

STIHL Inc.

Virginia Manufacturing Development / Small Business Commissions

Industry View on Machinery and Tools Taxes for Investment Decisions



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June 14th, 2013

STIHL Group International Footprint



Sales Subsidiaries = **S**
 Manufacturing Subsidiaries = **M**

Europe:

M **S**

North America:

M
S

Asia:

M
S

South America:

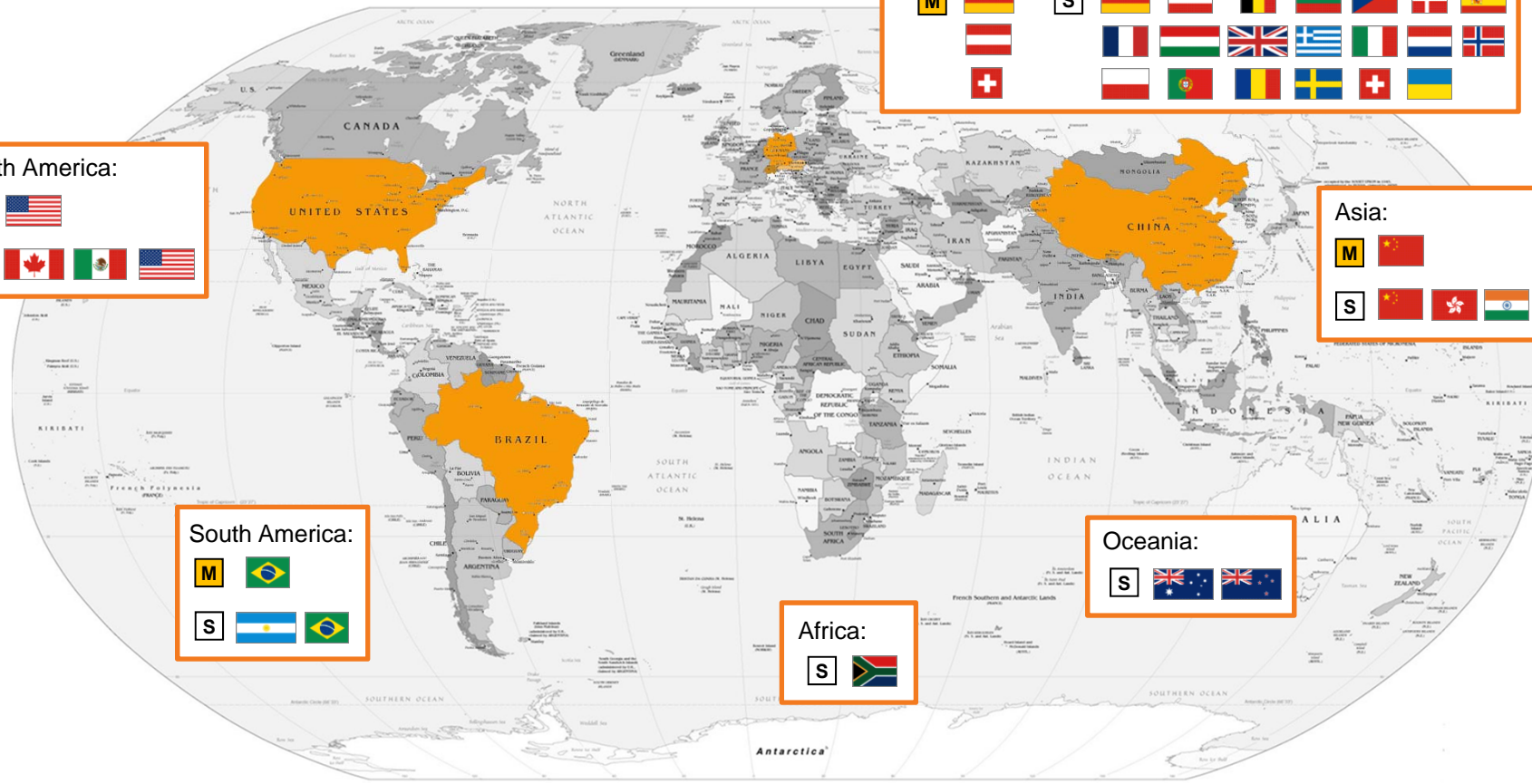
M
S

Africa:

