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STIHL profits from major investments in new products

In the first eight months of this year the STIHL Group achieved a turnover of EUR 1,968 million, which represents growth of 7.9 percent (4.5 percent had currency exchange rates remained unchanged). "In spite of the weakening world economy, uncertainty caused by the eurozone debt crisis and unfavorable weather conditions, we have recorded satisfactory growth this year. In the past few years we invested several hundred million euros in the development of new products. We are now harvesting the fruits of that investment strategy. I also expect business to remain favorable for the rest of the year," said STIHL executive board chairman Dr. Bertram Kandziora at the company's autumn press conference.

Market development varied considerably in different regions. STIHL enjoyed strong growth in the bigger markets, especially in North America and the BRIC countries. Owing to the long winter, the garden season began somewhat later in parts of northern Europe and this delayed the start of sales. Moreover, the eurozone debt crisis had a negative influence on demand in southern Europe. In those markets the consolidation efforts of the public authorities, falling incomes and uncertainty of consumers are having a noticeable impact. Despite a heat wave and persistent drought across wide areas of the U.S.A., STIHL was able to record strong sales growth there. The upward revaluation of important currencies against the euro – such as the U.S. dollar, Australian and Canadian dollars, Swiss franc and British pound, had a positive influence on turnover growth. The number of employees in the group as of August 31, 2012 increased by 3.5 percent over the previous year to a total of 12,320.

Success factors: Investing several hundred million and worldwide presence

Executive board chairman Dr. Kandziora talked about business in the first eight months of 2012: "Viewed overall, we were more successful than the industry average this year, which means we have been able to strengthen our competitive position on the world market." This positive development – although general conditions were unfavorable – is due to investments of several hundred million euros in new products and STIHL's worldwide manufacturing and sales network in recent years. "We are now reaping the benefits of having adhered to our long term strategy in the economic crisis and continued to invest heavily. Our new products have been very well received in the marketplace. And our customers appreciate the good price-performance ratio of STIHL products; they put their trust in STIHL's time-proven quality and the comprehensive service of our specialist dealers."

The company profits greatly from the worldwide presence of the STIHL sales organization. STIHL products are sold in more than 160 countries through some 40,000 authorized dealers. Dips in unit sales in one region can be offset by increases in unit sales in other parts of the world. The company is thus less affected by fluctuations in currency exchange rates, regional economies or freak weather conditions.

Growth at founding company, commitment to German base

The German founding company, ANDREAS STIHL AG & Co. KG, showed a turnover of EUR 601 million in the period from January to August this year – an increase of 5.3 percent. As of August 31, 2012, the workforce was up 1.0 percent over the previous year to 4,054. Of this total, 3,023 were employed in Waiblingen, 355 in Ludwigsburg, 616 in Prüm-Weinsheim and 60 in Wiechs am Randen. Thanks to the high significance traditionally attached to vocational training, STIHL is well situated in terms of acquiring skilled workers in the coming years. The long-term strategy of providing company apprenticeships and the targeted employment of trainees and student apprentices, in technical areas in particular, has paid off. For example, almost all vacancies for skilled workers have been filled by the company's own apprentices who have completed their

training and almost half the positions for engineers have been filled by in-house student staff.

The founding company has not profited as much as last year from the general upward growth curve of the group. Reason: the growth in unit sales took place in the entry-level and farmer segments rather than the professional segment. The founding company tends to concentrate on the production of higher priced professional machines.

Nevertheless, STIHL is committed to Germany as a business location. The company is planning to invest in two big projects at its corporate headquarters in Waiblingen. A warehouse for production logistics is to be built at a cost of more than EUR 40 million. In addition, the engineering center is being extended by about 8,500 square meters. The investment amounts to more than EUR 20 million. Executive board chairman Dr. Kandziora named the reasons: "We can find excellent skilled workers and engineers in this area. And we need to have research and development and production close together in order to launch premium quality products on the market. But the high investments are also a deliberate decision of the Stihl family to express their affinity with Waiblingen."

New STIHL products

A large number of new products will further expand the STIHL line in the coming season: The STIHL GS 461 concrete cutter is a new high-performance power tool for wet-cutting building materials such as concrete and natural stone. Its diamond abrasive chain is capable of cutting contours and corners as well as making cutouts in walls to a depth of 40 centimeters. Therefore, the GS 461 ideally complements the range of STIHL cut-off machines, which will be enlarged with the STIHL TS 480i, the second cut-off machine with STIHL's fuel injection system.

Professionals in forestry and agriculture will be able to rely on the smooth power of the new STIHL MS 461 chain saw. Other new products for forestry and landscape care are the STIHL FR 410 C-E and FR 460 TC-EM backpack clearing saws. The new STIHL RE

362, RE 362 PLUS and RE 462 PLUS high pressure cleaners will ensure reliable clean-ups in agriculture and the construction industry.

There are further additions to STIHL's modular system for cordless products such as the MSA 200 C-BQ, STIHL's second cordless chain saw. Its brushless, electronically commuted motor boasts above-average efficiency, which means more of the energy of the 36V lithium-ion battery can be converted into cutting power. The new HSA 86 is the first of a second generation of cordless hedge trimmers. New areas of application are being opened up for STIHL's cordless technology: Among the products added are the HLA 65, a long-reach hedge trimmer, the KGA 770, the first walk-behind sweeper, and the AR 900, the first backpack rechargeable battery which provides energy for day-long applications.

New VIKING products

VIKING rounds off its line of ride-on mowers with the Series T4: The four new side discharge mowers are suitable for use in orchards and very large gardens, for example. The MT 4097 SX and MT 4097 S are designed to mow areas of up to 6,000 square meters, while the MT 4112 S and MT 4112 SZ are rated for areas up to 8,000 square meters. Homeowners with average-sized gardens will choose the new VIKING MA 443 and 443 C. The range of electric mowers has also been broadened: The new VIKING ME 443 and ME 443 C quickly mow lawns of up to 600 square meters. VIKING offers the MB 4 RT and MB 4 RTP mulching mowers for semi-professional and professional users in garden and landscape care.

German market with growth prospects

Following the record turnover of 2011, the development of turnover on the German market has been stable this year. At the end of August it was at the same high level as last year. The demand for new products – such as the STIHL TS 500i cut-off machine, the world's first handheld power tool with electronically controlled fuel injection – has exceeded expectations. At VIKING, considerable increases in unit sales have been

achieved in Germany. Dr. Kandziora is optimistic about 2012: "We are well positioned with our new products, good promotions and highly capable servicing dealers." The second STIHL Test Day in spring this year, which attracted more than 100,000 visitors, showed that customers want to test the products themselves under real conditions. This will be continued on April 13, 2013 – at the next countrywide STIHL Test Day.

Company Portrait

The STIHL Group develops, manufactures and distributes power tools for forestry, landscape maintenance and the construction industry. The range of garden power tools from VIKING complements the product line. Products are distributed exclusively through authorized dealers, including 32 marketing subsidiaries, more than 120 importers and about 40,000 dealers in more than 160 countries. STIHL has been the world's top-selling chain saw brand since 1971. The company was founded in 1926 and is based in Waiblingen near Stuttgart. In 2011, STIHL achieved a worldwide sales volume of EUR 2.62 billion with a workforce of 12,026.

This press release and pictures are available for downloading from the STIHL website <http://www.stihl.com/daily-pressbusiness-press.aspx>

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