE EXECUTIVE BOARD OF STIHL AG

Dr. Bertram Kandziora
Chairman of the Executive Board
Manufacturing and Materials
(until December 31, 2019)

Dipl.-Bw. (FH) Karl Angler
Finance and Information Technology

Dipl.-Ing. (FH) Anke Kleinschmit
(Executive Board member from May 1, 2019)
Research and Development
(from July 1, 2019)

Dipl.-Ing. (FH) Norbert Pick
Marketing and Sales

Dr. Michael Prochaska
Human Resources and Legal Affairs

Dipl.-Ing. (FH) Martin Schwarz
(Executive Board member from January 1, 2020)
Manufacturing and Materials
(from January 1, 2020)

Dipl.-Ing. Wolfgang Zahn
(Executive Board member until June 30, 2019)
Research and Development
(until June 30, 2019)

¹ Member of the committee in accordance with Section 27 Subsection 3 of the German Co-Determination Act (Mitbestimmungsgesetz).

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YEARS TRAINING WORKSHOP (AT STIHL) A WAIBLINGEN INSTITUTION CELEBRATES ITS ANNIVERSARY

The decision to train staff in-house was not unusual 80 years ago. Something else makes the STIHL training workshop special. Company founder Andreas Stihl saw it as an important extension of forward-looking company policy with a focus on long-term success.

In 1932, Andreas Stihl hired the first commercial trainees at the company, and the first technical training opportunities followed two years later. The in-house training workshop – today called the training center – followed in 1940. At the time, it was located at the Bad Cannstatt site. Today's cooperation with the

Baden-Wuerttemberg Cooperative State University (DHBW) dates back to 1974 – when it still carried the name “Berufsakademie” (vocational training academy). Since then, opportunities to begin your career at STIHL have become more diverse and have been adapted to the modern world. The German dual vocational training and academic study system is a very successful model at the STIHL Group – one that has been exported around the world. In cooperation with regional colleges, universities and chambers of commerce, the manufacturing companies of the STIHL Group have developed sophisticated programs for trainees around the world.

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Please note
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.



THE YEAR IN REVIEW:

2019

THE YEAR IN REVIEW: 2019

JANUARY



The legendary **STIHL CONTRA** chainsaw celebrated its 60th anniversary. The “mother of all saws” was launched on the market in 1959. It revolutionized forestry and will always remain an important part of our history.

FEBRUARY



STIHL Tirol opened its new **EXPANSION** after just 16 months. It offers 20,000 square meters of additional floor space for the production of innovative outdoor power equipment and a green roof where iMOW robotic mowers are tested.

MARCH



Employees in Sales, Marketing and IT at **ANDREAS STIHL** moved into their new home at **PLANT 8 IN FELL-BACH**, which features a new layout and modern office space in the STIHL colors.

APRIL



ANDREAS STIHL PVT. LTD. IN INDIA IS **GROWING** and began the construction of a new warehouse and office space in Chakan, in western India, with a symbolic groundbreaking and traditional Indian ceremony.

JULY



STIHL AG appointed its first female Executive Board member: After two decades in the position, Wolfgang Zahn was replaced by **ANKE KLEINSCHMIT** as Executive Board member for Research and Development.

AUGUST



The German distribution center in Dieburg celebrated its **50TH ANNIVERSARY** with the motto “Growing together. Since 1969.”

SEPTEMBER



Hans Peter Stihl received the **AACHEN ENGINEERING AWARD** for outstanding entrepreneurial performance, innovation and commitment. He dedicated the award to STIHL’s employees and his family.

OCTOBER



STIHL Incorporated in Virginia Beach opened **A NEW ADMINISTRATIVE BUILDING**, bringing Marketing and Sales, Finance and Controlling, Product Information, and Customer and Technical Services together under one roof.

MAY



From the forest to the garden: The interactive **STIHL PAVILION** opened its doors at the horticulture shows Remstal Gartenschau in Waiblingen and Bundesgartenschau in Heilbronn. Visitors to both events were treated to a STIHL world full of attractions.

JUNE



For **40 YEARS**, **ANDREAS STIHL** Ltd. has marketed and sold STIHL products in the United Kingdom. A true success story that was celebrated appropriately at the site in Woking, near London.

JUNE



The Rector of the University of Freiburg, Prof. Hans-Jochen Schiewer, declares Eva Mayr-Stihl an **HONORARY SENATOR**. The university thereby recognized many years of support from the Eva Mayr-Stihl Foundation.

NOVEMBER



The Australians defended their titles at the **STIHL TIMBERSPORTS® WORLD CHAMPIONSHIP 2019** in Prague. The Chopperoos, as they were called, won the team competition, while Brayden Meyer won the Individual World Championship.

NOVEMBER



The “Oscar of German marketing” was awarded to **ANDREAS STIHL**: The company received the **GOLDEN BRANDING IRON** (**GOLDENES BRAND-EISEN**) for its ongoing success in developing and expanding the STIHL brand.

DECEMBER



Three students from Munich University of Applied Sciences won the first **STIHL CUTTING EDGE AWARD** with their entry “Simple.Sharing.” The app allows users to rent out their own STIHL products.



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