S

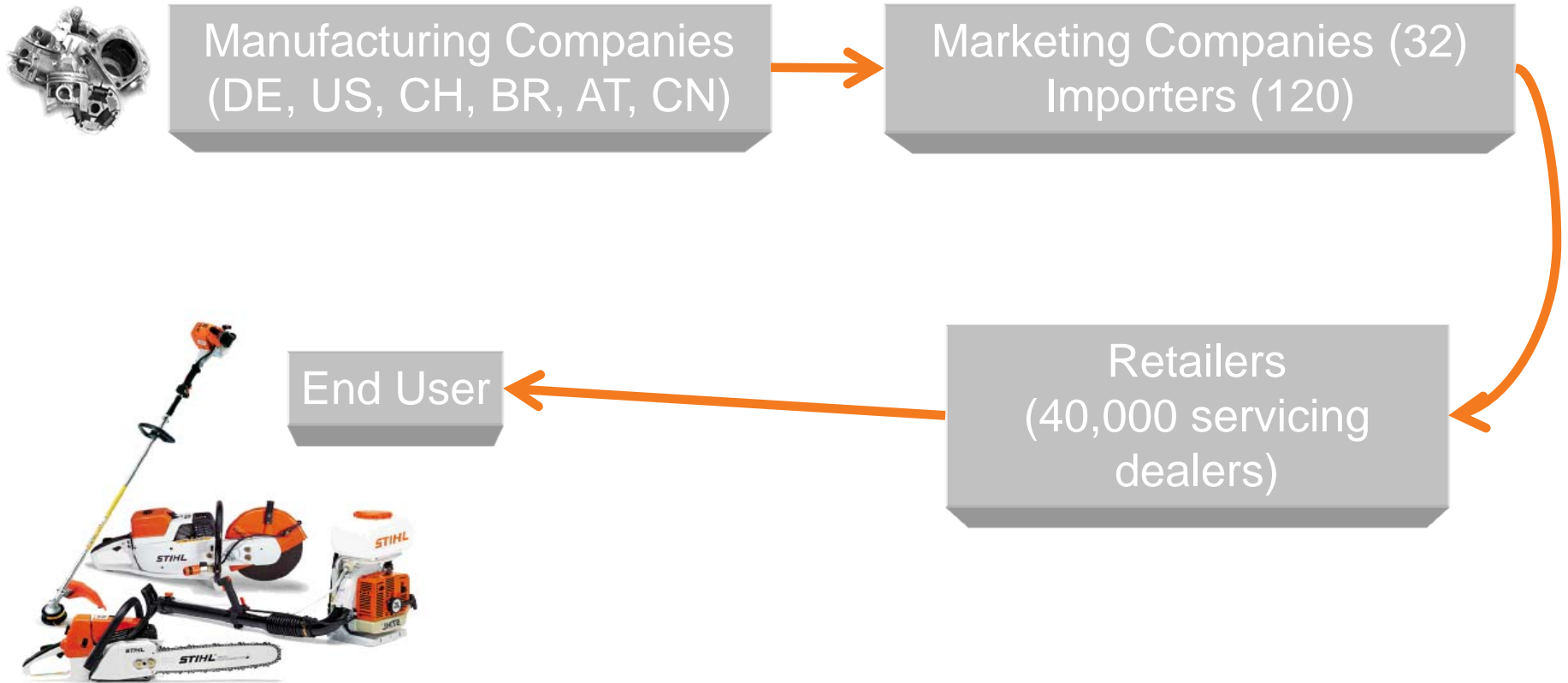
Oceania:

S

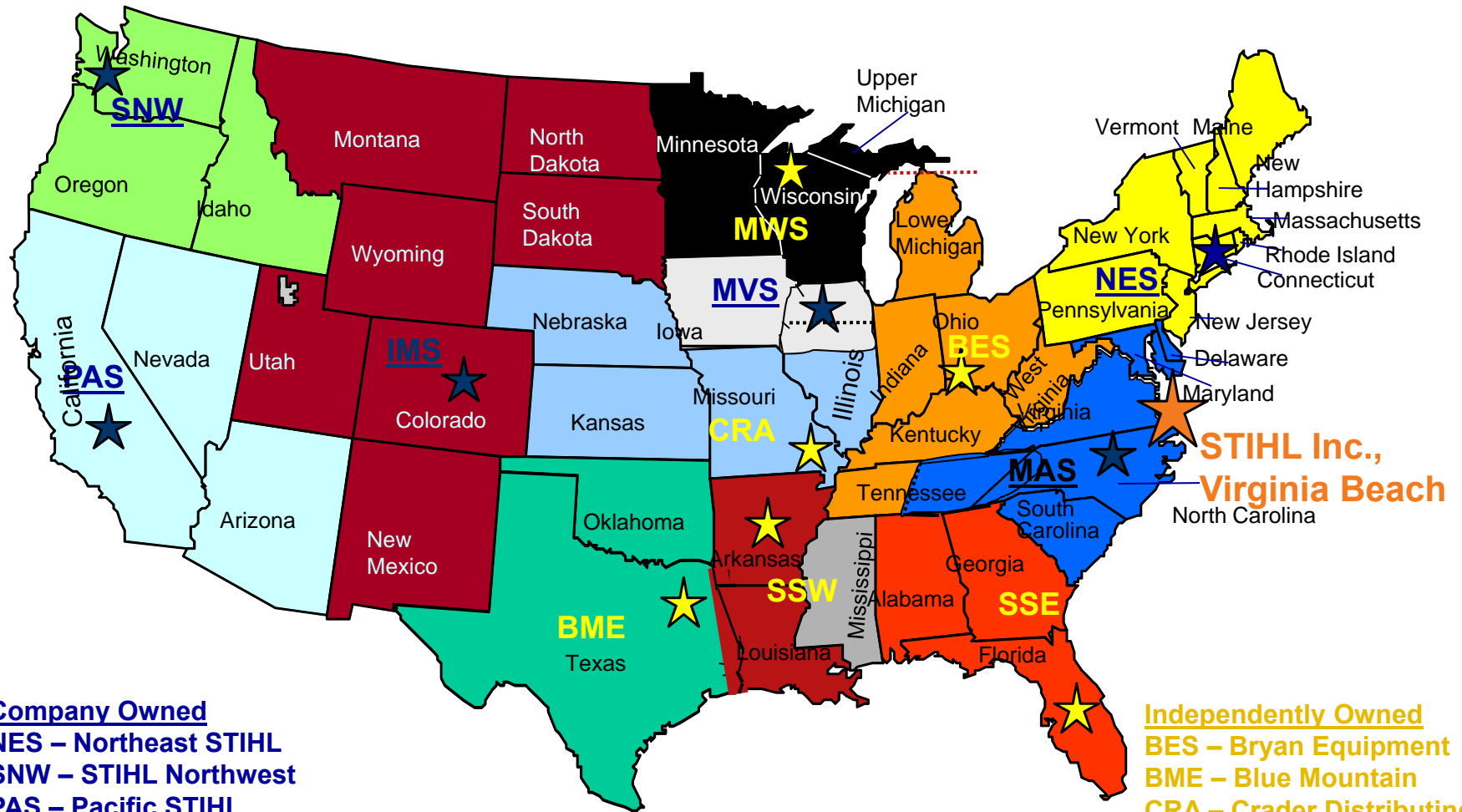


6 Manufacturing Countries

STIHL Distribution Structure



Map of STIHL Inc. Distribution



Company Owned

- NES – Northeast STIHL
- SNW – STIHL Northwest
- PAS – Pacific STIHL
- MAS – Mid-Atlantic STIHL
- IMS – Intermountain STIHL
- MVS – Mississippi Valley STIHL

- Independently Owned**
- BES – Bryan Equipment
 - BME – Blue Mountain
 - CRA – Crader Distributing
 - MWS – Midwest STIHL
 - SSE – STIHL Southeast
 - SSW – STIHL Southwest

In Virginia Beach, what started like this...

STIHL[®]



... and this

STIHL[®]



...has become a World Class Manufacturing Facility...

