STABILUS

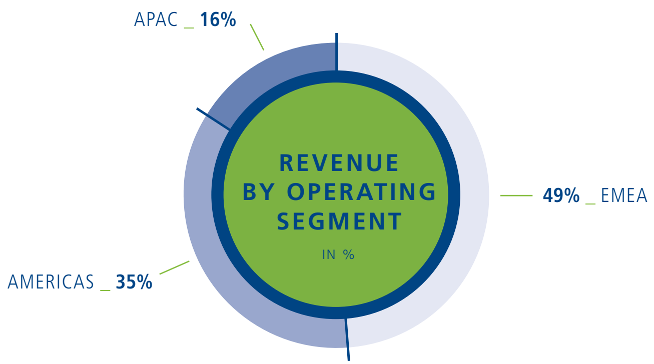
2021
ANNUAL REPORT

FOCUS ON SUSTAINABILITY

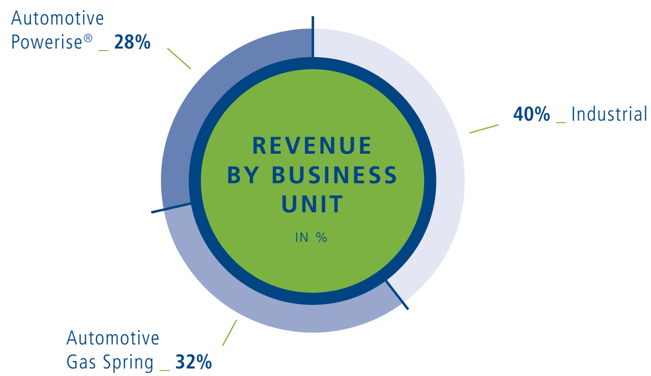
KEY FIGURES

	Year ended Sept 30,			
IN € MILLIONS	**2021**	2020	Change	% change
Revenue	937.7	822.1	115.6	14.1%
EBIT	121.3	56.1	65.2	>100.0%
Adjusted EBIT	135.0	96.7	38.3	39.6%
Profit for the period	73.8	30.0	43.8	>100.0%
Capital expenditure	(40.6)	(47.6)	7.0	(14.7%)
Free cash flow (FCF)	88.6	61.2	27.4	44.8%
Adjusted FCF	88.6	62.3	26.3	42.2%
EBIT as % of revenue	12.9%	6.8%		
Adjusted EBIT as % of revenue	14.4%	11.8%		
Profit in % of revenue	7.9%	3.6%		
Capital expenditure as % of revenue	4.3%	5.8%		
FCF in % of revenue	9.4%	7.4%		
Adjusted FCF in % of revenue	9.4%	7.6%		
Net leverage ratio	0.6x	1.2x		

