

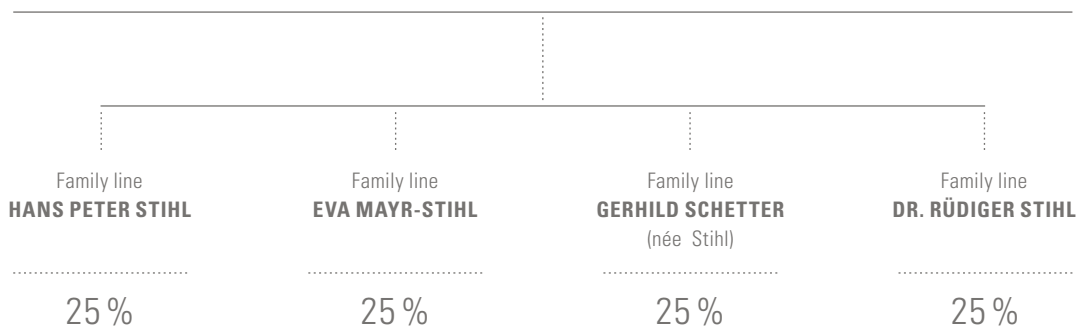
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ANNUAL REPORT
CLOSE TO NATURE

KEY FIGURES

CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG		2013	2012	2011
Revenue	million euros	2,814.4	2,775.7	2,617.6
Proportion of revenue outside Germany	percent	89.9	90.1	89.4
Wages, salaries, social security, pension contributions	million euros	650.8	629.9	587.6
Number of employees	December 31	13,844	12,338	12,026
Capital expenditure	million euros	202.5	227.4	183.6
Total assets	million euros	3,884.1	3,696.6	3,410.8
Equity ratio	percent	68.4	68.5	68.2
ANDREAS STIHL AG & CO. KG		2013	2012	2011
Revenue	million euros	951.7	886.9	869.0
Proportion of revenue outside Germany	percent	88.5	88.4	88.1
Wages, salaries, social security, pension contributions	million euros	282.3	268.7	259.1
Number of employees	December 31	4,118	3,964	3,960
Capital expenditure	million euros	56.6	49.1	84.3
Total assets	million euros	1,013.7	953.3	929.4
Equity ratio	percent	45.4	45.1	43.0

OWNERSHIP STRUCTURE OF STIHL HOLDING AG & CO. KG



STIHL WORLDWIDE



The STIHL Group develops, manufactures and distributes power tools for forestry, agriculture, landscape maintenance, the construction industry and demanding private users. The products are sold through STIHL dealers that also provide servicing. The STIHL sales organization consists of 34 STIHL-own sales and marketing companies, approximately 120 importers and more than 40,000 STIHL dealers in over 160 countries. STIHL has been the world's bestselling chain-saw brand since 1971.

Globally positioned on five continents and represented in more than

160 COUNTRIES

KEY FIGURES | THE STIHL GROUP

STIHL HOLDING AG & CO. KG

(THE GENERAL PARTNERS: HANS PETER STIHL AND STIHL AG)

STIHL AG

ANDREAS STIHL AG & Co. KG
Founding Company | Waiblingen

STIHL Vertriebszentrale
AG & Co. KG | Dieburg

STIHL Kettenwerk
GmbH & Co. KG | Waiblingen
Wil branch

STIHL International GmbH, Waiblingen

Subsidiaries of
STIHL International GmbH

EUROPE Austria¹ | Belgium | Bulgaria |
Czech Republic | Denmark | France | Greece |
Hungary | Italy | Netherlands | Norway |
Poland | Portugal | Romania | Russia | Serbia |
Spain | Sweden | Switzerland¹ | Ukraine |
United Kingdom

THE AMERICAS Argentina | Brazil¹ | Canada |
Columbia | Mexico | United States¹

ASIA China¹ | India | Japan

OCEANIA Australia | New Zealand

AFRICA South Africa

ZAMA subsidiaries of
STIHL International GmbH

ASIA Hongkong | Japan | China

AMERICA United States

¹ STIHL production and sales companies

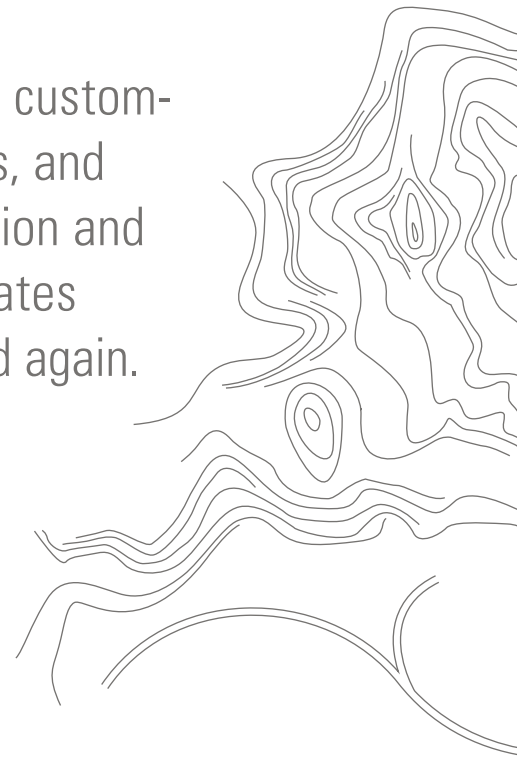
The STIHL Group is active in nature and for nature. Whether in gigantic forests or urban parks, our high-performance products are ready for any challenge. We aim to be close to where they are used, worldwide, in order to develop solutions for diverse conditions – with our unique expertise and experience.



CLOSE TO NATURE

Anyone who wants to be a global technology leader may never stand still. Only those who continually develop, remain close to their markets, permanently optimize their product range and cultivate the pursuit of perfection can be sure of a top position. Our chain saws and outdoor power equipment for professional forestry and agriculture as well as construction and garden and landscape maintenance make an important contribution to conserving, cultivating and caring for nature.

The STIHL Group is globally active in meeting its customers' needs, creates or shapes living environments, and is committed to long-term environmental protection and energy efficiency. Our closeness to nature motivates us to provide first-class innovative quality over and again.



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MAINTAINING
ALPINE LANDSCAPES

18

PROTECTING
THE WILDERNESS

34

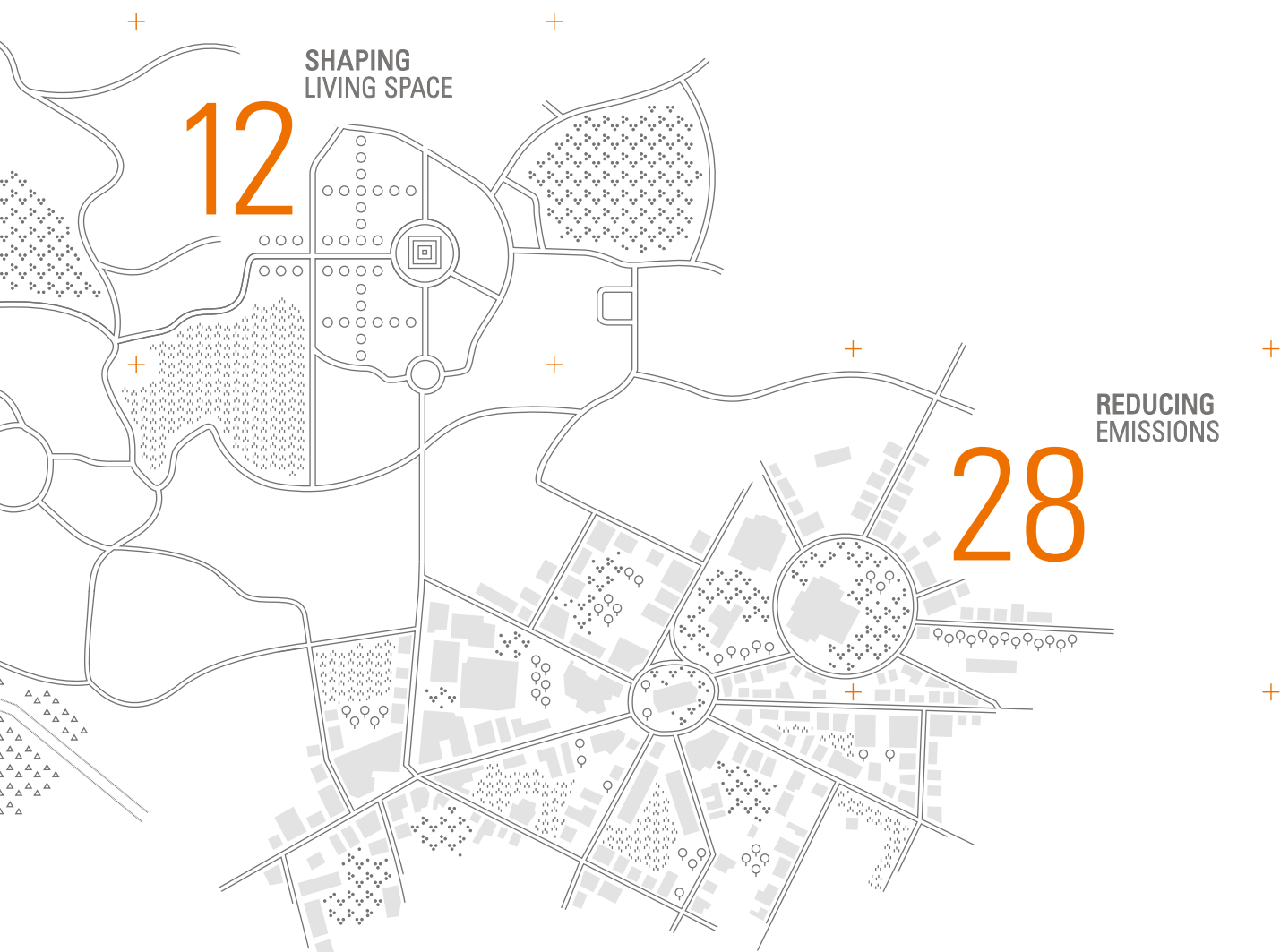
HELPING TO
PREVENT WILDFIRES

CLOSE TO NATURE

The challenges our products have to meet are as diverse as nature itself. The difficult terrain of a Swiss Alpine meadow requires different equipment than the gardens of a Chinese temple. Sometimes it's a matter of conserving forests, shaping a living environment or helping to prevent wildfires. Find out from our STIHL dealers which local requirements they place on our products and which specific features characterize their markets.

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CLOSENESS AID INNOVATION

For us, an intensive understanding of working in and with nature is the key to innovative ideas. With constant curiosity and a passion for technology, the STIHL Group develops first-class products that set standards in the industry over and over again. At the same time, we continually work to improve existing technologies and to create sustainable production conditions at our plants around the world. This continuous process of value creation makes us strong.

MORE THAN

500



SELECTED TEST CUSTOMERS

try out our new products before each market launch. We profit from their experience in everyday working life and from their practical suggestions for improvements.

OBSERVING AND UNDERSTANDING

MORE THAN

40,000



STIHL DEALERS

worldwide are responsible for sales and full service. They have a feeling for the market and are aware of the customers' requirements.

160

STIHL IS REPRESENTED IN MORE THAN



COUNTRIES

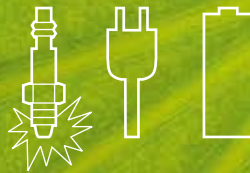
The diversity of requirements placed on our products all over the world continually gives us inspirations for new technologies.

APPROXIMATELY **250,000** 

HOURS OF DEVELOPMENT
are invested by STIHL in a new professional
product before it is launched in the market.

DEVELOPING SOLUTIONS

3

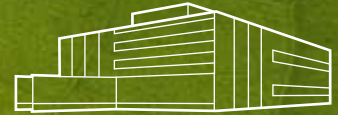


POWER TECHNOLOGIES
Whether gasoline mix, corded or cordless:
STIHL offers customers the ideal technical
solution for all requirements and applications.

MORE THAN 2,000 

ACTIVE PATENTS PENDING
are the result of our passion for
technology. And we aim to ensure
that this number continues to grow.

203



MILLION EUROS INVESTMENTS
in our sites and production technologies worldwide lay the foundation for sustainable and successful growth.

CONTINUOUS IMPROVEMENT

150,000



TEST HOURS

each year on various test benches ensure that we are always aware of the performance of our products and can discover potential for further innovations.



