STABILUS

2020

ANNUAL REPORT

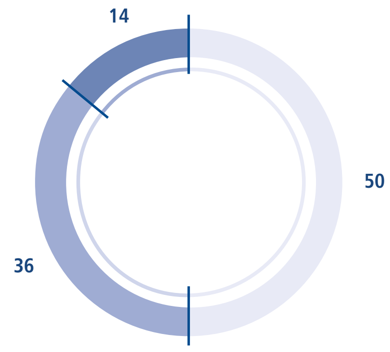
FOCUS ON INNOVATION, GROWTH & EFFICIENCY

KEY FIGURES

IN € MILLIONS	Year ended Sept 30, 2020	2019	Change	% change
Revenue	822.1	951.3	(129.2)	(13.6%)
EBIT	56.1	124.0	(67.9)	(54.8%)
Adjusted EBIT	96.7	142.7	(46.0)	(32.2%)
Profit for the period	30.0	80.9	(50.9)	(62.9%)
Capital expenditure	(47.6)	(56.5)	8.9	(15.8%)
Free cash flow (FCF)	61.2	48.5	12.7	26.2%
Adjusted FCF	62.3	89.9	(27.6)	(30.7%)
EBIT as % of revenue	6.8%	13.0%		
Adjusted EBIT as % of revenue	11.8%	15.0%		
Profit in % of revenue	3.6%	8.5%		
Capital expenditure as % of revenue	5.8%	5.9%		
FCF in % of revenue	7.4%	5.1%		
Adjusted FCF in % of revenue	7.6%	9.5%		
Net leverage ratio	1.2x	1.0x		

Revenue by operating segment (i.e. region, location of Stabilus company)

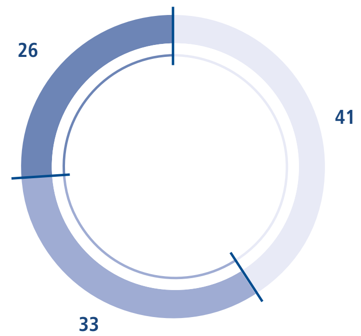
IN %



50% → EMEA
36% → AMERICAS
14% → APAC

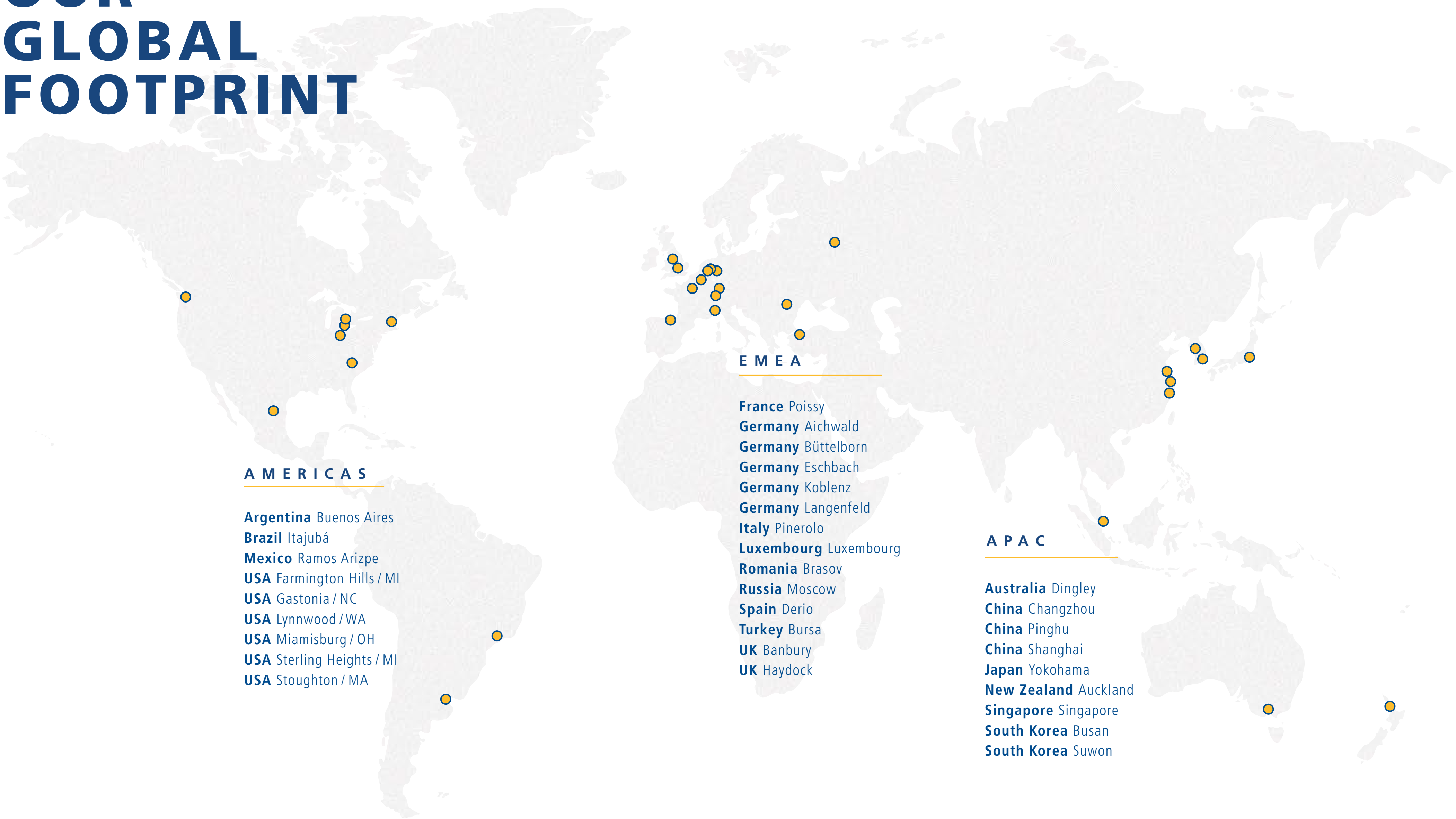
Revenue by business unit

IN %



41% → Industrial Business
33% → Automotive Gas Spring
26% → Automotive Powerise®

OUR GLOBAL FOOTPRINT



AMERICAS

Argentina Buenos Aires
Brazil Itajubá
Mexico Ramos Arizpe
USA Farmington Hills / MI
USA Gastonia / NC
USA Lynnwood / WA
USA Miamisburg / OH
USA Sterling Heights / MI
USA Stoughton / MA

EMEA

France Poissy
Germany Aichwald
Germany Büttelborn
Germany Eschbach
Germany Koblenz
Germany Langenfeld
Italy Pinerolo
Luxembourg Luxembourg
Romania Brasov
Russia Moscow
Spain Derio
Turkey Bursa
UK Banbury
UK Haydock

APAC

Australia Dingley
China Changzhou
China Pinghu
China Shanghai
Japan Yokohama
New Zealand Auckland
Singapore Singapore
South Korea Busan
South Korea Suwon

CONTENTS

A TO OUR SHAREHOLDERS

B COMBINED MANAGEMENT REPORT

C CONSOLIDATED FINANCIAL STATEMENTS

D ANNUAL ACCOUNTS

E ADDITIONAL INFORMATION

A TO OUR SHAREHOLDERS

LETTER FROM THE CEO

Dr. Michael Büchsner
Chief Executive Officer

Dear shareholders, customers, business partners, employees, ladies and gentlemen,

We look back on an unusual 2020 fiscal year – and with confidence toward the future. After meeting our targets for the first quarter, which ended on December 31, 2019, the remaining three quarters were significantly impacted by the COVID-19 pandemic, which had a negative effect worldwide on all our target industries in both the automotive and industrial business. However, our revenue for the year as a whole fell by only a comparatively moderate percentage. Not only were we able to finish the year profitably, we also expect to see revenue growth in the fiscal year ahead. Taken together, these developments demonstrate the resilience of our business model, which is strongly influenced by our wide-ranging product portfolio and innovative strength. In the year under review, the rapid and effective rollout of a pandemic plan at all our locations also made a major contribution to allowing us to effectively protect our employees and maintain production without interruption.

At €822.1 million, revenue was down 13.6% year on year from the prior-year figure of €951.3 million. The adjusted EBIT margin amounted to 11.8%. As a result, we exceeded our forecast for the 2020 fiscal year, which was updated after the third quarter, thanks to a recovery of the markets in the last three months of the year.

Compared to the prior year, the share of industrial business increased from 39% to 41% of Group's total revenue. In this business segment we achieved €337.1 million revenue, after €369.9 million in the previous fiscal year. Revenue in Automotive Gas Spring stood at

€268.0 million (PY: €331.4 million) and in Automotive Powerise at €217.0 million (PY:€250.0 million). Broken down by region, revenue was down by 14.7% to €411.1 million in EMEA and by 18.1% to €299.6 million in the Americas. However, revenue was up by 7.8% to €111.4 million in the APAC region.

Even in turbulent times, we continue strengthening the future viability of our company. In the period under review, we invested €47.6 million (total capex), with a focus on the development of new products and on further future growth. Because the Asian market is a key region in our long-term strategy, we are continuously expanding our capacities there. In particular, the Powerise® products, which have been produced locally in China since 2017, are set to make a significant contribution to the development of Stabilus in Asia.

The pandemic also impacted our earnings in the 2020 fiscal year, with adjusted EBIT of €96.7 million standing in contrast to the prior-year figure of €142.7 million. Following €80.9 million in the prior year, net profit amounted to €30.0 million in the period under review. The decline was due in particular to non-cash impairments of intangible assets of the aerospace segment, which was significantly impacted by the pandemic. We want our shareholders to participate in the company's positive net profit situation once again this year and will propose the payment of a dividend of €0.50 per share to the Annual General Meeting.

»Even in turbulent times, we continue strengthening the future viability of our company… Our vision is to attain a leading position in the field of motion control solutions worldwide by 2025.«

The megatrends behind our long-term growth remain intact despite the pandemic. Demographic change, higher standards of life, a rising desire for comfort, and more stringent health and safety standards will continue to influence societies worldwide, as well as their consumption and buying decisions, in the future. Our motion control solutions for a wide range of industries will allow us to benefit disproportionately from these trends. In certain fields, such as contactless applications, the current crisis is also acting as a catalyst for accelerated development that offers us further opportunities.

For the 2021 fiscal year, we expect revenue of €850 million to €900 million and an adjusted EBIT margin of between 12% and 13%. These assumptions are based on a stabilizing global economy and the expected recovery in global automotive production.

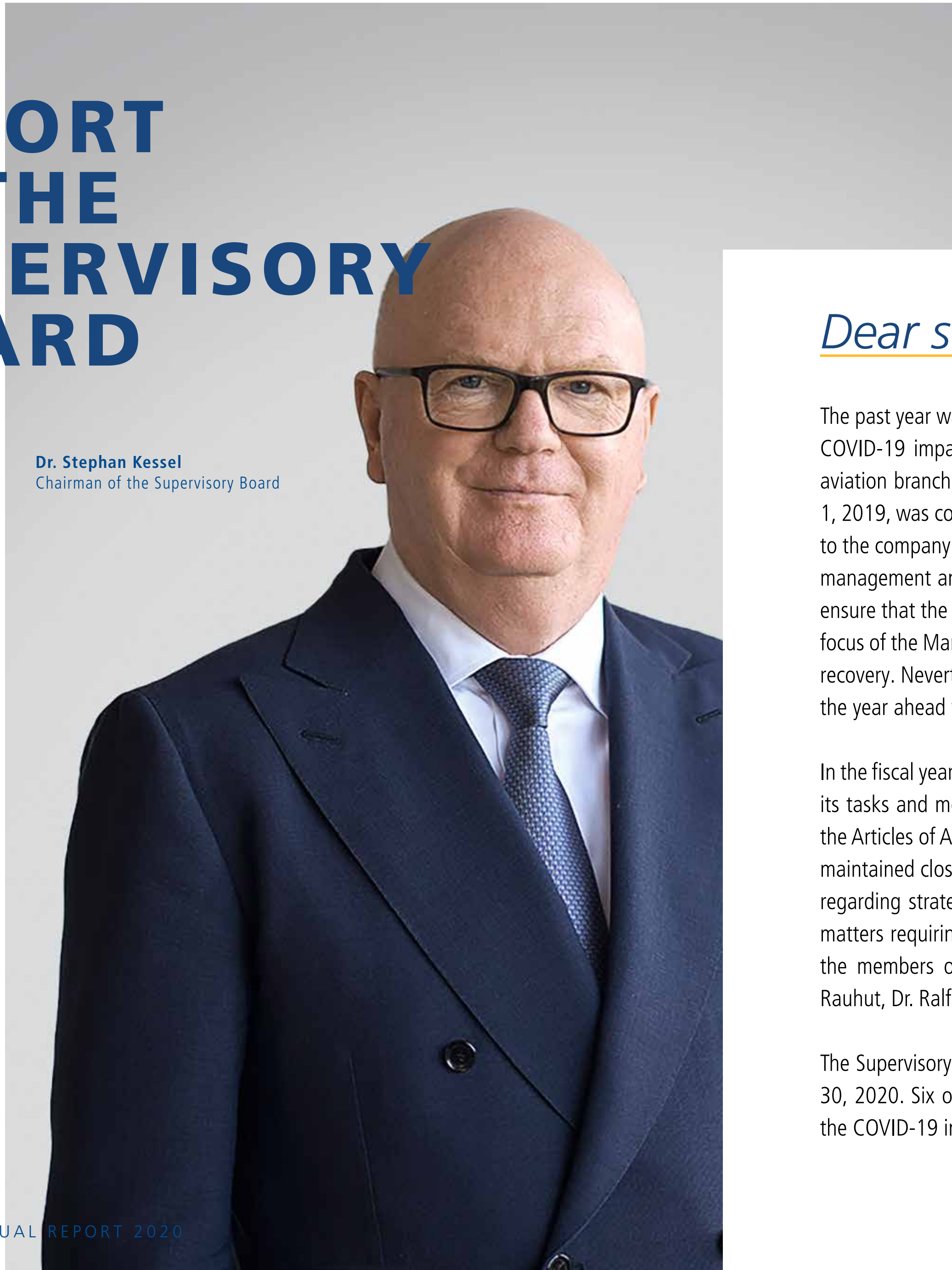
Our vision is to attain a leading position in the field of motion control solutions worldwide by 2025. Expressed in numbers, that vision translates into a goal of achieving revenue growth of 6% a year on average between now and the 2025 fiscal year. Our adjusted EBIT margin target for 2025 stands at 15%. Innovative strength will continue to be a major success factor going forward. One aim is to generate €250 million in revenue with new products in the 2025 fiscal year. With our highly motivated staff, our strong international management team, proven innovative strength and efficiency, and our consistent and systematic customer orientation, we have everything it takes to achieve this ambitious goal.

On behalf of the entire management team, I would like to take this opportunity to thank our shareholders for the confidence they have shown in Stabilus. I would also like to thank our employees for their continued hard work and for the team spirit that has so far helped our company successfully navigate the pandemic. Last but by no means least, I would like to thank our customers for their confidence and loyalty, as well as our business partners for the focused and successful cooperation we enjoy. We are well positioned to ascend to new heights with a host of new product ideas once the pandemic has been overcome and the global economy has started to recover.

Yours sincerely,

DR. MICHAEL BÜCHSNER
CHIEF EXECUTIVE OFFICER

REPORT OF THE SUPERVISORY BOARD



Dr. Stephan Kessel
Chairman of the Supervisory Board

Dear shareholders,

The past year was extremely volatile witnessing the start and global spreading of a pandemic. COVID-19 impacted all areas of the Stabilus business particularly the automotive and the aviation branches. The Management Board headed by Dr. Büchsner, who started on October 1, 2019, was confronted with a difficult task. The wellbeing of our employees was paramount to the company resulting in the creation of a specific task force, which regularly updated staff, management and the Executive Board. The Supervisory Board increased its oversight, too, to ensure that the Stabilus S. A. provides the basis for a speedy and well-organized recovery. The focus of the Managing Board was approved by the Supervisory Board and shows a first sign of recovery. Nevertheless, we at Stabilus S. A. are aware that the pandemic is far from over and the year ahead will be as challenging as the past fiscal year.

In the fiscal year ending September 30, 2020, the Supervisory Board of Stabilus S. A. performed its tasks and monitored the Management Board in accordance with legal requirements and the Articles of Association of Stabilus S. A. The Management Board and the Supervisory Board maintained close and regular contact. The Supervisory Board advised the Management Board regarding strategic and operational decisions as well as governance topics and decided on matters requiring Supervisory Board approval. In the fiscal year ending September 30, 2020, the members of the Supervisory Board were Dr. Stephan Kessel (Chairman), Dr. Joachim Rauhut, Dr. Ralf-Michael Fuchs and Dr. Dirk Linzmeier.

The Supervisory Board held in total eleven meetings during the fiscal year ending September 30, 2020. Six of aforementioned meetings were extraordinary meetings mainly focusing on the COVID-19 impact on Stabilus S. A.

In all of the Supervisory Board meetings, all members were present. To comply with the social distancing requirements, seven of the meetings were held via conference calls. Ongoing subjects in the meetings were the current status and performance of the Stabilus Group, including its commercial position as well as its relevant financial data. The discussions were based on regular and extensive reports in verbal and written form by the Management Board. Other activities included strategy presentations and a strategy workshop, as well as the organizational development and potential acquisitions to enhance the profitable growth of the Stabilus Group.

One additional meeting composed by three members of the Supervisory Board, the Management Board and the Senior Management of Stabilus was held on February 13, 2020, in Luxembourg.

During the reporting period, the members of the Audit Committee were Dr. Joachim Rauhut (Chairman), and Dr. Stephan Kessel. Material questions concerning auditing, accounting, risk management, compliance and respective controls and systems were subject to the monitoring duties of the Audit Committee. The Audit Committee discussed in particular the Quarterly Reports, the relationship with investors and the audit assignment to KPMG Luxembourg Société coopérative including the focus areas of the audit. In the fiscal year ending September 30, 2020, the Committee held six meetings. In the meetings, all members were present; three meetings were conducted via conference call.

During the reporting period, the members of the Remuneration and Nomination Committee were Dr. Stephan Kessel (Chairman) and Dr. Ralf-Michael Fuchs. Remuneration, nomination and general Board matters were discussed by the Committee. The Committee prepared the remuneration report in accordance with the Luxembourg law of August 1, 2020, the Second Shareholders' Rights Directive ("SRD II", Directive (EU) 2017/828). The Remuneration and Nomination Committee held three meetings two of which via conference call. In all meetings, all members of the Remuneration and Nomination Committee were present.

The Supervisory Board examined the Company's annual accounts, the consolidated financial statements and the management report for the fiscal year ending September 30, 2020. Representatives of the auditor KPMG Luxembourg Société coopérative attended the meetings of the Audit Committee on November 11, 2020, and on December 10, 2020, at which the financial statements were examined. The representatives of the auditor reported extensively on their findings, provided a written presentation and were available to give additional explanations and opinions. The Supervisory Board did not raise objections to the Company's annual accounts or to the consolidated financial statements drawn up by the Management Board for the fiscal year ending September 30, 2020, and to the auditors' presentation. The Supervisory Board agreed to the proposal of the Management Board, recommended by the Audit Committee, and approved the Company's annual accounts and the consolidated financial statements for fiscal year 2020. The auditor issued unqualified audit opinions on December 10, 2020.

»COVID-19 impacted all areas of the Stabilus business… The Supervisory Board increased its oversight… to ensure … a speedy and well-organized recovery.«

On behalf of the Supervisory Board, I would like to thank the Stabilus management for excellent achievements throughout the challenging last fiscal year and for the open and effective collaboration. I want to thank the Stabilus employees for their remarkable contributions to the Company's success as well as our shareholders for the highly valued trust which they place in Stabilus.

Luxembourg, December 10, 2020
On behalf of the Supervisory Board of Stabilus S. A.

Yours sincerely,

Stephan Kessel

DR. STEPHAN KESSEL
CHAIRMAN OF THE SUPERVISORY BOARD

FOCUS ON INNOVATION, GROWTH & EFFICIENCY

STABILUS – OUR FUTURE IN MOTION

Founded more than 85 years ago as a producer of retrofittable stabilizers for the American automotive industry, Stabilus continues to set new technological standards as a pioneer for the development of gas springs, dampers, and electromechanical drives. We have continuously expanded this pioneering role: With a comprehensive range of applications, a unique product range and decades of experience, we are the world's leading manufacturer of solutions in the area of motion control. Developing innovative products and technologies plays an important part in Stabilus' success, as we have been able to continuously reinvent our products and identify new areas of application.

Innovative solutions – satisfied customers

We systematically improve our products, integrate electronics, and use new materials. That is our strength and how we create solutions that inspire our customers.

»We systematically improve our products, integrate electronics, and use new materials. That is our strength and how we create solutions that inspire our customers.«

Dorstop

With the DORSTOP, we were the first company in the world to develop a variable hydraulic door stay for the automotive industry. The DORSTOP has been the benchmark for vehicle door adjustment for premium vehicles for many years. It offers a true plus in terms of comfort and safety when getting in and out of the car.

Powerise

The POWERISE electromechanical drive for automatically opening and closing vehicle doors represents the logical development of the gas spring and points the way to the electronic age. Since realizing the first POWERISE system in a series-produced vehicle, we have systematically expanded our excellent market position in this product area and are now the market leader in this sector.

Image: Coaxial spindle drive (POWERISE)

Image: Axially parallel spindle drive (POWERISE)

Image: SD90 POWERISE

DA90

The latest innovation from Stabilus is the POWERISE DOOR ACTUATOR, which combines the benefits of the DORSTOP and the POWERISE to allow vehicle doors to be comfortably opened and closed automatically for the first time. The technology will play a particularly important role in autonomous driving, as fully automatic doors will be one of the fundamental conditions for this technology. Stabilus has already attracted four customers from the premium segment for the POWERISE DOOR ACTUATOR (DA90). Production for these customers, which include providers of electric vehicles, will begin successively from 2021 onward.

Image: DA90 DOOR ACTUATOR

INNOVATION DRIVING GROWTH

Image: Celebrating the winning team of the 2019 Innovation Race

Innovation Race – an innovation culture for long-term success

In order to further expand Stabilus' innovative strength, we launched an investment program as part of our STAR 2025 long-term strategy, with an internal innovation competition called Innovation Race as a key component. The aim of the competition is to continue to promote the culture of innovation at Stabilus as a means of securing the technology leadership of the Stabilus Group for the long term. More than 20% of all employees participated in the first round of this global idea collection process, which began in 2019. To date, the competition has resulted in 426 creative product and process suggestions. All of the ideas submitted to the dedicated digital platform were inspected and discussed by in-house experts and evaluated in terms of their customer benefit and feasibility. Everyone who submitted an idea received feedback. The jury selected the 15 best ideas from a preselected list so that they could be developed in greater detail by support teams. In a subsequent assessment round, six teams qualified for the final.

All the finalists were actively assisted and supported in continuing their projects by internal sponsors at management level. The top ideas included suggestions from Romania, China, the USA, and Germany, thereby underlining the international reach of the competition.

The winner of the first innovation competition was a team headed by development engineer Alexander Reiser which succeeded in finding a clever solution to compensate for the temperature-dependent forces of traditional gas springs. For a wide range of application fields, this approach will help to ensure reliable motion control at different ambient temperature levels, also in conjunction with existing Stabilus systems. The winning team is now sponsored by the respective Stabilus business units and is expected to move forward to series development based on a successful proof of concept.

»Temperature and temperature fluctuation is the Achilles heel of a traditional gas spring and temperature compensation is therefore the holy grail in this field.«

INTERVIEW WITH DR. BÜCHSNER ON THE TOPIC OF INNOVATION

Progress is fueled by new ideas. This is why Stabilus is actively generating new impetus in this area with its innovation competition. We talked to Dr. Michael Büchsner, CEO of Stabilus, about the ideas that are currently coming to fruition – and what else is required to be successful in the long term.

You have been with Stabilus for just over a year now. What do you believe makes Stabilus special, and how important is the topic of innovation in particular?

→ I had come into contact with Stabilus on many occasions during my career to date. I already viewed the company as being synonymous with innovation and high-quality products. My first year at Stabilus only served to confirm this impression. Across our organization, we place considerable emphasis on innovation, as we see it as representing the revenues of tomorrow. One example of our innovative strength is the POWERISE DOOR ACTUATOR, which brings the act of getting into a car to a new level by automatically opening and closing the doors. We are continuing to promote this culture of innovation with the launch of a competition entitled "Innovation Race".

How has the innovation competition gone so far?

→ Extremely well. It has set an incredible number of things in motion – across business units, across locations, and even across company boundaries. The entire Stabilus Group has shown tremendous commitment. I had hoped that this would be the case, but it was not guaranteed. After all, this is the first time we have organized a competition like this.

Has the response been at the level you expected?

→ The figures alone are impressive: With 1,352 participants and 426 ideas submitted, we practically exceeded even our most optimistic expectations. What I am just as pleased to see, however, is employees who did not previously know each other coming into contact through their ideas and entering into an intensive dialog. Many colleagues are clearly enjoying the opportunity to think outside the box. This is almost more important to me than the number of ideas generated.

Are there any initial findings about the quality of the ideas?

→ We have seen a broad mix of ideas, all the way through to some revolutionary concepts whose feasibility is impossible to judge right now. But it would be negligent to talk about quality in this phase of the process. Quality is what is added subsequently. Everyone is invited to look at the ideas and join in the discussion on the competition platform. This will undoubtedly help to make them even better.

What do you see as being the perfect Stabilus DNA?

→ It is a combination of many things. Pride in your ability and your achievements. But also humility – because being ahead and staying ahead are two very different animals. Then there is the staying power you need to analyze difficulties and not give up immediately. The willingness to shine a light on weaknesses so that they can be rectified. The ability to reach out in order to think and work across business units. Product and process developers need to pull in the same direction or even the best idea is doomed to fail. And perhaps the most important thing of all for me: Staying hungry! Even the global market leader cannot afford to rest on its laurels.

→

What do you currently see as the biggest opportunities?

→ Our statement is "Your motion, our solution". This encapsulates what we and our developments stand for. We are focusing on products in the areas of comfort and motion. In the automotive segment, we see opportunities in the trend toward electric mobility and semi-autonomous driving. We are supporting this trend with our automatic door and tailgate drive systems. Our global footprint ensures that all of our developments are made with the customer in mind. In the Industrial business unit, this proximity to the customer also represents a significant opportunity for us. Applying the same model as in our automotive business, our products in the Industrial business are manufactured in all regions, bringing us closer to our customers and making us more effective than many of our competitors. I see a major opportunity in the breadth of our Industrial product portfolio, which extends from commercial vehicles and energy applications through to medical applications and aerospace.

What are the main development topics currently being addressed by your team?

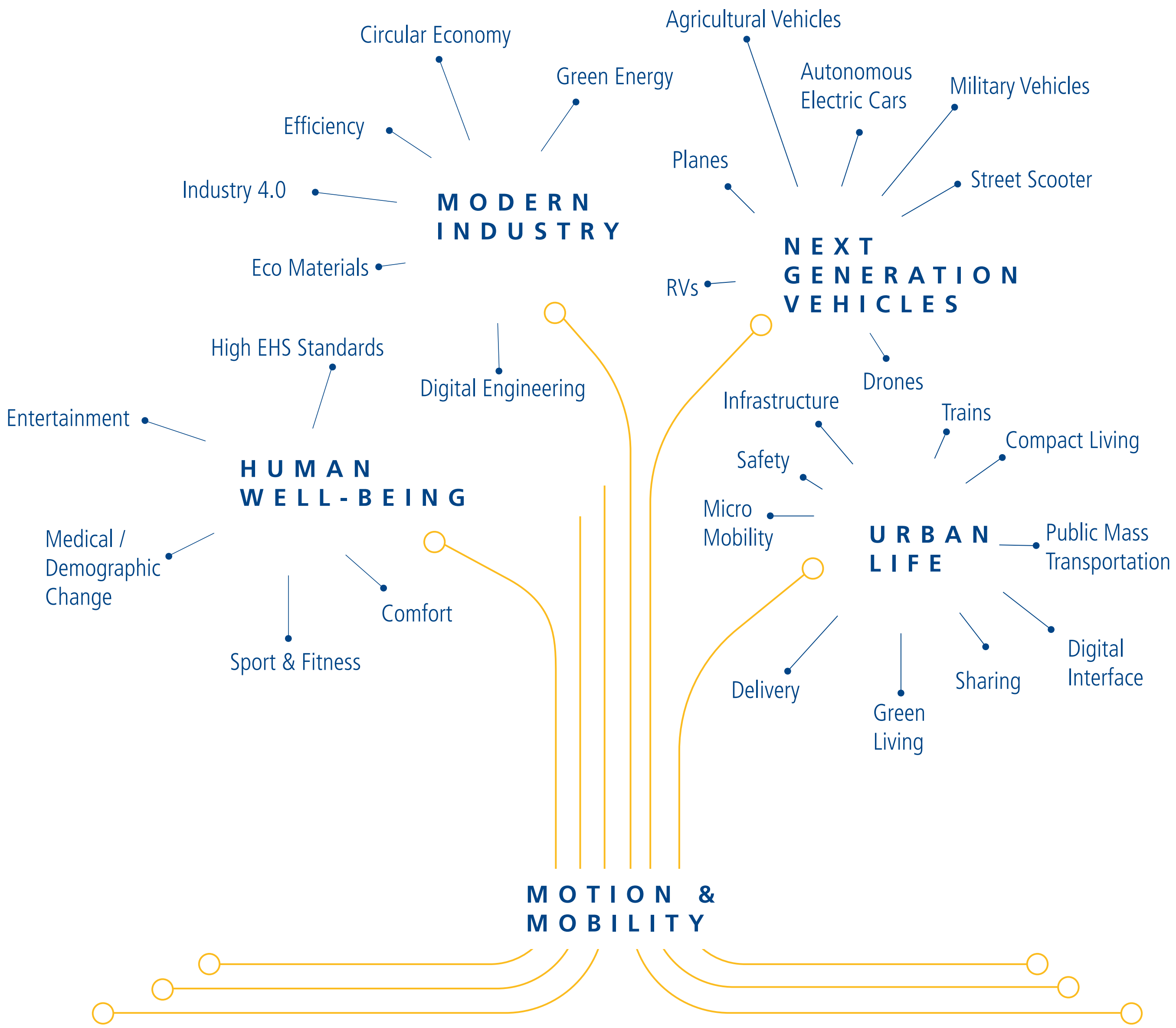
→ In the area of door and tailgate drive systems, we are working on complete solutions for our customers that include the drive unit, the control unit and electronic components, so that it is easier for customers to integrate the systems into their vehicles. We are also especially keen to ensure the robustness of our products and processes, so that we can deploy our products quickly and efficiently around the world. We are in the process of further expanding our portfolio in the Industrial business unit with a focus on applications in the area of damping technology for solar and energy management. We are also continuing to work on our portfolio for medical technology and mechanical engineering. Here, too, we are concentrating on complete solutions, such as products with integrated measuring and control technology.

»Staying hungry! Even the global market leader cannot afford to rest on its laurels.«

INNOVATION TREE – IDENTIFYING MEGATRENDS IN MOTION CONTROL

As part of its long-term strategy, Stabilus has visualized its innovation and development areas in the form of an innovation tree so that it can continue to gear its product portfolio toward the development of global megatrends in the future. In particular, this is intended to significantly heighten the focus on the customer and allow the experience gained over time to be harnessed systematically for product development and enhancement. The innovation tree also makes it easier to identify white spots in Stabilus' product portfolio and regional focus so that strategies and initiatives can be defined in order to close these gaps. This will allow Stabilus to reinforce its leading role in the market for motion control over the coming years.

In developing the innovation tree, Stabilus already generated some initial ideas for applications. In the area of electric mobility, for example, it is focusing on charging and battery change technology. In the future, it could be possible for batteries to be automatically exchanged at gas stations. The battery change mechanism is an example of a field in which Stabilus could offer its solutions based on its leading position in the market for motion control.



Another future area of activity is solar technology, where the linear motion technology in Stabilus' existing product portfolio can be applied to various comfort-oriented products.

The COVID-19 pandemic has led to serious challenges for many parts of our society. At the same time, demand for innovation has enjoyed a significant boost. The virus has changed the typical behavioral patterns of our society. COVID-19 has given rise to considerable demand for contactless applications. For example, we are developing systems for the contact-free opening of overhead bins on aircraft. Thanks to its technologies, Stabilus is excellently positioned to offer solutions that help society to master the changed needs of public life in the form of innovative products.

FOCUS: STABILUS IN MEDICAL TECHNOLOGY

Mobile X-ray machines at the epicenter of the epidemic

When the then unknown COVID-19 illness turned the Chinese city of Wuhan into the epicenter of the pandemic in early 2020, it was vitally important for local intensive care medics to be able to assess the condition of patients' lungs using rapidly deployable imaging techniques. Mobile X-ray machines proved to be among the most effective tools – and machines manufactured by Wangdong, an internationally recognized specialist for imaging techniques, were in use right from the start. Thanks to its connected product network, the company was able to produce hundreds of machines in a short period of time, making an important contribution to the treatment of tens of thousands of patients. The mobile X-ray machines manufactured by Wangdong use gas springs from the Stabilus brand ACE to safely position the X-ray arm of the machine above the patient. The movement of the arm is complex, as it has to be set individually depending on the anatomy of the respective patient and stay in a secure and stable position throughout the X-ray procedure. The technology used also serves to underline the strong synergies and smooth interplay between the various brands within the Stabilus Group: The tension gas spring is a Hahn design that is used in ACE application technology and marketed by the local ACE team via Stabilus China.

Gas springs provide enhanced protection for laboratory equipment

ACE industrial gas springs protect samples in incubators used in chemical and biochemical applications. The perspex hood that covers the laboratory material is securely held in an open and closed position by two maintenance-free, ready-to-install gas springs. This makes it easy for the user to open the hood and lock it in place, while the hood remains safely closed when the incubator is in use.

Custom-made stainless steel gas springs for hygiene chairs make life easier for caregivers

A hygiene chair specially designed for children and young people with disabilities requires a sturdy locking mechanism in the seat and tilt positions. Thanks to two lockable gas springs specially developed and manufactured for this application, the chair has a tilt-in-space function to make life easier for relatives and caregivers. It allows the stepless adjustment of the hygiene chair as it is tilted forward and backward, making it more comfortable and safer to use for caregivers and patients alike. The gas springs are made from stainless steel in order to satisfy all hygiene requirements.

GROWTH & EFFICIENCY

New segment structure – one face to the customer

Stabilus adjusted the structure of its business segments at the start of the 2020 fiscal year and now reports three business units: Automotive Gas Spring, Automotive Powerise, and Industrial. To improve efficiency following the acquisitions made in recent years and enable more effective access to customers in particular, the former Industrial/Capital Goods and Vibration and Velocity Control business units were combined to form the Industrial business unit. As a result of these adjustments, Stabilus is now managing its sales activities in the Industrial business unit on the basis of its customers' individual industrial segments rather than by product category as previously. This serves to underline Stabilus' customer orientation and the growing importance of the industrial business, as well as unlocking additional growth potential.

We have continued to expand our product portfolio in recent years with the integration of ACE, Hahn Gasfedern, Fabreeka, Tech Products, General Aerospace, Clevers, and Piston into the Stabilus Group, meaning that our customers now benefit from the concentration of even greater expertise in the area of motion control. The new structure of the Industrial business unit comprises following customer/market segments: Mobility, Health, Recreation & Furniture, Energy, Construction, Industrial Machinery & Automation. In addition, independent aftermarket and distributor businesses are part of the Industrial business unit.