STIHL[®]



.... like that



Virginia Beach Site

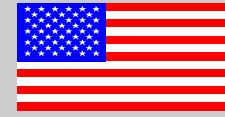
Size: 2.2 Mil sf

Land: 151 Acres

**1,900
Employees**



STIHL Inc. USA – 2012 Statistics



STIHL[®]



Employment

2,100

Annual Sales

> \$ 1 Billion

Number of Models

250+

Land

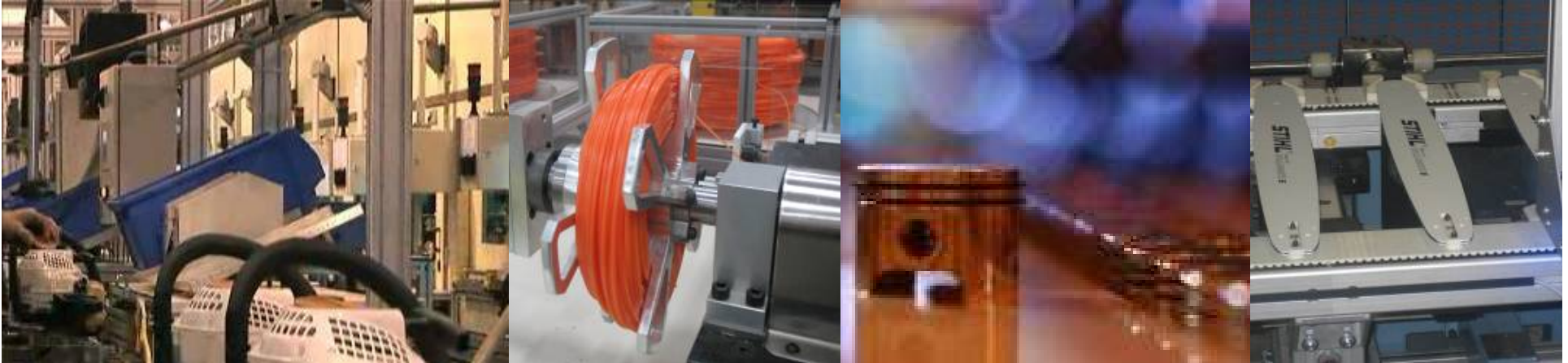
179 acres

Buildings (incl. Branches)

2.4 Mil. sf

Core Manufacturing Areas

STIHL[®]



Assembly

- Chain Saws
- Power Tools
- Accessories

Polymer Processing

- Injection Molding
- Blow Molding
- Extrusion

Machining

- Crankshaft
- Piston

Guide Bar

- Laminated
- Lightweight

Assembly

STIHL®



Injection Molding

STIHL[®]



Piston Manufacturing

STIHL[®]