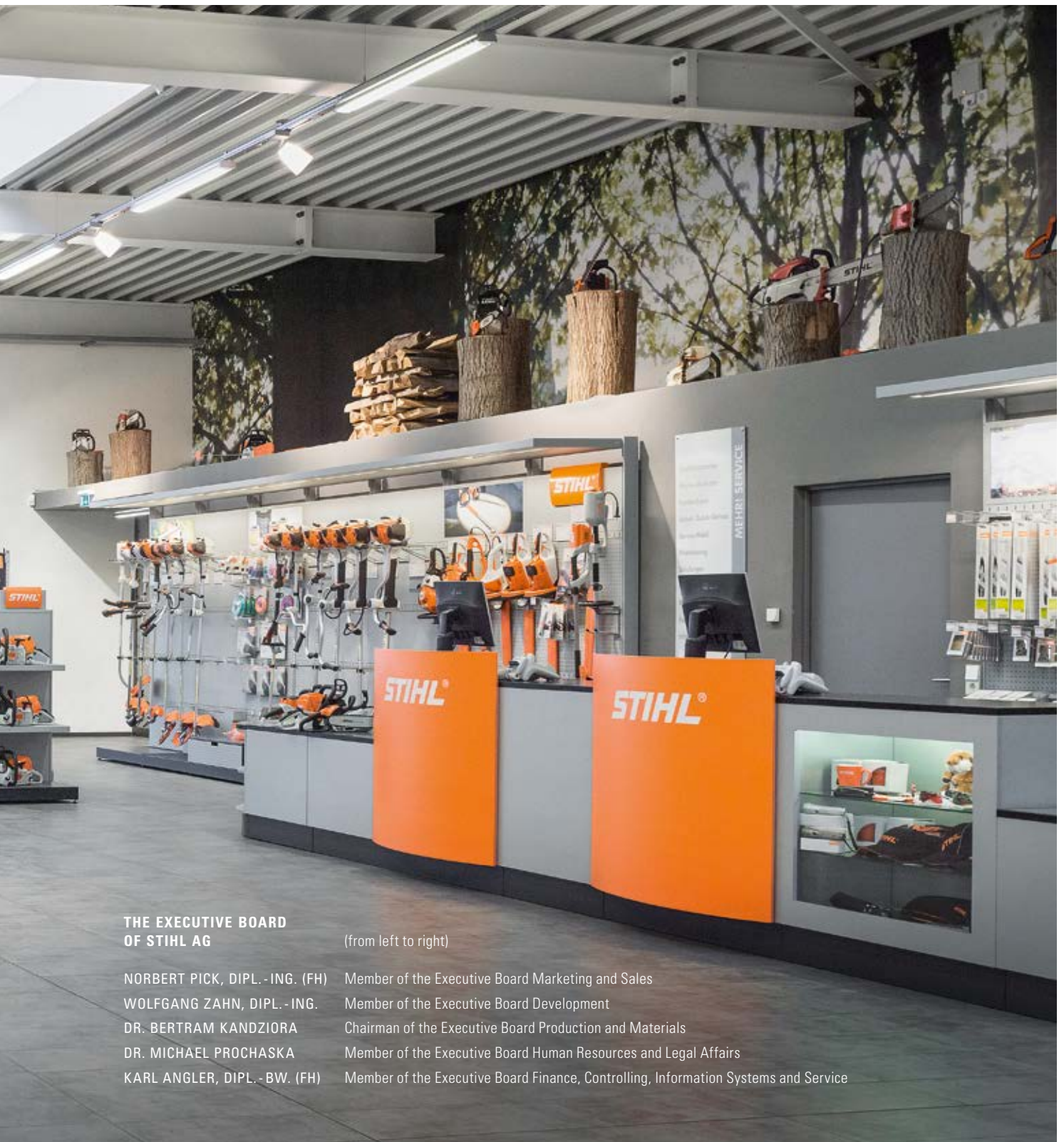
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APPROXIMATELY

PERCENT ENERGY SAVING EACH YEAR

is the STIHL Group's target in the context of the newly introduced energy management system. Lower energy consumption reduces costs and emissions and conserves natural energy resources.





**THE EXECUTIVE BOARD
OF STIHL AG**

(from left to right)

- | | |
|---------------------------------|---|
| NORBERT PICK, DIPL. - ING. (FH) | Member of the Executive Board Marketing and Sales |
| WOLFGANG ZAHN, DIPL. - ING. | Member of the Executive Board Development |
| DR. BERTRAM KANDZIORA | Chairman of the Executive Board Production and Materials |
| DR. MICHAEL PROCHASKA | Member of the Executive Board Human Resources and Legal Affairs |
| KARL ANGLER, DIPL. - BW. (FH) | Member of the Executive Board Finance, Controlling, Information Systems and Service |

**DEAR BUSINESS PARTNERS,
DEAR STAFF,
DEAR FRIENDS OF THE STIHL GROUP!**

The STIHL Group surpassed its prior-year revenue in 2013, if only by a small margin. Revenue grew by 1.4 percent and reached the record level of just over 2.8 billion euros. There was a negative impact from exchange-rate movements, mainly of the weak dollar; adjusted for those effects, revenue increased by about 5 percent. We further improved our excellent market position and once again achieved growth in unit sales in all major product categories and in all key regions.

The revenue of ANDREAS STIHL AG & Co. KG, comprising the seven German production plants referred to as the “founding company”, increased by 7.3 percent to 951.7 million euros. The development of unit sales was particularly pleasing; the founding company had suffered in recent years from the fact that demand for the professional tools produced in Germany was lower than for the tools of the other segments.

The STIHL Group’s workforce expanded by 12.2 percent to reach the number of 13,844 employees as of December 31, 2013. This increase includes the special effect of taking over 746 persons into permanent employment at ZAMA. Adjusted for this special effect, there was workforce growth of just over 6 percent. The number of persons employed by the founding company increased by 3.9 percent to 4,118 at the end of the year.

The quality systems were further developed and comprehensive quality audits were carried out at our worldwide sites. All STIHL production plants are certified according to the management systems ISO 9001 for quality, ISO 14001 for environmental protection and BS OHSAS 18001 for occupational health and safety. The founding company was additionally certified according to the energy management system ISO 50001.

STIHL further expanded its range of cordless products. The STIHL MSA 160 T chain saw for tree care is designed for professional use, for example by tree climbers. The new STIHL HTA 85

pole pruner allows branches to be cut off at heights up to five meters from the ground. And with the STIHL MS 661, we have a new flagship amongst our large gasoline-powered chain saws. It is also in use as the competition saw in the STIHL TIMBERSPORTS series.

The founding company's development department was increasingly occupied with a new material in 2013: CRP (carbon-fiber reinforced polymer) offers high strength, almost comparable with steel. At the same time, the material is up to 80 percent lighter than steel. One of the initial results of these development efforts is the world's first guide bar made of carbon fiber, the STIHL Rollomatic ES Carbon with a weight of just 780 grams (see page 41 for further information).

The only change in the Group's boards last year was that the members of the Supervisory Board representing the employees were reelected by the workforce of the German plants. Claudia Klenk and Luigi Colosi departed from the Supervisory Board and were replaced by Günter Meyer and Udo Salomon.

2013 was another successful year for the STIHL Group. The employees made a significant contribution to this success with their commitment and skills. I would like to thank them all on behalf of the entire Executive Board. I would also like to thank the owners for their trust, and the members of the Works Council for their constructive cooperation.



Dr. Bertram Kandziora
Chairman of the Executive Board



SHAPING LIVING SPACE

Parks and gardens are important for the urban climate. They often have great cultural or historical significance as well. In any case, they need to be maintained and cared for.





Beijing is not exactly famous for its parks and gardens, although the authorities have done a lot to improve the situation in recent years, for example by increasing the supply of fresh air in the city through green corridors. Liu Hongjing, STIHL dealer at Green Garden Agricultural and Forestry Machinery Co., Ltd. in Beijing, has been following this development: "Green strips have been laid out along urban highways, some of which are almost small woods with widths of 100 to 400 meters. Rivers and canals have been planted with broad strips along their banks, so we now have small parks, cycle paths and recreational areas on the river banks all around Beijing."

But the Chinese capital also has some parks with long traditions. "The Temple of Heaven was the place where the emperors of the Ming and Qing dynasties worshipped the god of heaven and prayed for good harvests." Today, it is protected as a UNESCO World Heritage Site and attracts visitors from China and abroad. The park covers an area of 2.7 square kilometers, making it the largest of its kind in the country. And Beijing's Yihe Yuan, generally known as the Summer Palace, is one of the most charming landscape gardens in the

city. This large area, two thirds of which is a lake, served the last emperors as a summer resort. The list of historical parks and gardens is completed with Beihai Park, Ditan Park and Jingshan Park, which is directly adjacent to the Forbidden City and was formerly a private imperial garden. "China's central government invests a lot in the protection and maintenance of historical and cultural sites. We as a STIHL dealership in Beijing supply the park administrators, in some cases directly."

»CHINA'S CENTRAL GOVERNMENT INVESTS A LOT IN THE PROTECTION AND MAINTENANCE OF HISTORICAL AND CULTURAL SITES.«

LIU HONGJING

Liu Hongjing has been a STIHL dealer since 2005. In 2013, she was recognized as one of the best ten dealers in the country. "We offer our customers the best and most reliable products, which ideally fulfill their needs. We dealers are regularly trained and receive intensive support from the Chinese STIHL sales company. I am proud to be a STIHL dealer."



+

STIHL HS 81 T

The STIHL HS 81 T hedge trimmer is ideal for municipal gardeners with its anti-vibration system, detachable blade and guide protector, long-life air filter and double-sided blade.



LIU HONGJING
STIHL dealer at Green Garden
Agricultural and Forestry
Machinery Co., Ltd., Beijing,
China



MANAGEMENT REPORT – THE STIHL GROUP

The STIHL Group once again achieved revenue growth in 2013, if only by 1.4 percent due to unfavorable exchange-rate effects. Total investment of 202.5 million euros was lower than in the previous year. The equity ratio amounted to 68.4 percent. The earnings of the STIHL Group were satisfactory, as always.

REVENUE OF JUST OVER 2.8 BILLION EUROS

In the 2013 financial year, the STIHL Group achieved total revenue of 2,814.4 billion euros, representing growth of 1.4 percent compared with the previous year (2012: plus 6.0 percent).

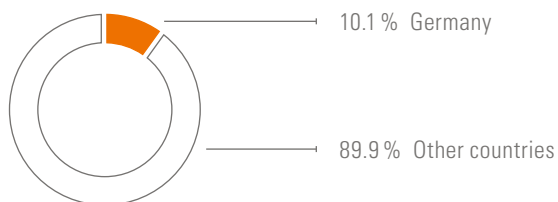
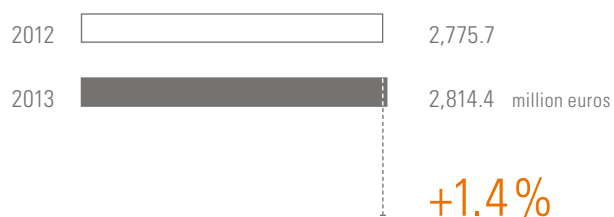
The proportion of revenue generated outside Germany was 89.9 percent, compared with 90.1 percent in the previous year. The European Union accounted for 37.5 percent of total revenue.

Changes in currency exchange rates reduced revenue by 3.6 percent. Calculated at the average exchange rates of 2012, revenue grew by 5.0. The average euro-dollar exchange rate in 2013 was \$1.33, making the dollar 3.1 percent weaker than in 2012.

INVESTMENTS IN GERMANY AND ABROAD

The STIHL Group's investment volume (property, plant and equipment and intangible assets) amounted to 202.5 million euros in 2013 (2012: 227.4 million euros). 28.0 percent of that amount was invested at the German founding company and 72.0 percent was invested at the other companies of the Group in Germany and abroad. Depreciation and amortization amounted to 139.5 million euros.

The production companies accounted for 82.3 percent of investment. Construction activities at the Group were only slightly below the record level of 2012. For example, additions were made to the manufacturing and logistics equipment of the production companies. Investments were made in extensions of existing buildings at our sales companies in Germany, Australia, Canada, Sweden and the

**DISTRIBUTION OF REVENUE IN 2013 –
THE STIHL GROUP****REVENUE GROWTH IN 2013 –
THE STIHL GROUP**

United Kingdom and in new construction in France and China. At the German founding company, the planning for the expansion of the development center and the new construction of a production warehouse was largely completed and the first invitations to tender bids for sections of the work were prepared. Furthermore, the planning for the extension of the operating logistics building was started.

SATISFACTORY EARNINGS

The earnings situation of the STIHL Group was satisfactory once again in 2013. Two of the contributory factors were the systematic implementation of cost-reducing measures at the worldwide sites and the launch of newly developed products.

STRONG FINANCIAL STRUCTURE

The capital structure is as strong as ever. The equity ratio at the end of the reporting period amounted to 68.4 percent. Equity therefore covered all non-current assets and inventories as well as most receivables and other assets.

Liquidity is at an unchanged high level. In general, the Group's capital expenditure is funded without any need for borrowing.

MANAGEMENT REPORT – THE STIHL FOUNDING COMPANY

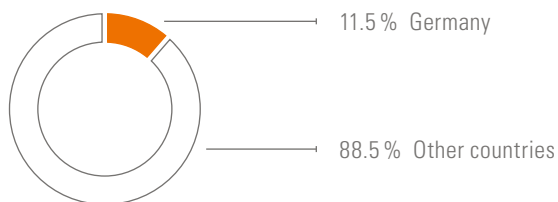
The STIHL founding company, comprising the seven STIHL production plants in Germany, increased its revenue by 7.3 percent to 951.7 million euros. Investment of 56.6 million euros was higher than in the previous year and flowed primarily into the expansion of the product range as well as into production equipment and the IT infrastructure.

REVENUE POSTED BY FOUNDING COMPANY ABOVE PRIOR-YEAR LEVEL

In financial year 2013, the founding company increased its revenue by 7.3 percent to 951.7 million euros (revenue growth in 2012: plus 2.1 percent). The export ratio also increased slightly in 2013 to a level of 88.5 percent. Above all, the European Union, Asia and the United States increased their percentages of total revenue. However, the percentages of revenue generated in the countries of South and Central America and Africa decreased in 2013.

INVESTMENTS AT THE FOUNDING COMPANY

The investment volume (property, plant and equipment and intangible assets) at the founding company amounted to 56.6 million euros in 2013 and thus reached the level of the previous years. Substantial funds were invested in research and development activities, which are concentrated in Waiblingen, for the expansion of the product range. Large amounts were also invested in new production equipment and the IT infrastructure. The entire investment was financed without any borrowing. As in previous years, total investment exceeded depreciation and amortization once again in 2013.

**DISTRIBUTION OF REVENUE IN 2013 –
THE STIHL FOUNDING COMPANY****REVENUE GROWTH IN 2013 –
THE STIHL FOUNDING COMPANY****INCREASED EQUITY RATIO AND ONGOING HIGH LIQUIDITY**

Equity was equivalent to 45.4 percent of total assets at December 31, 2013, representing an increase of 0.3 percentage points compared with a year earlier. Equity therefore covered all non-current assets and a large proportion of inventories. Total liquidity including securities held as current and non-current assets accounted for 38.1 percent of the balance sheet total. It is necessary to take into consideration, however, that these items are associated to a large extent with high long-term obligations from occupational retirement pensions.