Industrial Business Unit

STABILUS INDUSTRYLINE

ACE
A STABILUS COMPANY

FABREEKA®
A STABILUS COMPANY

HAHN GASFEDERN
A STABILUS COMPANY

TECH PRODUCTS
A STABILUS COMPANY

General Aerospace
A STABILUS COMPANY

CLEVERs
RESORTE A GAS

PISTON®
GAS SPRINGS

https://www.stabilusindustryline.com/

https://www.acecontrols.com

https://www.hahn-gasfedern.de/en.html

https://www.fabreeka.com/

https://www.novibes.com

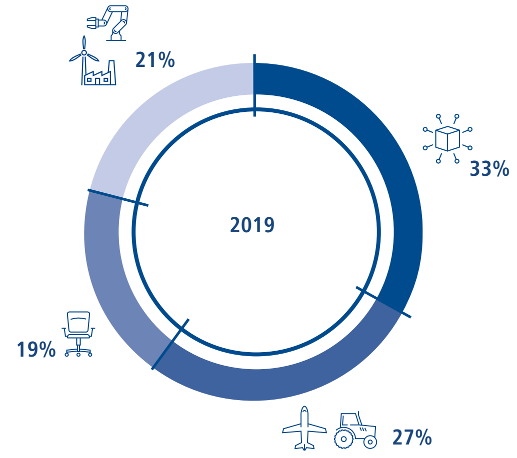
https://www.general-aero.com/en

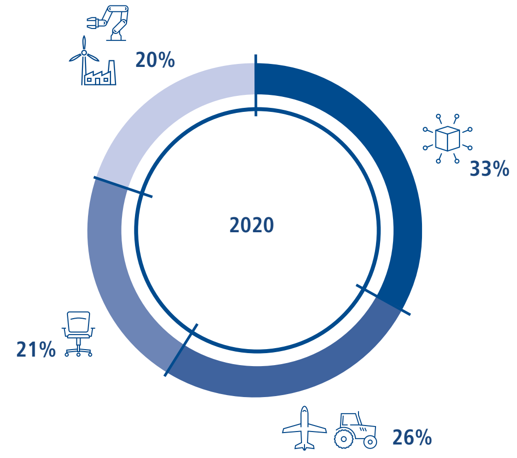
http://www.piston.com.tr/

http://www.clevers.com.ar/

Industrial sales by market segment

IN %





→ Distributors, Independent Aftermarket, E-commerce

→ Mobility

→ Healthcare, Recreation & Furniture

→ Energy, Construction, Industrial Machinery & Automation

STABILUS SHARE

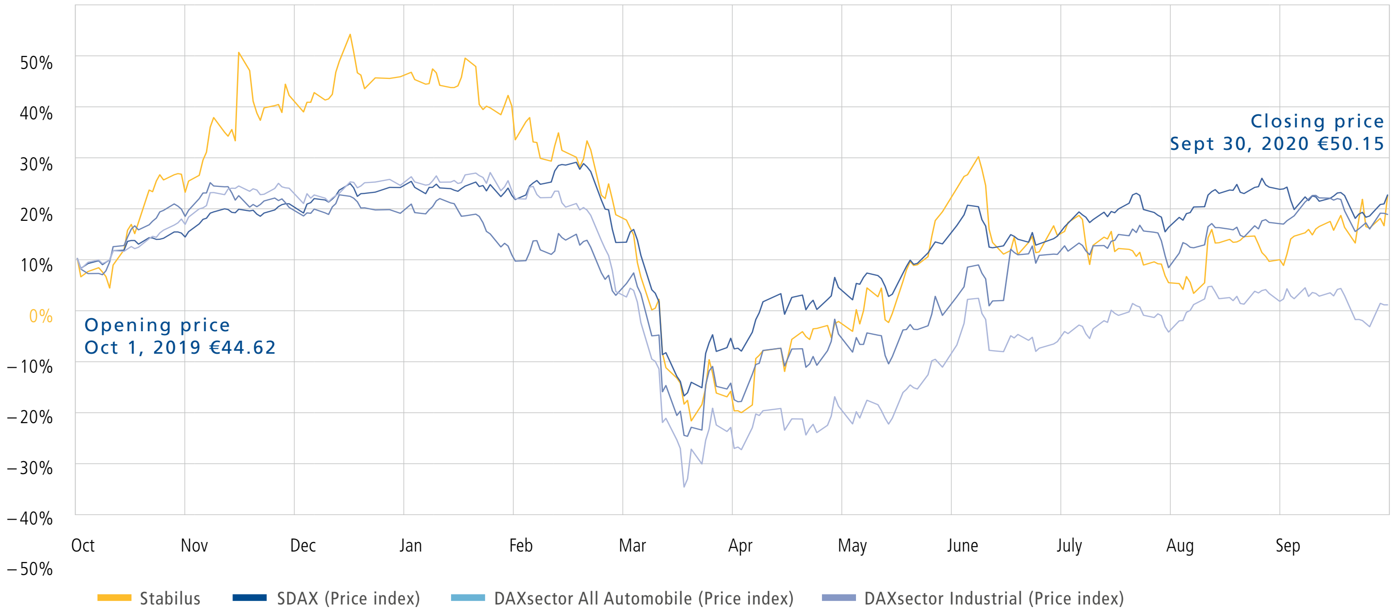
Stabilus share data

Ticker symbol	STM
Bloomberg ticker symbol	STM:GR
Reuters ticker symbol	STAB.DE
ISIN	LU1066226637
German security identification number (WKN)	A113Q5
Number of shares outstanding (Sept 30, 2020)	24,700,000
Type of shares	Dematerialized shares with a nominal value of €0.01
Capital stock (Sept 30, 2020)	€247,000

Stabilus share price up by 12%

As of September 30, 2020, and in year-on-year comparison, Stabilus' share price increased by twelve percent and noticeably outperformed its peer index DAXsector Industrial. The annual progress was roughly in line with the development of the SDAX and DAXsector All Automobile indices during the same period of time.

Share price development



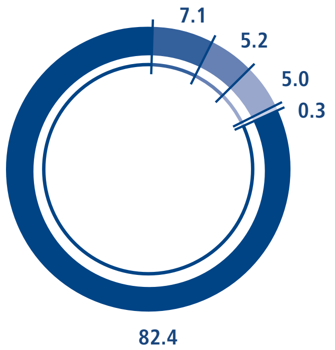
Shareholder structure

According to the voting rights notifications received until September 30, 2020, Marathon Asset Management LLP, London, UK, Allianz Global Investors GmbH, Frankfurt am Main, Germany and Teleios Capital Partners LLC, Zug, Switzerland each hold more than 5% of Stabilus shares. Stabilus management, i.e. members of the Management Board and of the Supervisory Board, hold 0.3% of the total shares.

The aforementioned and all other voting-right notifications are published on WWW.IR.STABILUS.COM.

Shareholder structure

IN % AS OF SEPTEMBER 30, 2020



7.1%	→ Marathon Asset Management LLP, London, UK
5.2%	→ Allianz Global Investors GmbH, Frankfurt am Main, Germany
5.0%	→ Teleios Capital Partners LLC, Zug, Switzerland
0.3%	→ Management
82.4%	→ Other institutional and private investors

Annual General Meeting

Approximately 60% of equity capital was represented at our Annual General Meeting which was held on February 12, 2020, in Luxembourg. Each resolution proposed by the company's management was approved with more than 95% of votes. All documents and information regarding the Annual General Meeting can be found at **WWW.IR.STABILUS.COM**.

Dividend proposal of €0.50 per share

The Management Board and the Supervisory Board have resolved to propose a dividend distribution of €0.50 per share to the Annual General Meeting to be held in Luxembourg on February 10, 2021. It corresponds to a total dividend of €12.4 million (PY: €27.2 million) and the distribution ratio of around 41.2% (PY: 33.7%) of the consolidated profit attributable to the Stabilus shareholders.

Development of Stabilus share price since IPO

Regular dialog with investors and analysts

In fiscal year 2020 we continued to pursue our goal of providing all market participants with relevant and reliable information. In the first half of the fiscal year 2020 we conducted seven investor events (i.e. roadshows and site visits), while in the second half of the year, during the COVID-19 pandemic, the IR events were held in virtual format (video and audio conferences). In addition, in FY2020 we participated in the following international conferences:

- → Berenberg Milan Seminar, Milan
- → Berenberg European Corporate Conference, Pennyhill Park, Surrey
- → Commerzbank German Investment Seminar, New York
- → Baader German Corporate Day, Toronto
- → Kepler Cheuvreux German Corporate Conference, Frankfurt am Main
- → UBS Pan European Small and Mid-Cap Conference, London (virtual conference)
- → Commerzbank Northern European Conference, New York and Boston (virtual conference)
- → Berenberg Conference USA, Tarrytown (virtual conference)
- → Societe Generale Nice Conference, Nice (virtual conference)
- → J.P. Morgan Annual Auto Conference, London (virtual conference)
- → Commerzbank Sector Conference, Frankfurt am Main (virtual conference)
- → Baader Investment Conference, Munich (virtual conference)
- → Berenberg and Goldman Sachs German Corporate Conference, Munich (virtual conference)

The following equity analysts publish regular assessments and recommendations on Stabilus stock:

Research coverage

Berenberg	Philippe Lorrain
Commerzbank	Yasmin Steilen
Hauck & Aufhäuser	Christian Glowa
J.P. Morgan	Jose M Asumendi, Akshat Kacker
Kepler Cheuvreux	Hans-Joachim Heimbürger
Quirin	Daniel Kukalj
Societe Generale	Stephen Reitman
Stifel	Alexander Wahl
UBS	Sabrina Reeh
Warburg Research	Marc-René Tonn

B

COMBINED MANAGEMENT REPORT

as of and for the fiscal year ended September 30, 2020

GENERAL

Stabilus S. A., Luxembourg, hereafter also referred to as "Stabilus" or the "Company" is a public limited liability company (Société Anonyme) incorporated in Luxembourg and governed by Luxembourg law. The registered office is 2, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg.

Stabilus S. A. is the parent company of the Stabilus Group. The Group is organized and managed primarily on a regional level. The three reportable operating segments of the Group are EMEA (Europe, Middle East and Africa), Americas (North and South America) as well as APAC (Asia Pacific). Stabilus' fiscal year is a twelve-month period from October 1 until September 30 of the following year.

The Stabilus Group is a leading manufacturer of gas springs, dampers, vibration isolation products as well as electromechanical tailgate opening systems (motion control solutions). The products are used in a wide range of applications in the automotive and the industrial and domestic sector. Typically, the products are used to aid the lifting and lowering or dampening of movements. As world market leader for gas springs, the Group manufactures for all key vehicle producers, a broad spectrum of industrial customers diversifies the Group's customer base. Almost 41% (PY: 40%) of the Group's revenue in fiscal year 2020 was achieved with industrial customers.

STRATEGY

The Stabilus Group is a leading supplier of gas springs to automotive and industrial customers. In addition, the Company has successfully expanded into the production and sale of automatic opening and closing systems, primarily used for vehicle tailgates. With the acquisition of Hahn Gasfedern, ACE, Fabreeka and Tech Products in fiscal year 2016 and the acquisition of General Aerospace (Germany), Piston (Turkey) and Clevers (Argentina) in fiscal year 2019, the Group expanded its product offering and regional presence. The Group offers a broad range of solutions for motion control including damping vibration insulation solutions. Stabilus' strategic aim is to further extend its leadership positions in this product range. The key focus areas of its strategy process STAR are to: (i) drive profitable and cash-generating growth, (ii) benefit from megatrends, such as increased standard of living, increasing comfort requirements and aging population, (iii) focus on innovative gas spring solutions, especially in the industrial business through new applications and selected add-on acquisitions and (iv) maintain and strengthen the Company's cost and quality leadership.

Drive profitable and cash generating growth in all regional segments and across end markets

The Stabilus management aims to continue to increase revenue, profits and cash flows across all business segments by further focusing on regions and sectors where the Stabilus Group has room to grow, by entering new markets and by strengthening the Group with selected add-on acquisitions.

Automotive Gas Spring & Powerise®: Focus on rapidly growing regions and increased comfort demand

Stabilus intends to continue to further expand its international presence in rapidly growing markets, in particular in Asia, which has become a significant growth driver for the automotive sector and where the Company's market share still lags behind the market share in EMEA and Americas. Management seeks to increase revenue from Asian OEMs in the automotive business, supported by targeted investments in additional production capacity in this region. To achieve this goal, management has implemented a targeted sales strategy and is further strengthening application engineering capabilities in China, which has already secured orders from several local Chinese OEMs, both for Gas Spring and Powerise®. Stabilus´s market share with European and US car manufactures has long since been strong.

Increased demand for boxy car designs like crossover, hatchback and estate body type, as well as family van and SUV will provide a strong foundation for increased sales. Powerise®, our automatic opening and closing system for vehicle tailgates fulfills increased comfort requirements of end customers across all regions. The Company is in the process of setting up a dedicated Powerise® production building in Pinghu, China, besides existing Powerise® plants in Mexico and Romania.

Industrial: Increase regional coverage

While Stabilus has a large industrial market share in some European countries in which the Company has a strong commercial presence, the Group believes that there is still potential to increase market share in Asia and North America, where the Company's market coverage is comparatively less strong. Management has identified regions and countries in which the Company has the opportunity to repeat the successful strategies from markets where Stabilus has a high share, by improving market coverage with the objective of strengthening the local sales footprint. In addition, Stabilus is duplicating its production, application engineering and sales know-how from EMEA and Americas to the APAC region, to strengthen the Group's footprint there. The Company has increased its product offering in Asia, especially China. Stabilus has extended its Chinese production capabilities and set up local application engineering, sales and project management teams. The Stabilus management believes that a strong local presence in China will further strengthen the Group's position in the APAC region.

The acquired entities in last fiscal year, General Aerospace (Germany), Piston (Turkey) and Clevers (Argentina) to strengthen the Industrial business in all regions and in specific end markets. One important end market is the aerospace business. The rationale is to expand the motion control product portfolio in the aviation industry and to further develop the aircraft aftermarket and the retrofit business.

Benefit from megatrends, such as increasing comfort requirements and aging population

Stabilus continues to adapt its product offerings towards megatrends, such as comfort requirements. The Powerise® solution enhances comfort through automatically opening and closing car tailgates and trunk lids. In addition, the Company's gas springs offer more comfortable opening and closing solutions as well as increased comfort in commercial furniture and industrial applications, such as airplane seats.

The share of people older than 55 years of the global population is growing considerably faster than the population as a whole in a number of countries. Stabilus aims to benefit from this megatrend. It is inevitable that an aging consumer base in mature markets requests more movement support and more automated systems in aspects of their daily lives and specifically in their vehicles. The Group intends to benefit from this megatrend as a leading system provider of automatic opening and closing systems which will continue to experience an increasing demand.

Focus on innovative components and systems to take advantage of global industry trends

The products of Stabilus are at the forefront of innovation in motion control. The Company employs 399 people (PY: 405 people) in R&D across its three regional segments as of September 30, 2020. Stabilus is focused on designing and manufacturing highly engineered components, modules and system solutions that address key global trends in the automotive and industrial sectors. The Company aims to adapt to these trends by continuously improving its existing technology, in particular the requirement for ergonomic solutions as well as automated opening and closing systems. Management believes that actively addressing these key trends reinforces the Company's ability to maintain its market share and profitability.

In the industrial sector, the Company continues to develop products for enhanced safety and comfort. For example, it is selling a seat application based on the Bloc-O-Lift® system for use in airplane seats. In addition, dampers manufactured by Stabilus are increasingly used in sun tracking solar parks. Our dampers protect the modules by reducing wind induced vibration.

Management expects that the recent and ongoing growth of our customer base for Powerise® solutions due to the superior technology features of the Company's products will be a key growth driver for Stabilus. While Powerise® systems were in the past deployed only in the luxury and SUV car segments, Powerise® has successfully gained market shares with mid-class vehicles. The Company is working on and investing in improving and further developing its current spindle drive technology to further reduce noise, weight and costs. In addition, Stabilus is exploring industrial applications for its Powerise® systems.

Maintain and strengthen cost and quality leadership

Build on the Group's global footprint and proximity to customers

Based on Stabilus guiding strategy "in the region, for the region", we have established our facilities in close proximity to the Group's customers and have done so continuously over the past years e.g. the US, in China, South Korea, Mexico. It is the Company's goal to continue to provide a comprehensive product and service offering to current and new customers globally. The Group seeks to fully globalize its product portfolio and to provide an even broader range of components and systems to each customer. The companies acquired in 2019 will benefit from the access to a broader customer base.

Continue to optimize cost base

Stabilus continuously implements operational improvements relating to plant and overhead, which includes productivity improvements, overhead optimization and the rollout / implementation of local sourcing, to improve the Company's operating cost structure.

For the coming years, management expects to continue on this path with productivity improvements and a range of initiatives to increase profitability. This is backed by a high level of business which has already been locked in. Due to the Company's production know-how and long-standing client relationships backed by Stabilus's quality leadership, management is confident that it can protect the Group's market shares in gas springs in EMEA and Americas and gain further market shares for gas springs in the APAC region, especially with local customers. An increasing market share of Powerise® supports this positive outlook, as well as on expanded range of innovative products for the broad market.

BUSINESS AND GENERAL ENVIRONMENT

Stabilus Group operates in automotive and in industrial markets.

In the industrial markets, Stabilus supplies customers in a large number of sub-industries, e.g. distributors, independent aftermarket, e-commerce, mobility, healthcare, recreation and furniture, energy, construction, industrial machinery and automation. Hence, our revenue development in the industrial business depends to a certain degree on the macroeconomic development, i.e. the growth rate of the gross domestic product (GDP) in the countries and regions we operate in.

In the automotive market, an important driver of our revenue growth is the global production volume of light vehicles (which comprise passenger cars and light commercial vehicles weighing less than six tons) and ultimately the number of vehicles sold, e.g. the registration of new vehicles as an indicator of car sales. The average content of Stabilus products per vehicle differs with the car body configurations (for instance, hatchbacks, crossovers, family vans have generally a higher Stabilus content per car). Therefore, the demand and popularity of certain vehicle body configurations should be considered as an additional variable in a revenue forecast model.

Latest growth projections for selected economies

T_001

% YEAR-ON-YEAR CHANGE IN THE CALENDAR YEAR	2019	2020*	2021*
World	**2.8%**	**(4.4)%**	**5.2%**
Advanced economies	**1.7%**	**(5.8)%**	**3.9%**
Euro Area	1.3%	(8.3)%	5.2%
United Kingdom	1.5%	(9.8)%	5.9%
United States	2.2%	(4.3)%	3.1%
Canada	1.7%	(7.1)%	5.2%
Japan	0.7%	(5.3)%	2.3%
Developing economies (emerging markets)	**3.7%**	**(3.3)%**	**6.0%**
Emerging and developing Europe	2.1%	(4.6)%	3.9%
Russia	1.3%	(4.1)%	2.8%
China	6.1%	1.9%	8.2%
Mexico	(0.3)%	(9.0)%	3.5%
Brazil	1.1%	(5.8)%	2.8%

Source: IMF, October 2020 World Economic Outlook.

* Projections

Macroeconomic development

As per the latest figures published by the International Monetary Fund (IMF), the negative global GDP growth in the calendar year 2020 is projected to be -4.4% (2019: 2.8%). Global GDP growth is projected to increase to 5.2% in the calendar year 2021 whereas the growth in advanced economies will be less than the growth in developing economies. Advanced economies are projected to decrease by -5.8% in the calendar year 2020. This is significantly lower than the 1.7% growth experienced by advanced economies in the calendar year 2019. It is projected that growth in advanced economies will strongly increase by 3.9% in the calendar year 2021. Developing economies are projected to decrease less than advanced economies in 2020 and continue to enjoy stronger growth than advanced economies in calendar year 2021. The growth rate in developing economies is projected to be significantly lower at -3.3% in the calendar year 2020 (2019: 3.7%) and improving to 6.0% in 2021. The overall development is affected by the uncertainties from the COVID-19 pandemic.

Development of vehicle markets

The global production of light vehicles in the last twelve months decreased significantly. The COVID-19 outbreak in 2020 is the main reason for this development. According to IHS forecasts as of October 2020, the global production of light vehicles is expected to decrease from 88.9 million units in calendar year 2019 to approximately 73.0 million vehicles in 2020, a decrease of -17.9%. Thus, in 2020, the output of new passenger cars and light commercial vehicles in APAC is forecasted to reach around 39.7 million vehicles (-14.1% versus 46.2 million units in 2019), approximately 18.0 million vehicles (-22.1% versus 23.1 million units in 2019) in EMEA and around 15.3 million vehicles (-21.9% versus 19.6 million units in 2019) in the Americas region.

Estimations of the German Association of the Automotive Industry (VDA) for the period January until September 2020 show a more and more uniform negative development of new car registrations in the major car markets due to the COVID-19 pandemic. New car registrations in Germany from January to September decreased by -25% compared to the same period in 2019 while total Europe new car registrations were down by -29%. The sales in the US light vehicle market shows a similar development with a decrease of -19% compared to the same period in 2019, whereas Japan decreased by -18%. China decreased by -13%.

Production of light vehicles T_002

IN MILLIONS OF UNITS PER CALENDAR YEAR	2019	2020**	2021**	2022**	2023**	2024**	2025**
EMEA	23.1	18.0	20.9	22.1	22.6	23.0	23.3
Americas	19.6	15.3	18.9	19.6	19.7	19.9	20.2
APAC	46.2	39.7	43.3	45.6	47.7	49.4	51.3
Worldwide production of light vehicles*	**88.9**	**73.0**	**83.1**	**87.2**	**89.9**	**92.3**	**94.7**

Source: IHS

* Passenger cars and light commercial vehicles (<6t)

** IHS forecast as of October 2020

In Germany, the German Department of Motor Vehicles (Kraftfahrt-Bundesamt, KBA), a government agency administering vehicle registrations publishes monthly statistics of new passenger car registrations, classified by car models and segment types. According to KBA statistics, there is a very strong decrease in the SUV segment of -24.1% for the period January to September 2020, compared to the same period in 2019 while registrations for off-road vehicles recorded a decrease of -18.2% over the same period in comparison to 2019. The overall new car registrations decreased by -25.5% in the period from January until September 2020.

According to information released by the China Association of Automobile Manufacturers (CAAM) for the period January until September 2020, the sales of passenger cars was down by -12.4% compared to the same period in 2019. Sale of SUVs and MPVs declined by -5.5% and -32.7% respectively in the same period.

Alternative Performance Measures (APMs) in the annual report of fiscal year 2020

In accordance with the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures, the Stabilus Group provides a definition, the rationale for use and a reconciliation of APMs used. The Group uses the following APMs: organic growth, adjusted EBIT, free cash flow (FCF), adjusted free cash flow and the net leverage ratio. The calculation of the net leverage ratio is based on net financial debt and adjusted EBITDA, which are also considered APMs.

The APM organic growth is presented because we believe it aids in understanding our operating performance. We have modified this definition in the current financial year with regards to foreign exchange effects. In the past we have only reported at constant USD/EUR exchange rates for the NAFTA region. However, due to increasing impacts also from other foreign currencies we will determine organic growth based on all relevant foreign currencies.

The modified definition is as follows: Organic growth is defined as the reported revenue growth after removing the effects of acquisitions, divestitures and at constant foreign exchange rates. The effects resulting from constant foreign exchange rates are calculated as current year revenues converted at current year's exchange rates less current year revenues converted at prior year's exchange rates.

The definitions and required disclosures of all other APMs are provided in the relevant sections of this annual report.

Change in the organizational structure since the beginning of fiscal year 2020

As of October 1, 2019, the Stabilus Group changed its organizational and management structure to better address the requirements of regions and markets. Stabilus continues focus on regions to manage its business. The change is that South America and the former NAFTA are now managed within Stabilus as Americas, and, consequently, South America is not part of Asia / Pacific anymore. As such the new regions are as follows:

- EMEA: Europe, Middle East and Africa
- AMERICAS: North and South America
- APAC: Asia Pacific

These regions are the operating segments of the Stabilus Group. Furthermore, the Industrial business will not be split into different business units anymore. We have merged the business units Vibration & Velocity Control and Industrial / Capital Goods into Industrial. This is to align the market approach for all industrial markets, e.g. to realize cross selling opportunities and to optimize cost structures in managing the industrial business. Consequently, Stabilus has three business units:

- Automotive Gas Spring
- Automotive Powerise®
- Industrial

The presentation of prior year figures is adjusted to provide comparative information already reflecting the new structure.

Impact of COVID-19 on the Stabilus Group

Fiscal year 2020 was significantly affected by the COVID-19 crisis, which had a negative on all regions and all our market segments in which we operate, i.e. automotive and industrial business. In the first three quarters of calendar year 2020 the macroeconomic environment and the global economy as a whole were significantly impacted. This bears various risks for Stabilus, e.g. decreasing customer demand, shortages in the supply chain, governmentally enforced closure of plants, limited cost flexibility, devaluation of assets, cash shortages or the health of our employees.

To mitigate the risks of the COVID-19 pandemic, Stabilus has implemented a global multidisciplinary crisis management team that monitors and analyzes the situation on a local and a global level and is taking actions to address and mitigate identified risks. Amongst others Stabilus has reduced capacities, e.g. by making use of short time work, furlough as well as selected redundancies. In addition, Stabilus emphasizes on a very strict monitoring of cost, liquidity as well as impairment risks. All employees are well informed about safety measures in business and private life. Also adjusted shift patterns, increased offering of home office and pulling forward of vacation, reduce the risk of the virus spreading further. Due to our rapid response to the new global situation and the effective rollout of pandemic plans to all our locations we were able to effectively protect our employees and maintain production without interruption. In fiscal year 2020, Stabilus received government grants for social security contributions and rental subsidies due to the impact of COVID-19 with an amount of €4.4 million. These grants are directly recognized in the various functional areas in which they were incurred as a direct deduction from the related expenses. Furthermore, Stabilus received reimbursements for short time work of €3.9 million (set out in Note 5).

On July 31, 2020, the Group signed an amendment of the senior facility agreement dated June 7, 2016, to prepare for potential future challenges from the COVID-19 crisis. The amendment provides for an additional committed credit line of €50.0 million, a temporary increase of the maximum leverage ratio permitted under the senior facility agreement and opens the ability to issue promissory loan notes (Schuldscheindarlehen) up to an aggregated amount of €150.0 million. The senior facility agreement, as amended, provides additional financial stability.

At the balance sheet date, the Group has a committed revolving facility of €70.0 million (PY: €70.0 million). As at September 30, 2020, the Group had drawn €29.9 million under the committed €70.0 million revolving credit facility. The Group utilized €0.8 million out of the €70.0 million revolving credit facility to secure existing guarantees. Furthermore, the Group has the above mentioned undrawn committed credit line of €50.0 million (PY: €- million) (we refer to Note 22). In the financial year 2020, the COVID-19 crisis did not have any material adverse effects on the financial stability of the Stabilus Group (details in Note 32). The financial covenants of the senior facility agreement were complied with any time (we refer to net leverage ratio on page 32).

Due to the weak overall economy the Group's total revenue decreased by (13.6)% to €822.1 million in fiscal year 2020. The decrease in Group revenue in fiscal year 2020 primarily occurred in EMEA by (14.7)% to €411.1 million, and in the Americas by (18.1)% to €299.6 million. The revenue in APAC increased by 7.8% to €111.4 million.

This global market development is also reflected in the development of the market segments in which we operate. The Automotive Gas Spring business was strongly impacted by the COVID-19 crisis and decreased by (19.1)% to €268.0 million and the Automotive Powerise® business decreased by (13.2)% to €217.0 million. The decline in the Automotive Powerise® business is lower than in the Automotive Gas Spring business which is a result of the rising demand for Automotive Powerise® in our Chinese entity which led to an increase of revenue by €8.1 million compared to prior year. Currently, Stabilus is in the process of setting up a dedicated Powerise® production building in Pinghu, China, besides already existing Powerise® plants in Mexico and Romania.

Our Industrial business was also impacting from the COVID-19 crisis, the revenue decreased by (8.9)% to €337.1 million. The smaller decline in the industrial business compared to the automotive business reflected the high diversification of the product portfolio and of our broad customer portfolio in the industrial sector which helps to mitigate the impact.

The Group tested impairments on goodwill, development cost and other non-financial assets on an annual basis, or if there is an indication that the carrying amount may not be recoverable. Based on the triggering event "COVID-19" the Group has performed impairment tests, especially for goodwill and for other intangible assets from purchase price allocations. For goodwill no impairment has to be recognized in fiscal year 2020. However the headroom's have decreased; the underlying assumptions are described in Note 13. For other intangible assets the Group accounted in the third quarter of fiscal year 2020 a non-cash impairment of €25.7 million, related to our aerospace business which is heavily impacted by the COVID-19 crisis. This primarily lead to reduced demand of our products for the aviation industry due to reduced production of aircrafts and fewer retrofits of existing aircrafts. However, we are confident that the aerospace business is still an excellent addition to Stabilus´ motion control portfolio with future growth potential.

The impairment test for fiscal year 2020 confirms that the book value of goodwill is fully recoverable and that the goodwill attributable to the individual operating CGUs is not impaired. In addition, no further other intangible assets from purchase price allocations have been impaired.

The overall impact of the COVID-19 crisis is also affecting our net profit in fiscal year 2020, which declined from €80.9 million in fiscal year 2019 by €(50.9) million to €30.0 million in the current financial year. The decline contains the non-cash impairment from other intangible assets of €(18.0) million (net of tax).

For the fiscal year 2021, we expect revenue of €850 million to €900 million and an adjusted EBIT margin of between 12% and 13%. These assumptions are based on a stabilizing global economy and the expected recovery in global automotive production and no further unexpected impacts of the COVID-19 pandemic.

The consolidated financial statements have been prepared under the going concern assumption. From the current perspective there are no risks to the continued existence of the Stabilus Group.

RESULTS OF OPERATIONS

The table below sets out Stabilus Group's consolidated income statement for the fiscal year 2020 in comparison to the fiscal year 2019:

Income statement T_003

	Year ended Sept 30,			
IN € MILLIONS	**2020**	2019	Change	% change
Revenue	822.1	951.3	(129.2)	(13.6)%
Cost of sales	(590.6)	(675.0)	84.4	(12.5)%
Gross profit	**231.5**	**276.4**	**(44.9)**	**(16.2)%**
Research and development expenses	(40.6)	(39.2)	(1.4)	3.6%
Selling expenses	(106.1)	(84.2)	(21.9)	26.0%
Administrative expenses	(35.5)	(35.7)	0.2	(0.6)%
Other income	8.9	8.3	0.6	7.2%
Other expenses	(2.1)	(1.7)	(0.4)	23.5%
Profit from operating activities (EBIT)	**56.1**	**124.0**	**(67.9)**	**(54.8)%**
Finance income	2.3	1.3	1.0	76.9%
Finance costs	(11.0)	(10.4)	(0.6)	5.8%
Profit / (loss) before income tax	**47.4**	**114.9**	**(67.5)**	**(58.7)%**
Income tax income / (expense)	(17.4)	(34.0)	16.6	(48.8)%
Profit / (loss) for the period	**30.0**	**80.9**	**(50.9)**	**(62.9)%**

Revenue

Group's total revenue developed as follows:

Revenue by region and business unit T_004

	Year ended Sept 30,						
IN € MILLIONS	2020	2019	Change	% change	% acquisition effect	% currency effect	% organic growth
EMEA							
Automotive Gas Spring	111.7	145.4	(33.7)	(23.2%)	–	0.0%	(23.2%)
Automotive Powerise®	84.2	98.1	(13.9)	(14.2%)	–	(1.7%)	(12.5%)
Industrial[2]	215.2	238.6	(23.4)	(9.8%)	4.6%	(0.1%)	(14.3%)
Total EMEA[1]	**411.1**	**482.1**	**(71.0)**	**(14.7%)**	**2.3%**	**(0.4%)**	**(16.6%)**
Americas							
Automotive Gas Spring	88.2	118.9	(30.7)	(25.8%)	–	(2.7%)	(23.1%)
Automotive Powerise®	105.7	133.0	(27.3)	(20.5%)	–	(6.7%)	(13.8%)
Industrial[2]	105.7	114.0	(8.3)	(7.3%)	0.6%	(0.2%)	(7.7%)
Total Americas[1]	**299.6**	**365.9**	**(66.3)**	**(18.1%)**	**0.2%**	**(3.4%)**	**(14.9%)**
APAC							
Automotive Gas Spring	68.1	67.1	1.0	1.5%	–	(1.0%)	2.5%
Automotive Powerise®	27.1	19.0	8.1	42.6%	–	(1.8%)	44.4%
Industrial[2]	16.2	17.2	(1.0)	(5.8%)	–	(1.3%)	(4.5%)
Total APAC[1]	**111.4**	**103.3**	**8.1**	**7.8%**	**–**	**(1.2%)**	**9.0%**
Stabilus Group							
Total Automotive Gas Spring	268.0	331.4	(63.4)	(19.1%)	–	(1.2%)	(17.9%)
Total Automotive Powerise®	217.0	250.0	(33.0)	(13.2%)	–	(4.3%)	(8.9%)
Total Industrial[2]	337.1	369.9	(32.8)	(8.9%)	3.2%	(0.2%)	(11.9%)
Revenue[1]	**822.1**	**951.3**	**(129.2)**	**(13.6%)**	**1.2%**	**(1.6%)**	**(13.2%)**

[1] Revenue breakdown by location of Stabilus company (i.e. "billed-from view").

[2] As of October 1, 2019, our Vibration & Velocity business and Industrial / Capital Goods business units were combined into the Industrial business. The presentation of prior-year figures was changed accordingly.

Total revenue of €822.1 million in fiscal year 2020 decreased by €(129.2) million or (13.6)% compared to the fiscal year 2019. The Group´s organic growth in fiscal year 2020 was €(125.3) million or (13.2)%. The entities acquired in fiscal year 2019 (General Aerospace in April 2019, Clevers and Piston in July 2019) contributed €11.7 million revenue to the organic growth in fiscal year 2020, while the effect from exchange rate movements amounted to €(15.5) million.

The decline in Group revenue in fiscal year 2020 primarily occurred in EMEA (€(71.0) million or (14.7)%, organic growth rate (16.6)%) and in the Americas (€(66.3) million or (18.1)%, organic growth rate (14.9)%). Meanwhile, revenue in APAC increased by €8.1 million or 7.8%. APAC´s organic growth rate was 9.0%.

Cost of sales and overhead expenses

Cost of sales

Cost of sales decreased from €(675.0) million in fiscal year 2019 by (12.5)% to €(590.6) million in fiscal year 2020, primarily due to decreased revenue. The decrease in cost of sales (12.5)% is lower than the decrease in revenue (13.6)%. This is reflecting a weaker fixed cost absorption as certain fixed cost elements are not reduced in line with revenue and impairment losses on other intangible assets amounting to €(1.3) million are recognized in cost of sales. The Group took stringent cost saving measures to address the COVID-19 impact on the business. Cost savings are e.g. realized by aligning the headcount structure in all regions, to the reduced business volume. Cost of sales as a percentage of revenue increased by 80 basis points to 71.8% (PY: 71.0%) and the gross profit margin declined to 28.2% (PY: 29.1%).

R&D expenses

R&D expenses (net of R&D cost capitalization) increased by 3.6% from €(39.2) million in fiscal year 2019 to €(40.6) million in fiscal year 2020 and reflecting our innovative R&D focused business approach. The capitalization of R&D expenses (less related customer contribution) increased from €(14.2) million in fiscal year 2019 to €(16.7) million in fiscal year 2020. This increase reflects especially the project specific development activities for our Powerise® business as well as the increased engineering activities to develop new products and product applications to open new areas of business for Stabilus. In addition, the increase is due to the non-recurring impairment charges of €2.3 million in fiscal year 2020 compared to €0.4 million in fiscal year 2019. Furthermore, the acquired entities General Aerospace and Piston contributed €0.5 million to the €1.4 million increase. As a percentage of revenue, R&D expenses increased by 80 basis points to 4.9% (PY: 4.1%).

Selling expenses

Selling expenses increased from €(84.2) million in fiscal year 2019 by 26.0% to €(106.1) million in fiscal year 2020. This increase is primarily due to an impairment loss on customer relationships in the aerospace business amounting to €(24.4) million. Excluding the effect from this impairment the selling expenses decreased by €2.5 million in fiscal year 2020 compared to fiscal year 2019. The acquired entities (General Aerospace, Clevers and Piston) contributed expenses of €1.9 million to the development of the selling expenses. As a percentage of revenue, selling expenses increased by 400 basis points to 12.9% (PY: 8.9%). Excluding the impairment losses on intangible assets, the selling expenses (as percentage of revenue) increased by 100 basis points to 9.9%.

Administrative expenses

Administrative expenses decreased slightly from €(35.7) million in fiscal year 2019 by (0.6)% to €(35.5) million in fiscal year 2020. The acquired entities (General Aerospace, Clevers and Piston) contributed expenses of €0.9 million in fiscal year 2020. The prior year includes €0.7 million advisory costs related to the acquisitions of General Aerospace, Clevers and Piston. As a percentage of revenue, administrative expenses increased by 50 basis points to 4.3% (PY: 3.8%).

Other income and expense

Other income increased from €8.3 million in fiscal year 2019 by €0.6 million to €8.9 million in fiscal year 2020. Other income includes a non-recurring effect of €3.0 million (PY: €3.3 million) from a purchase price adjustment related to the acquisitions of General Aerospace and Piston. The increase is due to the foreign currency translation gains from the operating business amounting to €1.2 million.

Other expense increased from €(1.7) million in fiscal year 2019 by €(0.4) million to €(2.1) million in fiscal year 2020.

Finance income and costs

Finance income increased from €1.3 million in fiscal year 2020 to €2.3 million in fiscal year 2020. The increase is mainly due to net foreign exchange gains amounting to €0.9 million from the translation of intragroup loans, cash and cash equivalents and financial liabilities.

Finance costs increased from €(10.4) million in fiscal year 2019 to €(11.0) million in fiscal year 2020. The increase is primarily due to the initial application of IFRS 16 (Leases) which results in an additional €(1.5) million (PY: €- million) interest expense. In addition, €(0.9) million (PY: €(1.1) million relates to the derecognition of unamortized debt issuance costs and unamortized adjustments of the carrying value from a voluntary prepayment of the term-loan facility in February 2020.