**Pistons machined and assembled
2/3 of all STIHL pistons are produced in USA.**

Guide Bars: Built in America

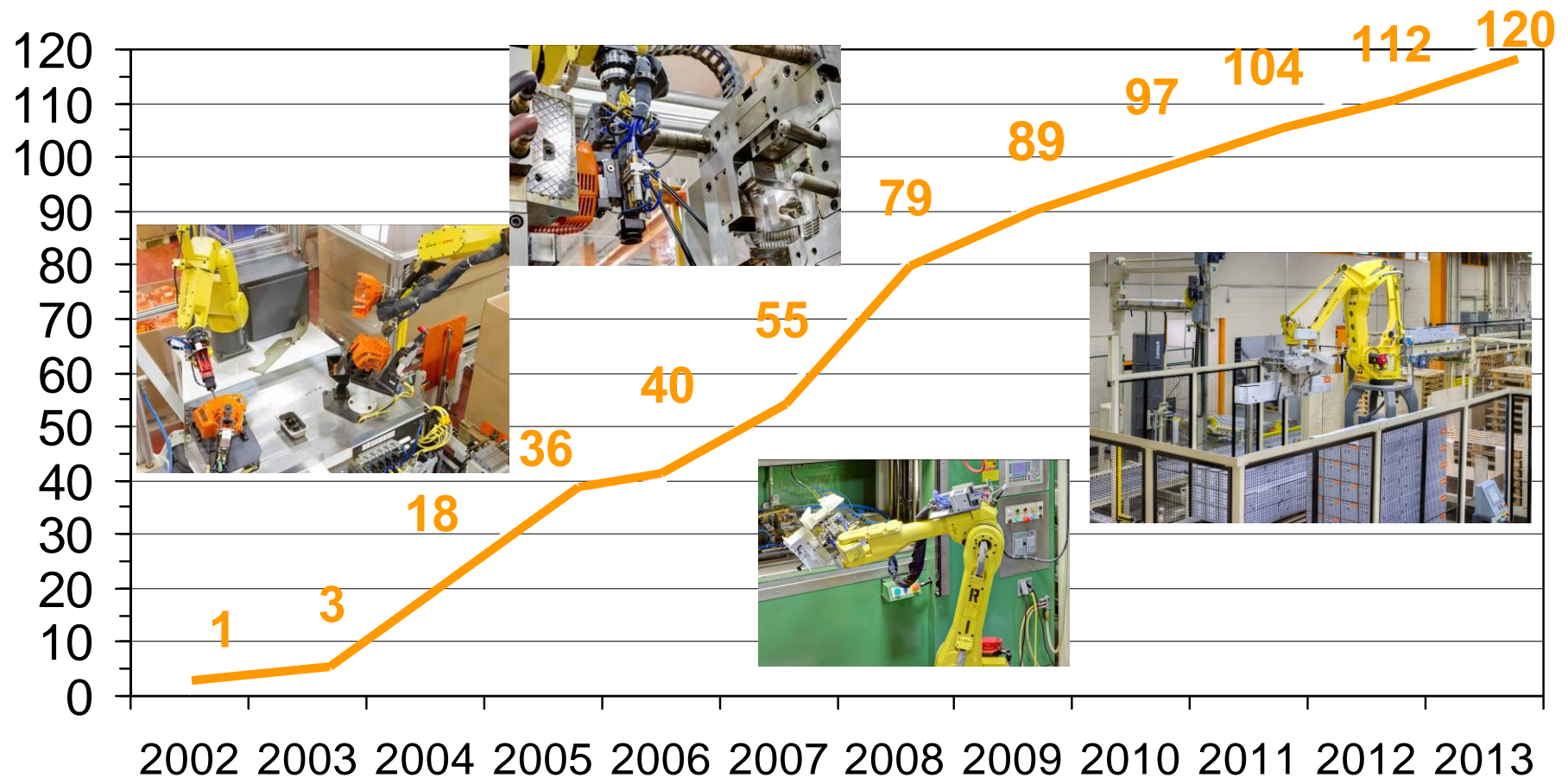
STIHL[®]

- Most Automated Guide Bar Facility in the World
- Automated Stamping, Welding, Assembly, Painting and Packaging of Guide Bars
- 22 different types