INCREASE IN SELF-FINANCED PENSION OBLIGATIONS

Actuarial expertises led to an increase in provisions for retirement pensions and other liabilities related to outstanding capital benefits of 6.8 percent compared with a year earlier (December 31, 2012: 5.8 percent). The calculations are based on the Heubeck 2005G mortality tables. The difference resulting from remeasurement in accordance with the German Accounting Law Modernization Act (BilMoG), which has been in force since January 1, 2010, is distributed over 15 years, as provided for by an option of BilMoG.



PROTECTING THE WILDERNESS

The Fiordland National Park was established in 1952 and is still the most inaccessible area of New Zealand. It provides a home for endangered bird species and the opportunity for people to enjoy untouched nature.





The largest national park in New Zealand, the Fiordland National Park, has a major impact on the life and work of Angela and Craig McKenzie: “We are in the greatest living space on earth. People have access to, experience and enjoy the national park – and want it to be looked after for future generations.”

The Fiordland National Park is part of the Te Wahipounamu world heritage site in south-west New Zealand, which covers 2.6 million hectares of pristine wilderness. Its fjords are an important attraction for tourists in New Zealand and three world-class great walks cross through the forests: the Milford, Routeburn and Kepler Tracks. “Most of the park is untouched. But wherever people are on the move, paths and grounds have to be maintained – around the numerous huts in the park for example. Action is also taken to ensure the survival of our near-extinct native birds like the kiwi, takahe and kakapo. The Department of Conservation has been one of our customers for some years now – they are very satisfied with the STIHL products and with our service.”

Quality and reliability are important factors when purchasing a product. People and

equipment are often transported by helicopter to remote areas in the rugged forest. The tools have to withstand the harsh climate, the wet conditions with annual rainfall of 1,200 to 8,000 millimeters, and also the altitude differences in the fjords – the park ranges from sea level to peaks of up to 2,746 meters.

»WHEREVER PEOPLE ARE ON THE MOVE, PATHS AND GROUNDS HAVE TO BE MAINTAINED – AROUND THE NUMEROUS HUTS IN THE PARK FOR EXAMPLE.«

CRAIG MCKENZIE

Angela and Craig McKenzie have owned STIHL Shop Winton since 1994. “We service a very strong rural clientele with predominantly sheep and dairy farmers.” The small company has grown continuously and now employs four staff members. In 2006, they moved into a new, much larger building. “The STIHL products have always been the backbone of our business. We are looking forward to further growth.”

STIHL FS 460
The STIHL FS 460 with the STIHL anti-vibration system, circular saw blade or brush knife is ideal for clearing thick undergrowth.





CRAIG MCKENZIE
STIHL dealer and, together
with his wife, owner of
the STIHL SHOP™ in Winton,
Southland, New Zealand



QUALITY, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

The name STIHL has stood for first-class quality for more than eight decades. To make sure that this continues in the future, our quality systems are further developed and comprehensive audits are carried out throughout the STIHL Group every year. In addition, a wide range of actions for the protection of people and the environment were on the worldwide STIHL agenda once again in 2013.

All STIHL production sites are certified according to the management systems of ISO 9001 for quality, ISO 14001 for environmental protection and BS OHSAS 18001 for occupational safety. All products pass through a precise and innovative manufacturing process as well as extremely strict external and internal tests. For these purposes, STIHL uses modern monitoring technology that is uniform throughout the Group. Checks are carried out not only of exhaust emissions, but also for example of product safety in use; because “quality made by STIHL” is a brand promise for all products, irrespective of where they are made.

In 2013, STIHL once again further enhanced safety in its production companies. The activities included heightening young employees’ awareness of the issue of safety at work at the founding company in Germany, a wide range of measures taken at the Austrian subsidiary VIKING, and regular discussions between team leaders and employees on the subject of occupational safety at the site in Qingdao, China.

Furthermore, uniform IT tools are increasingly applied in the entire STIHL Group. Due to this harmonization, processes can be brought into line with common standards

in the worldwide production companies and comparable quality standards can be ensured.

GERMANY – ANDREAS STIHL AG & CO. KG

The STIHL concept of “junior safety partner” is intended to reduce the number of accidents at the company over the long term, as well as to make young employees aware of this important topic. This is a convincing concept and was already recognized in 2012 with the Education Innovation Prize of the Chamber of Industry and Commerce. And in 2013, it also took second place in the German Occupational Safety Awards. These awards are presented every two years to companies that help to improve health and safety at work with clever processes and products, and is intended to make good examples well known beyond individual companies.

ENERGY MANAGEMENT

Last year, the founding company successfully passed all of the audits performed by the German Association for the Certification of Management Systems (DQS). All of the

existing individual and matrix certificates were confirmed and the energy management system was also certified (ISO 50001). This certificate now makes energy matters into a separate element of corporate processes. Furthermore, the knowledge gained here also flows for example into the construction activities within the STIHL Group.

111 SPECIES BASKET

For some years now, the founding company has been cooperating with the Waiblingen Occupational Training Center to maintain the Haufler vineyard close to its facilities. In 2013, this project was accepted by the Stuttgart Regional Council in the "111 Species Basket" group of projects. 111 Species Basket stands for the 111 species of animals and plants that are on the "Red List" of endangered species in Baden-Württemberg – and which therefore should be given special consideration.

USA – STIHL INCORPORATED

STIHL Incorporated was awarded the so-called Energy Star by the US Environmental Protection Agency (EPA) for its finished goods and export warehouse in Virginia Beach. This award is given only to those buildings that support the environment by emitting less volumes of greenhouse gases and consuming 25 percent less energy than comparable conventional buildings.

TRAINING FOR EMERGENCIES

More than 30 employees of STIHL Incorporated are members of the Virginia Beach Community Emergency Response Team (VBCERT). The VBCERT prepares its members for emergency situations, for example by carrying out fire-protection exercises and rescue activities, as well as practicing medical emergency assistance. Thanks to this comprehensive training, VBCERT members can provide essential aid in an emergency, whether in the private environment or at work – especially when professional help is not locally available or is hard to access. STIHL Incorporated found out about the VBCERT training program for the first time when the company tackled the question of which challenges would be presented in the case of a disaster, a hurricane for example.

WASTE-FREE WORKING

STIHL Incorporated would like to operate 100 percent waste free in the future. In order to achieve this goal, in 2013, material consumption was reduced, waste was recycled or if possible reused, and progress was made with generating energy from waste. The result of these comprehensive efforts last year was that 89 percent of waste was already reused or recycled.

BRAZIL – STIHL FERRAMENTAS MOTORIZADAS LTDA.

In the context of quality assurance, the Brazilian production company on the one hand looked after its supply relationships and the related material purchasing more intensively in 2013. Another focus was on improving the internal audits. In this context, STIHL Brazil cooperated closely with staff members from the Group-wide auditor pool.

SOCIAL ENGAGEMENT

STIHL Brazil participated in many social and environmental projects once again in 2013. One example is that the company donates its industrial waste to local associations and groups, which are mainly able to create new jobs as a result. The Univale association for instance received 720 tons of the annual palette waste: Univale reprocesses the palettes, resells them and uses the profits to benefit a social organization. Members of the Padre Arturo association also received material waste to be recycled, for example as pen cases or cushions. And some women from the "Cleaner World" association, which is supported by the city of São Leopoldo, collected kitchen fat from the company's canteens and from private households to be used for making soap and detergent.

SWITZERLAND – STIHL KETTENWERK GMBH & CO. KG

At our site in Switzerland, internal audits were carried out by the company's own staff in 2013, but also by the colleagues from the founding company. The results were subsequently transferred into ideas and measures to be taken for improvements.

STABILIZING PROCESS SECURITY

STIHL Switzerland has been significantly expanding its production volumes for some years now. In order to ensure process reliability, a waste-water purification plant was optimized and various suggestions for improvements were analyzed with regard to waste water.

STILL NO CO₂ LEVY

Together with an external consulting company, the chain production plant was able to identify and utilize potential means for optimizing its ventilation and heating system. As a result, the Swiss plant will continue to be exempt from the CO₂ levy. As of 2010, this levy in Switzerland amounted to 36 francs per ton, and increased to 60 Swiss francs per ton on January 1, 2014. Exemption from the CO₂ levy is therefore desirable not only due to the energy and environmental aspects, but also in financial terms.

CHINA – ANDREAS STIHL POWER TOOLS (QINGDAO) CO., LTD.

In 2013, STIHL inaugurated the expansion of its production plant in Qingdao, China, which entailed the investment of about 17 million euros. As a result of this investment, the plant expanded from 22,500 to 39,000 square meters and its production capacities were nearly doubled. The three new building sections accommodate production, a supply and disposal center, and the extension of the canteen. All of the rooms have been designed with ecological factors in mind: The heating and air-conditioning systems make use of geothermal techniques, the heat exchanger of the ventilation system is centrally integrated into the building management, and a facility for heating process water is also included.

ENHANCING SAFETY AT WORK

“Mine Sweeper” might be well known to some people as one of the first PC games. But the Mine Sweeping project at STIHL’s Chinese site in Qingdao is something quite different. This is a course of training for all assembly workers and their team leaders. The goal is to increase their awareness of potential dangers in their daily work and that they learn to assess risks better. The Mine Sweeping project will be gradually introduced in all areas of the plant.

The STOP program was also established in 2013. At relatively short and regular intervals, line managers hold discussions with their staff concerning which behavior has made a positive impression and where there is still potential for improvement. This recurring dialog is intended to make the safety at work a fixed topic of everyday working life.

THE JIDOKA PRINCIPLE

In 2013, the Chinese plant introduced the so-called Jidoka concept. It is intended to ensure that all problems in the production lines are solved within a certain time with the support of the management. For example, a Motor Management Team has been established so that the complex tasks relating to functional problems in connection with engine adjustments can be dealt with more efficiently.

AUSTRIA – VIKING GMBH

Our Austrian production site introduced the “impact” Group-wide process landscape in 2013, entailing extensive coordination with the process owners. The complex process landscape was clearly documented with more than 1,200 individual process steps.

SHARED DOCUMENTATION

Together with the founding company, VIKING introduced quality reporting for all types of reports in its SAP system. Deviations from specifications and deficiencies that are recognized when goods are received or in the context of product assembly as well as customer feedback are now recorded, processed and documented in the same way as at the other STIHL sites. At the same time, VIKING’s customer service department consulted with STIHL’s customer service department and started the recording and documentation of technical failure reports with selected sales companies.

NEW CERTIFICATIONS

The requirements placed on a production plant whose products are sold internationally increased once again in 2013. One example is the certifications that VIKING had to obtain for the Russian customs union. In addition to the usual wide-ranging inspections of the site by European

3%

ENERGY SAVING EACH YEAR DUE TO THE NEWLY INTRODUCED ENERGY MANAGEMENT SYSTEM

31,000t

CO₂ REDUCTION WITH AN IMPROVED LOGISTICS CONCEPT

13%

REDUCTION IN NUMBER OF ACCIDENTS WORLDWIDE COMPARED WITH PRIOR YEAR

SOCIAL RESPONSIBILITY

The STIHL Group accepts its responsibility as part of society and is committed to reconciling its business objectives with social and ecological requirements. Manufacturing at the STIHL Group is characterized by the utmost technical expertise and a high degree of vertical integration. This allows ecological impacts to be directly monitored and influenced. The efficient use of materials and energy, the sustainable design of buildings and outdoor areas, and certification according to ISO 14001 of environmental systems are the cornerstones of resource-conserving production in the STIHL Group. And since 2013, energy management has been certified according to ISO 50001, with clearly defined savings targets of three percent per annum.

In the area of product development, many improvements are made with the goal of meeting the increased ecological

requirements. Key aspects in the development of products are achieving improvements with regard to energy consumption, emissions and noise levels, as well as the users' health and safety.

The STIHL Group also bears great responsibility towards its employees and society. It fulfills this role in many respects, for example with an employment and site-security agreement since 1997, the traditionally strong training and further training, and social engagement at the various sites. In 2009, the German founding company agreed with the General Works Council on the continuation and further development of the company's internal employment and site-security agreement until the end of 2015. Occupational safety is certified according to the management system BS OHSAS 18001.

auditors (VDE, TÜV Rheinland, DLG) and non-European auditors (CSA, ICB), the production processes and quality-assurance activities were examined by a Russian certification organization for the first time. But these new challenges were also successfully mastered and all products that VIKING manufactures for the Russian market meanwhile bear the required seal of approval.

AVOIDING ACCIDENTS AT WORK

In order to reduce the rate of accidents at work, guidelines were prepared in 2013 that include the most important

safety rules for employees. These guidelines were presented at various events and distributed to all employees through their team leaders. The employees were also trained in first aid in case an accident occurs nonetheless. And visitors to VIKING were not forgotten: Before coming to the site for an appointment, they receive information in electronic form about how to move around the plant site so as not to endanger themselves or others.

PRODUCTION

Despite the continuation of weak consumer confidence, especially in the euro zone, STIHL increased its revenue once again in 2013, while investing substantially in new products, equipment and buildings. So that “top quality – made by STIHL” continues to apply in 2014!

Each site in the STIHL manufacturing network constitutes a focal point in the product range. The STIHL Group manufactures chains and cutting tools in Switzerland, high-volume products in the United States, classic products in Brazil, entry-level products in China, and primarily the professional segment in Germany. VIKING in Austria manufactures its own garden products with the green brand and also assembles STIHL’s electrical and cordless products. All sites felt the impact of the long winter in the northern hemisphere as the spring business started significantly later. Major markets such as the United States, Russia and large parts of Europe were affected by the unfavorable weather. Nonetheless, production volumes and employment levels increased at the STIHL Group. In addition to many new products, this positive development was due in particular to strong demand for the cordless range.

GERMANY – ANDREAS STIHL AG & CO. KG

STIHL invests in the future. In Germany for example, a large number of new facilities went into operation last year, including various die-casting machines and a bending installation. A major part of the investment at the plants in Waiblingen flowed into the expansion of the production equipment for full guide bars and sprocket tip guide bars.