Finance costs primarily contain ongoing interest expense. Interest expense in fiscal year 2020 of €(10.3) million (PY: €(9.7) million) are especially related to the term-loan facility, of which €(4.8) million (PY: €(3.6) million) is cash interest, the current fiscal year includes €(1.5) million interest expenses from IFRS 16. In addition, an amount of €(5.5) million (PY: €(6.1) million) is due to the amortization of debt issuance cost and the amortization of the adjustment of the carrying value using the effective interest rate method.

Income tax expense

The tax expense decreased from €(34.0) million in fiscal year 2019 to €(17.4) million in fiscal year 2020. The Group´s effective tax rate in fiscal year 2020 is 36.7% (PY: 29.6%). In fiscal year 2020 the effective tax rate is negatively affected by withholding tax charges on intragroup dividend payments mainly from Mexico, US and China. For ongoing tax audits for fiscal years 2017 to 2019 the Group recognized an income tax liability.

Reconciliation of EBIT to adjusted EBIT

The following table shows a reconciliation of EBIT (earnings before interest and taxes) to adjusted EBIT for the fiscal years 2020 and 2019:

Reconciliation of EBIT to adjusted EBIT T _ 005

	Year ended Sept 30,			
IN € MILLIONS	2020	2019	Change	% change
Profit from operating activities (EBIT)	**56.1**	**124.0**	**(67.9)**	**(54.8)%**
PPA adjustments – depreciation and amortization	17.9	19.8	(1.9)	(9.6)%
PPA adjustments – impairment on intangible assets	25.7	–	25.7	n/a
Environmental protection measures	–	1.5	(1.5)	(100.0)%
Advisory	–	0.7	(0.7)	(100.0)%
Purchase price adjustment	(3.0)	(3.3)	0.3	(9.1)%
Adjusted EBIT	**96.7**	**142.7**	**(46.0)**	**(32.2)%**

Adjusted EBIT represents EBIT, adjusted for exceptional non-recurring items (e.g. restructuring or one-time advisory costs) and depreciation / amortization of fair value adjustments from purchase price allocations (PPAs).

Adjusted EBIT is presented because we believe it helps understanding our operating performance.

The PPA adjustments for depreciation and amortization in fiscal year 2020 amounted to €17.9 million (PY: €19.8 million). Thereof, €7.0 million (PY: €9.3 million) stem from the April 2010 PPA and €8.4 million (PY: €8.4 million) result from the June 2016 PPA.

Furthermore, €2.5 million (PY: €2.1 million) arise from the acquisitions in fiscal year 2019 (General Aerospace in April, Piston and Clevers in July).

The PPA adjustment for impairments of other intangible assets, predominantly of customer relationships, amounted to €25.7 million in fiscal year 2020.

In addition, the purchase price adjustment amounting to €(3.0) million (PY: €(3.3) million) in the current year relates almost exclusively to a purchase price reduction from the acquisition of General Aerospace.

DEVELOPMENT OF OPERATING SEGMENTS

The Stabilus Group is organized and managed primarily on a regional level. The three reportable operating segments of the Group are EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia Pacific).

The table below sets out the development of our operating segments for the fiscal years 2020 and 2019:

Operating segments T_006

IN € MILLIONS	Year ended Sept 30, 2020	2019	Change	% change
EMEA				
External revenue[1]	411.1	482.1	(71.0)	(14.7)%
Intersegment revenue[1]	25.9	28.6	(2.7)	(9.4)%
Total revenue[1]	437.0	510.7	(73.7)	(14.4)%
Adjusted EBIT	42.4	68.4	(26.0)	(38.0)%
as % of total revenue	9.7%	13.4%		
as % of external revenue	10.3%	14.2%		
Americas				
External revenue[1]	299.6	365.9	(66.3)	(18.1)%
Intersegment revenue[1]	20.6	24.7	(4.1)	(16.6)%
Total revenue[1]	320.2	390.7	(70.5)	(18.0)%
Adjusted EBIT	40.3	61.8	(21.5)	(34.8)%
as % of total revenue	12.6%	15.8%		
as % of external revenue	13.5%	16.9%		
APAC				
External revenue[1]	111.4	103.3	8.1	7.8%
Intersegment revenue[1]	0.2	0.1	0.1	100.0%
Total revenue[1]	111.6	103.4	8.2	7.9%
Adjusted EBIT	14.0	12.6	1.4	11.1%
as % of total revenue	12.5%	12.2%		
as % of external revenue	12.6%	12.2%		

[1] Revenue breakdown by location of Stabilus company (i.e. "billed-from view").

The external revenue generated by our companies located in the EMEA region decreased from €482.1 million in fiscal year 2019 by (14.7)% or €71.0 million to €411.1 million in fiscal year 2020. The acquired entities General Aerospace and Piston contributed €11.1 million to the revenue growth in EMEA and the currency translation effect amounted to €(1.9) million resulting in an organic growth rate of (16.6)%. The reduction is mainly driven by our Automotive Gas Spring business, which decreased from €145.4 million by (23.2)% or €(33.7) million to €111.7 million. Organic growth of the Automotive Gas Spring business was (23.2)%. Our Automotive Powerise® business decreased from €98.1 million by (14.2)% or €(13.9) million to €84.2 million. The organic growth rate of the Automotive Powerise® business was (12.5)%. In the first half of fiscal year 2020 the ongoing weak light-vehicle production in Europe influenced our business. Since April 2020 this was significantly intensified by the COVID-19 crisis which started in February and strongly influenced our business, especially in the third quarter of fiscal year 2020. To address the general weak demand from the COVID-19 crisis various stimulus programs from governments were initiated aiming to support the recovery in the global economy. These measures resulted in a first increase in demand and a slight market recovery in the fourth quarter of fiscal year 2020. The Industrial business decreased from €238.6 million by (9.8)% or €(23.4) million to €215.2 million, the entities acquired in the third quarter of fiscal year 2019, i.e. General Aerospace and Piston, contributed €11.1 million to the revenue of the Industrial business. Organically, the Industrial business decreased by (14.3)%. This slowdown in the Industrial business reflects the continuously weak macroeconomic environment and the omnipresent effects from the global COVID-19 crisis. Our broad customer portfolio in the industrial sector helps to mitigate the impact of this weaker demand. The adjusted EBIT of the EMEA segment decreased by (38.0)% or €(26.0) million and the adjusted EBIT margin, i.e. adjusted EBIT in percent of external revenue, decreased in fiscal year 2020 to 10.3% (PY: 14.2%).

The external revenue of our companies located in Americas decreased from €365.9 million in fiscal year 2019 by (18.1)% or €(66.3) million to €299.6 million in fiscal year 2020. The currency translation effect amounted to €(12.3) million and especially stems from the weak Mexican peso and revenue of €0.7 million from the Clevers acquisition. This led to an organic growth rate of (14.9)%. The Automotive Gas Spring business decreased from €118.9 million by (25.8%) or €(30.7) million to €88.2 million, the organic growth rate was (23.1)%. The Automotive Powerise® business decreased from €133.0 million by (20.5)% or €(27.3) million to €105.7 million and decreased (13.8)% organically. The Automotive business was also strongly impacted by the COVID-19 crisis leading to plant closures from end of March until mid of May. In the fourth quarter of fiscal year 2020, the US light-vehicle market recovered with stronger sales in the private car sector as well as in the commercial vehicle market. The economic environment is still difficult and challenging and influenced by stimulus packages from various governments and the - at that time - upcoming election in the US. Our Industrial business decreased from €114.0 million by (7.3%) or €(8.3) million to €105.7 million. The decline in the industrial business is smaller than in the automotive business. The industrial business benefits from the diversification of the product portfolio e.g. growth in the solar damper and e-commerce business, which was more than offset by the independent aftermarket segment. Organically, the Industrial business decreased by (7.7)%. The adjusted EBIT of the Americas segment decreased by (34.8)% or €(21.5) million and the adjusted EBIT margin decreased in fiscal year 2020 to 13.5% (PY: 16.9%).

The external revenue of our companies located in APAC increased from €103.3 million in fiscal year 2019 by 7.8% or €8.1 million to €111.4 million in fiscal year 2020. The currency translation effect amounted to €(1.3) million and led to an organic growth rate for APAC of 9.0%. This increase was mainly driven by the Automotive Powerise® business, which increased by 42.6% or €8.1 million to €27.1 million, the organic growth rate was 44.4%. In addition, the Automotive Gas Spring business increased slightly from €67.1 million by 1.5% or €1.0 million to €68.1 million. The organic growth rate was 2.5%. The Industrial business decreased slightly from €17.2 million by (5.8)% or €(1.0) million to €16.2 million. The organic growth rate of the Industrial business was (4.5)%. The overall positive development especially in China, with stronger sales and wins of new OEM platforms in the region, was stopped by the temporary closure of production facilities in February and March, initiated by the government as a consequence of COVID-19. Following the reopening of the production facilities in APAC the automotive production is stabilizing with constant rising demand, especially in China. The government in China initiated several funding programs to alleviate the impact of the COVID-19 pandemic on the overall economy. In particular the automotive market benefits strongly from the stabilization programs. Nevertheless, the market environment is challenging especially driven by international trade conflicts between the US and China. The adjusted EBIT of the APAC segment increased by 11.1% or €1.4 million and the adjusted EBIT margin increased in fiscal year 2020 to 12.6% (PY: 12.2%).

FINANCIAL POSITION

Balance sheet T _ 007

IN € MILLIONS	2020	2019	Change	% change
Assets				
Non-current assets	678.2	706.0	(27.8)	(3.9)%
Current assets	405.4	393.2	12.2	3.1%
Total assets	**1,083.6**	**1,099.2**	**(15.6)**	**(1.4)%**
Equity and liabilities				
Total equity	469.6	499.6	(30.0)	(6.0)%
Non-current liabilities	425.5	428.2	(2.7)	(0.6)%
Current liabilities	188.4	171.4	17.0	9.9%
Total liabilities	614.0	599.6	14.4	2.4%
Total equity and liabilities	**1,083.6**	**1,099.2**	**(15.6)**	**(1.4)%**

Total Assets

The Group's balance sheet total decreased from €1,099.2 million as of September 30, 2019, by (1.4)% to €1,083.6 million as of September 30, 2020.

Non-current assets

Our non-current assets decreased from €706.0 million as of September 30, 2019, by (3.9)% or €(27.8) million to €678.2 million as of September 30, 2020. This decrease is especially driven by the impairment losses of €(25.7) million and ongoing amortization of €(17.8) million on other intangible assets from purchase price allocations but also to foreign exchange rate-related carrying value adjustments, e.g. decrease in goodwill of €(7.1) million. This was partly offset by the recognition of right-of-use assets from operating leases due to the initial application of IFRS 16 amounting to €43.7 million as well as from new leasing contracts in fiscal year 2020 amounting to €4.5 million. The Group invested €29.9 million in property, plant and equipment for ongoing capacity expansion projects.

Current assets

Current assets increased from €393.2 million as of September 30, 2019, by 3.1% or €12.2 million to €405.4 million as of September 30, 2020. This was primarily driven by an increase of the cash balance amounting to €23.4 million. Furthermore, current tax assets increased by €4.6 million and other financial assets increased by €2.5 million. This was partly offset by the decrease in trade accounts receivable amounting to €(13.2) million due to weaker sales reflecting the COVID-19 crisis. In addition, inventories decreased by €(3.1) million.

Equity

The Group's equity decreased from €499.6 million as of September 30, 2019, by €(30.0) million to €469.6 million as of September 30, 2020. This results from other comprehensive expenses amounting to €(32.8) million especially from unrealized losses from foreign currency translation amounting to €(34.2) million (detailed in Note 21). In addition, dividends amounting to €(27.2) million paid to our shareholders in the second quarter of fiscal year 2020. This was offset by the profit in fiscal year 2020 of €30.0 million.

Non-current liabilities

Non-current liabilities decreased slightly from €428.2 million as of September 30, 2019, by (0.6)% or €(2.7) million to €425.5 million as of September 30, 2020. Our other financial liabilities increased due to the initial application of IFRS 16, amounting to €36.9 million, and due to new leasing contracts with an amount of €3.5 million. This increase was more than offset from a voluntary prepayment of the term-loan facility amounting to €(20.0) million in February and from the derecognition of deferred tax liabilities of €(7.7) million relating to the impairment of intangible assets. In addition, the decrease is due to a reclassification of financial liabilities from long-term to short-term amounting to €3.0 million. Furthermore, pension liabilities decreased by €(2.9) million as a consequence of the increased discount rate (September 30, 2020: 1.14% versus September 30, 2019: 0.93%). The amortization of debt issuance costs and the amortization of the adjustment of the carrying value using the effective interest rate method amount to €4.3 million.

Current liabilities

Current liabilities increased from €171.4 million as of September 30, 2019, by €17.0 million or 9.9% to €188.4 million as of September 30, 2020. This increase is due to a sharp rise of our financial liabilities by €31.5 million which mainly resulted from the partial drawdown of our revolving credit facility of €29.9 million and from a reclassification of financial liabilities from long-term to short-term amounting to €3.0 million. In addition, other financial liabilities increased by €6.2 million, especially from the initial application of IFRS 16. This was partially offset by decreased trade accounts payables amounting to €(19.9) million as a consequence of reduced business volume and by decreased current tax liabilities amounting to €(3.4) million.

LIQUIDITY

Cash flow from operating activities

Cash flow from operating activities decreased from €145.4 million in fiscal year 2019 by €(36.5) million or (25.1)% to €108.9 million in fiscal year 2020, mainly reflecting a reduced business volume. The operating cash flow of the current fiscal year compared to last fiscal year is influenced by the initial application of IFRS 16 amounting to €9.7 million (see cash flow from financing activities).

Cash flow from investing activities

Cash outflow for investing activities decreased from €(96.9) million in fiscal year 2019 by €49.2 million or (50.8)% to €(47.7) million in fiscal year 2020. This decrease is mainly attributable to the business combinations from prior year amounting to €41.4 million (net of cash acquired). In addition, the decrease is due to lower capital expenditures in property, plant and equipment which decreased by €(11.5) million to €29.9 million reflecting the stringent cash management during the COVID-19 crisis. This was offset by an increased cash outflow for intangible assets of €2.5 million to €17.7 million. Furthermore, a payment of €(1.1) million relates to the July 2019 acquisition of Piston.

Cash flow from financing activities

Cash outflow from financing activities decreased from €(54.2) million in fiscal year 2019 by €22.3 million or (41.1)% to €(31.9) million in fiscal year 2020. This is generally driven by the partial drawdown of the revolving credit facility amounting to €29.9 million (PY: €- million). This is partly offset by payments for lease liabilities of €(8.2) million (PY: €0.4 million) and to interest expenses on lease liabilities amounting to €(1.5) million (PY: €0.0 million), substantially resulting from the initial application of IFRS 16. As last year we repaid senior facilities amounting to €20.0 million (PY: €21.1 million). Furthermore, we paid higher dividends of €(27.2) million (PY: €(24.7) million) to our shareholders. In addition, we repaid financial liabilities amounting to €(1.6) million in fiscal year 2020 (PY: €3.7 million).

Cash flows T_008

	Year ended Sept 30,			
IN € MILLIONS	**2020**	2019	Change	% change
Cash flow from operating activities	108.9	145.4	(36.5)	(25.1%)
Cash flow from investing activities	(47.7)	(96.9)	49.2	(50.8%)
Cash flow from financing activities	(31.9)	(54.2)	22.3	(41.1%)
Net increase / (decrease) in cash	**29.3**	**(5.7)**	**35.0**	**<(100.0)%**
Effect of movements in exchange rates on cash held	(5.9)	1.7	(7.6)	<(100.0)%
Cash as of beginning of the period	139.0	143.0	(4.0)	(2.8%)
Cash as of end of the period	**162.4**	**139.0**	**23.4**	**16.8%**

Free cash flow (FCF)

Free cash flow (FCF) is defined as the total of cash flow from operating and investing activities. The Group considers FCF as an essential alternative performance measure as it aids in the evaluation of the Group´s ability to generate cash which can be used, among others, for further investments. The following table sets out the composition of FCF:

Free cash flow T_009

IN € MILLIONS	Year ended Sept 30, 2020	2019	Change	% change
Cash flow from operating activities	108.9	145.4	(36.5)	(25.1)%
Cash flow from investing activities	(47.7)	(96.9)	49.2	(50.8)%
Free cash flow	**61.2**	**48.5**	**12.7**	**26.2%**

Adjusted free cash flow

Adjusted free cash flow is defined as the total of cash flow from operating and investing activities before acquisitions. The adjusted free cash flow decreased from €89.9 million in fiscal year 2019 to €62.3 million in fiscal year 2020.

Adjusted free cash flow T_010

IN € MILLIONS	Year ended Sept 30, 2020	2019	Change	% change
Cash flow from operating activities	108.9	145.4	(36.5)	(25.1)%
Cash flow from investing activities before acquisitions	(46.6)	(55.5)	8.9	(16.0)%
Adjusted FCF	**62.3**	**89.9**	**(27.6)**	**(30.7)%**

Net leverage ratio

The net leverage ratio is defined as net financial debt divided by adjusted EBITDA.

Net financial debt is the nominal amount of financial debt, i.e. current and non-current financial liabilities, less cash and cash equivalents. Adjusted EBITDA is defined as adjusted EBIT before depreciation / amortization and before exceptional non-recurring items (e.g. restructuring or one-time advisory costs).

The net leverage ratio is presented because we believe it is a useful indicator to evaluate the Group's debt leverage and financing structure.

The net leverage ratio increased from 1.0x in fiscal year 2019 to 1.2x in fiscal year 2020. See the following table:

Net leverage ratio T_011

	Year ended Sept 30,			
IN € MILLIONS	**2020**	2019	Change	% change
Financial debt	334.7	328.1	6.6	2.0%
Cash and cash equivalents	(162.4)	(139.0)	(23.4)	16.8%
Net financial debt	172.3	189.1	(16.8)	(8.9%)
Adjusted EBITDA	148.9	183.2	(34.3)	(18.7%)
Net leverage ratio	**1.2x**	**1.0x**		

Financial debt T_012

	Year ended Sept 30,	
IN € MILLIONS	**2020**	2019
Financial liabilities (non-current)	288.1	308.8
Financial liabilities (current)	34.3	2.8
Adjustment carrying value	12.3	16.5
Financial debt	**334.7**	**328.1**

Adjusted EBITDA T_013

IN € MILLIONS	Year ended Sept 30, 2020	2019	Change	% change
Profit from operating activities (EBIT)	**56.1**	**124.0**	**(67.9)**	**(54.8)%**
Depreciation	35.9	26.8	9.1	34.0%
Amortization	34.2	32.8	1.4	4.3%
PPA adjustments – impairment on intangible assets	25.7	–	25.7	n/a
EBITDA	**151.9**	**183.6**	**(31.7)**	**(17.3)%**
Advisory	–	0.7	(0.7)	(100.0)%
Environmental protection measures	–	1.5	(1.5)	(100.0)%
PPA adjustments – inventory step-up	–	0.7	(0.7)	(100.0)%
Purchase price adjustment	(3.0)	(3.3)	0.3	(9.1)%
Adjusted EBITDA	**148.9**	**183.2**	**(34.3)**	**(18.7)%**

STATUTORY RESULTS OF OPERATIONS AND FINANCIAL POSITION OF STABILUS S. A.

For the statutory annual accounts of Stabilus S. A., please refer to Chapter D.

Results of operations

The Company's income amounts to €4.2 million (PY: €3.9 million) and results from services that are provided to other Stabilus Group entities based on service level agreements.

Other external expenses decreased slightly from €2.9 million in fiscal year 2019 to €2.8 million in fiscal year 2020 mainly due to reduced consulting fees.

The loss for fiscal year 2020 amounted to €(1.9) million (PY: €1.1 million).

Financial position

Total assets decreased from €577.9 million as of September 30, 2019, to €549.3 million as of September 30, 2020.

Fixed assets essentially comprise shares in affiliated undertakings which decreased from €553.4 million as of September 30, 2019, to €545.9 million as of September 30, 2020. The Company decreased its investment in Stable II S. à r. l. by distributing €7.5 million out of the share premium account of Stable II S. à r. l. in February 2020 and Blitz F10 neun GmbH liquidated during financial year 2020.

Current assets decreased from €24.2 million as of September 30, 2019, to €3.2 million as of September 30, 2020. This was driven by a decrease in the cash balance by €20.5 million which reflects the dividend payment of €(27.2) million which was partly offset by the distribution from affiliated companies.

The Company's capital and reserves decreased from €576.1 million as of September 30, 2019, to €547.0 million as of September 30, 2020, due to the dividend payment to our shareholders of €(27.2) million and due to the loss for the fiscal year 2020 amounting to €(1.9) million.

RISKS AND OPPORTUNITIES

Risk management and control over financial reporting in the Stabilus Group

The Company considers Risk Management (RM) to be a key part of effective management and internal control. The Company strives for effective RM and financial navigation to safeguard the assets of the Company and to proactively support the Company's strategic and compliance initiatives. The goal of RM is to help the Company to operate more effectively in a dynamic environment by providing a framework for a systematic approach to risk management and exploring opportunities with an acceptable level of risk. The Supervisory Board and the Management Board regularly discuss the operational and financial results as well as the related risks.

Risk management covers financial, strategic, compliance as well as operational aspects. Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. These operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk in a way to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness, as well as avoiding control procedures that restrict initiative and creativity. The Company's policy on managing financial risks seeks to ensure effective liquidity and cash flow management and protection of Group equity capital against financial risks. As part of its evolution, the Company implements continuous improvements in its risk management and internal control systems.

Our accounting control system is designed to ensure all business transactions are correctly and promptly accounted for and that reliable data on the Company's financial situation is available. It ensures compliance with legal stipulations, accounting standards and accounting rules. By separating financial functions and through ongoing review, we ensure that potential errors are identified on a timely basis and accounting standards are complied with.

Our internal control system is an integral component of the risk management. The purpose of our internal control system for accounting and reporting is to ensure its compliance with legal stipulations, the principles of proper accounting, the rules on the International Financial Reporting Standards as adopted by the EU and with Group standards. In addition, we perform assessments to help identify and minimize any risk with a direct influence on our financial reporting. We monitor changes in accounting standards and enlist the advice of external experts to reduce the risk of accounting misstatements in complex issues.

The Company and individual entity financial statements are subject to external audits which act as an independent check and monitoring mechanism of the accounting system and its output. The principal risks that could have a material impact on the Group are set out in the Note 32 of the consolidated financial statements and are summarized below.

Risks and opportunities related to the markets in which we operate

We are exposed to risks and opportunities associated with the performance of the global economy and the performance of the economy in the jurisdictions in which we operate.

Due to our global presence, we are exposed to substantial risks and opportunities associated with the performance of the global economy. In general, demand for our products is dependent on the demand for automotive products as well as for commercial vehicles, agricultural machinery, medical equipment, renewable energy (in particular solar, wind), aerospace, marine and furniture components, which in turn is directly related to the strength of the global economy. Therefore, our financial performance has been influenced, and will continue to be influenced, to a significant extent, by the general state and the performance of the global economy.

Although the global economy has recovered a lot from the severe downturn in 2008 and 2009, the recent volatility of the financial markets and also the slower than expected economic growth in Asia show that there can be no assurance that any recovery is sustainable or that there will be no recurrence of the global financial and economic crisis or similar adverse market conditions. In addition, the current uncertainties in the market environment due to the COVID-19 crisis are still omnipresent and the economy recovered slightly. The overall development is affected by considerable uncertainties against the background on the course of the COVID-19 pandemic.

Stabilus manages these risks and opportunities by operating in different regions and markets for local and global customers.

We operate in cyclical industries

Our business is characterized by high fixed costs. Should our facilities be underutilized, this could result in idle capacity costs, write-offs of inventories and losses on products due to falling average sales prices. Furthermore, falling production volumes cause declines in revenue and earnings. On the other hand, our facilities might have insufficient capacity to meet customer demand if the markets in which we are active grow faster than we have anticipated.

Our automotive business, from which we generate 59% (PY: 61%) of our revenue in the fiscal year ended September 30, 2020, sells its products primarily to automotive original equipment manufacturers ("OEMs") in the automotive industry. These sales are cyclical and depend, among other things, on general economic conditions as well as on consumer spending and preferences, which can be affected by a number of factors, including employment, consumer confidence and income, energy costs, interest rate levels and the availability of consumer financing. Given the variety of such economic parameters influencing the global automotive demand, the volume of automotive production has historically been, and will continue to be, characterized by a high level of fluctuation, making it difficult for us to accurately predict demand levels for our products aimed at automotive OEMs.

We generated, in the aggregate, 41% (PY: 39%) of our revenue in the fiscal year ended September 30, 2020, from sales to our industrial customers. We sell our products to customers in diverse industries, including agricultural machines, renewable energy (in particular solar, wind), railway, aircraft applications, commercial vehicles, marine applications, furniture, health care and production equipment. These sales depend on the industrial production level in general as well as on the development of new products and technologies by our customers, which include our products as component parts. Stabilus manages these opportunities and risks by operating in different regions and markets for the local and global customers.

The business environment in which we operate is characterized by strong competition, which affects some of our products and markets, which could reduce our revenue or put continued pressure on our sales prices.

The markets in which we operate are competitive and have been characterized by changes in market penetration, increased price competition, the development and introduction of new products, product designs and technologies by significant existing and new competitors. The majority of gas springs and electromechanical lifting and closing systems manufactured globally are used for either automotive, industrial or commercial furniture applications, which are core markets for us. Our competitors are typically regional companies and our competition with them is generally on a regional scale. We compete primarily on the basis of price, quality, timeliness of delivery and design as well as the ability to provide engineering support and services on a global basis. Should we fail to secure the quality of our products and the reliability of our supply in the future, then more and more of our customers could decide to procure products from our competitors.

Our efforts to expand in certain markets are subject to a variety of business, economic, legal and political risks.

We manufacture our products in several countries, and we market and sell our products worldwide. We are actively operating and expanding our operations in various markets, with a focus on the rapidly growing and emerging markets in the APAC region, where we have production plants in China and South Korea, operate a wide network of representative sales offices and employ our own sales force and distribution network. We plan to expand our Asian production capacities to meet growth expectations and supplement demand with our other regional production plants as needed.

Potential social, political, legal, and economic instability may pose significant risks to our ability to conduct our business and expand our activities in certain markets. Inherent in our international operations is the risk that any number of the following circumstances could affect our operations: underdeveloped infrastructure; lack of qualified management or adequately trained personnel; currency exchange controls; exchange rate fluctuations and devaluations; changes in local economic conditions; governmental restrictions on foreign investment, transfer or repatriation of funds; protectionist trade measures, such as anti-dumping measures, duties, tariffs or embargoes; prohibitions or restrictions on acquisitions or joint ventures; changes in laws or regulations and unpredictable or unlawful government actions; the difficulty of enforcing agreements and collecting receivables through foreign legal systems; variations in protection of intellectual property and other legal rights; potential nationalization of enterprises or other expropriations; and political or social unrest or acts of sabotage or terrorism. As personnel costs have a significant effect on our business, we are also exposed to the risks of labor cost inflation and limited employment contract flexibility in the countries in which our production facilities are located and where we have sales personnel. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to opportunities and risks associated with market trends and developments

There can be no assurance that (i) we will be successful in developing new products or systems or in bringing them to market in a timely manner, or at all; (ii) products or technologies developed by others will not render our offerings obsolete or non-competitive; (iii) our customers will not substitute our products with competing products or alternate technologies (such as third-arm systems, hydraulic drives or hinge / direct drives); (iv) the market will accept our innovations; (v) our competitors will not be able to produce our non-patented products at lower costs than we can; and (vi) we will be able to fully adjust our cost structure in the event of contraction of demand.

The Company develops appropriate strategies as a response to these or similar market trends and to enhance existing products, develop new products or keep pace with developing technologies, to counter loss of growth opportunities, pressure on margins or the loss of existing customers. We devote resources to the pursuit of new technologies and products. In addition, technological advances and wider market acceptance of our Powerise® automatic drive systems (or the development and wider market acceptance of similar automatic lid drive systems by our competitors) could result in cannibalization of our gas spring applications.

Risks and opportunities related to our business

We are exposed to fluctuations in prices of prefabricated materials and components.

We procure large quantities of prefabricated materials and components from third-party suppliers. The prices of prefabricated materials, components and manufacturing services we purchase from our suppliers depend on a number of factors, including to a limited extent the development of prices of raw materials used in these products, such as steel, copper, rubber and water, as well as energy, which have been volatile in the past.

So far, this has not resulted in a general increase in the cost of prefabricated materials and components we procure for the manufacture of our products. However, it cannot be excluded that this volatility may result in a cost increase in the future. If we are not able to compensate for or pass on our cost increases to customers, such price increases could have a material adverse impact on our financial results. Even to the extent that we are successful in compensating for or passing on our increased costs to our customers by increasing prices on new products, the positive effects of such price increases may not occur in the periods in which the additional expenses have been incurred, but in later periods. If costs of raw materials and energy rise, and if we are not able to undertake cost saving measures elsewhere in our operations or increase to an adequate level the selling prices of our products, we will not be able to compensate such cost increases, which could have a material adverse effect on our business, financial condition and results of operations. The long-term increase of our costs (and resultant increase in the price of our products) may also negatively impact demand for our products.

Our future business success depends on our ability to maintain the high quality of our products and processes. For customers, one of the determining factors in purchasing our components and systems is the high quality of our products and manufacturing processes. A decrease in the actual and perceived quality of these products and processes could damage our image and reputation as well as those of our products. Any errors or delays caused by mistakes or miscalculations in our project management could negatively affect our customers' own production processes, resulting in reputational damage to us as supplier as well as to the affected customer as manufacturer. In addition, defective products could result in loss of sales, loss of customers and loss of market acceptance.

Legal, taxation and environmental risks and opportunities

We are exposed to warranty and product liability claims.

As a manufacturer, we are subject to product liability lawsuits and other proceedings alleging violations of due care, violations of warranty obligations, treatment errors, safety provisions and claims arising from breaches of contracts (like delivery delays), recall actions or fines imposed by government or regulatory authorities in relation to our products. Any such lawsuits, proceedings and other claims could result in increased costs for us. Additionally, authorities could prohibit the future sale of our products, particularly in cases of safety concerns. The aforementioned scenarios could result in loss of market acceptance, loss of revenue and loss of customers, in particular against the background that many of our products are components which often have a major impact on the overall safety, durability and performance of our customers' end-product.

The risks arising from such warranty and product liability lawsuits, proceedings and other claims are insured as we consider economically reasonable, but the insurance coverage could prove insufficient in individual cases. Any major defect in one of our products could also have a material adverse effect on our reputation and market perception, which in turn could have a significant adverse effect on our revenue and results of operations.

In addition, vehicle manufacturers are increasingly requiring a contribution from, or indemnity by, their suppliers for potential product liability, warranty and recall claims and we have been subject to continuing efforts by our customers to change contract terms and conditions concerning warranty and recall participation.

Furthermore, we manufacture many products pursuant to OEM customer specifications and quality requirements. If the products manufactured and delivered by us are deemed not to be fit for use by our OEM customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Furthermore, our OEM customers could potentially bring claims for damages on the basis of breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of our other products and our market reputation in various market segments.

We are and may become party to certain disadvantageous contracts pursuant to which we are required to sell certain products at a loss or to agree to broad indemnities. For example, we may enter into a contract at an agreed price and production costs may end up exceeding what was assumed in the development phase. If the assumptions on which we rely in contract negotiations turn out to be inaccurate, this could have an adverse effect on our revenue and results of operations.

We are exposed to certain risks and opportunities with regards to our intellectual property, its validity and the intellectual property of third parties.

Our products and services are highly dependent upon our technological know-how and the scope and limitations of our proprietary rights therein. We have obtained or have applied for a number of intellectual property rights, which can be difficult, lengthy and expensive to procure. Furthermore, patents may not provide us with meaningful protection or a commercial advantage. In addition, where we incorporate an individual customer's input to create a product that responds to a particular need, we face the risk that such customer will claim ownership rights in the associated intellectual property.

Our competitors, suppliers, customers and other third parties also submit a large number of intellectual property protection applications. Such other parties could hold effective and enforceable intellectual property rights to certain processes, methods or applications and consequently could assert infringement claims (including illegitimate ones) against us.

A major part of our know-how is not patented and cannot be protected through intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, may utilize our know-how without incurring any expenses of their own. Our intellectual property is often discovered by and during the course of our employees' employment. As a result, there is a risk that we have failed or will fail to properly utilize inventions of our employees. Present or former employees who made or make employee inventions might continue to be the owners of the valuable rights to inventions if we fail to claim the invention in a timely manner.

The realization of any of these risks could give rise to intellectual property claims against us. Such claims, if successful, could require us to cease manufacturing, using or marketing the relevant technologies or products in certain countries or be forced to make changes to manufacturing processes or products. In addition, we could be liable to pay compensation or damages for infringements or could be forced to purchase licenses to make use of technology from third parties. This could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks from legal, administrative and arbitration proceedings.

We are involved in a number of legal and administrative proceedings related to products, patents and other matters incidental to our business and could become involved in additional legal, administrative and arbitration proceedings in the future. These proceedings or potential proceedings could involve, in particular in the United States, substantial claims for damages or other payments. Based on a judgment or a settlement agreement, we could be obligated to pay substantial damages. Our litigation costs and those of third parties could also be significant.

Due to our high market share, we may be exposed to legal risks regarding anti-competition fines and related claims for damages.

Our market share in most of the markets in which we operate is high, which may induce competition authorities to initiate proceedings or third parties to file claims against us alleging violation of competition laws. A successful anti-competition challenge could adversely affect us in a variety of ways. For example, it could result in the imposition of fines by one or more authorities and /or in third parties (such as competitors or customers) initiating civil litigation claiming damages caused by anti-competitive practices. In addition, anti-competitive behavior may give rise to reputational risk to us. The realization of this risk could have a material effect on our business, financial condition and results of operations.

Interest carryforwards may be forfeited in part or in full as a result of subsequent share sales.

Some Stabilus subsidiaries have significant interest carryforwards as a result of the application of the statutory interest ceiling rules that limit the deduction of net interest expenses for tax purposes. The interest carry-forward may be deducted to the extent that in subsequent assessment periods the then current interest expenses do not reach the interest ceiling applicable to the relevant assessment period, and, thus, reduce the tax payable by the relevant subsidiary.

However, the interest carry-forward will be forfeited on a pro rata basis or in full if more than a defined percentage of the shares in entities are directly or indirectly transferred to a new shareholder, persons related to such shareholder or a group of shareholders acting in the same interest, or in case of similar transactions (such as a capital increase) that result in a change of the shareholder structure. Such forfeiture would increase the tax payable by the relevant subsidiary if without the forfeiture the interest carry-forward could have been used in part or in full.

We could be held liable for soil, water or groundwater contamination or for risks related to hazardous materials.

Many of the sites at which we operate have been used for industrial purposes for many years, leading to risks of contamination and the resulting site restoration obligations. In addition, we could be held responsible for the remediation of areas adjacent to our sites if these areas were potentially contaminated due to our activities. Groundwater contamination was discovered at a site in Colmar, Pennsylvania operated by us from 1979 to 1998. In June 2012, the U.S. Environmental Protection Agency ("EPA") issued an administrative order against our U.S. subsidiary and determined requirements in respect of the remedy and the remedy cost. Our subsidiary, together with the other responsible parties, is requested to reimburse the EPA for past and current expenses and to bear the remediation costs. If additional contamination is discovered in the future, the competent authorities could assert further claims against us, as the owner or tenant of the affected plots, for the examination or remediation of such soil or groundwater contamination or order us to dispose of or treat contaminated soil excavated in the course of construction. We could also be required to indemnify the owners of plots leased by us or of other properties, if the authorities were to pursue claims against the relevant owner of the property and if we caused the contamination. Costs typically incurred in connection with such claims are generally difficult to predict. Also, if any contamination were to become the subject of a more intense public discussion, there is a risk that our reputation or relations with our customers could be harmed.

Furthermore, at some of the sites at which we operate, or at which we operated in the past, small quantities of hazardous materials were used in the past, such as asbestos-containing building materials used for heat insulation. While we consider it unlikely, it cannot be ruled out that the health and safety of third parties (such as former employees) may have been affected due to the use of such hazardous materials or that other claims may be asserted, and we could therefore be exposed to related claims for damages in the future. Even if we have contractually excluded or limited our liability in connection with the sale of such properties, we could be held responsible for currently unknown contamination on properties which we previously owned or used.

The in-house legal department monitors these risks continuously and reports regularly to Group management and the Supervisory Board.

Risks and opportunities related to our capital structure

Since the Company's IPO we have been able to continuously reduce our financial leverage which also supported our objective to actively manage and reduce the Group's liquidity risks.

Our cash from operating activities, current cash resources and existing sources of external financing could be insufficient to meet our further capital needs, especially if our sales decrease significantly. Disruptions in the financial markets, including the bankruptcy, insolvency or restructuring of a number of financial institutions, and restricted availability of liquidity could adversely impact the availability and cost of additional financing for us and could adversely affect the availability of financing already arranged or committed. Our liquidity could also be adversely impacted if our suppliers tighten terms of payment as the result of any decline in our financial condition or if our customers were to extend their normal payment terms.

Stabilus has set an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by regular reviews, maintaining certain cash reserves, as well as open credit lines.