Automation 2002 - 2013

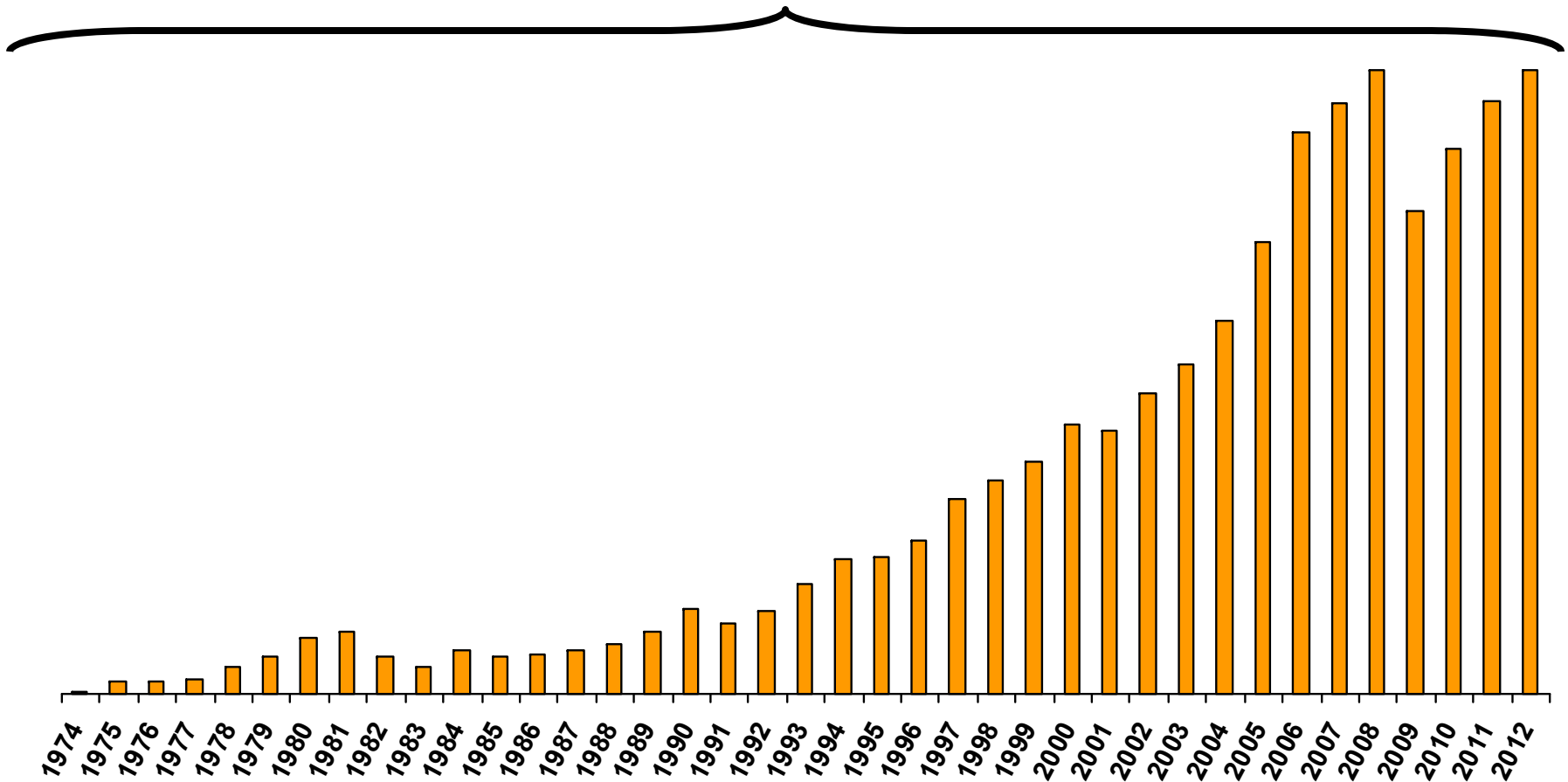
■ Number of Robots at STIHL Inc.



STIHL Inc., USA - Production 1974 - 2012



Production since inception
50 Million Units



Built in America

STIHL®



All These, Built in America.
And NONE of them are sold at Lowe's or The Home Depot.

Why?