Substantial amounts were invested along the entire process chain so that STIHL will be able to react to further increases in production volumes. For example, equipment was purchased for laser cutting and for welding the shaped parts made of the particularly hard stellite alloy, for tempering the guide bars and for creating the all-round groove that keeps the chain firmly on the guide bar. Further investment was made in the magnesium die-casting plant in Prüm-Weinsheim in the Eifel region of Germany. At that site, a new ultramodern x-ray unit allows three-dimensional computer tomography in addition to the usual two-dimensional radiography. Significant amounts were also invested in state-of-the-art equipment for mechanical material machining and in die-casting equipment for manufacturing magnesium components.

THE NEXT GENERATION

In late 2013, three new electric chain saws went into series production: the STIHL MSE 170 C, MSE 190 C and MSE 210 C. All three models achieve a cutting performance 20 percent higher than their predecessors. They are also fitted with the STIHL Quickstop Plus brake system as a standard feature, by which the chain brake can be triggered directly at the rear handle. This means that the chain stops moving within fractions of a second not only

due to a sharp kickback or when the front hand guard is activated, but also when the rear handle is released.

IN PLANNING: A NEW PRODUCTION WAREHOUSE

The German site has the core function within the STIHL Group of supplying the worldwide market with professional products. For this reason, intensive work was carried out in 2013 on the planning of a new production warehouse in Waiblingen.

UTILIZATION OF PRODUCTION CAPACITIES

In 2013, there was full utilization of plant capacities in plastics production and in crankshaft and parts manufacturing. There were some reductions in unit sales and production, however, especially in the production of chain saws and guide bars.

USA – STIHL INCORPORATED

STIHL's purchasing unit in Virginia Beach once again succeeded in saving several millions of dollars in material procurement, while simultaneously achieving improvements in supplier quality. The US STIHL member of the Group also made progress with automation last year.

AUTOMATION REDUCES COSTS

As a result of systematic cost savings and automation, the number of robots continued to increase in recent years. Automation projects were undertaken also in 2013, allowing savings of more than 11 million US dollars and with much shorter amortization periods than the usual industry standards; the first collaborative robot automation was installed for example.

AWARD FOR STIHL INCORPORATED

STIHL Incorporated received the Manufacturing Excellence Award in 2013 from the Association for Manufacturing Excellence (AME), due amongst other things to the company's system of continuous improvement, the implementation of advanced technologies and the integration of automation.

NEW PRODUCTS

STIHL Incorporated successfully carried out 15 new product launches last year. They included the Durocut mowing heads with string cutting, a new backpack sprayer and the M-Tronic versions of the MS 362 and MS 261 chain saws. M-Tronic regulates ignition timing in all operating conditions and controls fuel supply precisely and electronically – taking into consideration factors such as temperature, altitude and fuel quality.

BRAZIL – STIHL FERRAMENTAS MOTORIZADAS LTDA.

STIHL Brazil celebrated its 40th anniversary last year. The Brazilian production site is a key element of the Group's manufacturing strategy: In the past four decades, many millions of engines, guide bars and cylinders have been produced here.

INVESTMENTS

Large investments were made for the expansion of cylinder production at STIHL Brazil already in 2012. This investment volume has meanwhile increased, resulting in a new warehouse building and a new, ultramodern Technical Qualifications Center.

IN FOCUS: QUALIFIED EMPLOYEES

Qualified employees are a fundamental prerequisite for long-term successful growth. In 2013, STIHL Brazil therefore started to train employees for the areas of maintenance and tool making in its Technical Qualifications Center. In addition, apprentices are trained in a specially equipped training workshop.

INCREASED PRODUCTIVITY

As well as expansion, efficiency increases are also on the agenda of STIHL Brazil. In order to increase productivity, 15 areas of automation were defined and implemented in production last year.

SWITZERLAND – STIHL KETTENWERK GMBH & CO. KG

The positive development of unit sales from 2012 continued at the STIHL chain plant also in 2013. In parallel, important rationalization measures were taken last year in parts manufacturing and assembly, allowing the Swiss company to further improve its productivity. Furthermore, consumable materials were saved due to the continuation of systematic cost management.

LOGISTICS BUILDING SUCCESSFULLY INTEGRATED

STIHL Switzerland has had a new logistics building since 2013 – for more warehouse capacity and to establish improved logistics processes. Following the successful integration of this building in the logistical routines and material flows, the first positive effects were soon apparent.

MACHINERY AND EQUIPMENT

Innovative new machines and equipment were put into operation in production as well as in tool making. In the area of tool making, this included a five-axis machining center for high-speed cutting. New equipment was installed in the chain plant primarily in the areas of vibratory finishing, hardening and tooth grinding.

SERIES PRODUCTION

Two new chains went into series production in 2013: the .325" RM chain, which features significantly higher cutting performance, and the hard-metal 3/8" RD chain, which rounds off the assortment of Duro chains.

CHINA – ANDREAS STIHL POWER TOOLS (QINGDAO) CO., LTD.

Expansion was on the agenda for STIHL Qingdao once again in 2013: At the end of the year, a new production and office building went into operation. It includes a warehouse for hazardous goods and hazardous waste, reflecting China's increasingly strict legislation in this area. Sustainability was generally given high priority with the new building in Qingdao: Energy consumption was further reduced as a result of improved insulation and geothermal technology is utilized – a long-term source of clean energy.

OIL PUMPS FOR THE ENTIRE GROUP

The plant in Qingdao expanded its product range in 2013 and now supplies oil pumps for chain saws to the entire STIHL Group. With an annual capacity of up to one million units, 20 different models can be built to order on two manual assembly lines.

FIVE MILLION PRODUCTS

A noteworthy event occurred on October 31, 2013: On that day, the five-millionth product left the assembly line in Qingdao. This was an FS 250 brushcutter, which was added to the product range in the demanding segment of semi-professional applications several months ago.

AUSTRIA – VIKING GMBH

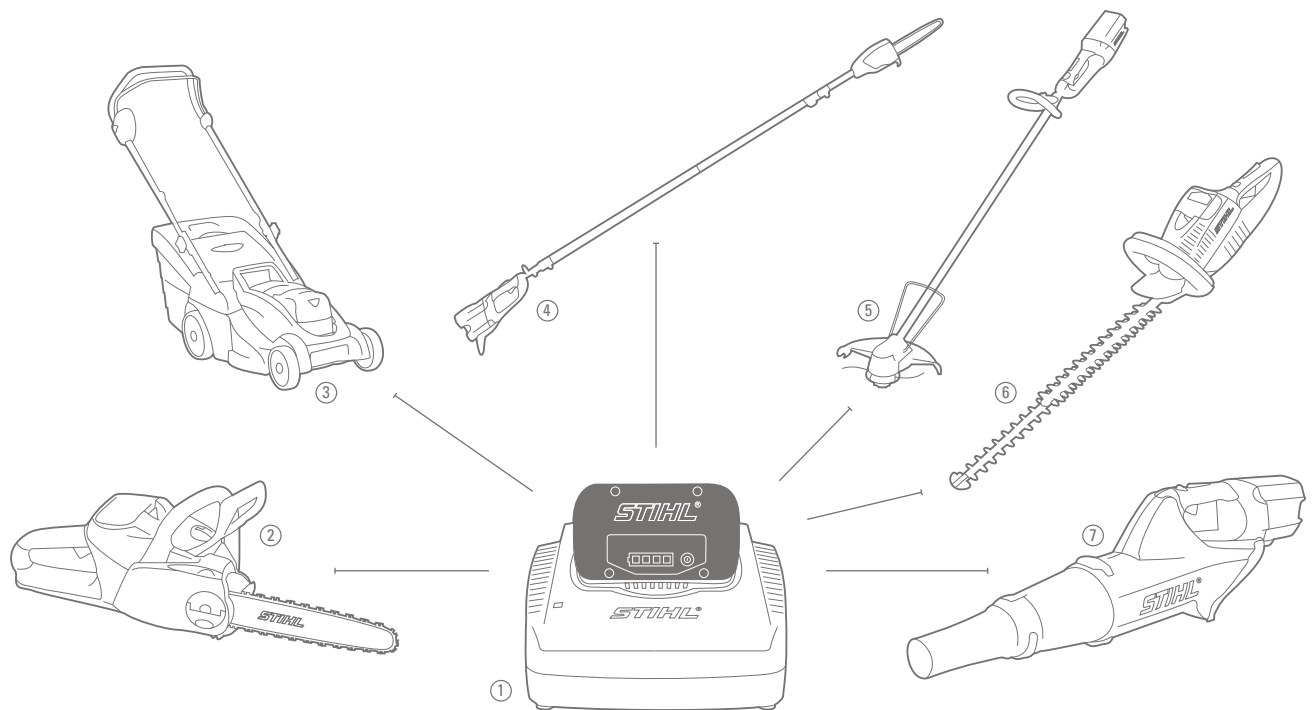
As in the previous years, VIKING was able to achieve growth in both unit sales and revenue in 2013. Furthermore, several new assembly structures were developed in order to be well prepared for the next year of production.

NEW MOWERS

VIKING launched a large number of new products on the market in 2013. In the segment of lawn mowers, the base mower MB 253 and an upgraded version of the MB 248 were launched. A new mulch-mower family (MB 4 R) supplements the range for semi-professional and professional users. The two existing mulch-mower families (2 R and 3 R) were also upgraded. The Series 4 was successfully launched on the market with a total of nine new models (two cutting widths and three drive systems) and is already being produced in large numbers. Another highlight in 2013 was the start of production of the new generation of robot mowers (MI 632 and MI 632 P).

OPTIMIZATION OF PROCESSES

In addition to the many new products, which significantly expanded the scope of series production in 2013, intensive projects for the optimization of processes were also initiated. They include the introduction of a modern material-supply concept and various "kaizen" practices for the purpose of enhancing efficiency. In view of the significantly



CORDLESS RANGE @ VIKING

At the site in Langkampfen, Austria, VIKING assembles the complete range of cordless power tools for global supply from both brands of the STIHL Group. Thanks to the modular system, the batteries and chargers offered are compatible with all tool groups.

- ① Battery AP 80 and standard charger AL 100
- ② Cordless chain saw MSA 160 C
- ③ VIKING cordless mower MA 339
- ④ Cordless pole pruner HTA 85
- ⑤ Cordless trimmer FSA 85
- ⑥ Cordless hedge trimmer HSA 86
- ⑦ Cordless blower BGA 85 and more.

increased diversity and volumes of materials, a project for the optimization of the supply chain was also initiated.

new products were added for which VIKING is responsible for logistics. Those are the battery backpack (AR 900), a conventional rechargeable battery (AP 180), a high-speed charger (AL 500) and a cordless sweeper (KGA 770).

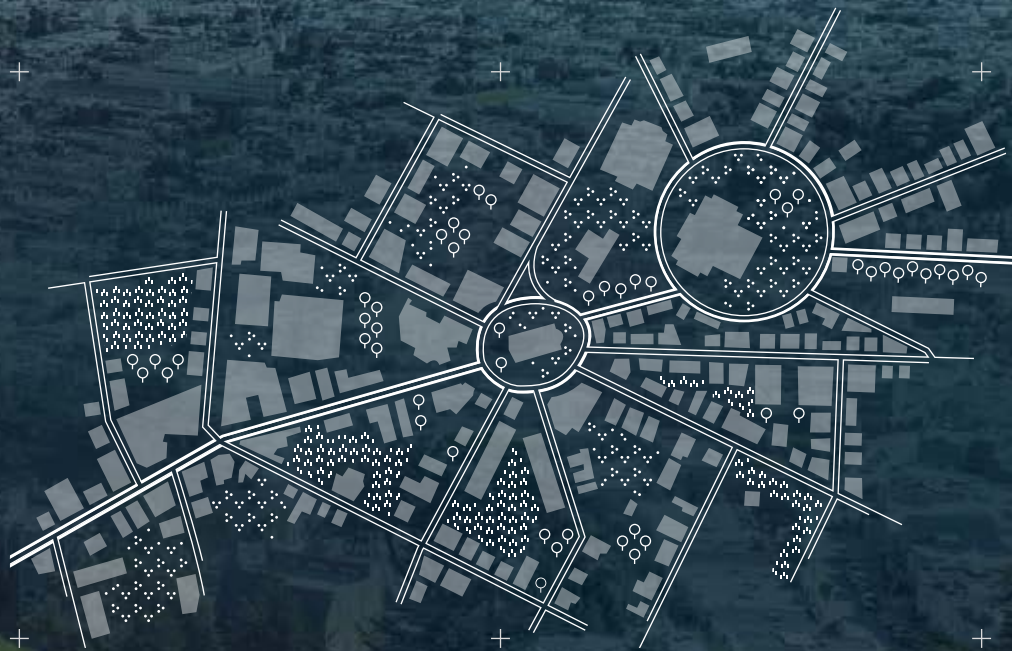
STIHL @ VIKING

The STIHL product program assembled at VIKING was expanded with the new HLA 65 cordless hedge trimmer, an additional cordless chain saw (the MSA 200) and the HSA 66/86 cordless hedge trimmer. Furthermore, some



REDUCING EMISSIONS

California is by far the most populous federal state of the USA. It also sets standards in terms of environmental awareness. Its emissions legislation is amongst the strictest in the world.





“Clean technologies are a big hit right now,” says Bill Bruce, owner of B&B Small Engine Repair in Santa Cruz on the Californian coast for the past 20 years. “Hybrid cars are very popular, we have environmental protection on construction sites, and we are feeling this trend in our business as well, especially with battery-powered products. No matter whether lawn mowers, hedge trimmers, brushcutters or blowers – customers often buy several different tools. And the market is just starting to grow properly.”

Most of Bill’s customers are not professionals. 80 to 90 percent of service cases are related to wrong fuel or fuel that is too old. “Here in California, gasoline contains many additives. So if customers don’t use STIHL Moto-Mix and don’t use their gasoline-powered tools regularly, the engines don’t start anymore because too much suspended matter has settled in the fuel. Then the customers are frustrated and come to me. Cordless tools are attractive for people like that, because they start easily. You don’t have to think about how long they’ve been stored – just press the button and off you go.” The trend towards battery-powered products is clear, especially with home owners.