We are exposed to risks and opportunities associated with changes in currency exchange rates.

We operate worldwide and are therefore exposed to financial risks that arise from changes in exchange rates. Currency exchange fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in foreign exchange rates could enhance or minimize fluctuations in the prices of materials, since we purchase a considerable part of the prefabricated materials which we source in foreign currencies. As a result of these factors, fluctuations in exchange rates could affect our results of operations. External and internal transactions involving the delivery of products and services to and /or by third parties result in cash inflows and outflows which are denominated in currencies other than the functional currency of our respective Group member. Among other factors, we are particularly exposed to fluctuations of net inflows in U.S. dollar (surplus) and net outflows in Romanian leu (demand). To the extent that cash outflows are not offset by cash inflows resulting from operational business in such currency, the remaining net foreign currency exposure is not hedged as of September 30, 2020.

Although we may enter into certain hedging arrangements in the future, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. In addition, if we were to use any hedging transactions in the future in the form of derivative financial instruments, such transactions may result in mark-to-market losses. In addition, we are exposed to foreign exchange risks arising from internal loan agreements, which result from cash inflows and outflows in currencies other than the functional currency of our respective Group member. As of September 30, 2020, these foreign exchange risks are not hedged against by using derivative financial instruments. Our net foreign investments are generally not hedged against exchange rate fluctuations. In addition, a number of our consolidated companies report their results in currencies other than the euro, which requires us to convert the relevant items into euro when preparing our consolidated financial statements. Translation risks are generally not hedged.

Other risks

At the beginning of the first quarter of calendar year 2020 the worldwide coronavirus crisis (COVID-19) has significantly affected the macroeconomic environment and the global economy as a whole and also bears various risks for Stabilus, e.g. decreasing customer demand, shortages in the supply chain, governmentally enforced closure of plants, limited cost flexibility, devaluation of assets, cash shortages or the health of our employees. To mitigate these risks Stabilus has implemented a global multidisciplinary crisis management team that monitors and analyzes the situation on a daily basis on a local and a global level and is taking actions to address and mitigate identified risks. Amongst others Stabilus has reduced capacities, e.g. by making use of short time work, furlough as well as selected redundancies. In addition, Stabilus emphasizes a very strict monitoring of cost, liquidity as well as impairment risks. All employees are well informed about safety measures in business and private life. Also adjusted shift patterns, increased offering of home office and pulling forward of vacation reduce the risk of the virus spreading further.

Risks and opportunities: Overall assessment

The Management Board does not see any individual or aggregate risk that could endanger the future of Stabilus in any material way to continue as going concern.

CORPORATE GOVERNANCE

As a Luxembourg société anonyme, the Company is subject to the corporate governance regime as set forth in particular in the law of August 10, 1915, on commercial companies. As a Company whose shares are listed on a regulated market, the Company is further subject to the law of May 24, 2011, on the exercise of certain shareholder rights in listed companies.

As a Luxembourg société anonyme whose shares are exclusively listed on a regulated market in Germany, the Company is not required to adhere to the Luxembourg corporate governance regime applicable to companies that are traded in Luxembourg or to the German corporate governance regime applicable to stock corporations organized in Germany. The Company has decided to set up own corporate governance rules as described in the following paragraphs rather than to confirm such corporate governance regimes in order to build up a corporate governance structure which meets the specific needs and interests of the Company.

Stabilus Group is obliged by the European directive and Luxembourg law to report on non-financial and diversity information. Stabilus' Non-Financial Report will be published with this Annual Report, i.e. on December 11, 2020.

From fiscal year 2019 on, Stabilus is obliged by the European directive and Luxembourg law to draw up a remuneration policy for the Supervisory Board as well as for the Management Board. The principles and measurement of the remuneration policy for the Management Board and Supervisory Board of the Stabilus S. A. are prepared in accordance with Article 7bis of the Luxembourg law of May 24, 2011, on Shareholders Rights, as amended. The remuneration report will be published separately from this Annual Report.

The internal control systems and risk management for the establishment of financial information is described in the section "Risk management and control over financial reporting in the Stabilus Group".

According to the Articles of Incorporation of the Company, the Management Board must be composed of at least two Management Board members, and the Supervisory Board must be composed of at least three Supervisory Board members. The Supervisory Board has set up the following committees in accordance with the Articles of Incorporation: Audit Committee and Remuneration Committee. The Audit Committee is responsible for the consideration and evaluation of the auditing and accounting policies and its financial controls and systems. The Remuneration Committee is responsible for making recommendations to the Supervisory Board and the Management Board on the terms of appointment and the benefits of the managers of the Company. Further details on the composition and purpose of these committees and of the Management Board and the Supervisory Board are described in the section "Management and Supervisory Board of Stabilus S. A.".

The Annual General Meeting shall be held at such time as specified by the Management Board and the Supervisory Board in the convening notice. The Management Board and Supervisory Board may convene extraordinary general meetings as often as the Company's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one tenth of the Company's share capital.

Each share entitles the holder to one vote. The right of a shareholder to participate in a General Meeting and to exercise the voting rights attached to his shares are determined with respect to the shares held by such shareholder the 14th day before the General Meeting. Each shareholder can exercise his voting rights in person, through a proxyholder or in writing (if provided for in the relevant convening notice).

The information required by Article 10.1 of Directive 2004/25/EC on takeover bids which has been implemented by Article 11 of the Luxembourg Law on Takeovers of May 19, 2006, (the "Law on Takeovers") is set forth here below under "Disclosure Regarding Article 11 of the Law on Takeovers of May 19, 2006".

DISCLOSURES PURSUANT TO ARTICLE 11 OF THE LUXEMBOURG LAW ON TAKEOVERS OF MAY 19, 2006

A) For information regarding the structure of capital, reference is made to Note 21 of the consolidated financial statements.

B) The Articles of Incorporation of the Company do not contain any restrictions on the transfer of shares of the Company.

C) According to the voting rights notifications received until September 30, 2020, the following shareholders held more than 5% of total voting rights attached to Stabilus shares: Marathon Asset Management LLP, London, UK (direct: 1,745,599 voting rights attached to shares or 7.07% of total voting rights, indirect: 1,459,614 voting rights attached to shares or 5.91% of total voting rights), Allianz Global Investors GmbH, Frankfurt am Main, Germany (indirect: 1,291,376 voting rights attached to shares or 5.23% of total voting rights) and Teleios Capital Partners, Zug, Switzerland (indirect: 1,242,713 voting rights attached to shares or 5.03% of total voting rights).

D) The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employee.

E) The Articles of Incorporation of the Company do not contain any restrictions on voting rights.

F) There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/109/EC, as amended, (Transparency Directive).

G) Rules governing the appointment and replacement of Management Board members and the amendment of the Articles of Incorporation:
- The Management Board members are appointed by the Supervisory Board by the majority of the votes of the members present or represented (abstention or non-participation being taken into account as a vote against the appointment), or in the case of a vacancy, by way of a decision of the remaining Management Board members for the period until the next Supervisory Board Meeting.
- Management Board members serve for the following terms: Chief Executive Officer up to four years, and for any other Board members up to three years. Management Board members are eligible for re-appointment.
- Management Board members may be removed at any time with or without cause by the Supervisory Board by a simple majority of the votes.
- Resolutions to amend the Articles of Incorporation may be adopted by a majority of two-thirds of the votes validly cast, without counting the abstentions, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of the Company is not met at the Annual General Meeting, then the shareholders may be re-convened to a second General Meeting. No quorum is required in respect of such second General Meeting and the resolutions are adopted by a super majority of two-thirds of the votes validly cast, without counting the abstentions.

H) Powers of the Management Board:
- The Company is managed by a Management Board under the supervision of the Supervisory Board.
- The Management Board is vested with the broadest powers to perform or cause to be performed any actions necessary or useful in connection with the purpose of the Company.
- All powers not expressly reserved by the Luxembourg Companies Act or by the Articles of Incorporation to the General Meeting or the Supervisory Board fall within the authority of the Management Board.
- Certain transactions and measures are subject to the prior approval of the Supervisory Board on the terms set out in the Articles of Incorporation.
- The Management Board may appoint one or more persons, who may be a shareholder or not, or who may be a member of the Management Board or not, to the exclusion of any member of the Supervisory Board, who shall have full authority to act on behalf of the Company in all matters pertaining to the daily management and affairs of the Company.
- The Management Board is also authorized to appoint a person, either a director or not, to the exclusion of any member of the Supervisory Board, for the purposes of performing specific functions at every level within the Company.
- The Management Board may also appoint committees and sub-committees in order to deal with specific tasks, to advise the Management Board or to make recommendations to the Management Board and/or, as the case may be, the General Meeting, the members of which may be selected either from among the members of the Management Board or not, to the exclusion of any member of the Supervisory Board.

- The Management Board does not have currently any authority to issue shares in the Company under the Articles of Incorporation.
- The Management Board is authorized to buy back shares under the Articles of Incorporation or a buy-back program, for a period of five years (resolution of the Annual General Meeting on February 12, 2020). The maximum number of the shares to be acquired, shall be not exceeding 2 million shares of the aggregate nominal amount of the issued share capital. The purchase shall be affected either through the stock exchange or on the basis of a public purchase offer to all shareholders. If the shares are acquired on the Frankfurt Stock Exchange the consideration payable per share shall not exceed by more than 10% and shall not undercut by more than 20% the arithmetic mean of the closing price in XETRA trading on the Frankfurt Stock Exchange on the last three days of trading prior to the decision to repurchase shares.

I) There are no significant agreements to which the Company is party, and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

J) There are agreements between the Company and its Management Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

SUBSEQUENT EVENTS

As of December 10, 2020, there were no further events or developments that could have materially affected the measurement and presentation of the Group's assets and liabilities as of September 30, 2020.

OUTLOOK

For the fiscal year 2021, we expect revenue of €850 million to €900 million and an adjusted EBIT margin of between 12% and 13%. These assumptions are based on a stabilizing global economy and the expected recovery in global automotive production and no further unexpected impacts of the COVID-19 pandemic.

The Stabilus Group also confirms its STAR 2025 long-term forecast, which expects organic annual revenue growth of an average of 6% per year until fiscal 2025 and the return to an adjusted EBIT margin of 15%. Innovative strength will continue to be a major success factor going forward. One aim is to generate €250 million in revenue with new products in the 2025 fiscal year. With our highly motivated staff, our strong international management team, proven innovative strength and efficiency, and our consistent and systematic customer orientation, we have everything it takes to achieve this ambitious goal.

C
CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended September 30, 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year ended September 30, 2020

Consolidated statement of comprehensive income T_014

IN € THOUSANDS	Note	Year ended Sept 30, 2020	2019[3]
Revenue	4	822,126	951,339
Cost of sales	5	(590,627)	(674,955)
Gross profit		**231,499**	**276,384**
Research and development expenses	5	(40,645)	(39,150)
Selling expenses	5	(106,068)	(84,191)
Administrative expenses	5	(35,510)	(35,655)
Other income	6	8,927	8,294
Other expenses	7	(2,060)	(1,667)
Profit from operating activities		**56,143**	**124,015**
Finance income	8	2,258	1,254
Finance costs	9	(11,013)	(10,417)
Profit / (loss) before income tax		**47,388**	**114,852**
Income tax income / (expense)	10	(17,400)	(33,953)
Profit / (loss) for the period		**29,988**	**80,899**
thereof attributable to non-controlling interests		(1,445)	273
thereof attributable to shareholders of Stabilus		31,433	80,626
Other comprehensive income / (expense)			
Foreign currency translation difference[1]	21	(34,184)	11,753
Unrealized actuarial gains and losses[2]	21	1,347	(6,424)
Other comprehensive income / (expense), net of taxes		**(32,837)**	**5,329**
Total comprehensive income / (expense) for the period		**(2,849)**	**86,228**
thereof attributable to non-controlling interests		(1,445)	273
thereof attributable to shareholders of Stabilus		(1,404)	85,955
Earnings per share (in €):			
basic	11	1.27	3.26
diluted	11	1.27	3.26

[1] Item that may be reclassified ("recycled") to profit and loss at a future point in time when specific conditions are met.

[2] Item that will not be reclassified to profit and loss.

[3] Since October 1, 2019, the Stabilus Group has adopted the new standard IFRS 16 (Leases) by using the modified retrospective transition method. In accordance with this method, prior year figures were not restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of September 30, 2020

Consolidated statement of financial position T_015

IN € THOUSANDS	Note	Sept 30, 2020	Sept 30, 2019[1]
Assets			
Property, plant and equipment[2]	12	229,809	199,946
Goodwill	13	207,661	214,821
Other intangible assets	14	229,251	276,159
Other assets	16	281	1,711
Deferred tax assets	10	11,149	13,371
Total non-current assets		**678,151**	**706,008**
Inventories	17	97,237	100,339
Trade and other receivables	18	117,071	130,328
Current tax assets	19	9,591	4,987
Other financial assets	15	7,274	4,743
Other assets	16	11,816	13,814
Cash and cash equivalents	20	162,431	139,020
Total current assets		**405,420**	**393,231**
Total assets		**1,083,571**	**1,099,239**

Consolidated statement of financial position T_015

IN € THOUSANDS	Note	Sept 30, 2020	Sept 30, 2019[1]
Equity and liabilities			
Issued capital	21	247	247
Capital reserves	21	225,848	225,848
Retained earnings	21	287,702	283,423
Other reserves	21	(52,120)	(19,283)
Equity attributable to shareholders of Stabilus		**461,677**	**490,235**
Non-controlling interests		7,921	9,382
Total equity		**469,598**	**499,617**
Financial liabilities	22	288,078	308,761
Other financial liabilities	23	33,066	83
Provisions	25	3,699	3,565
Pension plans and similar obligations	26	57,029	59,893
Deferred tax liabilities	10	43,656	55,933
Total non-current liabilities		**425,528**	**428,235**
Trade accounts payable	27	71,080	90,992
Financial liabilities	22	34,306	2,824
Other financial liabilities	23	16,345	10,096
Current tax liabilities	28	9,658	13,088
Provisions	25	40,168	38,144
Other liabilities	29	16,888	16,243
Total current liabilities		**188,445**	**171,387**
Total liabilities		**613,973**	**599,622**
Total equity and liabilities		**1,083,571**	**1,099,239**

The accompanying notes form an integral part of these consolidated financial statements.

[1] Since October 1, 2019, the Stabilus Group has adopted the new standard IFRS 16 (Leases) by using the modified retrospective transition method. In accordance with this method, prior year figures were not restated.

[2] The Stabilus Group is disclosing the right-of-use assets to property, plant and equipment in the same balance sheet position as the underlying assets, as if they were own property.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year ended September 30, 2020

Consolidated statement of changes in equity T_016

IN € THOUSANDS	Note	Issued capital	Capital reserves	Retained earnings	Other reserves	Equity attributable to shareholders of Stabilus	Non-controlling interests	Total equity
Balance as of Sept 30, 2018		**247**	**225,848**	**225,090**	**(24,612)**	**426,573**	**(50)**	**426,523**
Effects IFRS 9		–	–	834	–	834	–	834
Balance as of Oct 1, 2018		**247**	**225,848**	**225,924**	**(24,612)**	**427,407**	**(50)**	**427,357**
Profit / (loss) for the period		–	–	80,626	–	80,626	273	80,899
Other comprehensive income / (expense)	21	–	–	–	5,329	5,329	–	5,329
Total comprehensive income for the period		–	–	80,626	5,329	85,955	273	86,228
Dividends		–	–	(24,700)	–	(24,700)	(62)	(24,762)
Change in ownership interest in subsidiaries without a change of control		–	–	1,573	–	1,573	(2,774)	(1,201)
Change in non-controlling interest		–	–	–	–	–	11,415	11,415
Receipts from non-controlling interest		–	–	–	–	–	580	580
Balance as of Sept 30, 2019		**247**	**225,848**	**283,423**	**(19,283)**	**490,235**	**9,382**	**499,617**
Profit / (loss) for the period		–	–	31,433	–	31,433	(1,445)	29,988
Other comprehensive income / (expense)	21	–	–	–	(32,837)	(32,837)	–	(32,837)
Total comprehensive income for the period		–	–	31,433	(32,837)	(1,404)	(1,445)	(2,849)
Dividends	21	–	–	(27,170)	–	(27,170)	–	(27,170)
Change in ownership interest in subsidiaries without a change of control		–	–	16	–	16	(16)	–
Change in non-controlling interest		–	–	–	–	–	–	–
Receipts from non-controlling interest		–	–	–	–	–	–	–
Balance as of Sept 30, 2020		**247**	**225,848**	**287,702**	**(52,120)**	**461,677**	**7,921**	**469,598**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year ended September 30, 2020

Consolidated statement of cash flows T_017

IN € THOUSANDS	Note	Year ended Sept 30, 2020	2019[1]
Profit / (loss) for the period		29,988	80,899
Income tax expense		17,400	33,953
Net finance result	8 / 9	8,756	9,163
Interest received		499	419
Depreciation and amortization (incl. impairment losses)	13 / 15	95,816	59,633
Gains / losses from the disposal of assets		38	(136)
Changes in inventories		3,102	(4,847)
Changes in trade accounts receivable		13,257	(11,395)
Changes in trade accounts payable		(19,912)	3,661
Changes in other assets and liabilities		(4,795)	11,497
Changes in provisions		1,159	(1,500)
Income tax payments	34	(36,427)	(35,930)
Cash flow from operating activities		**108,881**	**145,417**
Proceeds from disposal of property, plant and equipment		938	1,032
Purchase of intangible assets	14	(17,663)	(15,108)
Purchase of property, plant and equipment	12	(29,915)	(41,413)
Acquisition of assets and liabilities within the business combination, net of cash acquired		(1,062)	(41,415)
Cash flow from investing activities		**(47,702)**	**(96,904)**
Receipts under financial liabilities		29,894	–
Payments for redemption of financial liabilities		(1,550)	(3,694)
Receipts from non-controlling interests		–	580
Payments for redemption of senior facilities		(20,000)	(21,073)
Payments for lease liabilities	34	(8,245)	(443)
Dividends paid	21	(27,170)	(24,700)
Dividends paid to non-controlling interests		–	(62)
Payment for acquisition of non-controlling interests		–	(1,200)
Payments for interest	34	(4,814)	(3,643)
Cash flow from financing activities		**(31,885)**	**(54,235)**
Net increase / (decrease) in cash and cash equivalents		**29,294**	**(5,722)**
Effect of movements in exchange rates on cash held		(5,883)	1,742
Cash and cash equivalents as of beginning of the period		139,020	143,000
Cash and cash equivalents as of end of the period		**162,431**	**139,020**

The accompanying notes form an integral part of these consolidated financial statements.

[1] Since October 1, 2019, the Stabilus Group has adopted the new standard IFRS 16 (Leases) by using the modified retrospective transition method. In accordance with this method, prior year figures were not restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as of and for the fiscal year ended September 30, 2020

1 General information

Stabilus S. A., Luxembourg, hereinafter also referred to as "Stabilus" or the "Company" is a public limited liability company (Société Anonyme) incorporated in Luxembourg and governed by Luxembourg law. The Company is registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés Luxembourg) under No. B151589 and its registered office is located at 2, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg. The Company was founded under the name Servus HoldCo S.à r. l. on February 26, 2010.

The Company's fiscal year is from October 1 to September 30 of the following year (twelve-month period). The consolidated financial statements of Stabilus S. A. include Stabilus and its subsidiaries (hereafter also referred to as "Stabilus Group" or the "Group").

The Stabilus Group is a leading manufacturer of gas springs, dampers, vibration isolation products as well as electric tailgate opening and closing equipment. The products are used in a wide range of applications in the automotive, industrial and domestic sector, as well as in the furniture industry. Typically, the products are used to support the lifting and lowering or dampening of movements. As world market leader for gas springs, the Group ships to all key vehicle manufacturers. Various Tier 1 suppliers of the global car industry as well as large technical focused distributors further diversify the Group's customer base.

The consolidated financial statements are prepared in euro (€) rounded to the nearest thousand. Due to rounding, numbers presented may not add up precisely to totals provided.

The consolidated financial statements of Stabilus and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The consolidated financial statements were authorized for issue by the Management Board on December 10, 2020.

2 Basis for presentation

Preparation

In the statement of financial position assets and liabilities are classified as non-current and current. They are reported as current if the remaining term is less than one year and as non-current if the remaining term is over one year. Deferred tax assets and liabilities, as well as provisions for defined benefit pension plans and similar obligations are reported as non-current. The consolidated statement of comprehensive income is presented using the cost of sales method.

In relation of the first-time application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" as of October 1, 2019. Stabilus Group has applied the modified retrospective method for the transition to IFRS 16 and IFRIC 23.

Measurement

The consolidated financial statements have been prepared on historical cost basis, except for certain items, that are measured at fair value, like derivative financial instruments. The exceptions are described below.

Use of estimates and judgments

The preparation of financial statements requires estimates that involve complex and subjective judgments and the use of assumptions for matters that are uncertain and are subject to change. Estimates can change from period to period and can have a material impact on financial positions, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis from the Management. These are updated, if necessary. Revisions to estimates are recognized prospectively.

Impairment of non-financial assets

Stabilus monitors whether there are indications that its non-financial assets may be impaired. Goodwill and development cost under construction are tested for impairment annually. Further tests are carried out if there are indications for impairment. Other non-financial assets are tested for impairment if there are indications that the carrying amount may not be recoverable. If the fair value less costs of disposal is calculated, management must estimate the expected future cash flows from the asset or the cash-generating unit and select an appropriate discount rate in order to determine the present value.

Trade and other receivables

The allowance for doubtful accounts requires management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends, analysis of historical allowances and determination of expected credit losses (ECL) on financial assets. Details of bad debt allowances on trade receivables are presented in Note 18.

Deferred tax assets

The valuation of deferred tax assets is based on mid-term business plans of the entities carrying the deferred tax asset. The mid-term business plans range from three to five years and include various assumptions and estimates relating to the business development, strategic changes, cost optimization and business improvement and also general market and economic development. Deferred tax assets are recognized to the extent that sufficient taxable profit will be available for the utilization of the deductible temporary differences. Stabilus recognizes a valuation allowance for deferred tax assets when it is unlikely that sufficient future taxable profit will be available. Please also refer to Note 10.

Provisions

Significant estimates are required in the determination of provisions related to pensions and other obligations, contract losses, warranty costs and legal proceedings. Please also refer to Notes 25 and 26.

Risks and uncertainties

The Group's net assets, financial position and results of operations are subject to risks and uncertainties. Actual results can vary from expectations due to changes in the overall economy, evolvement of price-aggressive competitors, significant price changes for raw materials and overall purchase costs. Furthermore, quality issues may result in significant costs for the Group. The Group financing is based on variable interest rates and is subject to risks and uncertainties due to the development of the Euribor and the net leverage level of the Stabilus Group.

Going concern

These consolidated financial statements have been prepared under the going concern assumption, from the current perspective there are no risks to the continued existence of the Stabilus Group.

Scope of consolidation

The consolidated financial statements include the financial statements of Stabilus S. A. and all subsidiaries, which are directly or indirectly controlled by Stabilus. Control exists if the Company has the decision-making power over the relevant activities of an entity and it participates in positive and negative variable returns from that entity and it can affect these returns by its decision-making power.

Non-controlling interests represent the portion of profit and loss and net assets not held by the Company. They are presented separately in the consolidated statement of comprehensive income and the consolidated statement of financial position.

The results of subsidiaries acquired or disposed during the period are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of disposal, as appropriate.

Next to Stabilus S. A., 37 (PY: 36) subsidiaries (see following list) are included in the consolidated financial statements as of September 30, 2020.

Subsidiaries T_018

NO.	NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
1	Stable II S.à r.l.	Luxembourg	Stabilus S.A.	100.00%	Full
2	Stable Beteiligungs GmbH	Koblenz, Germany	Stable II S.à r.l.	100.00%	Full
3	Stable HoldCo Australia Pty. Ltd.	Dingley, Australia	Stable II S.à r.l.	100.00%	Full
4	Stabilus UK Ltd.	Banbury, United Kingdom	Stable Beteiligungs GmbH	100.00%	Full
5	Stabilus GmbH	Koblenz, Germany	Stable Beteiligungs GmbH	100.00%	Full
6	Stabilus Pty. Ltd.	Dingley, Australia	Stable HoldCo Australia Pty. Ltd.	100.00%	Full
7	Stabilus Ltda.	Itajubá, Brazil	Stabilus GmbH	100.00%	Full
8	Stabilus Espana S.L.	Lezama, Spain	Stabilus GmbH	100.00%	Full
9	Stabilus Co. Ltd.	Busan, South Korea	Stabilus GmbH	100.00%	Full
10	Stabilus S.A. de C.V.	Ramos Arizpe, Mexico	Stabilus GmbH	99.9998%	Full
			Stabilus UK Ltd.	0.0002%	
11	Stabilus Inc.	Gastonia, USA	Stabilus US Holding Corp.	100.00%	Full
12	Stabilus Limited	Auckland, New Zealand	Stabilus GmbH	80.00%	Full
13	Stabilus Japan Corp.	Yokohama, Japan	Stable Beteiligungs GmbH	100.00%	Full
14	New Clevers S.A.	Buenos Aires, Argentina	Stable Beteiligungs GmbH	60.00%	Full
15	Piston Amortisör San. ve Tic. A. Ş.	Bursa, Turkey	Stable Beteiligungs GmbH	53.00%	Full
16	Stabilus France S.à r.l.	Poissy, France	Stabilus GmbH	100.00%	Full
17	Stabilus Romania S.R.L.	Brasov, Romania	Stable Beteiligungs GmbH	0.001%	Full
			Stabilus GmbH	99.999%	
18	Stabilus (Jiangsu) Ltd.	Wujin, China	Stabilus GmbH	100.00%	Full
19	Stabilus Mechatronics Service Ltd.	Shanghai, China	Stabilus (Jiangsu) Ltd.	100.00%	Full
20	Stabilus PTE Ltd.	Singapore	Stabilus GmbH	100.00%	Full
21	Stabilus (Zhejiang) Ltd.	Pinghu, China	Stable II S.à r.l.	100.00%	Full
22	Stabilus US Holding Corp.	Wilmington, USA	Stable II S.à r.l.	100.00%	Full
23	Stabilus Motion Controls GmbH	Langenfeld, Germany	Stable II S.à r.l.	100.00%	Full
24	General Aerospace GmbH	Eschbach, Germany	Stabilus Motion Controls GmbH	90.00%	Full
25	General Aerospace Inc.	Lynnwood, USA	General Aerospace GmbH	100.00%	Full
26	Fabreeka Group Holdings, Inc.	Stoughton, USA	Stabilus US Holding Corp.	100.00%	Full

Subsidiaries (continued) T_018

NO.	NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
27	ACE Controls Inc.	Farmington Hills, USA	Stabilus US Holding Corp.	100.00%	Full
28	ACE Controls International Inc.	Farmington Hills, USA	Stabilus US Holding Corp.	100.00%	Full
29	Fabreeka International Holdings Inc.	Stoughton, USA	Fabreeka Group Holdings Inc.	100.00%	Full
30	Fabreeka International Inc.	Stoughton, USA	Fabreeka International Holdings Inc.	100.00%	Full
31	Tech Products Corporation	Miamisburg, USA	Fabreeka International Holdings Inc.	100.00%	Full
32	Fabreeka GmbH Deutschland	Büttelborn, Germany	Fabreeka International Holdings Inc.	100.00%	Full
33	ACE Controls Japan L.L.C.	Farmington Hills, USA	ACE Controls Inc.	100.00%	Full
34	ACE Stoßdämpfer GmbH	Langenfeld, Germany	Stabilus Motion Controls GmbH	94.90%	Full
			Stable II S.à r.l.	5.10%	
35	HAHN-Gasfedern GmbH	Aichwald, Germany	Stabilus Motion Controls GmbH	100.00%	Full
36	YAKIDO B.V.[1]	Zwijndrecht, Netherlands	HAHN-Gasfedern GmbH	50.00%	Full
37	Stabilus Actio GmbH	Langenfeld, Germany	Stabilus Motion Controls GmbH	100.00%	Full

[1] The entity has been fully consolidated as the Stabilus Group can exercise control over the company in the meaning of IFRS 10.

The decrease of subsidiaries is due to the ongoing simplification of the legal structure of the Stabilus Group. In fiscal year 2020, one subsidiary was liquidated and two entities were founded in fiscal year 2020. This had no material effect on the Group's consolidated financial statements.

Principles of consolidation

The assets and liabilities of domestic and foreign entities included in the consolidated financial statements are accounted for in accordance with the uniform accounting policies of the Stabilus Group. Receivables and liabilities or provisions between the consolidated entities are eliminated. Intragroup revenue and other intragroup income and the corresponding cost and expenses are eliminated. Intercompany gains and losses on intragroup delivery and service transactions are eliminated through profit or loss, unless they are immaterial.

Business combination

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date on which control is obtained by the Group. Goodwill is measured as:

- The fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally the fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of transactions existing before the business combination. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with the business combination are expensed as incurred.

Non-controlling interests in the net assets of consolidated subsidiaries consist of the value of those interests at the date of the original business combination and their share of changes in equity since that date.

Foreign currency translation

The consolidated financial statements are presented in euro (€).

For each entity in the Group its functional currency is determined, which is the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each entity are measured using the functional currency. Transactions in foreign currencies are initially translated into the functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rate at the balance sheet date. The resulting foreign currency exchange gains or losses are recognized in profit and loss.

Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rates as of the date of the initial transaction. Non-monetary items in foreign currency measured at fair value are translated using the exchange rate at the date when the fair value is determined.

Assets and liabilities of foreign subsidiaries with a functional currency other than euro (€) are translated using the exchange rates as at the balance sheet date, while their income, expenses and cash flows are translated using the average exchange rates during the period.

Foreign currency exchange gains and losses on operating activities are included in other operating income and expense. Foreign currency gains and losses on financial receivables and debts are included in interest income and expense.

Translation adjustments arising from exchange rate differences are recognized directly in shareholder's equity and are presented as a separate component of equity. On disposal of a foreign entity, the translation adjustment relating to that particular foreign operation is recognized in profit or loss.

Exchange differences from foreign currency loans that are part of a net investment in a foreign operation are recognized directly in equity.

The exchange rates of the significant currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Exchange rates T_019

		Closing rate Sept 30,		Average rate for the year ended Sept 30,	
COUNTRY	ISO Code	2020	2019	2020	2019
Australia	AUD	1.6438	1.6126	1.6525	1.6029
Argentina	ARS	89.1154	62.4212	73.3367	47.9888
Brazil	BRL	6.6308	4.5288	5.4205	4.3604
China	CNY	7.9720	7.7784	7.8460	7.7569
South Korea	KRW	1,368.5100	1,304.8300	1,337.3401	1,300.9884
Mexico	MXN	26.1848	21.4522	23.7171	21.8837
Romania	RON	4.8725	4.7496	4.8118	4.7189
Turkey	TRY	9.0990	6.1491	7.2972	6.3238
USA	USD	1.1708	1.0889	1.1199	1.1281

CHANGES IN ACCOUNTING POLICIES / NEW STANDARDS ISSUED

The accounting policies applied in the consolidated financial statements comply with the IFRSs required to be applied in the EU as of September 30, 2020. In financial year 2020, the following new and revised standards and interpretations had to be applied for the first time in the Stabilus Group's financial statements:

New standards, interpretations and amendments in the financial year T_020

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
IFRS 16	Leases (issued on January 13, 2016)	January 1, 2019	January 1, 2019	Reference is made to the descriptions below
IFRIC 23	Uncertainty over Income Tax Treatments (issued on June 7, 2017)	January 1, 2019	January 1, 2019	Reference is made to the descriptions below
Amendments to IFRS 9	Prepayment Features with Negative Compensation (issued on October 12, 2017)	January 1, 2019	January 1, 2019	No impact
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement (issued on February 7, 2018)	January 1, 2019	January 1, 2019	Reference is made to the descriptions below
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	January 1, 2019	January 1, 2019	No impact
Annual Improvements	Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 12, 2017)	January 1, 2019	January 1, 2019	No impact
Amendments to IFRS 16	COVID-19-Related Rent Concession (issued on May 28, 2020)	June 1, 2020	June 1, 2020	Reference is made to the descriptions below

The effective date presented above is the date of mandatory application in annual periods beginning on or after that date.

In the financial year 2020 the Stabilus Group applied the new standards IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments and the Amendments to IFRS 16 and IAS 19 for the first time. The effect of the initial application of IFRS 16 was an increase in property, plant and equipment of €43.7 million due to the recognition of right-of-use assets as of October 1, 2019. In compliance with the transitional provisions, comparative information was not restated. Nonetheless, this does not significantly impact overall comparability with prior year figures.

IFRS 16 Leases

IFRS 16 (Leases) changes the regulations for the recognition, measurement, presentation and disclosure of leases. IFRS 16 (Leases) supersedes the previous standard for lease accounting (IAS 17 Leases) and the relating interpretations (IFRIC 4 Lease Arrangement, SIC-15 Operating Leases – Incentives and SIC-27 Evaluation of Lease Transactions).

In the financial year 2020 starting October 1, 2019, the Stabilus Group applied the new standard IFRS 16 (Leases) for the first-time using the modified retrospective transition method. In accordance with this method, the prior year figures were not restated. In addition, the Group used the practical expedient in IFRS 16.C3 to apply IFRS 16 (Leases) only to those contracts that were previously identified as leases under IAS 17 (Leases) or IFRIC 4 (Lease Arrangement). In the ordinary business, the Stabilus Group is the lessee of property, plant and equipment (e.g. IT hardware, cars, and other machinery and equipment). For all leases respective lease term options (e.g. renewal options) are considered. The application of such lease term options provides the Group with the greatest possible flexibility concerning its leased assets. The majority of the current options to extend or terminate the leases can only be exercised by the Group and not by the respective lessor. Within the Stabilus Group the extension options are solely used for the asset class "buildings". For all other leases the minimum term of lease is considered.

Within the scope of a group-wide project a software for contract data management was introduced.

Based on the retrospective initial recognition as of October 1, 2019, the effects resulted in an increase of the balance sheet total. Right-of-use assets in the amount of €43.7 million and corresponding lease liabilities were recognized in the consolidated financial statements for fiscal year 2020. The Stabilus Group decided to recognize the right-of-use assets in the same amount as the lease liabilities. The lease liabilities are divided into €36.9 million non-current and €6.8 million current. The effects on the consolidated statement of cash flows in fiscal year 2020 are: Increase in the cash flow from financing activities amounting to €9.7 million. This increase is attributable to the payments for lease liabilities of €(8.2) million and to the interest expense from lease liabilities amounting to €(1.5) million. The cash flow from operating activities is reduced accordingly.

The Stabilus Group decided to use some practical expedients outlined in IFRS 16 (Leases) like short-term leases (leases with a lease term less than 12 months) and low-value assets (underlying asset < 5.000 EUR/USD e.g. printers and copiers). Thereof, short-term leases can be classified in an amount of €(0.9) million. Leases of low-value assets amounted to €(0.8) million. The regulations of IFRS 16 (Leases) are not applied for the Group's intangible assets. Furthermore, the Stabilus Group shows only a distinction between lease and non-lease components for real estate. For all non-movable goods, there is no distinction between lease and non-lease components. For leases with similar characteristics the portfolio application is used.

The main impact of the transition resulted in the assessment of the lease term options from real estate and vehicles (e.g. cars, forklifts). Considering renewal options (solely for real estate) that are expected to be exercised with reasonable certainty, an amount of €17.4 million could be measured. By determining if a renewal option will be exercised the Group considers different factors that have an impact on the respective lease term. The main factors are those that are directly related to the contract or the Company. Contract related factors mean that only for those real estates that have such renewal options in their contracts the Group can apply to. In addition, the high of the rental payments are relevant throughout the decision process. Factors that are related to the Company, like a loss of production in case of non-renewal, costs for an acquisition of an asset or the going concern criteria on the business activity, are also part of the decision process whether to take into account a renewal option or not. Due the fact that most of the contracts include such renewal options and the Group is expecting a going concern for all production and non-production buildings by considering all factors stated above, the amount of the exercised renewal options is reasonably certain.

The lease liabilities were discounted as of October 1, 2019, using the incremental borrowing rate. The Stabilus Group's weighted average interest rate as at October 1, 2019, amounted to 3.86%.