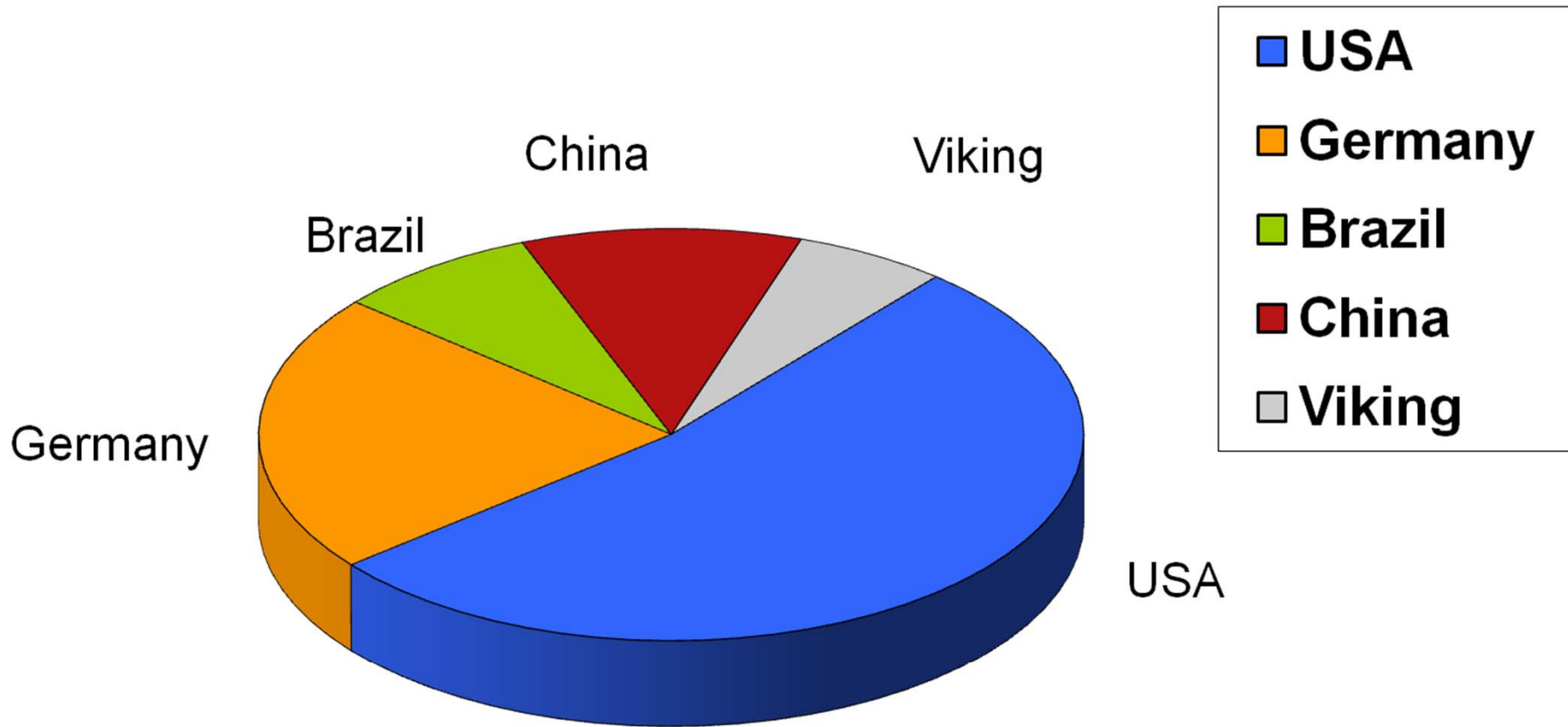


To find a Dealer:
STIHL.dealers.com
For product information:
STIHL.usa.com


#1 Selling Brand of
Over 500 Different
Handheld Outdoor
Power Equipment
in America

STIHL®

Worldwide Units Production



Compete with STIHL affiliates and suppliers around the globe to produce at the best value while maintaining quality.

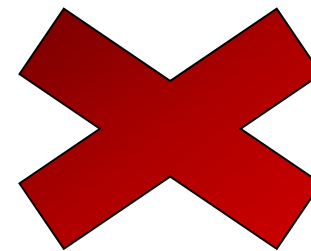
Controllable Costs

- Labor Costs
- Material Costs
- Indirect Material Supplies
- Overhead Costs
- Investments



Uncontrollable Costs

- Tax Burden
 - Federal and State Income Tax
 - Sales and Use Tax
 - Manufacturing Exemption in Virginia
 - Business Personal Property
 - Real Estate Tax
- Foreign Exchange



- The overall U.S. tax environment
 - U.S. one of the highest income tax rates
- Taxes have a significant impact on the costs of production and directly impacts STIHL Inc.'s ability to compete for investment against our affiliates 3rd parties
- Tax reform's hot topic
 - Can the United States compete in a global economy?