But public authorities and professionals are also replacing old outdoor power equipment with cordless tools. “A local university with a large, park-style campus includes a redwood forest, so they have a crew of arborists to look after it. They’ve told me that they love our battery chain saws because they aren’t noisy and don’t emit any fumes. And when the batteries are charged with solar energy, no emissions are caused.”

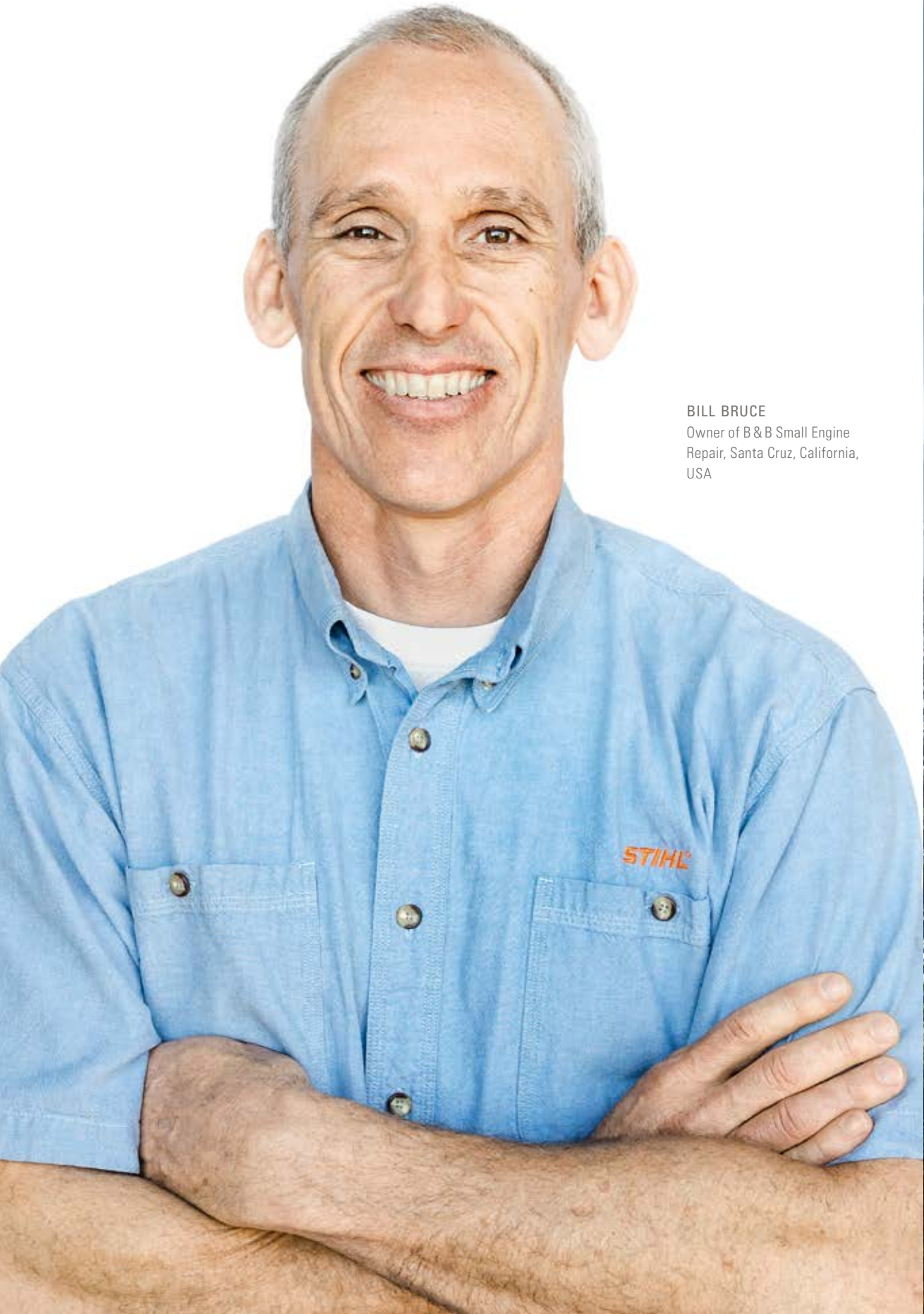
»THE MARKET FOR ENVIRONMENTALLY FRIENDLY TECHNOLOGIES IS JUST STARTING TO GROW PROPERLY.«
BILL BRUCE

About six years ago, Bill visited the production plants in Germany and Switzerland as well as the development center in Waiblingen. “When STIHL launches a new product, it works. When a new STIHL product arrives in my shop, it’s a good tool that I can sell with a good conscience.”



STIHL MSA 160 T
The STIHL MSA 160 T is specially designed for working in trees and for use solely by persons with appropriate training.





BILL BRUCE
Owner of B & B Small Engine
Repair, Santa Cruz, California,
USA



MARKETS

STIHL made further progress along its successful path in 2013. Further growth was achieved in all key regions and important product categories. Unit sales increased faster than revenue, which was adversely affected by the strong euro.

RECORD YEAR FOR STIHL UNDER DIFFICULT CONDITIONS

Due to the ongoing euro crisis and the unusually long winter in many parts of Europe and North America, the 2013 garden season started under rather unfavorable conditions. As the year progressed, however, STIHL succeeded in more than compensating for the initial shortfall.

STAGNATION IN WORLD MARKETS

In the two main product groups of gasoline-powered chain saws and gasoline-powered trimmers, the world market volume remained fairly stable in 2013 compared with the previous year. STIHL's successful unit sales were therefore connected with growing shares of the relevant markets.

With the gasoline-powered chain saws, unlike in previous years, there were no additional demand effects due to high energy prices or extensive storm damage.

With the gasoline-powered trimmers, the volume of the world's biggest market by far, the United States, contracted slightly due to the late start of the business season in spring. And in Australia, a pronounced dry period caused a significant drop in demand. This was only offset by higher unit sales in other markets.

BRIGHT SPOT FOR OUTDOOR POWER EQUIPMENT IN EUROPE

In Europe, the market volume for gasoline-powered chain saws remained stable in 2013. In the market for powered garden tools, however, tendencies were generally positive, despite the debt crisis, weak consumption and hundred-year floods. Fortunately, some of the euro crisis countries such as Spain and Portugal profited from this development. Once again, it became apparent that favorable weather conditions can lead to increased demand in this industry, even in economically difficult periods.

STIHL established a sales company last year to develop the market in Serbia and the neighboring Montenegro, which went into operation on October 1, 2013.

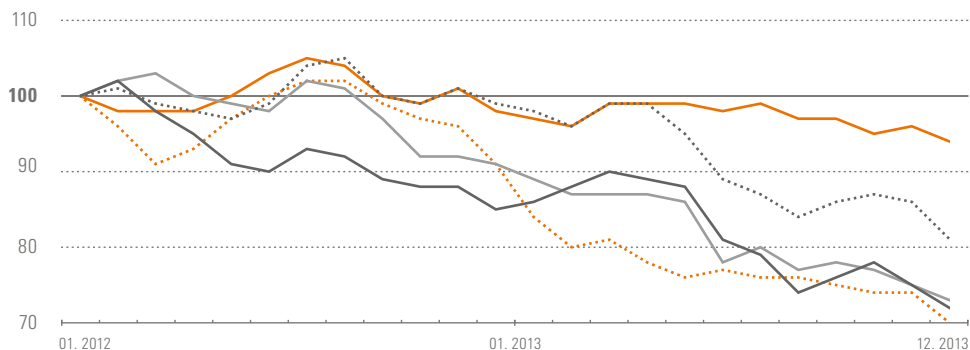
Three European sales companies celebrated anniversaries in 2013: the tenth in Ukraine, the 15th in Greece and the 20th in the Czech Republic.

GENERALLY POSITIVE DEVELOPMENT IN NORTH AMERICA

Even without the storm-related special effects, the North American market for gasoline-powered chain saws maintained its volume of 2012. In that year, Hurricane Sandy

CURRENCY EXCHANGE RATES TO THE EURO IN 2012/2013

[Index/January 2012 = 100]



The graph shows the development against the euro of the following currencies in the years 2012 and 2013:

- US dollar (USD)
- Brazilian real (BRL)
- Japanese yen (JPY)
- Australian dollar (AUD)
- South African rand (ZAR)

This data is based on the respective monthly average exchange rates in the period of January 2012 to December 2013 and is indexed (January 2012 = 100).

caused enormous damage in the northeast of the United States and triggered additional demand for gasoline-powered chain saws.

With regard to gasoline-powered trimmers, it was possible to partially offset the late start to the garden season caused by the unusual weather conditions. Unit sales of other power tools such as blowers, hedge trimmers and cut-off saws increased significantly, however, boosted by rising consumer demand and the ongoing recovery of the construction industry.

NO CLEAR TENDENCY IN LATIN AMERICA

While the Brazilian market once again proved to be the growth engine for the region, state import restrictions had a significant negative impact on market developments in Argentina and Venezuela also in our industry.

In the Andes countries, positive and negative developments balanced each other out in 2013.

STIHL's production and sales company in Brazil celebrated its 40th anniversary in 2013.

RENEWED DROP IN SALES FOR LOW-PRICE SUPPLIERS IN ASIA

The general decrease in demand in Southeast Asia is primarily affecting the segment of low-price Chinese suppliers. This trend began in 2012 and continued last year. In China itself, demand increased for high-quality products from Western manufacturers. The garden season in Japan also started later than usual. The overall market in Asia remained stable compared with the previous year.

EXTREME WEATHER CONDITIONS IN AUSTRALIA

The year 2013 in Australia featured a heat wave in combination with severe dryness and numerous wildfires in the south of the country, along with serious flooding in the northeast. Under these extreme conditions, demand for chain saws and other power tools decreased significantly.

The sales company in New Zealand celebrated its 30th anniversary in July 2013.

PURCHASING

As an internationally positioned manufacturing network, the STIHL Group depends to a high extent on trusting cooperation with its suppliers. STIHL therefore collaborates closely with its suppliers around the world. The purchasing managers of the production companies meet regularly to determine new strategies and to optimize Group-wide processes.

CENTRAL COORDINATION

In order to optimize purchasing for the entire STIHL Group, the international procurement network is structured with leading buyers and commodity group managers. Especially with regard to the strategic commodity groups, these persons are generally located at the founding company for the purpose of proximity to the central development department. This means that strategic decisions with Group-wide relevance can be centrally coordinated and agreements with suppliers can be centrally concluded. Operational purchasing continues to be managed locally by the production companies, however.

GLOBAL PROCUREMENT MARKETING

STIHL has a system of worldwide procurement marketing to make sure that a suitable supplier structure exists for each individual production company. The focus of these activities is on optimizing product quality, manufacturing technology and the collaboration between the development departments of STIHL and the supplier companies. All parties involved have the goal of reducing purchasing costs and purchasing risks, as well as raw-material and exchange-

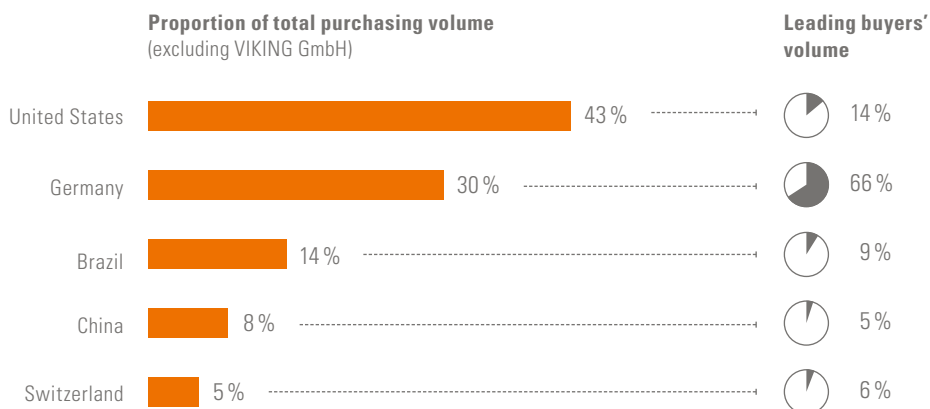
rate risks. The worldwide procurement-marketing activities of the local purchasing departments are controlled via a central database so that information from all parties involved within the STIHL Group can be called up and processed as required. For the coordination of this and other purchasing activities, the purchasing managers of the production companies regularly meet for workshops in order to determine the purchasing strategy, to optimize Group-wide processes, and to secure a successful purchasing structure for the STIHL Group.

SUCCESSFUL SUPPLIER DEVELOPMENT

STIHL's ambitious goals with the rapid development of sophisticated but cost-effective technologies often collide with the capacities and competencies of our suppliers, most of which are small- and medium-sized enterprises. To ensure that this does not result in delays or suboptimal cost structures, purchasing employees are deployed as so-called supplier developers. They then assist with the optimization of the required competencies and capacities within the supplier company for the duration of a project. So far, this procedure has been applied very successfully

INTERNATIONAL PURCHASING NETWORK

Strategic decisions with Group-wide relevance are coordinated by so-called "leading buyers". Agreements with suppliers are concluded centrally while the production companies are responsible for local operational purchasing.



with mechatronic projects, and we plan to spread it to other commodity groups and technologies in the future.

CREATING COST TRANSPARENCY

Due to the increasing complexity of purchased components, it is always a major challenge for STIHL's purchasing department to conduct a detailed analysis of the prices demanded by suppliers. The solution is that the required transparency can be created with the so-called cost-analysis method; at the same time, levers are identified for the reduction of existing cost drivers. Furthermore, the additional method of value analysis is applied – in cooperation with the suppliers. In this way, particularly cost-intensive process stages and components can be replaced with solutions that are identical in quality and function, but less expensive.