The following tables set out the effects of the first-time application of IFRS 16 (Leases):

Reconciliation of IFRS 16 effects on the consolidated statement of financial position T_021

IN € MILLIONS	as of Sept 30, 2019	Effects of IFRS 16 first-time application	as of Oct 1, 2019
Assets			
Property, plant and equipment	199.9	43.7	243.6
Other non-current assets	506.1		506.1
Current assets	393.2		393.2
Total assets	**1,099.2**	**43.7**	**1,142.9**
Equity and liabilities			
Equity	499.6		499.6
Other non-current liabilities	428.1		428.1
Other financial liabilities (non-current)	0.1	36.9	37.0
Other current liabilities	161.3		161.3
Other financial liabilities (current)	10.1	6.8	16.9
Total equity and liabilities	**1,099.2**	**43.7**	**1,142.9**

Reconciliation of IFRS 16 effects on the consolidated statement of comprehensive income T_022

IN € MILLIONS	Year ended Sept 30, 2020	Effects of IFRS 16 first-time application	Year ended Sept 30, 2020 without application of IFRS 16	Year ended Sept 30, 2019 without application of IFRS 16
Profit from operating activities (EBIT)	56.1	1.5	54.6	124.0
Net financial result	(8.8)	(1.5)	(7.3)	(9.2)
Profit / (loss) for the period	30.0	–	30.0	80.9

Reconciliation of IFRS 16 effects on the consolidated statement of cash flows T_023

IN € MILLIONS	Year ended Sept 30, 2020	Effects of IFRS 16 first-time application	Year ended Sept 30, 2020 without application of IFRS 16	Year ended Sept 30, 2019 without application of IFRS 16
Cash flow from operating activities	108.9	(9.7)	99.2	145.4
Cash flow from investing activities	(47.7)	–	(47.7)	(96.9)
Cash flow from financing activities	(31.9)	9.7	(22.2)	(54.2)

Reconciliation of lease liabilities T_024

IN € MILLIONS	as of Oct 1, 2019
Operating rental and lease agreements as of Sept 30, 2019	**32.7**
Lease liabilities resulting from finance leases as of Sept 30, 2019	**0.5**
Short-term leases with a lease term < 12 months	(0.9)
Leases of low value	(0.8)
Other[1]	1.1
Extension and termination options reasonably certain to be exercised	17.4
Operating rental and lease agreements as of Oct 1, 2019	**50.1**
Discounted at the incremental borrowing rate as of Oct 1, 2019	(6.4)
Lease liabilities resulting from the initial application of IFRS 16 as of Oct 1, 2019	**43.7**

[1] Commitments for leases that had not commenced on September 30, 2019.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. IFRIC 23 is applicable to financial years beginning on or after January 1, 2019 (Stabilus Group's financial year 2020). The interpretation supplements the provisions of IAS 12 Income Taxes on accounting for effective and deferred taxes with regard to uncertainties over the treatment of particular circumstances and transactions by the tax authorities and courts pertaining to income tax. Based on our current assessments, this clarification does not have a significant impact on the consolidated financial statements of the Stabilus Group.

AMENDMENTS TO IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to recalculate the current service cost and the net interest for the remainder of the period after the plan amendment, curtailment or settlement.

The amendments also clarify that an entity first determines any past service cost, or gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income. The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019 (Stabilus Group's financial year 2020). These amendments will apply only to any future plan amendments, curtailments, or settlements of Stabilus Group.

AMENDMENTS TO IFRS 16: COVID-19-RELATED RENT CONCESSION

In May 2020, the IASB issued the amendments to IFRS 16 COVID-19-Related Rent Concession. The amendment can be applied from all lessees but not from lessors and provides for an optional simplification that allows lessees to dispense with the assessment of whether a rental agreement in connection with COVID-19 constitutes a modification of the lease in accordance with IFRS 16. Instead, lessees should be given the option to treat such rent concessions as if they were not a modification of the lease. The practical expedient would apply only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021;
- There is no substantive change to other terms and conditions of the lease.

Lessees that apply the exemption will need to disclose that fact. Furthermore, this practical expedient must be applied consistently to all lease contracts with similar characteristics and in similar circumstances.

The amendments would be effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

The Stabilus Group has early adopted the amendment and applied the practical expedient of IFRS 16. The Stabilus Group received rent reductions granted by the lessor in an amount of €0.3 million, for the Chinese entities for the rent periods February and March. These lease reductions will reduce the rental expenses.

The IASB issued new standards and amendments which have been endorsed by the EU and whose application accordingly is not yet compulsory in financial year 2020. The Stabilus Group is not planning an early application of these standards, amendments and interpretations.

New standards, interpretations and amendments issued and endorsed by the EU (not yet adopted) T_025

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
Conceptual Framework for Financial Reporting	Amendments to References to the Conceptual Framework in IFRS Standards (issued on March 29, 2018)	January 1, 2020	January 1, 2020	No impact
Amendments to IFRS 3	Definition of a Business (issued on October 22, 2018)	January 1, 2020	January 1, 2020	No impact
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (issued on September 26, 2019)	January 1, 2020	January 1, 2020	Reference is made to the descriptions below
Amendments to IAS 1 and IAS 8	Definition of Material (issued on October 31, 2018)	January 1, 2020	January 1, 2020	No impact

The effective date presented above is the date of mandatory application in annual periods beginning on or after that date.

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7: INTEREST RATE BENCHMARK REFORM

In September 2019, the IASB issued Amendments to IFRS 9, IAS 39 and IFRS 7 the so-called Interest Rate Benchmark Reform. The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments provide relief from the highly probable and prospective assessment required by IFRS 9 and IAS 39 for hedging relationships that are affected by the uncertainties of the IBOR reform. With the same purpose, the amendments provide relief from the retrospective assessment under IAS 39. The exceptions described in the amendments apply only to those hedging relationships directly affected by uncertainties of the IBOR reform including cross-currency interest swaps (for the interest component affected). Based on our current assessments, the regulations do not have a significant impact on the consolidated financial statements of the Stabilus Group. Currently, there is no use of hedge accounting within the Group.

The above-mentioned new and revised standards, interpretations and amendments will probably have no material impact on the Stabilus Group's consolidated financial statements.

The new and revised standards and amendments issued but not yet endorsed by the EU mentioned in the table below are currently evaluated. Based on our current assessments, the new and revised standards and interpretations mentioned in the table below will probably have no material impact on the Stabilus Group's consolidated financial statements.

New standards, interpretations and amendments issued but not yet endorsed by the EU T_026

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
IFRS 17	Insurance Contracts (issued on May 18, 2017)	January 1, 2023	Pending	No impact
Amendments to IFRS 4	Deferral of IFRS 9 (issued on June 30, 2020)	January 1, 2021	Pending	Evaluating
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (issued on August 27, 2020)	January 1, 2021	Pending	Evaluating
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	All issued on May 14, 2020	January 1, 2022	Pending	Evaluating
Amendments to IAS1	Classification of Liabilities as Current or Non-current (issued on January 23, 2020)	January 1, 2023	Pending	Evaluating

The effective date presented above is the date of mandatory application in annual periods beginning on or after that date.

3 Accounting policies

Revenue

Revenue is recognized when or as the control over distinct goods or services is transferred to the customer and when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or to be received. Customer bonuses, discounts, rebates, and other sales taxes or duties reduce the amount of revenue recognized. The effects of significant financing components can be ignored if the vendor expects, at contract inspection, that the period between the transfer of a promised good or service to the customer and the date of payment will be one year or less. Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to the customer, a price is agreed or can be determined and when the payment is probable. Revenue from a contract to provide services is recognized according to the stage of completion, if the amount of the revenue can be measured reliably and it is probable that the economic benefits will flow to the Group.

Cost of sales

Cost of sales comprises costs for the production of goods and for merchandise sold. In addition to directly attributable material and production costs, indirect production-related overheads like production and purchase management, warranty expenses, depreciation on production plants and amortization as well as impairment of intangible assets. Cost of sales also includes write-downs on inventories to the lower net realizable value.

Research expenses and non-capitalized development expenses

Research expenses and non-capitalized development expenses are recognized in profit or loss as incurred.

Selling expenses

Selling expenses include costs for sales personnel and other sales-related costs such as marketing and travelling as well as impairment on intangible assets are included. Shipping and handling costs are expensed within selling expenses as incurred. Fees charged to customers are shown as sales. Advertising costs (expenses for advertising, sales promotion and other sales-related activities) are expensed within selling expenses as incurred.

Borrowing costs

Borrowing costs are expensed as incurred, unless they are directly attributable to the acquisition, construction or production of a qualifying asset and therefore form part of the cost of that asset.

Interest income and expense

The interest income and expense include the interest expenses from liabilities and the interest income from the investment of cash. The interest components from defined benefit pension plans and similar obligations are reported within personnel expenses.

Other financial income and expense

The other financial result includes all remaining income and expenses from financial transactions that are not included in the interest income and expense.

Income taxes

Income tax expense comprises current and deferred tax.

Current tax comprises the expected tax payable or receivable for the year and any adjustment related to previous years and is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

For potential risks related to uncertain tax positions the Group recognized provisions in accordance with IFRIC 23. Measurement is based on either the most likely amount or the expected value, depending on which amount best reflects the expectations.

Deferred tax is recognized on temporary differences between the carrying value of assets and liabilities under IFRS and their tax base, except for temporary differences arising from goodwill or from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither taxable nor accounting profit.

Deferred tax assets are recognized for deductible temporary differences, tax loss carryforwards and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realized. The carrying value is adjusted accordingly.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which Stabilus expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

Goodwill

Goodwill is measured at cost less any accumulated impairment losses and is not amortized. It is tested for impairment at least annually and if an indication for impairment exists.

The Group tests goodwill for impairment by comparing its recoverable amount with its carrying amount. For this purpose, goodwill is allocated to the cash-generating units (CGU) that are expected to benefit from the business combination at the acquisition date. Goodwill is tested for impairment at the lowest level within the Group at which goodwill is being monitored.

An impairment loss on goodwill is recognized if the recoverable amount of the cash-generating unit is below its carrying amount. Impairment losses are recognized in profit or loss. Impairment losses on goodwill are not reversed.

Other intangible assets

Purchased intangible assets are measured at acquisition cost and internally generated intangible assets at production cost less any accumulated amortization and impairment losses. Internally generated intangible assets are only recognized when the criteria in accordance with IAS 38 are met.

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful economic life and tested for impairment if there is an indication that the intangible asset may be impaired. The estimated useful life and the amortization method are reviewed at the end of each reporting period. The effect of changes in the estimate is being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortized and are tested for impairment at least annually and if an indication for impairment exists.

The following useful lives are used in the calculation of amortization: Software (3 to 5 years), patented technology (16 years), customer relationships (19 to 24 years), unpatented technology (6 to 10 years) and trade names (7 years).

Research and development expenses

Development costs are capitalized when the criteria in accordance with IAS 38 are met, otherwise expensed as incurred.

To meet the recognition criteria of IAS 38, Stabilus has to demonstrate the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) the ability to use or sell the intangible asset; (4) how the intangible asset will generate probable future economic benefits; (5) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (6) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development costs comprise all costs directly attributable to the development process and are amortized systematically from the start of production over the expected product cycle of three to fifteen years depending on the lifetime of the product.

Property, plant and equipment

Property, plant and equipment, exempt from right-of-use assets under leases (IFRS 16), is measured at cost less accumulated depreciation and impairment losses.

Cost for property, plant and equipment include the purchase price, costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended. This also applies for self-constructed plant and equipment taking into account the cost of production.

Subsequent costs are capitalized only if they increase the future economic benefits embodied in the specific asset to which they relate.

Depreciation on property, plant and equipment is recognized on a straight-line basis over the estimated useful lives of the assets. The residual values, depreciation methods and useful lives are reviewed annually and adjusted, if necessary.

Depreciation is primarily based on the following useful lives: Buildings (40 years), machinery and equipment (5 to 10 years) and other equipment (5 to 8 years).

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss. If necessary, additional impairment is recognized on the affected items.

As of October 1, 2019, the Stabilus Group applied the IFRS 16 (Leases) standard for the first time. For all leases (exempt practical expedients) a right-of-use asset has to be activated on the balance sheet. The Stabilus Group is disclosing the right-of-use assets to property, plant and equipment in the same balance sheet position as the underlying assets, as if they were own property.

Stabilus recognizes government grants when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Government grants related to the purchase or the production of fixed assets are generally offset against the acquisition or production costs of the respective assets so that the grant is recognized in profit or loss over the life of the asset through reduced depreciation expense.

Leases

Since fiscal year 2020, starting October 1, 2019, the Company accounted for leases using IFRS 16 (Leases). By adopting this standard, the Group changed its accounting method for all leases where Stabilus is the lessee. There is no distinction between finance lease and operating lease anymore. In the last fiscal year, there was one finance lease classified by the Group.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. For all leases that are not classified as low-value leases (underlying asset < 5.000 EUR/USD), short-term leases (lease term less than 12 months) or intangible assets, a right-of-use asset with a corresponding lease liability is classified. The right-of-use assets are measured at cost. All right-of-use assets are depreciated over the total lease term on a straight-line basis. The lease liabilities are measured by increasing the carrying amount to reflect the interest expenses for the leases and by reducing the carrying amount to reflect the lease payments made.

For all leases respective lease term options (e.g. renewal options) are considered. The application of such lease term options provides the Group with the greatest possible flexibility concerning their leased assets. The majority of the current options to extend or terminate the leases can only be exercised by the Group and not by the respective lessor. Within the Stabilus Group the extension options are solely used for the asset class "buildings". For all other leases the minimum term of lease is considered.

The residual terms of the lease agreements are as follows:

- Building + land improvements (IFRS 16): 2 to 15 years
- Machinery + equipment (IFRS 16): 2 to 8,5 years
- Other tangible equipment (IFRS 16): >1 to 8 years

The Stabilus Group is disclosing the right-of-use assets to property, plant and equipment in the same balance sheet position as the underlying assets, as if they were own property.

For all leases that are not classified under IFRS 16 (Leases) the corresponding lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Stabilus Group acts only as a lessee.

Impairment of non-financial assets

Stabilus assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists Stabilus estimates the recoverable amount of the asset. Goodwill and intangible assets under construction are tested annually for impairment.

The recoverable amount is determined for individual assets, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (cash-generating units).

The recoverable amount is the higher of its fair value less costs of disposal and its value in use. Stabilus determines the recoverable amount as fair value less costs of disposal and compares this with the carrying amounts (including goodwill). The fair value less costs of disposal is measured by discounting future cash flows using a risk-adjusted interest rate. The future cash flows are estimated on the basis of the operative planning (five-year window). Periods not included in the business plans are taken into account by applying a residual value which considers a growth rate of 1.0%. If the fair value less costs of disposal cannot be determined or is lower than the carrying amount, the fair value less costs of disposal is calculated. If the carrying amount exceeds the recoverable amount an impairment loss has to be recognized.

The calculation of the value in use and the fair value less costs of disposal is most sensitive to the following assumptions: (1) Gross margins are based on average values achieved in the last two years adopted over the budget period for anticipated efficiency improvements. (2) Discount rates reflect the current market assessments of the risks of the cash-generating unit. The rate was estimated based on the average percentage of a weighted average cost of capital for the industry. (3) Estimates regarding the raw materials price developments are obtained by published indices from countries in which the resources are mainly bought. Forecast figures (mainly in Europe and the US) and past price developments have been used as an indicator for future developments. (4) Management notices that the Group's position continues to strengthen, as customers shift their purchases to larger and more stable companies. Therefore, there is no need for any doubt regarding the assumption of market share. (5) Revenue growth rates are estimated based on published industry research.

At each reporting date an assessment is made to determine whether there is any indication that impairment losses recognized in earlier periods no longer exist. In this case, Stabilus recognizes a reversal of the impairment loss up to a maximum of the amortized historical cost. Impairment losses on goodwill are not reversed.

Inventories

Inventories are recognized at the lower of cost and net realizable value using the average cost method. Production costs include all direct costs of material and labor and an appropriate portion of fixed and variable overhead expenses. Net realizable value is calculated as the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Borrowing costs for the production period are not included. Previously recognized impairment losses must be reversed if the reasons for the impairment no longer exit. Impairment losses are reversed up to a maximum of the amortized historical cost. Provisions are set up on the basis of the analysis of stock moving and / or obsolete stock.

Government grants

According to the regulations of IAS 20 government grants are only reported if there is reasonable assurance that the conditions are complied, and the grants will be received. Government grants are recognized at fair value. Government grants related to expenses are recognized over the same period as the corresponding expenses were incurred.

In fiscal year 2020, government grants especially include grants for short-time work, social security and rental subsidies due to the impact of COVID-19. Those government grants are presented as deduction of the related expenses in the same functional area as the related expense items were accounted for. Grants which were awarded for future expenses are presented as deferred income.

The accounting for government grants related to the purchase or production of fixed assets is separately described in the notes section property, plant and equipment.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity. Financial instruments recorded as financial assets or financial liabilities are generally reported separately. Financial instruments are recognized as soon as the Stabilus Group becomes a party to the contractual provisions of the financial instrument. Financial instruments comprise financial receivables or liabilities, trade accounts receivable or payable, cash and cash equivalents and other financial assets or liabilities. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not measured at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price in accordance with IFRS 15.

The financial instruments are allocated to one of the categories defined in IFRS 9 "Financial Instruments". The measurement categories relevant for Stabilus are financial assets at amortized cost and financial liabilities measured at amortized costs.

Financial assets

IFRS 9 contains three categories for classifying financial assets: "measured at amortized cost (AC)", "measured at fair value through profit or loss (FVtPL)" and "measured at fair value through other comprehensive income (FVOCI)". The classification of financial assets whose cash flows are comprised entirely of interest and redemption payments is then dictated by the business model. Financial instruments held so as to collect contractual cash flows are recognized at amortized cost. With the exception of derivative financial instruments and of contingent consideration, all financial assets fulfill these criteria and are recognized at amortized cost. The contingent consideration is classified in the category fair value through profit or loss (FVtPL). The Group does not currently apply the category fair value through other comprehensive income (FVOCI).

Financial assets measured at amortized cost

A financial asset measured at amortized costs includes trade accounts receivable, other receivables, assets related to the sale of trade accounts receivable (security retention amount), cash and cash equivalents and loans originated by the Group. They are held for the purpose of the Stabilus business model which is to hold the assets and generate contractual cash flows. The cash flow criteria for these financial assets are met. After initial recognition, the assets are subsequently carried at amortized cost using the effective interest rate method less impairment losses. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired. Interest from using the effective interest rate method is similarly recognized in profit or loss. Assets bearing no or lower interest rates compared to market rates with a maturity of more than one year are discounted. Dividends are recognized in profit or loss when legal entitlement to the payment arises.

Impairment of financial assets

Under IFRS 9, valuation allowances for expected credit losses ("expected loss model") must be recognized for all financial assets measured at amortized cost and for all debt instruments measured at fair value through other comprehensive income. IFRS 9 provides a three-level method for this purpose. Risk provisions are accrued on the basis either of the 12 months expected losses (level 1), or of the lifetime expected losses if the credit risk has increased significantly since initial recognition (level 2), or if the credit rating has been downgraded significantly (level 3). The simplified approach is adopted for trade accounts receivable with no material financing component. As such, the expected credit losses are always determined for the lifetime expected losses of the financial instruments.

Financial assets measured at amortized costs

For trade accounts receivables the Stabilus Group elects to use the simplified approach based on expected credit losses over relevant terms. Default rates are based on historical losses and forward-looking expectations under consideration of the relevant economic environment to determine regional risks. To determine the forward-looking economic conditions, the Group considers in particular the credit default swaps (CDS) of the respective client's geographical location that ensures the risks of the counterparty in the respective country are taken into account. In the current fiscal year, the weighting of the CDS spreads was adjusted as part of the back-testing, the current ECLs may be lower than in the previous year. In addition, the Group has taken out trade credit insurance to insure against the default risk. Trade accounts receivables impaired due to insolvency or other similar situations or significantly overdue shall be written off on a case by case basis. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Impaired debts are derecognized when they are assessed as uncollectible. Cash and cash equivalents are measured using the general impairment approach. Details of the impairment approach of cash and cash equivalents are presented in Note 20.

Derivative financial instruments

As of September 30, 2020, and September 30, 2019, the Stabilus Group does not have derivative financial instruments.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of transaction costs.

Financial liabilities

The first-time application of IFRS 9 had no significant impact on the Group's accounting policies for financial liabilities and derivative financial instruments. IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities. Financial liabilities primarily include a term loan, trade accounts payable and other financial liabilities.

Financial liabilities measured at amortized cost

Financial liabilities that are measured at amortized cost include a term loan.

After initial recognition the financial liabilities are subsequently measured at amortized cost applying the effective interest rate method. Gains and losses are recognized in profit or loss through the amortization process or when the liabilities are derecognized.

Pensions and similar obligations

The contributions to our pension plans are recognized as an expense when the entity consumes the economic benefits arising from the services provided by the employees in exchange for employee benefits. For defined benefit pension plans the projected unit credit method is used to determine the present value of a defined benefit obligation.

For the valuation of defined benefit plans, differences between actuarial assumptions used and actual developments as well as changes in actuarial assumptions result in actuarial gains and losses, which have a direct impact on the consolidated statement of financial position and on other comprehensive income. The pension obligations are measured on the basis of actuarial reports by independent actuaries.

Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. All cost elements that are relevant flow into the measurement of other provisions – in particular those for warranties and potential losses on pending transactions. Non-current provisions with a residual term of more than one year are recognized at the balance sheet date with their discounted settlement amount. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Termination benefits are granted if an employee is terminated before the normal retirement age or if an employee leaves the Company voluntarily in return for the payment of a termination benefit. The Group records termination benefits if it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate the employment of current employees or if it is demonstrably committed to pay termination benefits if employees leave the Company voluntarily.

Provisions for warranties are recognized at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation. Provisions for expected losses from onerous contracts are recognized if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

4 Revenue

The Group's revenue developed as follows:

Revenue by region and business unit T_027

	Year ended Sept 30,	
IN € THOUSANDS	**2020**	**2019**
EMEA		
Automotive Gas Spring	111,689	145,507
Automotive Powerise®	84,181	98,032
Industrial[2]	215,253	238,560
Total EMEA[1]	**411,123**	**482,099**
Americas		
Automotive Gas Spring	88,184	118,859
Automotive Powerise®	105,734	132,985
Industrial[2]	105,637	114,144
Total Americas[1]	**299,555**	**365,988**
APAC		
Automotive Gas Spring	68,137	67,057
Automotive Powerise®	27,099	18,979
Industrial[2]	16,212	17,216
Total APAC[1]	**111,448**	**103,252**
Stabilus Group		
Total Automotive Gas Spring	268,010	331,423
Total Automotive Powerise®	217,014	249,996
Total Industrial[2]	337,102	369,920
Revenue[1]	**822,126**	**951,339**

[1] Revenue breakdown by location of Stabilus company (i.e. "billed-from view").

[2] As of October 1, 2019, our Vibration & Velocity business and Industrial / Capital Goods business unit were combined into Industrial business. The presentation of prior-year figures was changed accordingly.

Group revenue results from the sale of goods or services. Stabilus operates in automotive and industrial markets. As of October 1, 2019, the Stabilus Group changed its organizational and management structure to better address the requirements of regions and markets. The change is that South America and the former NAFTA is now managed as Americas, and, consequently, South America is not part of Asia / Pacific anymore. As such the new regions of the Group are EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia Pacific). These regions are the operating segments of the Stabilus Group.

Furthermore, the industrial business will not be split into different business units anymore. We have merged the business units Vibration & Velocity Control and Industrial / Capital Goods into Industrial. This is to align the market approach for all industrial markets, e.g. to realize cross selling opportunities and to optimize cost structures in managing the industrial business. The presentation of prior year figures is adjusted to provide comparative information already reflecting the new structure.

5 Cost of sales, research and development, selling and administrative expenses

Expenses by function T_028

IN € THOUSANDS	Year ended Sept 30, 2020 Cost of sales	Research & development expenses	Selling expenses	Administrative expenses	Total
Capitalized development cost	–	17,340	–	–	**17,340**
Personnel expenses	(162,445)	(25,726)	(31,274)	(29,730)	**(249,175)**
Material expenses	(371,969)	(9,145)	(11,316)	(5,421)	**(397,851)**
Depreciation and amortization	(36,624)	(15,898)	(40,276)	(3,018)	**(95,816)**
Other	(19,589)	(7,216)	(23,202)	2,659	**(47,348)**
Total	**(590,627)**	**(40,645)**	**(106,068)**	**(35,510)**	**(772,850)**

IN € THOUSANDS	Year ended Sept 30, 2019 Cost of sales	Research & development expenses	Selling expenses	Administrative expenses	Total
Capitalized development cost	–	14,319	–	–	**14,319**
Personnel expenses	(176,500)	(25,656)	(32,875)	(29,908)	**(264,939)**
Material expenses	(443,308)	(7,416)	(12,247)	(5,342)	**(468,313)**
Depreciation and amortization	(31,022)	(12,608)	(13,084)	(2,919)	**(59,633)**
Other	(24,125)	(7,789)	(25,985)	2,514	**(55,385)**
Total	**(674,955)**	**(39,150)**	**(84,191)**	**(35,655)**	**(833,951)**

The expense items in the statement of comprehensive income include the following personnel expenses:

Personnel expenses T_029

IN € THOUSANDS	Year ended Sept 30, 2020	2019
Wages and salaries	(175,546)	(187,613)
Compulsory social security contributions	(55,611)	(55,788)
Pension cost	(12,496)	(14,938)
Other social benefits	(5,522)	(6,600)
Personnel expenses	**(249,175)**	**(264,939)**

In fiscal year 2020, Stabilus received government grants for social security contribution and rental subsidies due to the impact of COVID-19 with an amount of €4.4 million. These grants are directly recognized in the various functional areas in which they were incurred as a direct deduction from the related expenses. Furthermore, for short time work an amount of €3.9 million were recognized.

The following table shows the Group's average number of employees:

Average number of employees T_030

	Year ended Sept 30, 2020	2019
Wage earners	4,703	4,823
Salaried staff	1,562	1,549
Trainees and apprentices	109	116
Average number of employees	**6,374**	**6,488**

6 Other income

Other income increased from €8.3 million in fiscal year 2019 by €0.6 million to €8.9 million in fiscal year 2020. Other income includes a non-recurring effect of €3.0 million (PY: €3.3 million) from a purchase price adjustment related to the acquisition of General Aerospace and Piston. The increase is due to the foreign currency translation gains from the operating business amounting to €1.2 million.

Other income T_031

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Net foreign currency translation gains	2,872	1,636
Gains on sale / disposal of assets	108	207
Income from the release of other accruals	473	475
Miscellaneous other income	5,474	5,976
Other income	**8,927**	**8,294**

7 Other expenses

Other expenses T_032

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Losses on sale / disposal of tangible assets	(146)	(71)
Miscellaneous other expenses	(1,914)	(1,596)
Other expenses	**(2,060)**	**(1,667)**

8 Finance income

Finance income T_033

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Interest income on loans and financial receivables not measured at fair value through profit and loss	443	374
Net foreign exchange gain	1,759	835
Other interest income	56	45
Finance income	**2,258**	**1,254**

Finance income increased from €1.3 million in fiscal year 2019 to €2.3 million in fiscal year 2020. The increase is mainly due to net foreign exchange gains amounting to €0.9 million from the translation of intragroup loans, cash and cash equivalents and financial liabilities.

9 Finance costs

Finance costs T_034

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Interest expense on financial liabilities not measured at fair value through profit and loss	(8,832)	(9,663)
Interest expenses lease liabilities[1]	(1,453)	(2)
Other interest expenses	(728)	(752)
Finance costs	**(11,013)**	**(10,417)**

[1] Since October 1, 2019, the Stabilus Group has adopted the new standard IFRS 16 (Leases) by using the modified retrospective transition method. In accordance with this method, prior year figures were not restated.

Finance costs increased from €(10.4) million in fiscal year 2019 to €(11.0) million in fiscal year 2020. The increase is primarily due to the initial application of IFRS 16 (Leases) which results in an additional €(1.5) million (PY: €- million) interest expense. Finance costs increased from €(10.4) million in fiscal year 2019 to €(11.0) million in fiscal year 2020. The increase is primarily due to the initial application of IFRS 16 (Leases) which results in an additional €(1.5) million (PY: €- million) interest expense. In addition, €(0.9) million (PY: €(1.1) million relates to the derecognition of unamortized debt issuance costs and unamortized adjustments of the carrying value from a voluntary prepayment of the term-loan facility in February 2020.

Finance costs primarily contain ongoing interest expense. Interest expense in fiscal year 2020 of €(10.3) million (PY: €(9.7) million) are especially related to the term-loan facility, of which €(4.8) million (PY: €(3.6) million) is cash interest, the current fiscal year includes €(1.5) million interest expenses from IFRS 16. In addition, an amount of €(5.5) million (PY: €(6.1) million) is due to the amortization of debt issuance cost and the amortization of the adjustment of the carrying value using the effective interest rate method.

10 Income tax expense

Income taxes comprise current taxes on income (paid or owed) in the individual countries and deferred taxes. The tax rates which are applicable on the reporting date are used for the calculation of current taxes. Tax rates for the expected period of reversal, which are enacted or substantively enacted at the reporting date, are used for the calculation of deferred taxes. Deferred taxes are recognized as deferred tax expenses or income in the statement of comprehensive income, either through profit or loss or other comprehensive income, depending on the underlying transaction.

Income tax expense T_035

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Current income taxes	(26,298)	(31,543)
Income taxes prior year	(2,376)	(1,535)
Deferred taxes	11,274	(875)
Income tax expense	**(17,400)**	**(33,953)**

The respective local rates have been used to calculate the deferred taxes. The current income taxes comprise prior year taxes amounting to €(2,376) thousand (PY: €1,535 thousand).

The actual income tax expense of €(17,400) thousand is €(5,582) thousand higher than the expected income tax expense of €(11,818) that results from applying the Company's combined income tax rate of 24.9% to the Group's consolidated profit before income tax. The individual items that reconcile the expected income tax expense to the actual income tax expense are disclosed in the table below:

Tax expense reconciliation (expected to actual) T_036

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Profit / (loss) before income tax	**47,388**	**114,852**
Expected income tax expense	**(11,818)**	**(28,644)**
Foreign tax rate differential	971	(1,839)
Tax-free income	4,206	4,504
Non-deductible expenses	(7,223)	(6,727)
Prior year taxes	(2,376)	(1,535)
Change of the valuation allowance on deferred tax assets	(1,033)	10
Tax rate changes	(251)	(32)
Other	124	310
Actual income tax expense	**(17,400)**	**(33,953)**
Effective tax rate	**(36.7)%**	**29.6%**

The tax effect reported as a foreign tax rate differential reflects the difference between the combined income tax rate of 24.9% that is pertinent to Stabilus S. A. and the combined income tax rates applicable to the individual subsidiaries in varying countries. The combined statutory income tax rate that is applicable to Stabilus S. A. remained unchanged at 24.9% in the fiscal year 2020. The tax effect of non-deductible expenses consists primarily of expenses that are non-deductible in the determination of the taxable profits in Germany. The tax effect of non-capitalized deferred taxes on domestic losses is calculated with the local tax rates on the basis of the negative earnings before taxes (EBTs) of the respective companies.

The deferred tax assets (DTA) and deferred tax liabilities (DTL) in respect of each type of the temporary difference and each type of unused tax losses are as follows:

Deferred tax assets and liabilities T_037

	Sept 30, 2020			Sept 30, 2019		
IN € THOUSANDS	DTA	DTL	Total	DTA	DTL	Total
Intangible assets	250	(56,391)	(56,141)	426	(69,303)	(68,877)
Property, plant & equipment	4,206	(11,431)	(7,225)	6,545	(9,233)	(2,688)
Inventories	3,763	(202)	3,561	3,593	(144)	3,449
Receivables	645	(12)	633	427	(12)	415
Other assets	386	(124)	262	16	(176)	(160)
Provisions and liabilities	20,908	(694)	20,214	18,887	(615)	18,272
Tax and interest losses	6,189	–	6,189	7,027	–	7,027
Subtotal	**36,347**	**(68,854)**	**(32,507)**	**36,921**	**(79,483)**	**(42,562)**
Netting	(25,198)	25,198	–	(23,550)	23,550	–
Total	**11,149**	**(43,656)**	**(32,507)**	**13,371**	**(55,933)**	**(42,562)**

Deferred tax assets and deferred tax liabilities have been offset if they relate to income taxes levied by the same tax authorities and if there is a right to offset current tax assets against current tax liabilities.

The following table provides a detailed overview of the tax loss and interest carryforwards and the expiration dates:

Tax loss and interest carry-forwards T _ 038

	Year ended Sept 30, 2020					
IN € THOUSANDS	Tax loss and interest carry-forward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	23,328	27.0 – 31.0%	6,147	–	6,147	Indefinite
Spain	5,234	28.0%	1,465	(1,465)	–	Indefinite
USA	–	–	–	–	–	–
Brazil	125	34.0%	42	–	42	Indefinite
Total	**28,687**		**7,654**	**(1,465)**	**6,189**	

	Year ended Sept 30, 2019					
IN € THOUSANDS	Tax loss and interest carry-forward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	23,377	27.0 – 31.0%	6,355	(6)	6,349	Indefinite
Spain	5,229	28.0%	1,464	(1,464)	–	Indefinite
USA	5,393	22.0 – 35.0%	597	–	597	Within 20 years
Brazil	238	34.0%	81	–	81	Indefinite
Total	**34,237**		**8,497**	**(1,470)**	**7,027**	

The movement in deferred income tax assets and liabilities in fiscal year 2020 are as follows:

Reconciliation movement in deferred tax assets and liabilities T_039

IN € THOUSANDS	2020	2019
Deferred tax liabilities (net) - as of Oct 1,	**42,561**	**32,758**
Deferred tax income	(11,274)	875
Taxes recognized in other comprehensive income	573	(2,786)
Taxes from business combination	0	12,340
Foreign exchange rate differences	647	(626)
Deferred tax liabilities (net) - as of Sept 30,	**32,507**	**42,562**

As of September 30, 2020, the Group has unused tax loss carryforwards (including German and US interest loss carryforwards) of €28,687 thousand (PY: €34,237 thousand).

The interest carry-forward comes from our German entities with an amount of €18,320 thousand and a gross deferred tax asset of €4,919 thousand and unused tax loss carry-forward from our entities in the USA, Spain, Germany and Brazil relating to corporate tax and trade tax with an amount of €10,367 thousand and a gross deferred tax asset of €2,735 thousand. The amount recognized as a deferred tax asset is calculated under consideration of the actual corporate planning and its utilization within the planning period. Uncertainties exists regarding to the recognized tax losses carried forward from the US restructuring.

Tax loss carryforwards in Luxembourg are not considered, as it is not likely that these carryforwards will be utilized.

11 Earnings per share

The weighted average number of shares used for the calculation of earnings per share in the fiscal years ended September 30, 2020 and 2019, is set out in the following table:

Weighted average number of shares T_040

DATE	Number of days	Transaction	Change	Total shares	Total shares (time-weighted)
September 30, 2018				**24,700,000**	**24,700,000**
October 1, 2018	365			24,700,000	24,700,000
September 30, 2019				**24,700,000**	**24,700,000**
October 1, 2019	365			24,700,000	24,700,000
September 30, 2020				**24,700,000**	**24,700,000**

The earnings per share for the fiscal years ended September 30, 2020 and 2019, were as follows:

Earnings per share T_041

	Year ended Sept 30,	
	2020	2019
Profit / (loss) attributable to shareholders of the parent (in € thousands)	31,433	80,626
Weighted average number of shares	24,700,000	24,700,000
Earnings per share (in €)	**1.27**	**3.26**

Basic and diluted earnings per share are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of shares outstanding.

12 Property, plant and equipment

Property, plant and equipment are presented in the following table:

Property, plant and equipment T_042

IN € THOUSANDS	Land, equivalent rights to real property	Buildings and land improvements	Technical equipment and machinery	Other tangible equipment	Construction in progress	Total
Gross value						
Balance as of Sept 30, 2018	**15,045**	**50,911**	**205,318**	**55,787**	**23,553**	**350,614**
Additions from business combination	2,088	11	929	481	8	3,517
Foreign currency difference	(3)	888	3,903	1,488	87	6,363
Additions	609	6,128	9,362	5,043	21,448	42,590
Disposals	–	(823)	(2,035)	(6,025)	–	(8,883)
Reclassifications	–	3,628	10,385	5,161	(19,174)	–
Balance as of Sept 30, 2019	**17,739**	**60,743**	**227,862**	**61,935**	**25,922**	**394,201**
Additions from business combination	–	–	–	–	–	–
Initial application of IFRS 16	–	37,842	1,766	4,116	–	43,724
Foreign currency difference	(318)	(4,878)	(15,449)	(3,388)	(994)	(25,027)
Additions	–	3,310	8,799	4,064	18,306	34,479
Disposals	–	(111)	(1,226)	(2,022)	(13)	(3,372)
Reclassifications	–	(122)	9,191	1,835	(10,891)	13
Balance as of Sept 30, 2020	**17,421**	**96,784**	**230,943**	**66,540**	**32,330**	**444,018**
Accumulated depreciation						
Balance as of Sept 30, 2018	**–**	**(15,740)**	**(115,560)**	**(40,089)**	**–**	**(171,389)**
Foreign currency difference	–	(532)	(2,541)	(1,230)	–	(4,303)
Depreciation expense	–	(3,134)	(15,817)	(7,839)	–	(26,790)
Thereof impairment loss	–	–	–	–	–	–
Disposal	–	798	1,467	5,962	–	8,227
Reclassifications	–	–	–	–	–	–
Balance as of Sept 30, 2019	**–**	**(18,608)**	**(132,451)**	**(43,196)**	**–**	**(194,255)**
Foreign currency difference	–	1,398	9,380	2,555	–	13,334
Depreciation expense	–	(8,875)	(17,298)	(9,760)	–	(35,933)
Thereof impairment loss	–	–	*(20)*	–	–	*(20)*
Disposal	–	49	717	1,880	–	2,645
Reclassifications	–	–	–	–	–	–
Balance as of Sept 30, 2020	**–**	**(26,036)**	**(139,652)**	**(48,521)**	**–**	**(214,209)**
Carrying amount						
Balance as of Sept 30, 2019	**17,739**	**42,135**	**95,411**	**18,739**	**25,922**	**199,946**
Balance as of Sept 30, 2020	**17,421**	**70,748**	**91,291**	**18,019**	**32,330**	**229,809**

Property, plant and equipment include right-of-use assets due to the first-time application of IFRS 16 (Leases) in fiscal year 2020. Please refer to Note 24 "Leases" for additional information on future lease payments.