STIHL Inc. Manufacturing



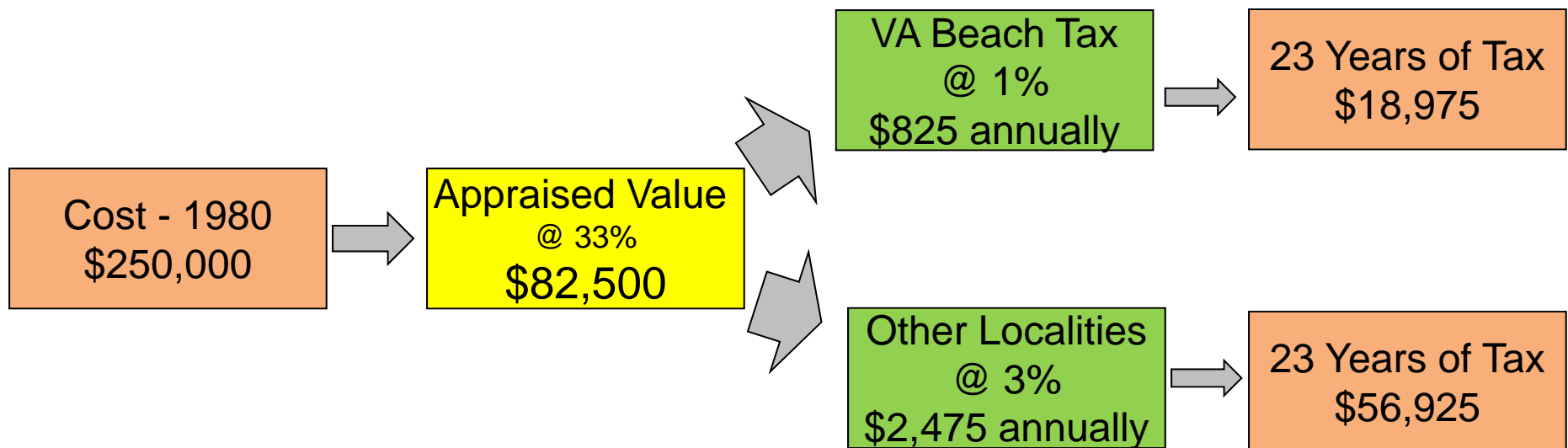
- Automation has been a key component in making STIHL Inc. competitive worldwide.
 - Helps level the playing field with countries with lower labor rates.
 - Ensures repetitive tasks are completed to specifications and improves ergonomics for employees.
 - Employment at STIHL Inc. has continually grown with automation.
 - No regular employee has lost a job due to automation.
 - Has enabled us to continue to grow and provide more higher skilled jobs.



Machinery and Tool Tax

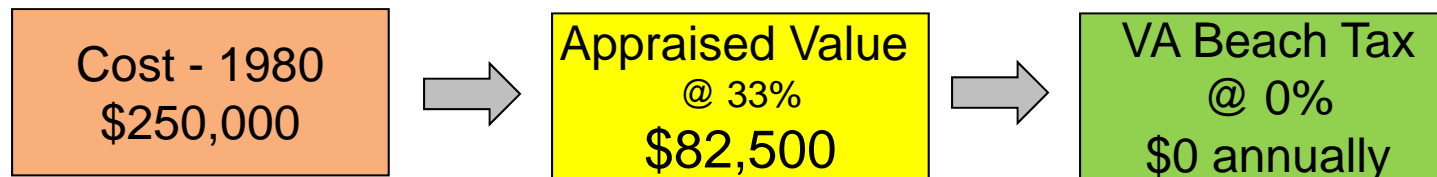


- Machinery and Tool Tax makes automation more costly
 - City of Virginia Beach has always had a relatively low M&T tax rate, which assisted with the ROI on automation over the years.
- A Forever Tax



Virginia Beach doing something

- In 2012, Virginia Beach repealed the M&T tax, further helping manufacturers compete internationally.



- Tax dollar savings
- Reporting of assets still required
- Every new investment competes against other STIHL manufacturers and suppliers worldwide

Conclusion

STIHL[®]

- When competing for production, cents per unit can make all the difference.
- Virginia Beach is doing something about it.



- Thank you for your time.

*A majority of STIHL products are built in the United States from domestic and foreign parts and components. "Number one selling brand" is based on syndicated Irwin Broh Research as well as independent consumer research of 2009-2012 U.S. sales and market share data for the gasoline-powered handheld outdoor power equipment category combined sales to consumers and commercial landscapers.