SUSTAINABLE PLANNING

Long-term and trusting partnerships with our suppliers have been a major cornerstone of STIHL's purchasing strategy for many years. Even macroeconomic turbulence can be

counteracted or at least minimized on this basis. However, if unplanned increases in requirements occur, or supply shortfalls or material shortages, STIHL makes great efforts to systematically manage such bottlenecks; this was also the case in 2013. The result is that in regular logistics audits, organizational practices are discussed and agreed with the suppliers, also with regard to the management of STIHL's own supply chains and flexible production planning. The medium-term and long-term requirement forecasts prepared by STIHL provide the basis for strategic capacity decisions. And the "STIHL Supplier Collaboration Portal" offers suppliers up-to-date information on the development of rolling requirements at the component level.

In addition, STIHL's capacity management identifies the requirements of the entire STIHL Group so that even in the case of a material shortage the optimal supply to the worldwide production sites is ensured.



HELPING TO PREVENT WILDFIRES

The Canadian province of Saskatchewan has a population density of 1.6 inhabitants per square kilometer; vast expanses of the province are covered by forest. Wildfires frequently occur in the summer. Firebreaks help to prevent them from spreading.





New business opportunities unfolding every day, hard work, along with being independent and in control – that’s how Doug Tucker describes his working days: “We are a relatively large STIHL dealership with five staff members, and we cover a large area. This thinly populated region has approximately 40,000 inhabitants.”

He took over the business from his father – a typical family firm, established about 25 years ago. His biggest customer? “The forestry authority of the Province of Saskatchewan has its headquarters just about two miles from here. It has a whole fleet of chain saws and brushcutters. We do the servicing and supply spare parts – and sometimes they need a new product as well.”

One important task of the forestry authority is wildfire management. “We have wildfires the whole summer, usually caused by lightning. Then it’s important to get the fire under control as fast as possible. We use modern technology to do that – cameras installed all over the forest for example. That’s the only way we can discover fires in good time over these large distances.” But conventional

methods are used as well, cutting firebreaks for example. They are intended to slow down the spread of forest fires or in the ideal case to prevent them. “We use chain saws to do that, but brushcutters as well, because there shouldn’t even be any grass for the fire to feed on. The forest is our biggest economic factor; we have to protect and look after it.”

»THE FOREST IS OUR BIGGEST ECONOMIC FACTOR; WE HAVE TO PROTECT AND LOOK AFTER IT.«

DOUG TUCKER

Christopherson Welding Ltd. has always sold the STIHL brand, since last year exclusively. “We get positive feedback from our customers every day. The new technologies are great; in fact, the products sometimes last longer than we would like them to. We are selling what we selected as the obvious best choice. That’s the cornerstone of our business success. And for me personally, it’s always highly satisfying to see the output of my day’s work.”

STIHL MS 661 C-M

The new chain saw has been developed for the toughest work in forestry maintenance. M-Tronic guarantees optimal performance of the environmentally friendly 2-MIX engine.

+





DOUG TUCKER
STIHL dealer and son of the
founder of Christopherson
Welding Ltd., Saskatchewan,
Prince Albert, Canada



OUR EMPLOYEES

The focus of STIHL's human resources work in 2013 was on preparing the so-called "HR Agenda 2020". All instruments and processes of human resources work were reviewed and discussed, and areas for action were identified that are now being worked on within the framework of projects. One example is the intensification of collaboration between the Group's international sites.

To ensure that corporate goals can be met also in the future, the Human Resources department defined areas for action and specific measures to be taken. The results of this work were documented in "HR Agenda 2020". The main topics are the further development and optimization of personnel recruitment, executive and employee development, training and further training, the company's health management, the ongoing improvement of the operational personnel processes and international human resources work. In this context, the representatives of the management and the human resources managers of the subsidiaries in Germany, China, Switzerland, the United States, Brazil, France and Austria identified the appropriate areas for action. Successful work has been progressing in those areas for several months now.

GERMANY – ANDREAS STIHL AG & CO. KG

In an employee survey carried out at the founding company – that is, in the seven STIHL production plants in Germany – approximately 4,000 employees were requested to give feedback on their working situation and conditions. The objective was to identify strengths and areas for action so that STIHL's collaborative management and corporate culture can be further developed. For this purpose, measures to be taken are being prepared by the respective departments with the involvement of the employees.

EMPLOYEE CAPITAL PARTICIPATION

Last year, the STIHL founding company was awarded the AGP Stars 2013 by the Study Group Partnership in Business (AGP) for its collaborative corporate culture and for exemplary employee capital participation. The total capital of the owners of participating rights meanwhile amounts to more than 33 million euros – the highest amount since the model was introduced in 1985. Approximately 70 percent of employees at the German founding company own participating rights.

SUCCESS IN NATIONWIDE "YOUTH RESEARCH" COMPETITION

The founding company participated for the second time with an apprentice in the "Youth Research" competition. Together with an apprentice from another company, the young mechatronics trainee reached the nationwide competition via a regional competition and the state eliminations in Baden Württemberg. They then convinced the jury of experts and won the "Youth Research" prize in the category of "Working World".

AWARD FOR PROTECTION AT WORK

STIHL's training system was nominated for the German Safety at Work Award 2013 for its Junior Safety Partner project. From more than 200 applicants, the project reached

the final of the best three candidates. The project also received the safety award of the Wood and Metal Occupational Cooperative.

BEST IDEAS MANAGEMENT

For the first time, STIHL was awarded the 2013 German Ideas Prize in the Best Idea Management category in the Machine and Plant Engineering industry (companies with 1,000 to 5,000 employees). Ideas management at STIHL includes the areas of “Continuous Improvement Process” (CIP) and the “Ideas Plus” suggestions system. Last year, 65 percent of the employees participated in “Ideas Plus” and submitted approximately 6,000 ideas. As a result of the suggestions for improvements, STIHL saved approximately 2.3 million euros in 2013; total prize money of 500,000 euros was paid out to the persons who submitted the ideas.

USA – STIHL INCORPORATED

The training programs of STIHL Inc. are designed for various target groups, including employees, wholesalers, STIHL dealers and – especially important – the customers. The programs are developed and carried out by various departments. Human resources, engineering, sales and marketing, and technical service all work together to coordinate the contents that are included in all the programs.

INNOVATIVE WAYS OF LEARNING

For employees’ technical training, the system of so-called blended learning is applied, which is an innovative combination of an online learning platform and practical training courses. The application of online courses has grown exponentially in the five years since they were introduced. More than 95 percent of the courses are attended on a voluntary basis by employees who want to improve their level of knowledge.

STIHL Inc. has developed a corporate enrichment program for area managers who collaborate with the servicing dealers in the field. The sales employees spend several weeks in the company in order to gain an insight into the corporate culture, processes and functioning of the organization. The business residency program allows university

graduates their first view of STIHL as a company, so that they can prepare for a possible entry position at STIHL.

AWARD WINNING TRAINING

The Association for Manufacturing Excellence gave STIHL Inc. the Manufacturing Excellence Award last year. This prize is given in recognition of particularly advanced technology. STIHL Inc. made a strong impression also with its extremely well-trained employees, whose technical abilities were further developed at STIHL. These innovative, integrated training programs were the subject of a title story by the renowned “Training & Development” magazine.

BRAZIL – STIHL FERRAMENTAS MOTORIZADAS LTDA.

In 2013, the Brazilian company hosted an international workshop in which participants from various countries were able to exchange their experiences. The local human resources managers also had country-specific personnel projects on the agenda, such as a questionnaire on the working atmosphere at STIHL Brazil that was carried out by an external agency. 90 percent of the workforce participated in this voluntary study, which resulted in excellent assessments of the company.

COMPREHENSIVE TRAINING COURSES

High priority was placed on training at STIHL Brazil in 2013. The courses held ranged from executive training to technical demonstrations and further training and to admission training, in which 250 employees participated last year. The general objective of admission training is to facilitate learning per se, and to enhance the effectiveness of employee training in order to improve performance and productivity, as well as the safety and quality of company processes.

INTERN PROGRAM “DEVELOP”

Interns at STIHL Brazil have the opportunity to participate in various workshops as part of the internship program under the heading of “Develop”. On the one hand, the young people are to be prepared for potential future roles; on the other hand, they can contribute their knowledge and ideas

concerning the company and its processes. In 2013, for the first time, current interns and former interns who are meanwhile in full employment at STIHL were brought together so that they could exchange opinions and experience.

SECURING THE FUTURE

In 2013, STIHL Brazil developed its contacts to major universities and other institutions of further training in the region, in order to promote enthusiasm for STIHL as an employer amongst talented young people. The company also participated in job and career fairs, sent employees as guest speakers to important academic events, and conducted guided tours around the company for approximately 200 students from technical colleges and universities.

STIHL CHILDREN'S ACTIVITY PROGRAM

As of last year, the 6- to 14-year-old children of the Brazilian employees can practice sports on the company premises of STIHL Brazil twice a week, playing soccer or volleyball for example. This gives the children the opportunity to get together with others of the same age and to develop a sense of community and team spirit. STIHL is carrying out this project together with the organization Brazilian Social Services for Industry.

SWITZERLAND – STIHL KETTENWERK GMBH & CO. KG

One focus of human resources work at STIHL's chain production company was the employee questionnaire and the areas for action that were derived from its results. In each of the teams, the team leaders analyzed which conditions could be created for even better employee satisfaction. Ideas and projects were exchanged and discussed at an executive workshop. The implementation of the individual measures will be continued in 2014.

REVISED PERSONNEL REGULATIONS

Working times, working models, holiday entitlement, remuneration, employee behavior, and rights and duties of employees and the company are laid down in the personnel regulations, which were completely revised last year.

Some of the regulations were simplified, others had generally become somewhat old fashioned and had to be updated. The regulations on holiday entitlement and the 13th month's salary were completely renewed. The regulations are now available to job applicants and employees in the form of a brochure.

FOCUS ON SAFETY AT WORK

A lot of energy was put into enhancing safety and employees' awareness of this issue at the STIHL chain company in Switzerland last year. Large sums were invested in new aids for the improvement of ergonomics. Numerous suggestions were made by the CIP groups (continuous improvement process) with regard to the new chain plant CH II in Bronschofen. Although this plant went into operation just a few years ago, numerous routines have been added since then. There is a strong focus on safety at work at both plants in Switzerland and the topic has high priority with the company's management.

HUMAN RESOURCES DEVELOPMENT

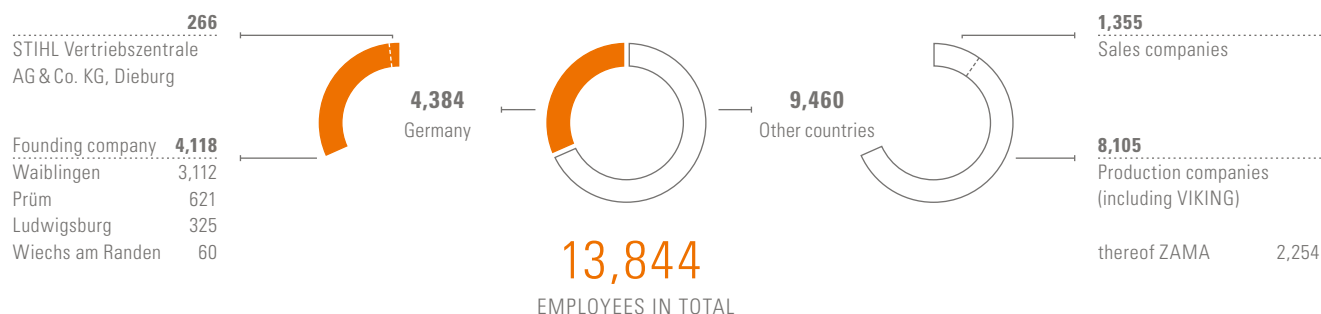
An exactly defined process for human resources development was developed at the STIHL chain company just a few years ago. Last year, it was further developed, adapted more closely to the needs of the company, and expanded. Particular emphasis was placed on executive development. An additional stage is planned to deal with the further development of successor arrangements.

CHINA – ANDREAS STIHL POWER TOOLS (QINGDAO) CO., LTD.

In line with Group-wide personnel objectives, STIHL Qingdao has been working since mid-2013 to adjust its processes to STIHL standards and to promote the exchange of opinions and experience within the group of companies.

MORE EFFICIENCY

Other topics on the agenda for the Chinese company last year were the establishment of a dual program of education and training and the introduction of new SAP systems. With their help, processes such as the calculation

EMPLOYEE NUMBERS AS OF DECEMBER 31, 2013 – THE STIHL GROUP

of overtime pay or applications for business trips and holidays are to be automated; this will minimize the work involved and thus save time and money.

AWARD FOR WORKING ATMOSPHERE

STIHL Qingdao was recognized in 2013 as an “Excellent Human Resources Management Company” by the biggest personnel services provider in China. The main reason given for the award was that STIHL Qingdao once again participated in a review of the working atmosphere at the company last year, with a particular focus on the management. The results of the review showed that while 50 percent of line managers were able to create a highly motivating working atmosphere in 2012, the proportion had risen to 65 percent in 2013. Another reason for the award was that staff turnover at STIHL Qingdao is well below the industry average.

AUSTRIA – VIKING GMBH

Since 2013, VIKING has been working intensively to be perceived as an especially attractive employer both inter-

nally and externally. Among other measures taken, an electronic application system was implemented to facilitate smooth and accurate processing.

IN FOCUS: CODE OF CONDUCT

Last year, VIKING updated its assessment discussions, the so-called bottom-up feedbacks, in order to improve the collaboration between line managers and employees in particular and the internal feedback culture in general. In addition, the revised code of conduct more appropriate to everyday needs and the newly established executive forums are intended to improve communication and the transfer of information within the company.

CONSTANT OPTIMIZATION PROCESS

As VIKING, besides its own, also assembles STIHL products, it was necessary to provide further training to the employees involved in this work. To be able to react in good time to changes and adjustments in all departments in the future, the Austrian member of the Group started a permanent process in 2013 that promotes the constant optimization of personnel processes throughout the company.

DEVELOPMENT

STIHL's development activities in 2013 once again featured outstanding innovations and product optimizations. Among other things, a new product category was included in the STIHL portfolio, the cordless product range was further expanded, and numerous new developments were launched on the market. But new laws and regulations also had an impact on development work last year.