The first-time application of IFRS 16 (Leases) as of October 1, 2019, amounted to €43,724 thousand. During the fiscal year 2020 additions of right-of-use assets amounted to €4,527 thousand. The main impact was from additions of buildings €2,960 thousand and from other tangible equipment like cars in the amount of €1,567 thousand. The right-of-use assets carrying amount as of September 30, 2020, amounted to €38,550 thousand. The carrying amount of the accumulated depreciation of the right-of-use assets by asset class amounted to €8,245 thousand.

In fiscal year 2020 the government grants received for the ramp-up of a dedicated Powerise® production building in Pinghu, China, amounted to €1,114 thousand (PY: €0 thousand).

In fiscal year 2015 the Stabilus Group received government grants amounting to €805 thousand which are linked to the installation of our third Powerise® production line in Romania. For the entitlement to this grant Stabilus Romania S.R.L. has to meet certain thresholds (headcount and quantity of products) over a five-year period. If such thresholds were not met, the grant would have to be paid back.

Contractual commitments for the acquisition of property, plant and equipment amount to €1,983 thousand (PY: 4,033 thousand).

The Group recognized impairment losses on property, plant and equipment amounting to €20 thousand (PY: €0 thousand).

Prepayments by the Stabilus Group for property, plant and equipment and intangible assets of €28 thousand (PY: €66 thousand) are included in other non-current assets. Larger prepayments are typically secured by a bank guarantee or an in-depth check of the relevant supplier.

Property, plant and equipment - carrying amount T_043

IN € THOUSANDS	Sept 30, 2020	Sept 30, 2019
Land, equivalent rights to real property	17,421	17,739
Building and land improvements	36,924	42,135
Technical equipment and machinery	89,848	95,411
Other tangible equipment	14,736	18,739
Construction in progress	32,330	25,922
RoU – Building and land improvements	33,824	–
RoU – Technical equipment and machinery	1,443	–
RoU – Other tangible equipment	3,283	–
Total	**229,809**	**199,946**

The total depreciation expense for tangible assets is included in the consolidated statement of comprehensive income in the following line items:

Reconciliation depreciation expense for property, plant and equipment T_044

IN € THOUSANDS	Year ended Sept 30, 2020	Effect of IFRS 16	Year ended Sept 30, 2020 without IFRS 16	Year ended Sept 30, 2019
Cost of sales	(29,731)	(5,873)	(23,858)	(23,323)
Research and development expenses	(1,777)	(463)	(1,314)	(1,388)
Selling expenses	(2,311)	(1,103)	(1,208)	(540)
Administrative expenses	(2,114)	(806)	(1,308)	(1,539)
Depreciation expense	**(35,933)**	**(8,245)**	**(27,688)**	**(26,790)**

Right of use assets

T_045

IN € THOUSANDS	Buildings and land improvements	Technical equipment and machinery	Other tangible equipment	Total
Gross value				
Balance as of Sept 30, 2019	**2,850**	**–**	**–**	**2,850**
Initial application of IFRS 16	37,842	1,766	4,116	43,724
Foreign currency difference	(2,414)	(42)	(233)	(2,689)
Additions	2,960	–	1,567	4,527
Disposals	(104)	–	(247)	(351)
Reclassifications	–	–	–	–
Balance as of Sept 30, 2020	**41,134**	**1,724**	**5,203**	**48,061**
Accumulated depreciation				
Balance as of Sept 30, 2019	**(1,666)**	**–**	**–**	**(1,666)**
Foreign currency difference	173	5	46	224
Depreciation expense	(5,859)	(286)	(2,100)	(8,245)
Thereof impairment loss	–	–	–	–
Disposal	42	–	134	176
Reclassifications	–	–	–	–
Balance as of Sept 30, 2020	**(7,310)**	**(281)**	**(1,920)**	**(9,511)**
Carrying amount				
Balance as of Sept 30, 2019	**1,184**	**–**	**–**	**1,184**
Balance as of Sept 30, 2020	**33,824**	**1,443**	**3,283**	**38,550**

13 Goodwill

The total goodwill of €207.7 million (PY: €214.8 million) is allocated to the operating segments (CGUs) on the relevant acquisition date, based on their relative fair value.

The table below sets out the development of the goodwill:

Goodwill T_046

IN € THOUSANDS	EMEA	Americas	APAC	Total
Gross value				
Balance as of Sept 30, 2018	**111,876**	**70,767**	**12,588**	**195,231**
Additions from business combination	14,228	–	1,510	15,738
Foreign currency difference	453	3,621	(222)	3,852
Additions	–	–	–	–
Disposals	–	–	–	–
Impairment losses	–	–	–	–
Reclassifications	–	–	–	–
Balance as of Sept 30, 2019	**126,557**	**74,388**	**13,876**	**214,821**
Additions from business combination	–	–	–	–
Foreign currency difference	(2,463)	(4,621)	(76)	(7,160)
Additions	–	–	–	–
Disposals	–	–	–	–
Impairment losses	–	–	–	–
Reclassifications	–	1,178	(1,178)	–
Balance as of Sept 30, 2020	**124,094**	**70,945**	**12,622**	**207,661**
Carrying amount				
Balance as of Sept 30, 2019	**126,557**	**74,388**	**13,876**	**214,821**
Balance as of Sept 30, 2020	**124,094**	**70,945**	**12,622**	**207,661**

The fair value less cost of disposal for each cash-generating unit as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or other groups of assets is measured by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions: the underlying cash flow forecasts which are based on the five-year medium term plan ("MTP") approved by the Management Board and Supervisory Board. The cash flow planning takes into account price agreements based on experience and anticipated efficiency enhancements (e.g. relocation from high cost to low cost countries, higher automation, etc.) as well as average total sales growth of approximately 3.5% (PY: 4.0%) for EMEA, 7.2% (PY: 4.3%) for Americas and 15.7% (PY: 20.1%) for APAC on compound average based on the strategic outlook leading to an average higher growth rate for the free cash flow. The higher free cash flow growth rate is also impacted by the product mix effects and the assumed stable gross margins and improved fixed costs absorption. While the overall economic outlook is very volatile, the Group believes that its market-orientated approach and leading-edge products and services allow for some revenue growth. Cash flows after the five-year period were extrapolated by applying a 1% (PY: 1%) terminal growth rate. This growth rate was based on the expected consumer price inflation for the countries included in the respective cash generating units, adjusted for expected technological progress and efficiency gains in the overall economy. Furthermore, the Group uses inflation deltas to cover the several forward rate risks, 0.70% for EMEA, 1.63% for Americas and 1.40% for APAC, moreover the Group incorporated country risk premiums into its projections to reflect the varying volatility expected in the individual country risks, 1.21% for EMEA, 1.57% for Americas and 0.95% for APAC. The Group's weighted average cost of capital (WACC) has been used as the discount rate for the operating segments. The Stabilus Group uses the recommendation of the "Institut der Wirtschaftsprüfer (IDW)" to determine a proxy for the risk-free rate and the market risk premium. The beta factor represents the individual risk of a share compared to a market index.

Stabilus is evaluating the beta factors used by a group of comparable companies (peer group), on an average of past years. The cost of debt were derived from a number of peers with publicly traded debt. The following assumptions (measurement factors) were used to determine the WACC:

Weighted average cost of capital (WACC) T_047

IN %	Year ended Sept 30, 2020	2019
Interest base-rate	0.05	0.21
Beta factor Stabilus Group	1.12	1.08
Market risk premium	6.50	6.50
Debt ratio	19.87	13.75
Cost of debt before tax	1.95	1.15
WACC	**6.13**	**6.37**

The discount rates applied also reflect the individual country risk of each operating CGU. The discount rate to cash flow projections is 8.0% (PY: 7.1%) for EMEA, 9.2% (PY: 7.2%) for Americas and 8.5% (PY: 7.3%) for APAC.

The following table shows the input data to selected key figures required for the respective recoverable amounts to equal the carrying amount. In management's view this change is not reasonably possible.

Goodwill sensitivity analysis T_048

IN %	Sept 30, 2020 Input data required for carrying amount to equal recoverable amount		
	EMEA	Americas	APAC
Discount rate	6.5	14.3	9.0
Budgeted gross margin reduction to plan	6.7	8.2	7.3

The impairment test for fiscal year 2020 confirms that the book value of goodwill is fully recoverable and that the goodwill attributable to the individual operating CGUs is not impaired.

14 Other intangible assets

Other intangible assets are presented in the following table:

Intangible assets T_049

IN € THOUSANDS	Development cost	Development cost under construction	Software	Patents	Customer relationships	Technology	Trade name	Total
Gross value								
Balance as of Sept 30, 2018	**78,539**	**12,304**	**14,018**	**1,020**	**204,819**	**69,403**	**16,790**	**396,893**
Additions from business combination	190	187	1,499	1,603	39,551	–	1,063	44,093
Foreign currency difference	1,401	59	96	1	2,706	503	(58)	4,708
Additions	2,366	11,801	736	52	–	–	–	14,955
Disposals	(11,182)	–	(1,311)	–	–	–	–	(12,493)
Reclassifications	4,631	(5,319)	688	–	–	–	–	–
Balance as of Sept 30, 2019	**75,945**	**19,032**	**15,726**	**2,676**	**247,076**	**69,906**	**17,795**	**448,156**
Additions from business combination	–	–	–	–	–	–	–	–
Foreign currency difference	(1,773)	(87)	(196)	(10)	(3,816)	(593)	(222)	(6,697)
Additions	2,416	14,290	770	5	–	–	–	17,481
Disposals	(8,612)	–	4	–	–	–	–	(8,608)
Reclassifications	8,082	(8,836)	754	–	–	–	–	–
Balance as of Sept 30, 2020	**76,058**	**24,399**	**17,058**	**2,671**	**243,260**	**69,313**	**17,573**	**450,332**
Accumulated amortization								
Balance as of Sept 30, 2018	**(38,679)**	**–**	**(9,503)**	**(907)**	**(45,907)**	**(47,322)**	**(7,394)**	**(149,712)**
Foreign currency difference	(854)	–	(119)	(1)	(488)	(71)	(23)	(1,556)
Amortization expense	(10,888)	–	(2,840)	(126)	(11,828)	(5,845)	(1,316)	(32,843)
Thereof impairment loss	*(398)*	–	–	–	–	–	–	*(398)*
Disposals	10,804	–	1,310	–	–	–	–	12,114
Reclassifications	–	–	–	–	–	–	–	–
Balance as of Sept 30, 2019	**(39,617)**	**–**	**(11,152)**	**(1,034)**	**(58,223)**	**(53,238)**	**(8,733)**	**(171,997)**
Foreign currency difference	1,268	–	188	3	858	114	62	2,493
Amortization expense	(13,675)	–	(3,154)	(1,141)	(36,747)	(3,537)	(1,629)	(59,883)
Thereof impairment loss	*(2,348)*	–	*(318)*	*(988)*	*(24,149)*	–	*(245)*	*(28,048)*
Disposals	8,310	–	(4)	–	–	–	–	8,306
Reclassifications	–	–	–	–	–	–	–	–
Balance as of Sept 30, 2020	**(43,714)**	**–**	**(14,122)**	**(2,172)**	**(94,112)**	**(56,661)**	**(10,300)**	**(221,081)**
Carrying amount								
Balance as of Sept 30, 2019	**36,328**	**19,032**	**4,574**	**1,642**	**188,853**	**16,668**	**9,062**	**276,159**
Balance as of Sept 30, 2020	**32,344**	**24,399**	**2,936**	**499**	**149,148**	**12,652**	**7,273**	**229,251**

Additions to intangible assets in the fiscal year 2020 amounted to €17,481 thousand compared to €59,048 thousand in fiscal year 2019. In prior year an amount of €44,093 thousand relates to the business combinations. During the fiscal year 2020, costs of €16,706 thousand (PY: €14,167 thousand) (less related customer contributions) were capitalized for development projects.

Amortization of capitalized internal development projects amounted to €13,675 thousand (PY: €10,888 thousand). The borrowing costs capitalized during the period amounted to €179 thousand (PY: €155 thousand). A capitalization rate was used to determine the amount of borrowing costs. The capitalization rate used in the fiscal year 2020 was 0.95% (PY: 1.05%). The total amortization expense and impairment loss for intangible assets is included in the consolidated statements of comprehensive income in the following line items:

Other intangible assets - carrying amount T_050

IN € THOUSANDS	Sept 30, 2020	Sept 30, 2019
Development cost	32,344	36,328
Development cost under construction	24,399	19,032
Software	2,936	4,574
Patents	499	1,642
Customer relationships	149,148	188,853
Technology	12,652	16,668
Tradename	7,273	9,062
Total	**229,251**	**276,159**

Amortization expenses on development costs include impairment losses of €2,348 thousand (PY: €398 thousand) due to the withdrawal of customers from the respective projects. The impairment loss is included in the research and development expenses.

In fiscal year 2020, especially the aviation market was heavily influenced by the COVID-19 impacts, leading to reduced demand for our products servicing the aviation industry due to reduced production of aircraft and fewer retrofits of existing aircrafts. The Group tested the recoverable amount (i.e. value in use) of the CGU General Aerospace and not of each individual intangible asset. We have performed these tests on the following key assumptions: the underlying cash flow forecasts which are based on the five-year medium-term plan ("MTP") approved by the Management Board and Supervisory Board. Cash flows after the five-year period were extrapolated by applying a 1% (PY: 1%) terminal growth rate. This growth rate was based on the expected consumer price inflation, adjusted for expected technological progress and efficiency gains in the overall economy. The Group's weighted average cost of capital (WACC) has been used as part of the discount rate for the CGU General Aerospace, i.e. interest base rate, market risk premium and beta factor. The Stabilus Group uses the recommendation of the "Institut der Wirtschaftsprüfer (IDW)" to determine a proxy for the risk-free rate and the market risk premium. The beta factor represents the individual risk of a share compared to a market index. Stabilus is evaluating the beta factors used by a group of comparable companies (peer group), on an average of past years (we refer to Note 13 for further details). The cost of debt was derived from a number of peers with publicly traded debt and the discount rates applied also reflects the individual country risk of the CGU General Aerospace. The discount rate to cash flow projections is 5.8% (PY: 5.2%). The impairment test resulted in an impairment of €25.7 million for the other intangible assets from purchase price allocation of General Aerospace. The impairment of other intangible assets is included in the research and development expenses and cost of sales. Previously recognized impairment on other intangible assets will be reversed if the reason for the impairment no longer exist. In this case, the Group would recognize a reversal of the impairment loss up to a maximum of the amortized historical cost. We are confident that the aerospace business is still an excellent addition to Stabilus´ motion control portfolio with future growth potential.

Contractual commitments for the acquisition of intangible assets amount to €1,459 thousand (PY: €718 thousand).

15 Other financial assets

Other financial assets T_051

	Sept 30, 2020			Sept 30, 2019		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Other miscellaneous	7,274	–	7,274	4,743	–	4,743
Other financial assets	**7,274**	**–**	**7,274**	**4,743**	**–**	**4,743**

Other miscellaneous

Other miscellaneous financial assets in the fiscal year 2020 comprises €4,538 thousand (PY: €1,843 thousand) from the anticipated purchase price adjustment and from the contingent consideration from the business combination with General Aerospace GmbH. Furthermore, an amount of €2,736 thousand (PY: €2,900 thousand) is related to the security retention amount of the sale of trade accounts receivable from a factoring arrangement (€20.9 million (PY: €22.6 million)). Stabilus considers that its other financial assets have a low credit risk based on the external credit ratings of the customers and impairments were insignificant.

16 Other assets

Other assets T_052

IN € THOUSANDS	Sept 30, 2020			Sept 30, 2019		
	Current	Non-current	Total	Current	Non-current	Total
VAT	3,278	–	3,278	4,071	–	4,071
Prepayments	1,967	28	1,995	2,438	66	2,504
Deferred charges	4,613	–	4,613	5,394	–	5,394
Other miscellaneous	1,958	253	2,211	1,911	1,645	3,556
Other assets	**11,816**	**281**	**12,097**	**13,814**	**1,711**	**15,525**

Non-current prepayments comprise prepayments on property, plant and equipment.

17 Inventories

Inventories T_053

IN € THOUSANDS	Sept 30, 2020	Sept 30, 2019
Raw materials and supplies	48,049	48,548
Finished products	21,521	23,726
Work in progress	13,731	15,361
Merchandise	13,936	12,704
Inventories	**97,237**	**100,339**

Inventories that are expected to be turned over within twelve months amounted to €97,237 thousand (PY: €100,339 thousand). Write-downs on inventories to net realizable value amounted to €(13,813) thousand (PY: €(12,509) thousand). In the reporting period raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to €(371,969) thousand (PY: €(443,308) thousand).

The Stabilus Group's prepayments for inventories amounting to €1,047 thousand (PY: €1,212 thousand) are included in prepayments in other current assets.

18 Trade and other receivables

Trade accounts receivable include the following items:

Trade and other receivables T_054

IN € THOUSANDS	Sept 30, 2020	Sept 30, 2019
Trade accounts receivable	116,441	131,177
Other receivables	3,452	1,048
Allowance for doubtful accounts	(2,822)	(1,897)
Trade and other receivables	**117,071**	**130,328**

Trade accounts receivable decreased in the fiscal year ended September 30, 2020, mainly due to the lower sales in the third and fourth quarter of fiscal year 2020. Other receivables contain bills of exchange guaranteed by a bank for trade receivables of our Chinese clients.

The Group uses an allowance matrix to measure the lifetime ECLs of trade accounts receivables segmented by geographic region (EMEA, Americas and APAC). Loss rates are based on actual credit loss experience over the past years. These rates take into account the current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 360 days past due. The gross carrying amount of a trade account receivable is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at September 30, 2020:

Exposure to credit risk and ECLs T_055

IN € THOUSANDS	Sept 30, 2020		
Region	Weighted average loss rate	Gross carrying amount	Loss allowance
EMEA	0.34%	37,040	128
Americas	2.12%	49,885	1,057
APAC	0.17%	32,968	57
Total		**119,893**	**1,242**

IN € THOUSANDS	Sept 30, 2019		
Region	Weighted average loss rate	Gross carrying amount	Loss allowance
EMEA	0.66%	40,652	270
Americas	0.67%	66,534	443
APAC	0.63%	25,039	157
Total		**132,225**	**870**

Individual loss allowances of €2,822 thousand (PY: €1,897 thousand) were recognized as of the reporting date.

The Group provides credit in the normal course of business and performs ongoing credit evaluations on certain customers' financial condition, but generally does not require collateral to support such receivables. The Group established an allowance for doubtful accounts based on historically observed default rates adjusted for forward-looking estimates to accrue for expected credit losses. To determine the forward-looking economic conditions, the Group considers in particular the credit default swaps (CDS) of the respective client's geographical location that ensures the risks of the counterparty in the respective country are taken into account. In the current fiscal year, the weighting of the CDS spreads was adjusted as part of the back-testing, the current ECLs may be lower than in the previous year. In the course of the COVID-19 crisis there were no significant defaulted trade account receivables and no significant additional allowances for doubtful accounts were recorded. In addition, the Group has taken out trade credit insurance to insure against the default risk.

The allowances for doubtful accounts developed as follows:

Allowance for doubtful accounts T_056

IN € THOUSANDS	Sept 30, 2020	Sept 30, 2019
Allowance for doubtful accounts as of Sept 30, 2019	**(1,897)**	**(1,744)**
Foreign currency differences	85	(35)
Increase in the allowance	(1,495)	(232)
Decrease in the allowance	485	114
Allowance for doubtful accounts as of Sept 30, 2020	**(2,822)**	**(1,897)**

19 Current tax assets

Current tax assets amounted to €9,591 thousand (PY: €4,987 thousand) and are measured at the amount expected to be recovered from the taxation authorities when the amount already paid in respect of current and prior periods exceeds the amount due for those periods. The initial application of IFRIC 23 has not had any impact on the consolidated financial statements.

20 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, i.e. liquid funds and demand deposits. As of September 30, 2020, it amounted to €162,431 thousand (PY: €139,020 thousand). Cash in banks earned marginal interest at floating rates based on daily bank deposit rates.

The cash and cash equivalents are held with bank and financial institution counterparties, which are investment grade rated as of the reporting date. The estimated impairment on cash and cash equivalents has been measured on a 12-months expected loss basis and reflects external credit ratings of the counterparties and the short remaining maturities of the exposures. The Stabilus Group believes that the credit risk pertaining to its cash and cash equivalents is low. No significant impairments on cash and cash equivalents were identified in fiscal year 2020.

21 Equity

The development of the equity is presented in the statement of changes in equity.

Issued capital

Issued capital as of September 30, 2020, amounted to €247 thousand (PY: €247 thousand) and was fully paid in. It is divided into 24,700,000 shares each with a nominal value of €0.01. The authorized capital of the Company is set at €271 thousand represented by a maximum of 27.1 million shares, each with nominal value of €0.01.

Authorization for repurchase of own shares

The Annual General Meeting of the shareholders on February 12, 2020, authorized the Management Board to buy back up to 2 million own shares. This authorization is given for a period of five years from the date of resolution. The repurchased shares may be used for any legally permissible purpose. The purchase shall be affected either through the stock exchange or on the basis of a public purchase offer to all shareholders. If the shares are acquired on the Frankfurt Stock Exchange the consideration payable per share shall not exceed more than 10% and shall not undercut by more than 20% the arithmetic mean of the closing price in XETRA trading on the Frankfurt Stock Exchange on the last three days of trading prior to the decision to repurchase shares.

During the fiscal year 2020, the Company did not buy any of its own shares.

Capital reserves

Capital reserves amounted to €225,848 thousand as of September 30, 2020, (PY: €225,848 thousand) and include premiums received for the issuance of additional shares in 2016 amounting to €224,000 thousands less transaction costs of €(6,273) thousands, a distributable reserve of €4,835 thousand and other capital contributions by owners of €3,286 thousand. The capital reserve is presented separately to indicate along with the Company's issued capital the total amount of capital that stockholders have contributed to the Company.

Retained earnings

Retained earnings as of September 30, 2020, amounted to €287,702 thousand (PY: €283,423 thousand) and included the Group's net result in the fiscal year 2020 amounting to €31,433 thousand.

Dividends

In the second quarter of fiscal year 2020, a dividend amounting to €27.17 million (PY: €24.70 million) was paid to our shareholders. In fiscal year 2020 there were no dividend payments (PY: €62 thousand) to non-controlling shareholders of a Stabilus subsidiary.

The Management Board and the Supervisory Board resolved to propose a dividend distribution of €0.50 per share (PY: €1.10 per share) to the Annual General Meeting to be held in Luxembourg on February 10, 2021. The total dividend will thus amount to €12.35 million (PY: €27.17 million) and the distribution ratio will be 41.2% of the consolidated profit attributable to the shareholders of Stabilus S. A. As this dividend is subject to shareholder approval at the Annual General Meeting, no liability has been recognized in the consolidated financial statements as of September 30, 2020.

Other reserves

The following table shows a breakdown of the line item "other reserves" and the movements in such reserves during the reporting period. A description of the nature and purpose of each reserve is provided below the table.

Exchange differences arising on the translation of the financial statements of the Group's foreign operations are recognized in other comprehensive income and accumulated in a separate reserve within equity which is displayed in the table above as the cumulative foreign currency translation adjustment. On disposal of a foreign operation, the related amount is reclassified out of the cumulative foreign currency translation adjustment into profit or loss where it is recognized as part of the gain or loss on disposal.

The unrealized actuarial gains and losses relate to our defined benefit pension plan which is further explained in Note 26.

Accumulated other comprehensive income / (expense) T_057

IN € THOUSANDS	Cumulative foreign currency translation adjustment	Unrealized actuarial gains and losses	Total
Balance as of Sept 30, 2018	**(14,182)**	**(10,430)**	**(24,612)**
Before tax	11,753	(9,211)	2,542
Tax (expense) / benefit	–	2,787	2,787
Other comprehensive income / (expense), net of taxes	11,753	(6,424)	5,329
Non-controlling interest	–	–	–
Balance as of Sept 30, 2019	**(2,429)**	**(16,854)**	**(19,283)**
Before tax	(34,184)	1,920	(32,264)
Tax (expense) / benefit	–	(573)	(573)
Other comprehensive income / (expense), net of taxes	(34,184)	1,347	(32,837)
Non-controlling interest	–	–	–
Balance as of Sept 30, 2020	**(36,613)**	**(15,507)**	**(52,120)**

22 Financial liabilities

The financial liabilities comprise the following items:

Financial liabilities T_058

IN € THOUSANDS	Sept 30, 2020			Sept 30, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Senior facilities	–	282,724	282,724	–	298,501	298,501
Revolving credit facility	29,894	–	29,894	–	–	–
Other facilities	4,412	5,354	9,766	2,824	10,260	13,084
Financial liabilities	**34,306**	**288,078**	**322,384**	**2,824**	**308,761**	**311,585**

On June 7, 2016, Stabilus entered into a €640.0 million senior facilities agreement with, among others, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Landesbank Hessen-Thüringen Girozentrale and UniCredit Bank AG as mandated lead arrangers and UniCredit Luxembourg S. A. as facility and security agent. The agreement comprises a term loan facility of €455.0 million, an equity bridge facility of €115.0 million and a revolving credit facility of €70.0 million. The term loan facility and the revolving credit facility originally mature on June 29, 2021. The duration of the major portion of the senior facilities (other than the equity bridge facility) has been extended to June 28, 2023.

The term loan facility has to be repaid on June 29, 2022, with an amount of €45.0 million and on June 28, 2023, with an amount of €250.0 million.

On July 31, 2020, Stabilus signed an amendment of the senior facility agreement dated June 7, 2016, to prepare for potential future challenges from the COVID-19 crisis and to strengthen financial liquidity. The amendment provides for an additional committed credit line of €50.0 million, a temporary increase of the maximum leverage ratio permitted under the senior facility agreement and opens the ability to issue promissory loan notes (Schuldscheindarlehen) up to an aggregated amount of €150.0 million. The Group did not issue any promissory loan note in fiscal year 2020.

In respect of the senior facilities a share pledge over the shares of all major subsidiaries has been granted as a security in favor of the lenders on first priority. If the Group defaults on its loan, the lenders could enforce their security and substantially all major operating subsidiaries of the Stabilus Group could be separated from Stabilus S. A. and transferred to the lenders through a share pledge enforcement.

Stabilus repaid €50.0 million on August 31, 2016, €10.0 million on December 31, 2016, €2.5 million on March 31, €50.0 million on September 30, 2017, €6.4 million on March 28, 2018, €21.1 million on September 27, 2019, and €20.0 million on February 27, 2020, and reduced the outstanding nominal amount to €295.0 million as at September 30, 2020. The Group's liability under the senior facility agreement (the remaining €295.0 million term-loan) is measured at amortized cost under consideration of transaction costs and the adjustment of the carrying value using the effective interest rate method. The adjustment of the carrying value of the term loan facility reflects the change in estimated future cash flows discounted with the original effective interest rate due to a decreased margin based on the improved net leverage ratio of the Group.

In the financial year 2018, Stabilus US entered into a $7.8 million loan agreement which requires monthly installments. The effective interest rate for this loan is 3.95% and it matures on January 15, 2025. The outstanding nominal amount as at September 30, 2020, is $5.1 million (PY: $6.1 million). Furthermore, as part of the business combination in fiscal year 2019, the Group entered in several bank loans and the outstanding nominal amount as at September 30, 2020, is €4.3 million (PY: €4.9 million), the effective interest rates are between 1.25% and 2.50%. The maturities of these loan agreements are between March 20, 2021, and September 30, 2023. In addition, the Group recognized purchase price obligations amounting to €1.0 million (PY: €2.5 million) for the acquired entities Piston and Clevers in fiscal year 2019.

As at September 30, 2020, the Group had drawn €29.9 million under the committed €70.0 million revolving credit facility. The Group utilized €0.8 million out of the €70.0 million revolving credit facility to secure existing guarantees. The committed credit line of €50.0 million (PY: €- million) is undrawn.

23 Other financial liabilities

Other financial liabilities T_059

IN € THOUSANDS	Sept 30, 2020 Current	Sept 30, 2020 Non-current	Sept 30, 2020 Total	Sept 30, 2019 Current	Sept 30, 2019 Non-current	Sept 30, 2019 Total
Liabilities to employees	7,168	–	7,168	6,550	–	6,550
Social security contribution	2,272	–	2,272	3,105	–	3,105
Lease liabilities (PY: finance lease obligation)[1]	6,905	33,066	39,971	441	83	524
Other financial liabilities	**16,345**	**33,066**	**49,411**	**10,096**	**83**	**10,179**

[1] Since October 1, 2019, the Stabilus Group has adopted the new standard IFRS 16 (Leases) by using the modified retrospective transition method. In accordance with this method, prior year figures were not restated.

The increase is especially due to the effects resulting from first-time application of IFRS 16 amounting to €43.7 million, thereof €36.9 million as non-current and €6.8 million as current. The liabilities to employees mainly comprise outstanding salaries and wages.

24 Leases

IFRS 16 (Leases) was initially applied in the Stabilus Group as of October 1, 2019, under the modified retrospective approach without any adjustment of prior year figures. In the ordinary business, the Stabilus Group is the lessee of property, plant and equipment (e.g. IT hardware, cars, and other machinery and equipment). For all leases respective lease term options (e.g. renewal options) are considered. The application of such lease term options provides the Group with the greatest possible flexibility concerning their leased assets. The majority of the current options to extend or terminate the leases can only be exercised by the Group and not by the respective lessor. Within the Stabilus Group the extension options are solely used for the asset class "buildings". For all other leases the minimum term of lease is considered. The Stabilus Group applied the practical expedient in IFRS 16.6 by not accounting short-term leases (leases with a lease term less than 12 months) and low-value assets (underlying asset < 5.000 EUR / USD e.g. printers and copiers) as right-of-use assets.

The future minimum lease payments under non-cancellable leases are expected to amount €45.1 million within the next years. Thereof €8.2 million lease payments are payable within the next fiscal year 2021.

The Stabilus Group expects interest expenses on lease liabilities in the amount of €1.3 million for the financial year 2021.

As of September 30, 2020, the lease liabilities amounted to €40.0 million. Thereof €6.9 million are due within the next fiscal year 2021.

In fiscal year 2020 the Group made lease payments due to low-value leases in the amount of €0.3 million and due to short-term leases in the amount of €1.0 million.

Outflows for lease payments T_060

IN € THOUSANDS	Sept 30, 2020
within one year	8,159
after one year but not more than five years	23,739
more than five years	13,165
Total	**45,063**

Interest expense on lease liabilities T_061

IN € THOUSANDS	Sept 30, 2020
within one year	1,254
after one year but not more than five years	3,021
more than five years	817
Total	**5,092**

Maturity of lease liabilities T_062

IN € THOUSANDS	Sept 30, 2020
within one year	6,905
after one year but not more than five years	20,718
more than five years	12,348
Total	**39,971**

Expenses of short-term and low-value leases T_063

IN € THOUSANDS	Sept 30, 2020
Expenses related to short-term leases	1,005
Expenses related to low-value leases	297
Total	**1,302**

25 Provisions

Provisions T_064

	Sept 30, 2020			Sept 30, 2019		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Anniversary benefits	21	154	175	33	153	186
Early retirement contracts	1,350	2,046	3,396	1,037	1,946	2,983
Employee-related costs	12,893	–	12,893	11,332	–	11,332
Environmental protection	460	1,051	1,511	827	1,130	1,957
Other risks	3,719	–	3,719	3,008	–	3,008
Legal and litigation costs	60	–	60	97	–	97
Warranties	15,676	–	15,676	16,806	–	16,806
Other miscellaneous	5,989	448	6,437	5,004	336	5,340
Provisions	**40,168**	**3,699**	**43,867**	**38,144**	**3,565**	**41,709**

The discount rate used for the calculation of non-current provisions as of September 30, 2020, was 0.0% (PY: 0.0%). The non-current provisions developed as follows:

Changes of non-current provisions T_065

IN € THOUSANDS	Anniversary benefits	Early retirement	EPA provision	Other miscellaneous	Total
Balance as of Sept 30, 2018	**129**	**1,785**	**1,099**	**389**	**3,402**
Additions from business combination	–	–	–	16	16
Reclassifications	–	–	–	–	–
Foreign currency differences	4	–	54	16	74
Costs paid	(1)	–	(614)	–	(615)
Release to income	–	–	–	(100)	(100)
Additions	21	161	591	15	788
Balance as of Sept 30, 2019	**153**	**1,946**	**1,130**	**336**	**3,565**
Additions from business combination	–	–	–	–	–
Reclassifications	–	–	–	–	–
Foreign currency differences	(4)	–	(79)	(18)	(101)
Costs paid	–	–	–	(117)	(117)
Release to income	(9)	–	–	–	(9)
Additions	14	100	–	247	361
Balance as of Sept 30, 2020	**154**	**2,046**	**1,051**	**448**	**3,699**

The development of current provisions is set out in the table below:

Changes of current provisions

T_066

IN € THOUSANDS	Employee-related costs	Environmental protection measures	Other risks	Legal and litigation costs	Anniversary benefits	Early retirement	Warranties	Other miscellaneous	**Total**
Balance as of Sept 30, 2018	**13,574**	**–**	**1,727**	**94**	**17**	**1,020**	**14,030**	**4,458**	**34,920**
Additions from business combination	90	–	–	–	–	–	1,106	1,926	3,122
Foreign currency differences	160	30	16	3	1	–	341	20	571
Reclassifications	–	–	–	–	–	–	–	–	–
Costs paid	(11,500)	–	(1,643)	–	(5)	(480)	(5,382)	(4,317)	(23,327)
Release to income	(2)	–	–	–	–	–	(34)	(12)	(48)
Additions	9,010	797	2,908	–	20	497	6,745	2,929	22,906
Balance as of Sept 30, 2019	**11,332**	**827**	**3,008**	**97**	**33**	**1,037**	**16,806**	**5,004**	**38,144**
Additions from business combination	–	–	–	–	–	–	–	–	–
Foreign currency differences	(1,199)	(44)	(208)	(30)	(1)	–	(1,442)	(202)	(3,126)
Reclassifications	–	–	–	–	–	–	–	–	–
Costs paid	(9,415)	(323)	(2,805)	(7)	(16)	–	(8,879)	(3,294)	(24,739)
Release to income	–	–	–	–	–	–	–	–	–
Additions	12,175	–	3,724	–	5	313	9,191	4,481	29,889
Balance as of Sept 30, 2020	**12,893**	**460**	**3,719**	**60**	**21**	**1,350**	**15,676**	**5,989**	**40,168**

The provision for employee-related expenses comprises employee bonuses and termination benefits.

The provision for environmental protection measures relate to the 1985 vacated former Stabilus Inc. US site in Colmar, PE, USA at the North Penn Area 5. In the meantime, this North Penn Area 5 has been identified by the United States Environmental Protection Agency (EPA) as an area requiring environmental remediation. In 2011, the EPA contacted seven companies in the North Penn Area 5 as potential responsible parties for cost sharing, Stabilus being one of them. The Group is currently unable to develop a reasonable estimate of its share of the ultimate obligation as cost apportionment method of the EPA and Stabilus insurance reimbursement are unclear at this point in time. As such, no liability for an EPA reimbursement has been reflected in the balance sheet as of September 30, 2020. For the corresponding ongoing long-term bioremediation, a current provision of €460 thousand (PY: €827 thousand) and a non-current provision of €1,051 thousand (PY: €1,130 thousand) have been recorded as of September 30, 2020.

The provision for other risks from purchase and sales commitments represents expected sales discounts, expected losses from pending deliveries of goods and other sales-related liabilities.

The provision for legal and litigation costs represents costs of legal advice and notary charges as well as the costs of litigation.

The provision for warranties represents the accrued liability for pending risks from warranties offered by the Group for their products. The Group issues various types of contractual warranties under which it generally guarantees the performance of products delivered and services rendered. The Group accrues for costs associated with product warranties at the date products are sold. This also comprises accruals that are calculated for individual cases. Insurance reimbursements related to individual cases are presented in other financial assets if the recognition criteria are met.