NEW MATERIAL

STIHL developed the world's first carbon-fiber guide bar last year. The 63-centimeter-long component weighs only half as much as a guide bar made of steel due to the utilization of carbon-fiber reinforced polymer (CRP), but has the same strength and stiffness.

EXPANSION OF CORDLESS RANGE

The new products in the cordless segment include the MSA 160 T cordless chain saw. It offers the performance and convenience of the STIHL cordless power tools to professional arborists, with the major advantage of low weight; it is approximately 900 grams lighter than comparable chain saws and is so quiet that no hearing protection is necessary. Another cordless highlight is the new HTA 85 pole pruner: It is ideal for trimming trees from ground level while remaining mobile and quiet and emission-free. This is aided by the telescopic shaft which makes it possible to work at heights up to five meters.

NUMEROUS NEW DEVELOPMENTS

Amongst the STIHL chain saws, the new professional gasoline-powered MS 661 C-M chain saw has been especially impressive since it was launched last year. With its weight

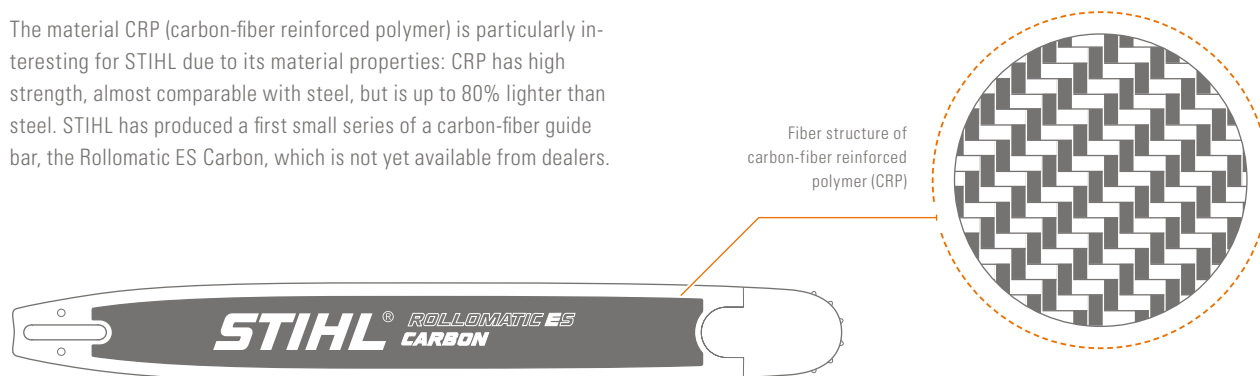
of 7.4 kilograms and a performance of 5.4 kilowatts, it is the lightest tool in its engine size class – and is also in use as the new competition saw of the STIHL TIMBERSPORTS series. In the area of electric tools, a saw platform was launched in 2013 with 22 different versions, extensive ergonomic improvements, and higher performance.

A world first from STIHL's development department is the first 1/4" Picco carving guide bar with a slimmer shape and a very small end radius. This substantially improves cutting quality, and work is eased by means of depth and angle markings.

Last year, STIHL developed a new range of professional brushcutters equipped with 2-MIX technology and a new ECOSPEED function. This allows users for the first time to preset the operating speed and work in conditions of partial load – which has the advantage of reducing fuel consumption. The systematic utilization of lightweight construction resulted in the lightest gasoline-powered brushcutter in the STIHL portfolio – the FS 23 SC. Other new products are the entry-level pole pruner HT 56 C with a gasoline engine and the world's smallest backpack sprayer, the SR 200. This was developed for protecting plants and trees in vineyards, orchards, vegetable farms and gardens.

CARBON FIBER

The material CRP (carbon-fiber reinforced polymer) is particularly interesting for STIHL due to its material properties: CRP has high strength, almost comparable with steel, but is up to 80% lighter than steel. STIHL has produced a first small series of a carbon-fiber guide bar, the Rollomatic ES Carbon, which is not yet available from dealers.



Development work in 2013 once again focused on securing STIHL's competitiveness – in particular with the small- and medium-sized chain saws and trimmers.

PRODUCT OPTIMIZATIONS

The existing range of outdoor equipment was of course also thoroughly reviewed in 2013; potential for optimization was identified and implemented. Improvements include the integration of a new filter system on the MS 362 chain saw, weight reduction for the SP 92 olive shaker, and the revised emission properties of the HS 45 hedge trimmer and the BT 130 earth auger. Furthermore, the .325" RM/RM3 chain was further developed – with an improvement of up to 10 percent in its cutting and plunging performance as well as a reduced binding tendency compared with the predecessor model – as was the carbide chain 3/8" RD. This "ever-sharp" chain for gardens as well as construction sites and agriculture now offers improved chip flow.

Furthermore, all professional chain saws were equipped with M-Tronic last year. Some of the advantages of M-Tronic are that it electronically calculates the exact quantity of fuel needed, the engine starts after just a few pulls on the cord, and it immediately accelerates. Moreover, M-Tronic electronically adjusts the quantity of fuel in the carburetor:

for all operating conditions such as start, idle, partial and full load, always taking ambient conditions into consideration. Using data on engine temperature and speed, the control unit continuously monitors the operation of the chain saw and delivers exactly the right quantity of fuel at all times. M-Tronic also remembers the adjustments that were set when the saw was last used and sets them again after the saw is started. This means that full engine performance is immediately available after every restart under the same conditions.

LAWS AND REGULATIONS

STIHL's development department has always had as one objective the development of products with the maximum possible environmental compatibility and conservation of resources. Within the framework of these efforts, STIHL 2013 became a member of the associations ABIMAQ (Associação Brasileira de Máquinas e Equipamentos) in Brazil and CICEIA (The China Internal Combustion Engine Industry Association) in China. This is an important step for smooth cooperation with the authorities in those countries and to ensure that STIHL products are prepared for new laws and regulations in the BRIC countries in the future too.



MAINTAINING ALPINE LANDSCAPES

Mountain farmers play a major role in maintaining the beautiful and ecologically valuable alpine meadows: Regular haymaking prevents the spread of woodland and scrub.





The agricultural machinery dealership of Hansueli Wildhaber is located in the plain close to Lake Zurich. To the right and the left – not far away – high and often steep mountains are to be seen. “Many of our customers are mountain farmers. They perform important work for the protection of nature, because they look after the alpine meadows with their regular haymaking.” That’s hard work. The mountain slopes are steep and the use of machines is possible only to a very limited extent. “Today, backpack blowers are often used. I’ve already heard from several customers that it’s the best investment they’ve ever made.”

The first job in haymaking is to cut the grass. In steep terrain, that’s not possible with heavy tractors. Sickle bar mowers, brushcutters and even scythes are used. After that, the grass has to be dried as quickly as possible. It is spread on the ground and has to be turned over after a certain time. With dry matter of about 80 percent or more, the ideal condition for storage has been reached. The hay is blown onto large stacks up to four meters high and is then stored in wooden barns for the winter.

Blowers are used during the cold time of the year as well: “The tables and benches of

the mountain restaurants on the ski slopes have to be cleared of snow in the mornings – that’s another job for backpack blowers. The STIHL BR 500 has proven its worth because it is much quieter than comparable products.”

»MOUNTAIN FARMERS PERFORM IMPORTANT WORK FOR THE PROTECTION OF NATURE, BECAUSE THEY LOOK AFTER THE ALPINE MEADOWS WITH THEIR REGULAR HAYMAKING.«

HANSUELI WILDHABER

Hansueli Wildhaber took over the agricultural machinery dealership from his father and runs it together with his wife and one employee. He takes on an apprentice every other year; with a four-year apprenticeship, this means there are always two apprentices in his shop. The third generation is almost ready: “My daughter is 12 years old and already knows that the only occupation she wants to train for is agricultural machinery technician,” says Wildhaber, smiling. He has had good experience with women in this job. Last year, his first female trainee successfully completed her apprenticeship.

STIHL BR 500

The STIHL BR 500 is powerful and environmentally friendly. Its 4-MIX engine and integrated sound damper significantly reduce operating noise.





HANSUELI WILDHABER
STIHL dealer, owner of
Wildhaber AG Landmaschinen,
Benken, Switzerland



REPORT OF THE SUPERVISORY BOARD

MEETINGS OF THE SUPERVISORY BOARD

In financial year 2013, five meetings of the Supervisory Board of STIHL AG were held at the company's headquarters in Waiblingen, thereof four regular meetings and one constitutive meeting following the Annual Shareholders' Meeting on June 26, 2013. In the regular meetings, the Executive Board fulfilled its information duties and reported on the business situation of the STIHL Group and the German founding company regularly, punctually, extensively and openly. This included descriptions of the development of unit sales, revenue and earnings, of the employment situation, investments and the financial situation of the company, as well as of relevant occurrences and measures taken.

The discussions of the Supervisory Board gave particular attention to the major investment projects and their strategic focus as well as the results of the employee survey carried out at the founding company in August and September 2013. In the meeting held in the spring, within the context of its personnel report, the Executive Board gave a detailed presentation of employee development, workforce structure, human resources planning and employee participation in the company's capital.

At all times, the members of the Supervisory Board had sufficient opportunities in plenary sessions to deal critically with the reports submitted and to make their own suggestions. In the year under review, the Supervisory Board performed with great care the duties incumbent upon it pursuant to the law and the company's articles of association.

FINANCIAL STATEMENTS

The company of auditors Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, was elected by the Annual Shareholders' Meeting on June 26, 2013 and subsequently appointed by the Supervisory Board to perform the external audit of the financial statements for the year 2013. Ernst & Young duly audited the financial statements as prepared by the Executive Board of STIHL AG for the year ended December 31, 2013 and issued an unqualified audit opinion on them.

The annual financial statements were submitted to all members of the Supervisory Board in good time. The members of the Supervisory Board thoroughly reviewed the financial statements; furthermore, in the meeting on April 2, 2014, in which the financial statements were dealt with, the auditors elucidated the main results of the audit and discussed them with the members of the Supervisory Board. All the members of the Supervisory Board are in agreement with the results of the audit and approved the financial statements of STIHL AG for the year ended December 31, 2013 in that meeting, whereby the annual financial statements are adopted.

PERSONNEL CHANGES IN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Effective at the end of the Annual Shareholders' Meeting, Ms. Claudia Klenk and Mr. Luigi Colosi ceased to be members of the Supervisory Board due to the reelection of the members representing the employees on May 14 and 15, 2013. Mr. Günter Meyer and Mr. Udo Salomon were elected



as the new members of the Supervisory Board representing the employees as of the end of the Annual Shareholders' Meeting. The Supervisory Board thanks the departing members for their always constructive work and committed efforts in the Supervisory Board.

There were no personnel changes in the Executive Board in 2013.

The Supervisory Board thanks the members of the Executive Board, all the employees of the STIHL Group and the employee representatives of STIHL AG for their good work and strong motivation once again in the year 2013.

A handwritten signature in black ink, appearing to read 'Nik Stihl'.

Dr. Nikolas Stihl
Chairman of the Supervisory Board

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

in millions of euros

	Non-current assets	Inventories	Other assets	
ASSETS	1,472	717	1,695	3,884
EQUITY & LIABILITIES	2,658		484	742
	Equity		Provisions	Other liabilities

BALANCE SHEET AT DECEMBER 31, 2013

(Condensed version)

ASSETS	CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG		ANDREAS STIHL AG & CO. KG		
in thousands of euros	Notes	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Non-current assets					
Intangible assets		25,579	16,708	16,206	8,164
Property, plant and equipment		891,784	876,473	228,685	232,477
Financial assets	(1)	555,048	430,923	114,255	84,324
		1,472,411	1,324,104	359,146	324,965
Current assets					
Inventories		716,744	743,398	172,094	168,267
Receivables and other assets					
Trade receivables		385,519	371,136	51,247	51,076
Receivables from related companies		34,361	34,000	127,323	112,534
Other assets		87,540	80,197	11,910	13,255
		507,420	485,333	190,480	176,865
Securities	(2)	370,015	155,986	39,859	0
Cash, bank balances and checks		767,754	944,067	246,424	278,434
		2,361,933	2,328,784	648,857	623,566
Deferred expenses and accrued income		7,163	6,297	1,207	1,400
Deferred tax assets		42,576	37,422	4,441	3,330
Total		3,884,083	3,696,607	1,013,651	953,261

BALANCE SHEET STRUCTURE OF ANDREAS STIHL AG & CO. KG

in millions of euros

	Non-current assets	Inventories	Other assets	
ASSETS	359	172	483	1,014
EQUITY & LIABILITIES	460	335	219	1,014
	Equity	Provisions	Other liabilities	

EQUITY AND LIABILITIES**CONSOLIDATED GROUP OF STIHL HOLDING AG & CO. KG****ANDREAS STIHL AG & CO. KG**

in thousands of euros	Notes	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Equity	(3)	2,657,711	2,532,635	460,000	430,000
Difference from capital consolidation		0	1,945	–	–
Provisions	(4)				
Provisions for pensions and similar obligations		315,253	295,342	285,607	266,593
Provisions for taxes		10,737	13,330	2,989	1,766
Other provisions		158,048	158,447	46,700	41,686
		484,038	467,119	335,296	310,045
Liabilities					
Liabilities to banks		50,728	45,482	0	0
Loan from the Eva Mayr-Stihl Foundation	(5)	100,000	100,000	100,000	100,000
Participating capital	(6)	26,988	25,723	26,988	25,723
Advance payments received		3,199	415	2,826	109
Trade payables		122,799	131,721	28,990	27,862
Liabilities from bills accepted and drawn		141	25	0	0
Liabilities to related companies		6	3	1,591	1,363
Liabilities to owners		369,297	319,847	31,486	31,425
Other liabilities		65,097	67,381	24,072	24,069
		738,255	690,597	215,953	210,551
Deferred income and accrued expenses		1,313	1,397	1,771	1,792
Deferred tax liabilities		2,766	2,914	631	873
Total		3,884,083	3,696,607	1,013,651	953,261

SUPPLEMENT TO THE FINANCIAL STATEMENTS

CONSOLIDATED GROUP 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 Company Disclosure Act ("Publizitätsgesetz"):

1. Revenue	in thousands of euros	2,814,387
2. Income from subsidiaries	in thousands of euros	1
3. Wages, salaries, social security contributions, and expenses for pensions and other employee benefits	in thousands of euros	650,846
4. Number of employees at December 31, 2013		13,844

Waiblingen, March 2014

STIHL Holding AG & Co. KG
Die persönlich haftenden Gesellschafter
(The general partners)
Hans Peter Stihl, Dipl.-Ing.
STIHL AG

The annual financial statements of the consolidated group of STIHL Holding AG & Co. KG and ANDREAS STIHL AG & Co. KG are disclosed in the electronic version of the German Federal Gazette, in accordance with the German Company Disclosure Act.