26 Pension plans and similar obligations

Liabilities for the Group's pension benefit plans and other post-employment plans comprise the following:

Pension plans and similar obligations T_067

IN € THOUSANDS	Sept 30, 2020	Sept 30, 2019
Principal pension plan	56,854	59,595
Deferred compensation	175	298
Pension plans and similar obligations	**57,029**	**59,893**

Defined benefit plans and deferred compensation

Defined benefit plan

The Stabilus Group granted post-employment pension benefits to employees in Germany. The level of post-employment benefits is generally based on eligible compensation levels and / or ranking within the Group hierarchy and years of service.

In order to mitigate future liquidity risk, the Group's pension policies for one major plan granted to employees who joined the Group prior to January 1, 2006, were amended as of December 21, 2010, and the title earned in the former defined benefit plan was frozen. Going forward no additional defined benefit titles can be earned except for certain older employees. At the same time, the Group introduced a defined contribution plan in which direct payments to an external insurer are made.

Liabilities for principal pension plans amounting to €56,854 thousand (PY: €59,595 thousand) result from unfunded accumulated benefit obligations.

The weighted average duration of the defined benefit obligations in the fiscal year 2020 is 16.3 years (PY: 16.9 years).

Deferred compensation

The deferred compensation is a form of retirement pay which is financed by the employees, where, based on an agreement between the Group and the employees, part of their income is retained by the Group and paid to the respective employees after retirement.

The total deferred compensation as of September 30, 2020, amounts to €175 thousand (PY: €298 thousand).

The unfunded status is as follows:

Unfunded status T_068

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Present value of defined benefit obligations	58,220	61,015
Less: Fair value of plan assets	(1,191)	(1,122)
Unfunded status	**57,029**	**59,893**

The present value of the net pension liability developed as follows:

Present value of the net pension liability obligations T_069

IN € THOUSANDS	Year ended Sept 30, 2020	2019
Present value of net pension liability as of beginning of fiscal year	**59,893**	**52,180**
Contribution to plan assets	–	(1,122)
Service cost	322	347
Interest cost	551	1,005
Effect of change in financial assumptions	(2,267)	9,816
Experience assumptions	347	(605)
Actuarial (gains) / losses	(1,920)	9,211
Pension benefits paid	(1,816)	(1,728)
Present value of net pension liability as of fiscal year-end	**57,029**	**59,893**

The pension cost in the consolidated statement of comprehensive income includes the following expenses for defined benefit plans:

Pension cost for defined benefit plans T_070

IN € THOUSANDS	Year ended Sept 30, 2020	2019
Service cost	322	347
Interest cost	551	1,005
Pension cost for defined benefit plans	**873**	**1,352**

The present value of the defined benefit obligation and the experience adjustments arising on the plan liabilities are as follows:

Present value of the defined benefit obligation and the experience adjustments on the plan liabilities T_071

IN € THOUSANDS	Defined benefit obligation	Experience adjustments	Change in demographic assumptions
Sept 30, 2016	58,738	(1,055)	–
Sept 30, 2017	53,236	234	–
Sept 30, 2018	52,180	(107)	533
Sept 30, 2019	59,893	(605)	–
Sept 30, 2020	**57,029**	**347**	**–**

Generally, the measurement date for the Group's pension obligations is September 30. The measurement date for the Group's net periodic pension cost generally is the beginning of the period. Assumed discount rates, pension increases and long-term return on plan assets vary according to the economic conditions in the country in which the pension plan is situated.

Following assumptions (measurement factors) were used to determine the pension obligations:

Significant factors for the calculation of pension obligations T_072

IN % P. A.	Year ended Sept 30, 2020	2019
Discount rate	1.14%	0.93%
Pension increases	1.50%	1.50%
Turnover rate	4.00%	4.00%
Biometric assumptions	**Heubeck Mortality Table 2018G**	**Heubeck Mortality Table 2018G**

The discount rates for the pension plans are determined annually as of September 30, 2020, on the basis of first-rate, fixed-interest industrial bonds with maturities and values matching those of the pension payments.

Sensitivity analysis

If the discount rate were to differ by +0.5% / −0.5% from the interest rate used at the balance sheet date, the defined benefit obligation for pension benefits would be an estimated €5,040 thousand lower or €4,380 thousand higher. If the future pension increase used were to differ by +0.2% / −0.2% from management's estimates, the defined benefit obligation for pension benefits would be an estimated €840 thousand higher or €2,060 thousand lower. The reduction / increase of the mortality rates by 1-year results in an increase / decrease of life expectancy depending on the individual age of each beneficiary. The effects on the defined benefit obligation (the "DBO") as of September 30, 2020, due to a 1-year decrease / increase of the life expectancy would result in an increase of €1,980 thousand or a decrease of €3,240 thousand.

When calculating the sensitivity of the DBO to significant actuarial assumptions the same method (present value of the DBO calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the consolidated statement of financial position. Increases and decreases in the discount rate or the rate of pension progression which are used in determining the DBO do not have a symmetrical effect on the DBO due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions are changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Expected pension benefit payments for the fiscal year 2021 will amount to €1,901 thousand (PY: €1,909 thousand).

Defined contribution plans

The expenses incurred under defined contribution plans are primarily related to government-run pension plans. Expenses for these plans in the reporting period amounted to €11,420 thousand (PY: €13,711 thousand).

27 Trade accounts payable

Trade accounts payable amount to €71,080 thousand (PY: €90,992 thousand) as of the end of the fiscal year. The full amount is due within one year. The liabilities are measured at amortized cost. For information on liquidity and exchange rate risks for trade accounts payable, please see Note 32.

28 Current tax liabilities

The current tax liabilities amounted to €9,658 thousand (PY: €13,088 thousand) and relate to income and trade taxes. The initial application of IFRIC 23 did not have any impact on the consolidated financial statements.

29 Other liabilities

The following table sets out the breakdown of the Group's other current and non-current liabilities:

Other liabilities T_073

	Sept 30, 2020			Sept 30, 2019		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Advanced payments received	2,553	–	2,553	2,278	–	2,278
Vacation expenses	3,717	–	3,717	4,066	–	4,066
Other personnel-related expenses	6,545	–	6,545	6,611	–	6,611
Outstanding costs	3,869	–	3,869	2,908	–	2,908
Miscellaneous	204	–	204	380	–	380
Other liabilities	**16,888**	**–**	**16,888**	**16,243**	**–**	**16,243**

30 Contingent liabilities and other financial commitments

Contingent liabilities

Contingent liabilities are possible obligations whose existence has yet to be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. If the outcome is probable and estimable, the liability is shown in the statement of financial position.

Further information regarding actual and contingent obligations imposed by the US EPA for the former Stabilus site in Colmar can be found in Note 25.

Guarantees

On October 11, 2005, Stabilus Romania S.R.L., Brasov, ("STRO") entered into a rental agreement with ICCO SRL (ICCO) for a production facility with an area of 8,400 square meters. The initial rental agreement had a contract period of seven years which has been extended. STAB Dritte Holding GmbH, Koblenz, which has merged into Stable Beteiligungs GmbH, Koblenz, a wholly owned subsidiary of the Company, issued a bank guarantee of €600 thousand (PY: €600 thousand), for the event that STRO will be unable to pay. Stabilus GmbH, Koblenz, issued a letter of support for the event that STRO will be unable to pay.

On September 22, 2005, Stabilus S. A. de C. V. ("STMX") entered into a lease agreement with Deutsche Bank Mexico, S. A., and Kimex Industrial BEN, LLC, for a production facility with an area of 28,951 square meters of land and 5,881 square meters of construction buildings in Ramos Arizpe, State of Coahuila, Mexico. The lease agreement had an initial contract period of ten years and has already been extended. Stabilus GmbH, Koblenz, issued a letter of support for the event that STMX will be unable to pay.

On June 7, 2016, the Group entered into a senior facilities agreement. Certain material subsidiaries of the Group are guarantors, as defined in the senior facilities agreement, and gave a credit guarantee in favor of the financing parties. The guarantees are subject to limitations, including being limited to the extent that otherwise the guarantee would amount to unlawful financial assistance and other jurisdiction-specific tests (e.g. net assets).

Given a normal course of the economic development as well as a normal course of business, management believes these guarantees should not result in a material adverse effect for the Group.

Other financial commitments

From October 1, 2019, obligations from operating leases have been recognized in accordance with the requirements of IFRS 16 and further information can be found in Note 24.

The capital commitments for fixed and other intangible assets decreased from €4,750 thousand as of September 30, 2019, to €3,442 thousand as of September 30, 2020.

Nominal values of other financial commitments are as follows:

Financial commitments T_074

	Sept 30, 2020			
IN € THOUSANDS	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed and other intangible assets	3,442	–	–	3,442
Total	**3,442**	**–**	**–**	**3,442**

	Sept 30, 2019			
IN € THOUSANDS	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed and other intangible assets	4,750	–	–	4,750
Total	**4,750**	**–**	**–**	**4,750**

31 Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments within the meaning of IFRS 7 as well as by the measurement category. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments T_075

IN € THOUSANDS	MEASUREMENT CATEGORY ACC. TO IFRS 9	Sept 30, 2020 Carrying amount	Sept 30, 2020 Fair value[2]	Sept 30, 2019 Carrying amount	Sept 30, 2019 Fair value[2]
Trade accounts receivables	AC	117,071	–	130,328	–
Cash	AC	162,431	–	139,020	–
Other financial assets	AC	2,736	–	2,900	–
Contingent consideration	FVtPL	4,538	4,538	1,843	1,843
Total financial assets		**286,776**	**4,538**	**274,091**	**1,843**
Financial liabilities	FLAC	322,384	330,216	311,585	330,918
Trade accounts payable	FLAC	71,080	–	90,992	–
Lease liabilities (PY: finance lease liabilities)[1]	n/a	39,971	–	524	–
Total financial liabilities		**433,435**	**330,216**	**403,101**	**330,918**
Aggregated according to categories in IFRS 9:					
Financial assets measured at amortized cost (AC)		282,238	–	272,248	–
Financial assets measured at fair value through profit or loss (FVtPL)		4,538	4,538	1,843	1,843
Financial liabilities measured at amortized cost (FLAC)		393,464	330,216	402,577	330,918

[1] Since October 1, 2019, the Stabilus Group has adopted the new standard IFRS 16 (Leases) by using the modified retrospective transition method. In accordance with this method, prior year figures were not restated.

[2] The simplification provision under IFRS 7.29a has been applied with respect to fair value disclosures. This does not apply to the contingent consideration.

The following table provides an overview of the classification of financial instruments presented above in the fair value hierarchy, except for financial instruments with fair values corresponding to the carrying amounts (i.e. trade accounts receivable and payable, cash and other financial liabilities).

Financial instruments T_076

IN € THOUSANDS	Sept 30, 2020 Total	Level 1[1]	Level 2[2]	Level 3[3]	Sept 30, 2019 Total	Level 1[1]	Level 2[2]	Level 3[3]
Financial liabilities								
Senior facilities	290,300	–	290,300	–	317,834	–	317,834	–
Other facilities	39,916	–	39,916	–	13,084	–	13,084	–
Contingent consideration	4,538	–	4,538	–	1,843	–	1,843	–

[1] Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical instruments.

[2] Fair value measurement based on inputs that are observable on active markets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

[3] Fair value measurement based on inputs that are not observable market data.

It is the Group's policy to recognize transfers into and out of a level of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 of the fair value hierarchy in the current and the previous financial year.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values in the previous fiscal year:

- The senior secured notes are categorized within Level 2 of the fair value hierarchy as the instruments themselves are not traded in an active market, but as all significant inputs required for their fair value measurement are observable in active markets. Their fair value is estimated using a present value technique, by discounting the contractual cash flows using the implied yields for similar instruments of entities with a similar standing and marketability. The most significant input is the discount rate that reflects the credit risk of the issuer. The Group obtains the valuation for its senior secured notes from an independent service provider on a quarterly basis. The fair value of the contingent consideration does not underlie any variation, the recognized amount is fixed.

The carrying amounts of trade accounts receivables, cash, other financial assets and trade accounts payable closely approximate their fair value due to their predominantly short-term nature.

The net gains and losses on financial instruments result in the fiscal year ended September 30, 2020, from the currency translation and changes in the estimate of future cash flows of financial assets measured at amortized cost and financial liabilities measured at amortized cost, as well as gains from changes in fair value of derivative instruments. They are set out in Notes 8 and 9. The net foreign exchange gain amounted to €1,759 thousand (PY: gain €835 thousand).

Total interest income and expense from financial instruments are reported in Notes 8 and 9.

32 Risk reporting

Internal risk management

The Group employs within the budgeting process an integrated system for the early identification and monitoring of risks specific to the Group, in order to identify changes in the business environment and deviations from targets at an early stage and to initiate countermeasures in advance. This includes monthly short- and medium-term analysis of the order intake and of the accounts receivable balance. Based on the results of this initial assessment further evaluations are frequently conducted for individual companies if deemed appropriate. Customer behavior is ascertained and analyzed continuously, and the information obtained from these serves as an early warning indicator for possible changes in demand patterns.

In addition, significant KPIs (order intake, sales and EBIT, staffing level, quality indicators) are reported monthly by all Group companies and are assessed by the Group´s management.

Financial risks

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include credit risk, liquidity risk and market risk (including currency risk and fair value interest rate risk).

The Group seeks to minimize the effects of financial risks by using derivative financial instruments to hedge these exposures wherever considered economically reasonable. The use of financial derivatives is governed by the Group's policies approved by the Management Board, which provide principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group does not have any derivative financial instruments as of September 30, 2020.

Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. As of the reporting date the Stabilus Group does not hold any collateral. The Group's exposure and the credit ratings of its counterparties are monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Credit evaluation is performed on the financial condition of accounts receivable and, where viewed appropriate, credit guarantee insurance cover is purchased. Besides this, commercial considerations are taken into account when determining the maximum volume of the credit lines granted to each customer. The Group has established the policy to write-off all trade receivables when there is no reasonable expectation of recovery. Among others, the failure to make payments within 360 days from the invoice date or the initiation of bankruptcy proceedings are considered indicators of no reasonable expectation of recovery. In addition, the Group established an allowance for doubtful accounts based on historically observed default rates adjusted for forward-looking estimates to accrue for expected credit losses. To determine the forward-looking economic conditions, the Group considers in particular the credit default swaps (CDS) of the respective client's geographical location that ensures the risks of the counterparty in the respective country are taken into account.

In the course of the COVID-19 crisis there was no significant increase in defaulted trade account receivables and no additional allowance for doubtful accounts was recorded. In addition, the Group has taken out trade credit insurance to insure against the default risk.

The maximum exposure to credit risk is reflected by the carrying amounts of the following financial assets:

Credit risks included in financial assets T_077

	Sept 30, 2020						
IN € THOUSANDS	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 360 days	> 360 days	Total
Financial assets							
Trade and other receivables	108,112	6,949	1,531	455	1,191	(1,167)	117,071
Other miscellaneous	7,274	–	–	–	–	–	7,274
Cash and cash equivalents	162,431	–	–	–	–	–	162,431
Total	**277,817**	**6,949**	**1,531**	**455**	**1,191**	**(1,167)**	**286,776**

	Sept 30, 2019						
IN € THOUSANDS	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 360 days	> 360 days	Total
Financial assets							
Trade and other receivables	117,632	9,250	1,308	790	1,566	(218)	130,328
Other miscellaneous	4,743	–	–	–	–	–	4,743
Cash and cash equivalents	139,020	–	–	–	–	–	139,020
Total	**261,395**	**9,250**	**1,308**	**790**	**1,566**	**(218)**	**274,091**

Credit risk resulting from other financial assets, which comprise cash and cash equivalents and miscellaneous financial assets, arises from a possible default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not have any critical credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and are also typically lenders to the Group. Therefore, the credit quality of financial assets which are neither past due nor impaired is considered to be high.

In fiscal year 2020, the Group had one customer which accounted for at least 11% of total external revenue and two customers which accounted for at least 8% of total external revenue. The revenue with these customers was €91,040 thousand (PY: €107,792 thousand), €76,129 thousand (PY: €87,551 thousand) and €56,523 thousand (PY: €74,294 thousand), respectively. In fiscal year 2020 and 2019. Such revenue was generated in all three operating segments.

Liquidity risks

The Management Board has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by monitoring forecast cash flows at regular intervals.

The following maturities summary shows how cash flows from the Group's liabilities as of September 30, 2020, will influence its liquidity position. The summary describes the course of the undiscounted principal and interest outflows of the financing liabilities and the undiscounted cash outflows of the trade accounts payable. The undiscounted cash outflows are subject to the following conditions: If the counterparty can request payment at different dates, the liability is included on the basis of the earliest payment date. The underlying terms and conditions are described in Note 22 and 24.

Liquidity outflows for liabilities T_078

IN € THOUSANDS	Senior facility	Other facilities	Lease liabilities	Trade accounts payable	Total
within one year	2,803	35,636	8,159	71,080	117,678
after one year but not more than five years	299,477	8,979	23,739	–	332,195
more than five years	–	–	13,165	–	13,165
Total	**302,280**	**44,615**	**45,063**	**71,080**	**463,038**

The senior facilities agreement, as amended, gives planning stability over the next years. At the balance sheet date, the Group has committed facilities of €70.0 million (PY: €70.0 million), thereof €29.9 million were drawn. Furthermore, the Group has a new undrawn committed credit line of €50.0 million (PY: €- million) to strengthen financial liquidity as well as for potential future challenges from the COVID-19 crisis. In the financial year 2020, the COVID-19 crisis did not have any material adverse effects to the liquidity of the Stabilus Group.

Finance market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below) and interest rates (see below). As of September 30, 2020, the Group has not entered into any derivative financial instruments. The Group monitors closely its exposure to interest rate risk and foreign currency risk and regularly checks the opportunities of entering into a variety of derivative financial instruments.

Exchange rate risk

Due to its subsidiaries, the Group has significant assets and liabilities outside the Eurozone especially in US dollar. These assets and liabilities are denominated in local currencies. When the net asset values are converted into euro, currency fluctuations result in period to period changes in those net asset values. The Group's equity position reflects these changes in net asset values. The Group does not hedge against these structural currency risks.

The Group also has transactional currency exposures which arise from sales or purchases denominated in currencies other than the functional currency and loans denominated in foreign currencies. In order to mitigate the impact of currency exchange rate fluctuations for the operating business, the Group continually assesses its exposure and attempts to balance revenue and costs in a currency to thus reduce the currency risk.

Besides the balance sheet, the Group's revenue and costs are also impacted by currency fluctuations.

Stabilus main exposure to currency risk is $42 million as of the reporting date. A 1% increase / decrease in the value of the US dollar compared to the euro would lead to an increase / decrease of EBIT of approximately €0.4 million.

Hyperinflation

The Group has one entity which is located in Argentina where the inflation has been high for several years. After Argentina's cumulative inflation rate over a three-year period has exceeded 100% and as the qualitative indicators of hyperinflation are, to varying degrees, also present, we consider Argentina to be a hyperinflationary economy. Accordingly, IAS 29 has to be applied which requires that the financial statements of subsidiaries reporting in the currencies of hyperinflationary economies are restated by applying a suitable general price index. This requirement generally applies to our newly acquired subsidiary New CLEVERS S.R.L. as well. However, as the revenue generated by our Argentine operations account for less than 1% of total Group revenue, the standard has not been applied by the Stabilus Group on the grounds of materiality.

Based on our evaluation the application of IAS 29 will not have a material impact on Stabilus Group´s consolidated financial statements. We are continuously monitoring the development of our Argentine operations and might apply IAS 29 in subsequent periods if our operations in Argentina experience significant growth.

Interest rate risk

The Group is exposed to interest rate risks, which mainly relate to debt obligations, as the Group financing is primarily based on Euribor-related credit agreements.

The interest rate risk is assessed and managed by central financial risk management by analyzing the cash flow sensitivity of the Group's cash flows due to floating interest loans.

Stabilus exposure to interest rate risk includes variable-rate liabilities with a notional amount of €295 million. A 1% increase of floating interest rates (Euribor) would lead to an increase of financial expense of approximately €3.0 million. As the Euribor is below 0% as of September 30, 2020, a decrease has no effect on finance costs.

33 Capital management

The Stabilus Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain an optimal capital structure through a balanced mix of debt and equity considering the positive effects of the debt tax shield and the additional costs of financial distress that result from increased leverage. For the accomplishment of this objective the Group monitors various internal factors like the development of some financial ratios over time but also considers external factors like changes in the competitive environment or in the overall economic conditions.

The Stabilus Group is not subject to any externally imposed capital requirements.

Due to the broad product range and our well-balanced global presence, the Stabilus Group generates under normal economic conditions predictable and sustainable cash flows.

For monitoring our capital structure, we utilize, among others, the ratio of "equity" to "total capital" as well as the ratio of "net debt" to "adjusted EBITDA (earnings before interest, taxes, depreciation and amortization)". The latter one is also used as a covenant in the senior facilities agreement and its development is further explained in the management report. The Company does not expect a breach of this covenant.

The development of the equity ratio is set out in the table below:

Equity ratio T_079

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Equity	469,598	499,617
Total assets	1,083,571	1,099,239
Equity ratio	43.3%	45.5%

In order to maintain or adjust the capital structure, we may increase or decrease the dividends, issue new shares or return capital to our shareholders, and raise additional or reduce parts of our outstanding debt.

34 Notes to the consolidated statement of cash flows

The statement of cash flows is prepared in compliance with IAS 7. The statement of cash flows of the Stabilus Group shows the development of the cash flows from operating, investing and financing activities. Inflows and outflows from operating activities are presented in accordance with the indirect method and those from investing and financing activities by the direct method.

The cash funds reported in the statement of cash flows comprise all liquid funds, cash balances and cash at banks reported in the statement of financial position.

Interest payments of €4,814 thousand (PY: €3,643 thousand) are reflected in cash outflows from financing activities. Income tax payments of €36,427 thousand (PY: €35,930 thousand) are recognized in cash flows from operating activities.

The table below shows the details of changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Reconciliation financing activities T_080

IN € THOUSANDS	Senior facility agreement	Other facilities	Lease liabilities
Balance as of Sept 30, 2019	**298,501**	**10,504**	**524**
Cash receipts	–	30,083	–
Cash payments	(20,000)	(1,739)	(8,245)
Changes from financing cash flows	(20,000)	28,344	(8,245)
Effect of changes in foreign exchange rates	–	(353)	(559)
Initial application IFRS 16	–	–	43,724
Other changes	4,223	84	4,527
Balance as of Sept 30, 2020	**282,724**	**38,579**	**39,971**

35 Segment reporting

The Stabilus Group is organized and managed primarily on a regional level. The three reportable operating segments of the Group are EMEA, Americas and APAC. The product portfolio is largely similar in these three regional segments.

The Group measures the performance of its operating segments through a measure of segment profit or loss (key performance indicator) which is referred to as "adjusted EBIT". Adjusted EBIT represents EBIT, adjusted for exceptional non-recurring items (e.g. restructuring or one-time advisory costs) and depreciation / amortization of fair value adjustments resulting from purchase price allocations (PPAs).

Segment information for the fiscal years ended September 30, 2020 and 2019 is as follows:

Segment reporting T_081

	EMEA		Americas		APAC	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	**2020**	2019	**2020**	2019	**2020**	2019
External revenue[1]	411,123	482,099	299,555	365,988	111,448	103,252
Intersegment revenue[1]	25,855	28,598	20,644	24,692	157	114
Total revenue[1]	436,978	510,697	320,199	390,680	111,605	103,366
Depreciation and amortization (incl. impairment losses)	(64,390)	(31,066)	(16,249)	(13,519)	(8,208)	(5,768)
EBIT	12,346	63,951	36,945	56,945	13,821	12,398
Adjusted EBIT	42,367	68,439	40,336	61,752	13,976	12,553

	Total segments		Other / Consolidation		Stabilus Group	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	**2020**	2019	**2020**	2019	**2020**	2019
External revenue[1]	822,126	951,339	–	–	822,126	951,339
Intersegment revenue[1]	46,656	53,404	(46,656)	(53,404)	–	–
Total revenue[1]	868,782	1,004,743	(46,656)	(53,404)	822,126	951,339
Depreciation and amortization (incl. impairment losses)	(88,847)	(50,353)	(6,969)	(9,280)	(95,816)	(59,633)
EBIT	63,112	133,295	(6,969)	(9,280)	56,143	124,015
Adjusted EBIT	96,679	142,745	–	–	96,679	142,745

[1] Revenue breakdown by location of Stabilus company (i.e. "billed-from view").

The column "Other / Consolidation" includes among others the effects from the purchase price allocation for the April 2010 business combination. The effects from the purchase price allocation for the June 2016 and April 2019 business combination are included in the regions.

The EBIT of operating segment EMEA in the fiscal year ended September 30, 2020, includes impairment losses of €(28,068) thousand (PY: €(398) thousand). The amounts presented in the column "Other / Consolidation" above include the elimination of transactions between the segments and certain other corporate items which are related to the Stabilus Group as a whole and are not allocated to the segments, e.g. depreciation from purchase price allocations.

The following table sets out the reconciliation of the total segments' profit (adjusted EBIT) to profit before income tax:

Reconciliation of the total segments' profit to profit / (loss) before income tax T_082

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Total segments' profit (adjusted EBIT)	**96,679**	**142,745**
Other / consolidation	–	–
Group adjusted EBIT	**96,679**	**142,745**
Adjustments to EBIT	(40,536)	(18,730)
Profit from operating activities (EBIT)	**56,143**	**124,015**
Finance income	2,258	1,254
Finance costs	(11,013)	(10,417)
Profit / (loss) before income tax	**47,388**	**114,852**

The information about geographical areas is set out in the following tables:

Geographical information: Revenue by country T_083

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Germany	301,626	356,156
Romania	100,204	119,949
UK	3,836	4,629
Turkey	4,943	1,365
Netherlands	514	–
EMEA	**411,123**	**482,099**
Mexico	146,282	188,305
USA	147,582	169,040
Brazil	4,698	8,315
Argentina	993	328
Americas	**299,555**	**365,988**
China	88,945	80,241
South Korea	11,526	10,731
Australia	2,351	2,817
Japan	7,049	7,538
New Zealand	1,577	1,925
APAC	**111,448**	**103,252**
Revenue	**822,126**	**951,339**

Geographical information: Non-current assets by country T_084

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Germany	229,432	270,383
Romania	34,687	28,815
Spain	738	790
Luxembourg	805	413
UK	5,415	5,468
Switzerland	–	0
France	131	4
Turkey	2,552	2,225
Netherlands	0	–
Goodwill	124,094	126,557
EMEA	**397,854**	**434,655**
USA	77,076	85,810
Mexico	34,032	34,432
Brazil	1,445	1,761
Argentina	775	1,119
Goodwill	70,945	74,388
Americas	**184,273**	**194,630**
China	60,958	35,822
South Korea	7,875	7,689
Australia	1,227	856
Japan	1,622	1,385
New Zealand	428	270
Singapore	143	–
Goodwill	12,622	13,876
APAC	**84,875**	**62,778**
Total	**667,002**	**692,063**

The non-current assets above exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

36 Share-based payments

The Group established share-based payment arrangements for members of the Management Board (matching stock program) and for senior management employees (phantom stock program).

Matching stock program

The variable compensation for the members of the Management Board includes a matching stock program. The matching stock program (the "MSP") provides for four annual tranches granted each year during the financial year ending September 30, 2014 until September 30, 2017. The program "MSP A" was extended by one year to September 30, 2018. Due to the unpredictable and extraordinary impact of COVID-19 on the share price development of Stabilus, which was beyond the management's influence, the Supervisory Board decided to extend the two-year exercise period for the tranches 2016 to 2018 by two years for the current Management Board members. By this measure the incentive effect of the MSP tranches will be maintained. However, the performance targets including number of options and exercise prices remain unchanged. Participation in the matching stock program requires Management Board members to invest in shares of the Company. The investment has generally to be held for the lock-up period.

As part of the matching stock program A (the "MSP A") for each share the Management Board invests in the Company in the specific year (subject to general cap), the Management Board members receive a certain number of fictitious options to acquire shares in the Company for each tranche of the matching stock program. The amount of stock options received depends upon a factor to be set by the Supervisory Board (Remuneration Committee) annually in a range between 1.0 and 1.7 times for a certain tranche. Thus, if a Management Board member were to buy 1,000 shares under the MSP A in the Company, he would receive 1,000 to 1,700 fictitious options for a certain tranche. The fictitious options are subject to a lock-up period of four years and may be exercised during a subsequent two-year exercise period.

As part of matching stock program B (the "MSP B") for each share the Management Board holds in the Company in the specific year (subject to a general cap), the Management Board members receive a certain number of fictitious options to acquire shares in the Company for each tranche of the matching stock program. The amount of stock options received depends upon a factor to be set by the Supervisory Board (Remuneration Committee) annually which will be in a range between 0.0 and 0.3 times for a certain tranche. Thus, if a Management Board member were to be holding 1,000 shares under the MSP B in the Company, he would receive 0 to 300 fictitious options for a certain tranche.

The fictitious options are subject to a lock-up period of four years and may be exercised during a subsequent two-year exercise period. The options may only be exercised if the stock price of the Company exceeds a set threshold for the relevant tranche, which the Supervisory Board will determine at the time of granting the options, and which needs to be between 10% and 50% growth over the base price, which is the share price on the grant date. If exercised, the fictitious options are transformed into a gross amount equaling the difference between the option price and the relevant stock price multiplied by the number of exercised options. The Company plans a cash settlement. The maximum gross amounts resulting from the exercise of the fictitious options of one tranche in general is limited in amount to 50% of the base price. Reinvestment of IPO proceeds from previous equity programs is not taken into account for MSP A.

Phantom stock program

The Group initiated for 2015 and 2016 a Phantom Stock Program for ten senior management employees excluding Stabilus S. A. directors. To participate in the program, the employees have to invest a certain amount in Stabilus shares. The employee receives options in a ratio of two for each self-investment, capped at an investment level of €10,000 per program year. The fictitious options are subject to a lock-up period of four years and may be exercised during a subsequent two-year exercise period. The exercise is triggered by the sale of the underlying shares. The payout price is triggered by the price of the share sales in the exercise period. The payout is capped at 500% of the invested amount. In fiscal year 2020 an amount of €469 thousand was paid for the Phantom Stock Program 2015.

Measurement of fair values

The fair value of the share-based payments of the MSP has been measured by using a binomial simulation.

The inputs used in the measurement of the fair values at the grant date and the measurement date of the MSP include market conditions and were as follows. The expected volatility has been based on the historical volatility of the 3-year period ending September 30, 2020.

Input parameters for fair value measurement of MSP T_085

VALUATION DATE	Sept 30, 2020	Sept 30, 2019	Sept 30, 2018
MSP A/B (2016)			
Fair value	€9.11	€6.99	€14.99
Share price	€50.15	€44.90	€71.70
Expected annual volatility	47.0%	43.0%	27.0%
Expected annual dividend yield	2.00%	2.00%	1.00%
Expected remaining duration (timing of exercise)	–	1.0 year	2.0 years
Risk-free annual interest rate	(0.67)%	(0.73)%	(0.54)%
Exercise price	€48.64	€48.64	€48.64
MSP A (2017)			
Fair value	€7.01	€3.14	€10.03
Share price	€50.15	€44.90	€71.10
Expected annual volatility	47.0%	35.0%	30.0%
Expected annual dividend yield	2.00%	2.00%	1.00%
Expected remaining duration (timing of exercise)	1.0 year	2.0 years	3.0 years
Risk-free annual interest rate	(0.67)%	(0.80)%	(0.40)%
Exercise price	€74.74	€74.74	€74.74
MSP A (2018)			
Fair value	€7.03	€3.25	–
Share price	€50.15	€44.90	–
Expected annual volatility	45.0%	33.0%	–
Expected annual dividend yield	2.00%	2.00%	–
Expected remaining duration (timing of exercise)	2.0 years	3.0 years	–
Risk-free annual interest rate	(0.73)%	(0.82)%	–
Exercise price	€74.22	€74.22	–

Performance Share Plan

The Management Board members of Stabilus S. A. and for individual senior management employees, received allocations under the Performance Share Plan (the "PSP") in the form of virtual shares. The virtual shares of the Performance Share Plan are based on an annual target amount granted at the beginning of a three-year performance period as a future entitlement. In order to determine the target number of virtual shares granted, the annual target amount is divided by the start share price, whereby the start share price refers to the arithmetic mean of the Company's share closing price during the last 60 trading days prior to the respective performance period start date.

The performance factor which determines the final number of virtual shares is calculated at the end of the three-year performance period via the relative total shareholder return (weighted with 70%) and the EBIT margin (weighted with 30%).

The target achievement for the relative TSR is based on a comparison with the constituents of the MDAX index. In order to determine the relative TSR, firstly, the absolute TSR values of Stabilus as well as each index constituent of the MDAX over the respective performance period are calculated. The absolute TSR value of each company equals the theoretical growth in value of a share holding over the performance period, assuming that (gross) dividends are directly re-invested. Secondly, the calculated absolute TSR values of Stabilus and each index constituent are ranked by size in order to calculate the target achievement.

The target achievement for EBIT margin is based on a comparison with a strategic target. To determine the percentage of target achievement, the actual EBIT margin at the end of the respective performance period is compared with the strategic EBIT margin defined for the respective performance period.

The final number of virtual shares is determined by multiplying the overall target achievement with the target number of virtual shares granted. The final number of virtual shares is capped at 150% of the target number of virtual shares granted. The payout of the respective tranche of the Performance Share Plan is calculated by multiplying the final number of virtual shares with the relevant end share price including any dividends paid during the performance period. The end share price refers to the arithmetic mean of the Company's share closing price during the last 60 trading days prior to the respective performance period end date. The payout amount is limited to a maximum of 250% of the target amount (payout cap). The Performance Share Plan is paid out in cash at the end of the performance period.

In the fiscal year 2020 options for the PSP were issued as follows:

Number of share options T_086

	MSP A/B (2015)		MSP A/B (2016)		MSP A (2017)		MSP A (2018)	
	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price
Outstanding as at October 1, 2017	**35,119**	**€31.08**	**27,449**	**€48.64**	**–**	**–**	**–**	**–**
Granted during the year	–	–	–	–	24,190	€74.74	–	–
Forfeited during the year	4,884	–	7,320	–	16,952	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2018	**30,235**	**€31.08**	**20,129**	**€48.64**	**7,238**	**€74.74**	**–**	**–**
Exercisable as at September 30, 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding as at October 1, 2018	**30,235**	**€31.08**	**20,129**	**€48.64**	**7,238**	**€74.74**	**–**	**–**
Granted during the year	–	–	–	–	–	–	10,423	€74.22
Forfeited during the year	9,652	–	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2019	**20,583**	**€31.08**	**20,129**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Exercisable as at September 30, 2019	**20,583**	**€31.08**	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding as at October 1, 2019	**20,583**	**€31.08**	**20,129**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Granted during the year	–	–	–	–	–	–	–	–
Forfeited during the year	–	–	4,112	–	–	–	–	–
Exercised during the year	20,583	€31.08	–	–	–	–	–	–
Outstanding as at September 30, 2020	**–**	**–**	**16,017**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Exercisable as at September 30, 2020	**–**	**–**	**16,017**	**€48.64**	**–**	**–**	**–**	**–**

The Phantom Stock Program is measured by using a binomial simulation and accrued over the vesting time.

Input parameters for fair value measurement of PSP

T_087

VALUATION DATE	Sept 30, 2020	Sept 30, 2019	Sept 30, 2018
Phantom Stock Program 2015/16			
Fair value	€50.15	€44.90	€70.63
Share price	€50.15	€44.90	€71.10
Expected annual dividend yield	–	–	1.00%
Exercise price	–	–	–

Phantom Stock Program options

T_088

	Phantom Stock Program 2014/15		Phantom Stock Program 2015/16	
	Number of options	Exercise price	Number of options	Exercise price
Outstanding as at October 1, 2017	**5,642**	**–**	**3,217**	**–**
Granted during the year	–	–	–	–
Forfeited during the year	1,209	–	644	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2018	**4,433**	**–**	**2,573**	**–**
Exercisable as at September 30, 2018	**4,433**	**–**	**–**	**–**
Outstanding as at October 1, 2018	**4,433**	**–**	**2,573**	**–**
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2019	**4,433**	**–**	**2,573**	**–**
Exercisable as at September 30, 2019	**4,433**	**–**	**2,573**	**–**
Outstanding as at October 1, 2019	**4,433**	**–**	**2,573**	**–**
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	4,433	–	–	–
Outstanding as at September 30, 2020	**–**	**–**	**2,573**	**–**
Exercisable as at September 30, 2020	**–**	**–**	**2,573**	**–**

Performance Share Plan T_089

VALUATION DATE	Sept 30, 2019	Sept 30, 2020	Sept 30, 2020
Performance period	Oct 1, 2018 – Sept 30, 2021	Oct 1, 2018 – Sept 30, 2021	Oct 1, 2019 – Sept 30, 2022
Price of the Stabilus share	€44.90	€50.15	€50.15
"Initial Price" Stabilus share	€73.74	€73.74	€41.77
Expected annual dividend yield	2.00%	2.00%	2.00%
Remaining duration of granted performance shares	2.0 years	1.0 year	2.0 years
Risk-free annual interest rate (duration 2.0 years)	(0.80)%	(0.67)%	(0.73)%
Expected target achievement for internal target EBIT	100%	100%	100%
Cap per performance share used in the valuation	250% x €73.74	250% x €73.74	250% x €41.77

Number of share options T_090

	PSP (2019)		PSP (2020)	
	Number of options	Fair value	Number of options	Fair value
Outstanding as at October 1, 2018	**–**	**–**	**–**	**–**
Granted during the year	8,056	€30.65	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2019	**8,056**	**€30.65**	**–**	**–**
Exercisable as at September 30, 2019	**–**	**–**	**–**	**–**
Outstanding as at October 1, 2019	**8,056**	**€30.65**	**–**	**–**
Granted during the year	–	–	28,010	€47.30
Forfeited during the year	1,526	–	4,848	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2020	**6,530**	**€36.66**	**23,162**	**€47.30**
Exercisable as at September 30, 2020	**–**	**–**	**–**	**–**

Expense recognized in profit or loss

An amount of €557 thousand (PY: gain €(108) thousand) was recognized in the related employee benefit expenses and an amount of €845 thousand (PY: €1,268 thousand) in provisions for employee-related expenses.

37 Auditor's fees

For all financial statements since fiscal year 2014 (year of Initial Public Offering in SDAX of the Frankfurt Stock Exchange) KPMG has been Stabilus' auditor. The Independent Auditor's Report on the consolidated financial statements for fiscal year 2020 was signed by Thomas Feld. He is the responsible audit partner and signed the Independent Auditor's Report for the first time for the year ended September 30, 2017.

For fiscal year ended September 30, 2020, a global fee (excluding VAT) of €895 thousand (PY: €902 thousand) was agreed with the Group auditors for the audit of the consolidated and annual financial statements of the Stabilus entities. These fees are included in the Group's administrative expenses.

Auditor's fees T_091

	Year ended Sept 30,	
IN € THOUSANDS (EXCLUDING VAT)	2020	2019
Audit fees	895	902
Thereof for the prior year	*36*	*30*
Audit-related fees	7	127
Tax fees	40	60
Other fees	–	–
Total	**942**	**1,089**

In addition, KPMG Luxembourg, and other member firms of the KPMG network, billed audit-related fees amounting to €7 thousand (PY: €127 thousand) and tax service fees amounting to €40 thousand (PY: €60 thousand) to the Stabilus Group. Tax services comprise the preparation of tax filings and the provision of tax advice.

38 Related party relationships

According to IAS 24 the reporting entity has to disclose specific information of transactions between the Group and other related parties. Balances and transactions between the Company and its fully consolidated subsidiaries, which constitute related parties within the meaning of IAS 24, have been eliminated in the course of consolidation and are therefore not commented on in this note. As to our knowledge no individual shareholder of Stabilus S. A. can exercise significant influence over the Company or the Group. The consolidated financial statements do not include any associated companies that are accounted for using the equity method and none of the Group entities can exercise significant influence over entities that are not included in the scope of consolidation.

Related parties of the Stabilus Group primarily comprise the Stabilus Group's management which also holds an investment in the Company. The remuneration of and other transactions with key managers of the Company constitute related party transactions pursuant to IAS 24. For related party transactions with members of the Executive Board and the Supervisory Board, please refer to the Notes "Share-based payment" and "Remuneration of key management personnel".

39 Remuneration of key management personnel

The key management personnel are the members of the Management Board Dr. Michael Büchsner (CEO), Mark Wilhelms (CFO), Andreas Schröder (Group Financial Reporting Director), Andreas Sievers (Director Group Accounting and Strategic Finance Projects) and Markus Schädlich (Head of Asia / Pacific until June 30, 2020).

From fiscal year 2019 on, Stabilus is obliged by the European directive and Luxembourg law to draw up a remuneration policy for the Supervisory Board as well as the Management Board. The principles and measurement of the remuneration policy for the Management Board and Supervisory Board of the Stabilus S. A. are prepared in accordance with Article 7bis of the Luxembourg law of May 24, 2011 on Shareholders Rights, as amended. The remuneration report will be published separately from this Annual Report.

The total remuneration paid to key management personnel of the Group is calculated as the amount of remuneration paid in cash, benefits in kind and expenses for share-based payments. Benefits in kind primarily comprise the provision of company cars and pensions.

The total remuneration of the above-mentioned key management personnel at the various key Stabilus Group affiliates during the reporting period are as follows:

Remuneration T_092

	Year ended Sept 30,	
IN € THOUSANDS	2020	2019
Base salary	1,395	1,442
Fringe benefits	67	57
Pension expenses	321	200
Termination benefits[1]	150	–
Short-term incentive	363	483
Long-term incentive[2]	544	(25)
Total	**2,840**	**2,157**

[1] Post contractual non-compete obligation
[2] Expenses for share-based payments

Total remuneration increased from €2,157 thousand in fiscal year 2019 to €2,840 thousand in fiscal year 2020. The overall increase is amongst others reflecting the onboarding of the new CEO who joined Stabilus on October 1, 2019, replacing the interim CEO, who did not have a full compensation package. Another factor is the contractual non-compete compensation for a board member who left the company during fiscal year 2020. Additionally, the accruals for all outstanding share-based payment arrangements increased, following the rebound of the share price in fiscal year 2020. In contrast the share price decreased in fiscal year 2019.

The total remuneration for the members of the Supervisory Board amounts to €406 thousand (PY: €439 thousand).

Members of the Management and Supervisory Board have a direct interest in Stabilus S. A. of about jointly 0.3% of the total shares.

40 Subsequent events

As of December 10, 2020, there were no further events or developments that could have materially affected the measurement and presentation of the Group's assets and liabilities as of September 30, 2020.

Luxembourg, December 10, 2020

Stabilus S. A.
Management Board

RESPONSIBILITY STATEMENT

We, Dr. Michael Büchsner (Chief Executive Officer), Mark Wilhelms (Chief Financial Officer), Andreas Schröder (Director Group Financial Reporting) and Andreas Sievers (Director Group Accounting and Strategic Finance Projects), confirm, to the best of our knowledge, that the consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of Stabilus S. A. and the undertakings included in the consolidation taken as a whole and that the combined management report includes a fair review of the development and performance of the business and the position of Stabilus S. A. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, December 10, 2020

Dr. Michael Büchsner Mark Wilhelms

Andreas Schröder Andreas Sievers

Management Board

MANAGEMENT BOARD OF STABILUS S. A.

The Management Board comprises four members:

Dr. Michael Büchsner (Chairman) is the Chief Executive Officer. Over the past 20 years, he held a number of senior positions at components supplier TRW in Austria, Germany and the USA, and, following its takeover of TRW, at ZF Friedrichshafen AG. Most recently, he was global head of the Passive Safety Systems division. The main focus of his activities were strategy, finances, investments, and customer relations. Dr. Michael Büchsner holds a degree in chemical engineering from the Technical University of Graz, at which he later completed a doctorate, and an Executive MBA awarded by the St. Gallen Institute.

Mark Wilhelms is the Chief Financial Officer and was appointed to the Management Board in 2014. With 25 years of experience in the automotive industry, Mr. Wilhelms joined Stabilus in 2009 from FTE Automotive, where he served as Chief Financial Officer for six years. From 2007, he was also head of the NAFTA region at FTE. Prior to that, he held various management positions in finance, plant and marketing at various locations over his 17-year career at Ford. He holds a degree in process engineering as well as a degree in economics. Since August 29, 2018, he has been member of the Supervisory Board of NORMA Group SE. Mr. Wilhelms also holds further management positions within the Stabilus Group.

Andreas Schröder is the Group Financial Reporting Director and was appointed to the Management Board in 2014. Mr. Schröder joined Stabilus in 2010. Prior to that, he worked for several years in assurance and advisory business services at Ernst & Young. He holds a degree in business administration. Mr. Schröder also holds further management positions within the Stabilus Group.

Andreas Sievers is the Director Group Accounting and Strategic Finance Projects of the Stabilus Group. Mr. Sievers joined Stabilus in 2016. From 2010 to 2015 he worked for the Schaeffler Group as Vice President Accounting Excellence and External Reporting and Vice President Accounting Projects. Prior to that he served as a German and U.S. Certified Public Accountant including positions at PricewaterhouseCoopers AG and Deloitte GmbH. He holds a degree in business administration and passed exams as a U.S. and German Certified Public Accountant in 2002 and 2004, respectively. Mr. Sievers also holds further management positions within the Stabilus Group.

SUPERVISORY BOARD OF STABILUS S. A.

The Supervisory Board comprises four members:

Dr. Stephan Kessel has served as member of the Supervisory Board since 2014 and as the Chairman of the Supervisory Board since 2018. From August 2018 to July 2019, he led Stabilus as Interim CEO and then returned to the position as Chairman of the Supervisory Board. For many years, he was a member of the managing board at Continental AG, and the company's CEO until 2002. Since then Dr. Kessel has taken up a number of board positions at European companies including Stabilus. From 2008 through 2010, Dr. Kessel was Chairman of the Board of the former holding company of the operating Stabilus Group and acted as Stabilus' CEO for a certain period. In addition to his position at Stabilus, he currently serves as Chairman of the Advisory Boards of Novem Beteiligungs GmbH and Dayco Products L.L.C.

Dr. Joachim Rauhut has served as a member of the Supervisory Board since May 12, 2015. He was a member of the Executive Board of Wacker Chemie AG until October 31, 2015. He joined the Management Board of Wacker Chemie GmbH in 2001 and supported Wacker Chemie's initial public offering in 2006. Previously, he served in various leading corporate positions, including posts at Mannesmann AG and Krauss-Maffei AG. He is a member of the Supervisory Board of MTU Aero Engines AG, B. Braun Melsungen AG and creditshelf AG, as well as member of the Advisory Counsel of J. Heinrich Kramer Holding GmbH.

Dr. Ralf-Michael Fuchs has served as a member of the Supervisory Board since 2015. He was member of the Dürr Senior Executive Board and Chief Executive of Division Measuring and Process Systems until 2017. He served as Chairman of the board of various Dürr companies and as Chairman of the management board of Carl SCHENCK AG. Before he joined Dürr AG in 2000, he held various leading positions at IWKA AG and AGIV AG. From 2004 until 2018 he was member of the Board of Directors of Nagahama Seisakusho Ltd., Japan.

Dr. Dirk Linzmeier has served as a member of the Supervisory Board since 2018. He is CEO of the Osram Continental GmbH. From 2006 to 2017 he held several leading positions in the development of driver assistance systems and automotive electronics at Robert Bosch GmbH. From 2014 to 2017 he served as Vice President and Managing Director of an Automotive Electronics business unit and as Vice President of Corporate Start-up Management. Prior to that, he worked as a development engineer in Advanced Development at DaimlerChrysler AG.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Stabilus S. A.
2, rue Albert Borschette,
L-1246 Luxembourg

Report of the réviseur d'entreprises agréé

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Stabilus S. A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the «Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements» section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill

a) Why the matter was considered to be one of most significance in our audit of the consolidated financial statements of the current period?

As at 30 September 2020, the Group's goodwill represents EUR 207,7 million or 19,2% of the Group's total assets. The Group conducted an impairment assessment of the goodwill on all its cash-generating units ("CGUs") to identify if the recoverable amount is less than the carrying amount.

The Group determined the recoverable amount of CGUs using the "fair value less cost of disposal" model based on discounted cash flow approach considering a business plan with five-year projections and a terminal value. Due to the inherent uncertainty of forecasting, derivation of the discount rate and respective assumptions, e.g. beta factor or market risk premium, the fair value derivation underlies a significant area of judgment and is typically focused by capital market participants.

For CGUs where the difference between fair value less cost of disposal and the carrying amount is relatively small, the risk of a goodwill impairment is generally higher. The risk of a goodwill impairment depends on the CGUs' fair value which is most sensitive to estimates of future cash flows and other key assumptions. Therefore, a risk exists that information disclosed in connection with the goodwill impairment test (e.g. pre-tax WACC, sensitivity calculations) would not be appropriate.

b) How the matter was addressed in our audit

Our procedures included the assessment of the Group's Goodwill impairment-testing process, key controls and the assumptions and financial and capital market data used.

We tested key assumptions forming the Group's fair value less cost of disposal calculations, the cash flow projections and discount rates. We reconciled the managements' future cash flow forecasts to the financial budget approved by the Supervisory Board.

We evaluated the reasonableness of cash flow projections and compared key inputs, such as the discount rates and growth rates, to externally available financial, economic and industry data, and the Group's performance history and accuracy of the forecasting figures retrospectively.

With the assistance of our own valuation specialists, we critically assessed the underlying assumptions and methodologies used to determine the fair values less cost of disposal for those CGUs where significant goodwill was found to be sensitive to changes in those assumptions.

Additionally, we also reconciled the aggregate fair value less cost of disposal of the CGUs determined by the Group to its market capitalization. We considered whether the Group's disclosures of the application of judgment in estimating key assumptions and the sensitivity of the results of those estimates adequately reflect the risk associated with goodwill impairment.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the Shareholders on 12 February 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 10 December 2020

KPMG Luxembourg Société coopérative
Cabinet de révision agréé

T. Feld

Partner

D

ANNUAL ACCOUNTS

for the fiscal year ended September 30, 2020

BALANCE SHEET

as of September 30, 2020

Balance sheet T_093

IN € THOUSANDS	NOTE	Sept 30, 2020	Sept 30, 2019
Assets			
Fixed assets	3	**545,916**	**553,444**
Intangible assets			
Concessions, patents, licenses, trade marks and similar rights and assets, if they were acquired for valuable consideration and need not be shown under C.I.3		–	–
Tangible assets			
Other fixtures and fittings, tools and equipment		–	–
Financial assets			
Shares in affiliated undertakings	4	545,916	553,444
Current assets		**3,219**	**24,179**
Debtors	5	760	1,200
Amounts owed by affiliated undertakings			
becoming due and payable within one year		679	712
Other debtors			
becoming due and payable within one year		81	488
Cash at bank and in hand		2,459	22,979
Prepayments	6	**217**	**268**
Total assets		**549,352**	**577,891**

Balance sheet T_093

IN € THOUSANDS	NOTE	Sept 30, 2020	Sept 30, 2019
Liabilities			
Capital and reserves	7	**547,014**	**576,065**
Subscribed capital		247	247
Share premium account		419,801	419,801
Reserves			
Legal reserve		1,597	1,597
Other reserves, including the fair value reserve		4,835	4,835
Profit or loss brought forward		122,415	150,662
Profit or loss for the financial year		(1,881)	(1,077)
Provisions		**239**	**–**
Provisions for taxation		239	–
Creditors		**2,099**	**1,826**
Trade creditors			
becoming due and payable within one year		1,096	1,040
Amounts owed to affiliated undertakings			
becoming due and payable within one year	8	3	3
Other creditors			
Social security authorities		14	13
Other creditors			
becoming due and payable within one year		986	770
Total liabilities		**549,352**	**577,891**

PROFIT AND LOSS ACCOUNT

for the fiscal year ended September 30, 2020

Profit and loss account T_094

IN € THOUSANDS	NOTE	Year ended Sept 30, 2020	2019
Other operating income	9	**4,200**	**3,951**
Raw materials and consumables and other external expenses	10	**(2,755)**	**(2,939)**
Other external expenses		(2,755)	(2,939)
Staff costs	11	**(2,186)**	**(1,310)**
Wages and salaries		(2,114)	(1,248)
Social security on salaries and wages		(72)	(62)
Other operating expenses		**(703)**	**(547)**
Income from participating interests		**–**	**0**
derived from affiliated undertakings		–	0
Interest payable and similar expenses		**(85)**	**(16)**
concerning affiliated undertakings		–	–
Other interest and similar financial expenses		(85)	(16)
Tax on profit or loss		**(352)**	**(216)**
Profit or loss for the financial year		**(1,881)**	**(1,077)**

NOTES TO THE ANNUAL ACCOUNTS

for the year ended September 30, 2020

1 General

Stabilus S. A., Luxembourg, hereafter also referred to as "Stabilus" or the "Company" is a public limited liability company (Société Anonyme) incorporated in Luxembourg and governed by Luxembourg law. The registered office of the Company is 2, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg. The trade register number is B151589. The Company was founded under the name of Servus HoldCo S. à r. l. on February 26, 2010.

The Company is managed by a Management Board under the supervision of the Supervisory Board.

The Company is formed for an unlimited duration.

The purpose of the Company is (i) the acquisition, holding and disposal, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, Luxembourg and foreign companies, including but not limited to any entities forming part of the Stabilus Group, (ii) the acquisition by purchase, subscription, or in any other manner, as well as the transfer by sale, exchange or in any other manner of stock, bonds, debentures, notes and other securities or financial instruments of any kind (including notes or parts or units issued by Luxembourg or foreign mutual funds or similar undertakings) and receivables, claims or loans or other credit facilities and agreements or contracts relating thereto, and (iii) the ownership, administration, development and management of a portfolio of assets (including, among other things, the assets referred to in (i) and (ii) above).

The Company's financial year starts on October 1 and ends on September 30 each year.

The Company has no parent company which prepares consolidated financial statements including the Company as a subsidiary.

The Company prepares consolidated financial statements in accordance with EU regulation 1606/2002.

The copies of the consolidated financial statements are available at the registered office of the Company at 2, rue Albert Borschette, L-1246 Luxembourg or on www.stabilus.com.

2 Summary of significant valuation and accounting policies

Basis of presentation

The annual accounts are prepared in accordance with Luxembourg company law and generally accepted accounting principles applicable in Luxembourg. The accounting policies and valuation principles are, apart from those enforced by law, determined by the Management Board.

Fiscal year 2020 was significantly affecting from the COVID-19 crisis, which had a negative effect worldwide. To mitigate the risks of the COVID-19 pandemic, Stabilus has implemented a global multidisciplinary crisis management team that monitors and analyzes the situation on a daily basis on a local and a global level and is taking actions to address and mitigate identified risks.

On July 31, 2020, Stabilus signed an amendment of the senior facility agreement dated June 7, 2016, to prepare for potential future challenges from the COVID-19 crisis. The amendment provides for an additional committed credit line of €50,000 thousand, a temporary increase of the maximum leverage ratio permitted under the senior facility agreement and opens the ability to issue promissory loan notes (Schuldscheindarlehen) up to an aggregated amount of €150,000 thousand (we refer to Note 15). The senior facility agreement, as amended, gives planning stability over the next years. In the financial year 2020, the COVID-19 crisis did not have any material adverse effects to the liquidity of the Company.

The impairment test for fiscal year 2020 confirms that the book value of the financial assets of the Stabilus S. A. is fully recoverable and has not been impaired.

The impacts of the COVID-19 crisis affecting the net profit of the Stabilus S. A. insignificantly, the key business model of the Company is the acquisition, holding and disposal of interests in Luxembourg and/or in foreign companies and undertakings, as well as the administration, development and management of such interest.

The annual accounts have been prepared under the going concern assumption and in accordance with current legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg. From the current perspective there are no risks to the continued existence of the Stabilus S. A. and its affiliated companies.

Foreign currency translation

The Company maintains its books and records in euro (€). The balance sheet and the profit and loss account are expressed in this currency.

Formation expenses, intangible, tangible and financial fixed assets denominated in currencies other than euro are translated at the historical exchange rates.

Cash at bank denominated in currencies other than euro are translated at the exchange rates prevailing at the date of the balance sheet.

Current assets and liabilities denominated in currencies other than euro (having an economic link and similar characteristics) are recorded globally at the exchange rates prevailing at the date of the balance sheet.

Long term debts denominated in currencies other than euro having an economic link with receivables recorded in financial assets (and having similar characteristics) are translated at the historical exchange rates (loans "back to back").

As a result, realized exchange gains and losses and unrealized exchange losses are recorded in the profit and loss account. Unrealized exchange gains are not recognized.

Intangible and tangible assets

Intangible and tangible assets are used for business purposes and are measured at cost less accumulated value adjustments. Depreciation on intangible and tangible assets is recorded on a straight-line basis in accordance with its utilization and based on the useful life of the asset. The residual value, depreciation methods and useful life are reviewed annually and adjusted, if necessary.

Financial assets

Shares in affiliated undertakings, participating interests and securities held as fixed assets are stated at acquisition cost. Write-downs are recorded if a permanent reduction in the fair value is expected. The impairment analysis is done individually for each investment.

Loans to affiliated undertakings are recorded at their nominal value. Loans are written down to their recoverable amount if there is a permanent impairment.

These value adjustments may not be continued if the reasons for which the value adjustments were recognized have ceased to exist.

Debtors

Current receivables are recorded at their nominal value. Current receivables are written down to their recoverable amount if there is a permanent impairment.

These value adjustments may not be continued if the reasons for which the value adjustments were recognized have ceased to exist.

Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Creditors

Debts are recorded at their reimbursement value. Where the amount repayable on account exceeds the amount received, the difference is shown as an asset and is written off over the period of the debt.

3 Movements in fixed assets

Fixed assets schedule T_095

IN € THOUSANDS	Intangible assets	Tangible assets	Shares in affiliated undertakings	Total
Gross value				
Balance as of Sept 30, 2019	**22**	**44**	**553,444**	**553,510**
Additions	–	–	–	–
Decrease	–	–	(7,528)	(7,528)
Balance as of Sept 30, 2020	**22**	**44**	**545,916**	**545,982**
Accumulated value adjustments				
Balance as of Sept 30, 2019	**(22)**	**(44)**	**–**	**(66)**
Additions	–	–	–	–
Disposals	–	–	–	–
Balance as of Sept 30, 2020	**(22)**	**(44)**	**–**	**(66)**
Carrying amount				
Balance as of Sept 30, 2019	**(0)**	**(0)**	**553,444**	**553,444**
Balance as of Sept 30, 2020	**(0)**	**(0)**	**545,916**	**545,916**

4 Financial assets

Shares in affiliated undertakings T_096

IN € THOUSANDS	Proportion of capital held	Year-end date	Shares in affiliated undertakings as at Sept 30, 2020	Equity as at year-end (including result)	Profit or loss for the year ended
Stable II S.à r. l.,2, rue Albert Borschette, 1246 Luxembourg, Luxembourg	100%	30.09.2019	545,916	431,974	(2,193)
Total			**545,916**		

Blitz F10 neun GmbH was liquidated during financial year 2020. The Company decreased its investment in Stable II S. à r. l. by distributing €7,500 thousand in February 2020 out of the share premium account of Stable II S. à r. l.

5 Debtors

5.1 Amounts owed by affiliated undertakings

The amount of €679 thousand is a receivable from affiliated undertakings for providing management services (PY: €712 thousand).

5.2 Other debtors

The amount mainly consists of a tax receivable amounting to €72 thousand (PY: €329 thousand). In financial year 2020 the Company received a VAT refund of €351 thousand (PY: €469 thousand) for prior years.

6 Prepayments

Prepayments mainly relate to insurance contracts.

7 Capital and reserves

Issued capital as of September 30, 2020, amounted to €247 thousand (PY: €247 thousand) and was fully paid in. It is divided into 24,700,000 shares each with a nominal value of €0.01. The authorized capital of the Company is set at €271 thousand represented by a maximum of 27.1 million shares, each with nominal value of €0.01.

The Annual General Meeting of the shareholders on February 12, 2020, authorized the Management Board to buy back up to 2 million own shares. This authorization is given for a period of five years from the date of resolution. The repurchased shares may be used for any legally permissible purposes.

The Annual General Meeting on February 12, 2020, approved the distribution of a dividend of €1.10 per share with a total amount of €27,170 thousand out of profit brought forward and to set off the loss from fiscal year 2019 amounting to €1,077 thousand from profit brought forward.

Under Luxembourg law, the Company is required to allocate annually at least 5% of its statutory net profit to a legal reserve until the aggregate reserve equals 10% of the subscribed share capital. The reserve is not available for distribution. In financial year 2020, no additional amount was allocated to the legal reserve.

8 Amounts owed to affiliated undertakings

The amount of €3 thousand (PY: €3 thousand) consists of a trade liability owed to affiliated undertakings.

9 Other operating income

The other operating income only includes reimbursements for management services provided by Stabilus S. A. to other Stabilus Group companies amounting to €4,200 thousand (PY: €3,764 thousand).

10 Other external expenses

Other external expenses T_097

	Year ended Sept 30,	
IN € THOUSANDS	**2020**	2019
Administration fees	280	267
Consulting fees	1,671	1,716
Audit fees	371	412
Group insurance	183	189
Legal and professional fees	213	312
Bank charges	37	43
Total	**2,755**	**2,939**

11 Staff costs

The Company employs 6 employees as of September 30, 2020 (PY: 8). The average number of employees in the financial year 2020 was 7 (PY: 8).

12 Taxation

The Company is subject to Luxembourg company tax law.

13 Related parties

The remuneration of the members of the Management Board amounts to €1,070 thousand (PY: €1,444 thousand). The remuneration of the members of the Supervisory Board amounts to €406 thousand (PY: €439 thousand). From fiscal year 2019 on, Stabilus is obliged by the European directive and Luxembourg law to draw up a remuneration policy for the Supervisory Board as well as the Management Board. The principles and measurement of the remuneration policy for the Management Board and Supervisory Board of the Stabilus S. A. are prepared in accordance with Article 7bis of the Luxembourg law of May 24, 2011 on Shareholders Rights, as amended. The remuneration report will be published separately from this Annual Report.

As of September 30, 2020, members of the Management and Supervisory Board held about 0.3% of the total shares in Stabilus S. A.

14 Share-based payments

The variable compensation for the members of the Management Board includes a matching stock program. The matching stock program (the "MSP") provides for four annual tranches granted each year during the financial year ending September 30, 2014 until September 30, 2017. The program "MSP A" was extended by one year to September 30, 2018. Due to the unpredictable and extraordinary impact of COVID-19 on the share price development of Stabilus, which was beyond the management's influence, the Supervisory Board decided to extend the two-year exercise period for the tranches 2016 to 2018 by two years for the current Management Board members. By this measure the incentive effect of the MSP tranches will be maintained. However, the performance targets including number of options and exercise prices remain unchanged.

Participation in the matching stock program requires Management Board members to invest in shares of the Company. The investment has generally to be held for the lock-up period.

As part of the matching stock program A (the "MSP A") for each share the Management Board invests in the Company in the specific year (subject to general cap), the Management Board members receive a certain number of fictitious options to acquire shares in the Company for each tranche of the matching stock program. The amount of stock options received depends upon a factor to be set by the Supervisory Board (Remuneration Committee) annually in a range between 1.0 time and 1.7 times for a certain tranche. Thus, if a Management Board member were to buy 1,000 shares under the MSP A in the Company, he would receive 1,000 to 1,700 fictitious options for a certain tranche. The fictitious options are subject to a lock-up period of four years and may be exercised during a subsequent two-year exercise period.

As part of matching stock program B (the "MSP B") for each share the Management Board holds in the Company in the specific year (subject to a general cap), the Management Board members receive a certain number of fictitious options to acquire shares in the Company for each tranche of the matching stock program. The amount of stock options received depends upon a factor to be set by the Supervisory Board (Remuneration Committee) annually which will be in a range between 0.0 and 0.3 times for a certain tranche. Thus, if a Management Board member were to be holding 1,000 shares under the MSP B in the Company, he would receive 0 to 300 fictitious options for a certain tranche. The fictitious options are subject to a lock-up period of four years and may be exercised during a subsequent two-year exercise period. The options may only be exercised if the stock price of the Company exceeds a set threshold for the relevant tranche, which the Supervisory Board will determine at the time of granting the options, and which needs to be between 10% and 50% growth over the base price, which is the share price on the grant date. If exercised, the fictitious options are transformed into a gross amount equaling the difference between the option price and the relevant stock price multiplied by the number of exercised options. The Company plans a cash settlement.

The maximum gross amounts resulting from the exercise of the fictitious options of one tranche in general is limited in amount 50% of the base price. Reinvestment of IPO proceeds from previous equity programs are not taken into account for MSP A. In fiscal year 2020, the number of MSP A and MSP B share options developed as follows:

Number of share options T_098

	MSP A/B (2015)		MSP A/B (2016)		MSP A (2017)		MSP A (2018)	
	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price
Outstanding as at October 1, 2019	**20,583**	**€31.08**	**20,129**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Granted during the year	–	–	–	–	–	–	–	–
Forfeited during the year	–	–	4,112	–	–	–	–	–
Exercised during the year	20,583	€31.08	–	–	–	–	–	–
Outstanding as at September 30, 2020	**–**	**–**	**16,017**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Exercisable as at September 30, 2020	**–**	**–**	**16,017**	**€48.64**	**–**	**–**	**–**	**–**

Performance Share Plan

The Management Board members of Stabilus S. A. received allocations under the Performance Share Plan (the "PSP") in the form of virtual shares. The virtual shares of the Performance Share Plan are based on an annual target amount granted at the beginning of a three-year performance period as a future entitlement. In order to determine the target number of virtual shares granted, the annual target amount is divided by the start share price, whereby the start share price refers to the arithmetic mean of the Company's share closing price during the last 60 trading days prior to the respective performance period start date.

The performance factor which determines the final number of virtual shares is calculated at the end of the three-year performance period via the relative Total Shareholder Return (weighted with 70%) and the EBIT margin (weighted with 30%).

The target achievement for the relative TSR is based on a comparison with the constituents of the MDAX index. In order to determine the relative TSR, firstly, the absolute TSR values of Stabilus as well as each index constituent of the MDAX over the respective performance period are calculated. The absolute TSR value of each company equals the theoretical growth in value of a share holding over the performance period, assuming that (gross) dividends are directly re-invested. Secondly, the calculated absolute TSR values of Stabilus and each index constituent are ranked by size in order to calculate the target achievement.

The target achievement for EBIT margin is based on a comparison with a strategic target. To determine the percentage of target achievement, the actual EBIT margin at the end of the respective performance period is compared with the strategic EBIT margin defined for the respective performance period.

The final number of virtual shares is determined by multiplying the overall target achievement with the target number of virtual shares granted. The final number of virtual shares is capped at 150% of the target number of virtual shares granted. The payout of the respective tranche of the Performance Share Plan is calculated by multiplying the final number of virtual shares with the relevant end share price including any dividends paid during the performance period. The end share price refers to the arithmetic mean of the Company's share closing price during the last 60 trading days prior to the respective performance period end date. The payout amount is limited to a maximum of 250% of the target amount (payout cap). The Performance Share Plan is paid out in cash at the end of the performance period.

The number of Performance Shares developed as follows in fiscal year 2020:

Performance Share Plan T_099

VALUATION DATE	Sept 30, 2019	Sept 30, 2020	Sept 30, 2020
Performance period	Oct 1, 2018 – Sept 30, 2021	Oct 1, 2018 – Sept 30, 2021	Oct 1, 2019 – Sept 30, 2022
Price of the Stabilus share	€44.90	€50.15	€50.15
"Initial Price" Stabilus share	€73.74	€73.74	€41.77
Expected annual dividend yield	2.00%	2.00%	2.00%
Remaining duration of granted performance shares	2.0 years	1.0 year	2.0 years
Risk-free annual interest rate (duration 2.0 years)	(0.80)%	(0.67)%	(0.73)%
Expected target achievement for internal target EBIT	100%	100%	100%
Cap per performance share used in the valuation	250% x €73.74	250% x €73.74	250% x €41.77

Number of share options T_100

	PSP (2019)		PSP (2020)	
	Number of options	Fair value	Number of options	Fair value
Outstanding as at October 1, 2018	–	–	–	–
Granted during the year	3,662	€30.65	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2019	**3,662**	**€30.65**	**–**	**–**
Exercisable as at September 30, 2019	**–**	**–**	**–**	**–**
Outstanding as at October 1, 2019	**3,662**	**€30.65**	**–**	**–**
Granted during the year	–	–	8,834	€47.30
Forfeited during the year	1,526	–	4,848	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2020	**2,136**	**€36.66**	**3,986**	**€47.30**
Exercisable as at September 30, 2020	**–**	**–**	**–**	**–**

15 Commitments, contingencies and pledges

In fiscal year 2016, the Company and other affiliated companies entered into a senior facility agreement with a total amount of €640,000 thousand made up of a €455,000 thousand senior A facility, an equity bridge facility commitment of €115,000 thousand and a €70,000 thousand revolving facility. The equity bridge facility commitment had already been repaid per September 30, 2016. The original term of the senior term loan was June 29, 2021 and was extended to June 28, 2023 in August 2018. On July 31, 2020, Stabilus signed an amendment of the senior facility agreement from June 7, 2016, to prepare for potential future challenges from the COVID-19 crisis. The amendment provides for an additional committed credit line of €50,000 thousand, a temporary increase of the maximum leverage ratio and opens the ability to issue promissory loan notes (Schuldscheindarlehen) up to an aggregated amount of €150,000 thousand.

The Company is guarantor of the senior facility agreement.

16 Subsequent events

There were no events or developments that could have materially affected the measurement and presentation of the Company's assets and liabilities as of September 30, 2020.

Luxembourg, December 10, 2020
Stabilus S. A.
Management Board

RESPONSIBILITY STATEMENT

We, Dr. Michael Büchsner (Chief Executive Officer), Mark Wilhelms (Chief Financial Officer), Andreas Schröder (Group Financial Reporting Director) and Andreas Sievers (Director Group Accounting and Strategic Finance Projects), confirm, to the best of our knowledge, that the annual accounts which have been prepared in accordance with the legal requirements and generally accepted accounting principles applicable in the Grand Duchy of Luxembourg, give a true and fair view of the assets, liabilities, financial position and profit and loss of Stabilus S. A. and that the combined management report includes a fair review of the development and performance of the business and the position of Stabilus S. A., together with a description of the principal risks and uncertainties that they face.

Luxembourg, December 10, 2020

Dr. Michael Büchsner   Mark Wilhelms

Andreas Schröder   Andreas Sievers

Management Board

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Stabilus S. A.

2, rue Albert Borschette,
L-1246 Luxembourg

Report of the réviseur d'entreprises agréé

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Stabilus S. A. (the "Company"), which comprise the balance sheet as at 30 September 2020, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 30 September 2020 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the «Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the annual accounts» section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the annual report including the management report (on consolidated level) and the Corporate Governance Statement but does not include the annual accounts and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Management Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the Board of Directors on 12 February 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The Corporate Governance Statement is included in the management report of the consolidated financial statements. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 10 December 2020

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
T. Feld

Partner

E

ADDITIONAL INFORMATION

for the fiscal year ended September 30, 2020

FINANCIAL CALENDAR

Financial calendar T _ 101

DATE[1)2)]	PUBLICATION / EVENT
November 13, 2020	Publication of preliminary financial results for fiscal year 2020
December 11, 2020	Publication of full year results for fiscal year 2020 (Annual Report 2020)
February 1, 2021	Publication of the first-quarter results for fiscal year 2021 (Quarterly Statement Q1 FY2021)
February 10, 2021	Annual General Meeting
May 3, 2021	Publication of the second-quarter results for fiscal year 2021 (Interim Report Q2 FY2021)
August 2, 2021	Publication of the third-quarter results for fiscal year 2021 (Quarterly Statement Q3 FY2021)
November 12, 2021	Publication of preliminary financial results for fiscal year 2021
December 10, 2021	Publication of full year results for fiscal year 2021 (Annual Report 2021)

1) We cannot rule out changes of dates. We recommend checking them on our website in the Investors / Financial Calendar section (www.ir.stabilus.com).

2) Please note that our fiscal year (FY) comprises a twelve-month period from October 1 to September 30 of the following calendar year. E.g. the fiscal year 2021 comprises a year ending September 30, 2021.

DISCLAIMER

Forward-looking statements
This annual report contains forward-looking statements that relate to the current plans, objectives, forecasts and estimates of the management of Stabilus S. A. These statements take into account only information that was available up and including the date that this annual report was prepared. The management of Stabilus S. A. makes no guarantee that these forward-looking statements will prove to be right. The future development of Stabilus S. A. and its subsidiaries and the results that are actually achieved are subject to a variety of risks and uncertainties which could cause actual events or results to differ significantly from those reflected in the forward-looking statements. Many of these factors are beyond the control of Stabilus S. A. and its subsidiaries and therefore cannot be precisely predicted. Such factors include, but are not limited to, changes in economic conditions and the competitive situation, changes in the law, interest rate or exchange rate fluctuations, legal disputes and investigations, and the availability of funds. These and other risks and uncertainties are set forth in the combined management report. However, other factors could also have an adverse effect on our business performance and results. Stabilus S. A. neither intends to nor assumes any separate obligation to update forward-looking statements or to change these to reflect events or developments that occur after the publication of this annual report.

Rounding
Certain numbers in this annual report have been rounded up or down. There may therefore be discrepancies between the actual totals of the individual amounts in the tables and the totals shown as well as between the numbers in the tables and the numbers given in the corresponding analyses in the text of the annual report. All percentage changes and key figures in the combined management report were calculated using the underlying data in millions of euros to one decimal place (€ millions).

TABLE DIRECTORY

INFORMATION RESOURCES

Further information including news, reports and publications can be found in the investors section of our website at www.ir.stabilus.com.

Investor Relations
Phone: +352 286 770 21
Fax: +352 286 770 99
Email: investors@stabilus.com