ANDREAS STIHL AG & CO. KG

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

1. Revenue	in thousands of euros	951,663
2. Income from subsidiaries	in thousands of euros	0
3. Wages, salaries, social security contributions, and expenses for pensions and other employee benefits	in thousands of euros	282,332
4. Number of employees at December 31, 2013		4,118

Waiblingen, March 2014

ANDREAS STIHL AG & Co. KG
Die persönlich haftenden Gesellschafter
(The general partners)
Hans Peter Stihl, Dipl.-Ing.
STIHL AG

NOTES

ACCOUNTING AND VALUATION METHODS

Non-current assets are measured at cost of acquisition or production. Cost of production includes direct material, direct labor and an appropriate proportion of material and production overheads. Assets with a limited useful life are subject to systematic depreciation. Wherever deemed necessary, impairments have been recognized to reflect assets' lower fair values.

Inventories are measured 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 2005G 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.

CONSOLIDATED GROUP

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

Due to their minor importance, the consolidated financial statements do not include Carl Benz Center Objekt GmbH & Co. KG, Stuttgart, and Carl Benz Center Neckarpark GmbH, Stuttgart. The companies STIHL SAS, Bogota D.C., Colombia, and STIHL d.o.o. Beograd, Belgrade, Serbia, were consolidated for the first time in 2013. The company ANDREAS STIHL Ltd., Chai Wan, Hong Kong, was deconsolidated in 2013.

CONSOLIDATION OF CAPITAL

Capital consolidation takes place in accordance with Section 301 Subsections 1 to 3 of the German Commercial Code (HGB). Differences arising from first-time consolidation before January 1, 2010 were offset against retained earnings. Any goodwill subsequently recognized is presented separately in the balance sheet.

OTHER CONSOLIDATION METHODS

The Group's internal receivables, payables, revenue, expenses and profits 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.

NOTES TO THE BALANCE SHEET

of the consolidated group of
STIHL Holding AG & Co. KG and of
ANDREAS STIHL AG & Co. KG

ASSETS

1. Financial assets

The financial assets presented in the consolidated financial statements comprise securities held as long-term investments and miscellaneous loans.

2. Securities

Most of these are miscellaneous securities held as short-term investments.

EQUITY AND LIABILITIES

3. Equity

In both balance sheets, equity is presented as a single amount in accordance with Section 9 Subsection 3 of the German Company Disclosure Act (PublG).

4. Provisions

Provisions for pensions cover current pension rights as well as entitlements to future benefits.

Other provisions relate to outstanding employee benefits, employee jubilees and other contingencies.

5. Loan from the Eva Mayr-Stihl Foundation

The loan is at the disposal of ANDREAS STIHL AG & Co. KG.

6. Participating capital

In the 2013 financial year, employees of ANDREAS STIHL AG & Co. KG once again made extensive use of the possibility to participate in the company's capital in the form of profit-participation rights.

7. Average number of employees of the STIHL Group

Europe	6,359
America	4,117
Asia/Oceania/Africa	2,553
Total	13,029

COMPANIES OF STIHL HOLDING AG & CO. KG

NAME OF THE COMPANY EQUITY INTEREST IN %

Consolidated companies

Germany

STIHL Holding AG & Co. KG, Waiblingen	100.0
STIHL Aktiengesellschaft, Waiblingen	100.0
ANDREAS STIHL AG & Co. KG, Waiblingen	100.0
STIHL International GmbH, Waiblingen	100.0
STIHL Vertriebszentrale AG & Co. KG, Dieburg	100.0
ANDREAS STIHL Verwaltungs-GmbH, Waiblingen	100.0
STIHL-Verwaltungsgesellschaft mbH, Waiblingen	100.0
STIHL Kettenwerk Verwaltungs-GmbH, Waiblingen	100.0
STIHL Beteiligungsgesellschaft GmbH & Co. KG, Waiblingen	100.0
STIHL Kettenwerk GmbH & Co. KG, Waiblingen	100.0
Zama Holding GmbH, Waiblingen	100.0
STIHL Holding Verwaltungs-GmbH, Waiblingen	100.0

Other countries

STIHL Incorporated, Virginia Beach, Virginia, United States	100.0
STIHL Ferramentas Motorizadas Ltda., São Leopoldo, Rio Grande do Sul, Brazil	100.0
ANDREAS STIHL Power Tools (Qingdao) Co., Ltd., Qingdao, China	100.0
VIKING GmbH, Langkampfen, Austria	100.0
STIHL Ges.m.b.H., Vösendorf, Austria	100.0
STIHL Vertriebs AG, Mönchaltorf, Switzerland	100.0
ANDREAS STIHL Ltd., Camberley, Surrey, United Kingdom	100.0
ANDREAS STIHL N.V., Puurs, Belgium	100.0
ANDREAS STIHL SAS, Torcy, Marne-la-Vallée, France	100.0
ANDREAS STIHL S.A., Torres de la Alameda, Spain	100.0
ANDREAS STIHL S.A., Sintra, Portugal	100.0
ANDREAS STIHL S.p.A., Cambiagio, Italy	100.0
ANDREAS STIHL S.A., Acharnes, Attika, Greece	100.0
ANDREAS STIHL A/S, Sandefjord, Norway	100.0
ANDREAS STIHL Norden AB, Stenkullen, Sweden	100.0
ANDREAS STIHL Sp. z o.o., Tarnowo Podgórne, Poland	100.0
ANDREAS STIHL, spol. s r.o., Modrice, Czech Republic	100.0
ANDREAS STIHL Kereskedelmi Kft., Biatorbágy-Budapark, Hungary	100.0
ANDREAS STIHL Motounelte S.R.L., Otopeni, Romania	100.0
TOV ANDREAS STIHL, Kiev, Ukraine	100.0
TOV ANDREAS STIHL Zemelna Kompanija, Kiev, Ukraine	100.0
ANDREAS STIHL EOOD, Sofia, Bulgaria	100.0
OOO ANDREAS STIHL Marketing, St. Petersburg, Russia	100.0
STIHL Limited, London, Ontario, Canada	100.0

NAME OF THE COMPANY EQUITY INTEREST IN %

Other countries (continued)

ANDREAS STIHL S.A. de C.V., Cuautlancingo, Puebla, Mexico	100.0
ANDREAS STIHL (PTY.) Ltd., Pietermaritzburg, South Africa	100.0
Kabushiki Kaisha STIHL, Kaminokawa-machi, Tochigi, Japan	100.0
Taicang ANDREAS STIHL Power Tools Co., Ltd., Taicang City, Jiangsu, China	100.0
ANDREAS STIHL Pvt. Ltd., Kuruli, Tal-Khed, Pune District, India	100.0
Zama Corporation Ltd., Tai Po, NT, Hong Kong	100.0
Zama Japan Kabushiki Kaisha, Hachimantai-shi, Iwate-Ken, Japan	100.0
Guang Dong Zama Precision Industry Co., Ltd., Shenzhen, China	100.0
USA Zama, Inc., Franklin, Tennessee, United States	100.0
STIHL PTY. Ltd., Knoxfield, Victoria, Australia	100.0
STIHL Limited, Auckland, New Zealand	100.0
STIHL Motoimplementos S.A., El Talar, Buenos Aires, Argentina	100.0
STIHL d.o.o. Beograd, Belgrade, Serbia	100.0
STIHL SAS, Bogota D.C., Columbia	100.0

Non-consolidated companies

Carl Benz Center Objekt GmbH & Co. KG, Stuttgart, Germany	76.1
Carl Benz Center Neckarpark GmbH, Stuttgart, Germany	76.1
BMZ Holding GmbH, Karlstein am Main, Germany	20.0

BOARDS OF THE COMPANIES

MEMBERS OF THE SUPERVISORY BOARD OF STIHL AG

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

Representing the owners

Dr. Nikolas Stihl¹, Oberaudorf
Chairman of the Supervisory Board

Franz Fehrenbach, Dipl.-Wirt.-Ing.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. h.c. Ludwig Georg Braun, Melsungen
Chairman of the Supervisory Board of B. Braun Melsungen AG

Horst H. Geidel, Dipl.-Kfm., Stuttgart
Member of the Supervisory Board of MAHLE Behr Verwaltung GmbH
(until December 31, 2013)

Eva Mayr-Stihl, Remseck

Dr. Rüdiger Stihl, Remseck

Representing the employees

Udo Salomon¹, Blaubeuren
(Member of the Supervisory Board since June 26, 2013)
Deputy Chairman of the Supervisory Board, Member of the Employee Council of
the Waiblingen plant of ANDREAS STIHL AG & Co. KG

Luigi Colosi¹, Kernen
(Member of the Supervisory Board until June 26, 2013)
Deputy Chairman of the Supervisory Board, Chairman of the General Employee
Council of ANDREAS STIHL AG & Co. KG and Chairman of the Employee Councils of
the Waiblingen and Ludwigsburg plants

Thomas Bamesberger, Dipl.-Kfm., Stuttgart
Director Production and Logistics, ANDREAS STIHL AG & Co. KG

Matthias Fuchs, Ludwigsburg
First authorized representative of the Waiblingen office of the trade union IG Metall

Claudia Klenk¹, Leutenbach
(Member of the Supervisory Board until June 26, 2013)
Deputy Chairwoman of the General Employee Council of ANDREAS STIHL
AG & Co. KG and Deputy Chairwoman of the Employee Councils of the
Waiblingen and Ludwigsburg plants

Peter Linsbauer¹, Dipl.-Ing. (FH), Herrenberg
Senior Manager Power Tool Design, Predevelopment Cleaning Machines,
ANDREAS STIHL AG & Co. KG

Günter Meyer, Weinsheim
(Member of the Supervisory Board since June 26, 2013)
Chairman of the Employee Council of the Weinsheim plant of
ANDREAS STIHL AG & Co. KG

Gerhard Wick, Geislingen an der Steige
First authorized representative of the Esslingen office of the trade union IG Metall

MEMBERS OF THE EXECUTIVE BOARD OF STIHL AG

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Chairman of the Executive Board
Production and Materials

Karl Angler, Dipl.-Bw. (FH)
Finance, Controlling, Information Systems and Service

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

Dr. Michael Prochaska
Human Resources and Legal Affairs

Wolfgang Zahn, Dipl.-Ing.
Development

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

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

Dr. Nikolas Stihl, Oberaudorf
Chairman of the Advisory Board

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

Prof. Dr. h.c. Ludwig Georg Braun, Melsungen

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

Horst H. Geidel, Dipl.-Kfm., Stuttgart

Prof. Dr. Michael Hoffmann-Becking, Düsseldorf
Partner of the law firm Hengeler Mueller

Gerhild Schetter (née Stihl), Kernen

Dr. Rüdiger Stihl, Remseck

¹ Also a member of the committee formed in accordance with Section 27 Subsection 3 of the German Codetermination Act (MitbestG)

FURTHER INFORMATION

Published by

STIHL Holding AG & Co. KG
Badstrasse 98
71336 Waiblingen
Germany
www.stihl.com

Concept and design

3st kommunikation GmbH, Mainz

Printing

raff GmbH, Riederich

Photography

Claudia Kempf, Wuppertal [pages 8-9, 45]
Shutterstock
[cover, pages 6-7, 12-13, 18-19, 28-29, 34-35, 42-43]
Getty Images [pages 4-5]
STIHL intern [pages 13, 19, 29, 35, 43, inside cover]

Paper

Phoenixmotion XENON
Papierfabrik Scheufelen, Lenningen



This Annual Report is a convenience translation of the original German version.



THE YEAR 2013 IN REVIEW

» THE YEAR IN REVIEW



JANUARY
A NEW LOGISTICS BUILDING
was opened at the STIHL chain plant in Switzerland following an investment volume of 18 million Swiss francs.



MARCH
A study by FOCUS Spezial magazine confirms that STIHL is one of the **BEST EMPLOYERS** in Germany.

JUNE
STIHL Executive Board Member Dr. Michael Prochaska is elected as the new **CHAIRMAN** of the Rems-Murr District Group of the Southwest Metal Employers' Association.



JULY
Dealers, employees and business partners celebrate the **TENTH JUBILEE** of the Ukrainian sales company.



SEPTEMBER
Hans Peter Stihl receives the **LIFETIME ACHIEVEMENT AWARD** from the British Agricultural Engineers Association.



OCTOBER
More than 10,000 spectators attended the 2013 STIHL TIMBERSPORTS® **WORLD CHAMPIONSHIP** in the Porsche Arena in Stuttgart.



MAY

With the end of the period of office of the previous board, the STIHL owners appoint a

NEW SUPERVISORY BOARD,

which will be in office until 2018.



JUNE

STIHL is awarded the prize "AGP Stars 2013" for its

CORPORATE CULTURE.

SEPTEMBER

Opening of the new STIHL sales company in Belgrade, responsible for

SERBIA AND MONTENEGRO.



SEPTEMBER

Presentation of the new professional chain saw MS 661 C-M, the

LIGHTEST TOOL

in its engine size class.



OCTOBER

Expansion of the production site in Qingdao, China:

INVESTMENT

of 17 million euros nearly doubles the plant's production capacity and increases its floor space from 22,500 to 39,000 square meters.



NOVEMBER

The STIHL plant in São Leopoldo, Brazil, celebrates its

40TH JUBILEE.



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