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



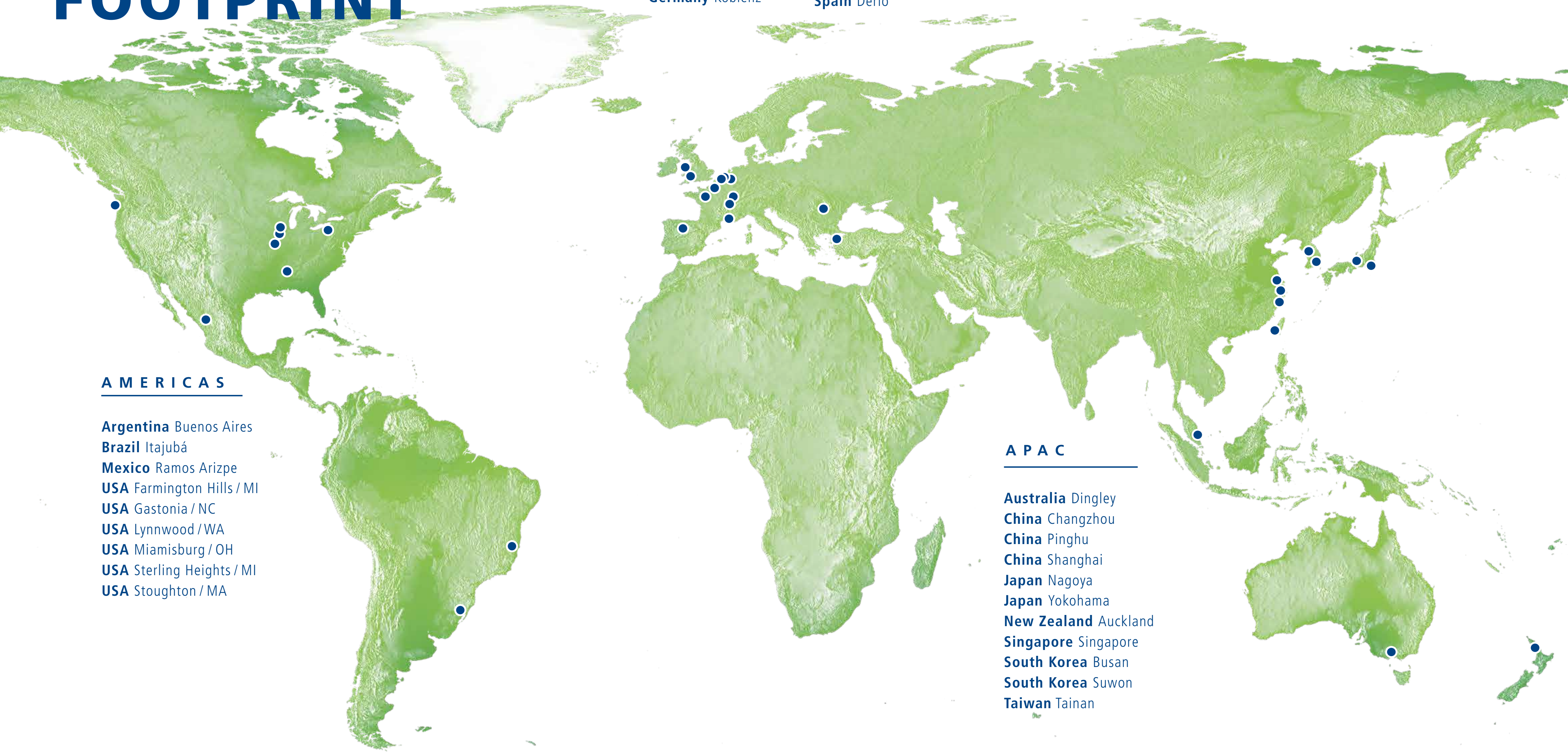
Revenue by business unit



OUR GLOBAL FOOTPRINT

EMEA

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



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

APAC

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

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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

Ladies and gentlemen, dear shareholders, customers, business partners and employees,

Looking back on two challenging fiscal years dominated by COVID-19, we are aware that the effects of the global pandemic will continue to be felt in the years to come.

Given these conditions, I am all the more pleased that Stabilus achieved a solid performance in fiscal year 2021 – a development with which we can be more than satisfied. We recorded double-digit revenue growth in all our regions and business units and met our annual targets specified in the third quarter. We increased Group revenue by 14.1% to €937.7 million, with a disproportionate increase in adjusted EBIT of 39.6% to €135.0 million. Overall, this was a successful fiscal year characterized by profitable growth.

I am particularly pleased to report that our industrial business is back on track for growth after the pandemic-related weakness in fiscal 2020. Revenues show organic growth of 14.7% to €377.0 million. Similar to the prior year, this business unit thus generates around 40% of our Group revenue. In Automotive Gas Spring, we were able to increase revenues organically by 12.9% to €297.4 million, and in Automotive Powerise by as much as 23.1% to €263.3 million, mainly due to a strong performance in the APAC region, which is strategically important to us. In terms of our regions, organic revenue growth in EMEA was 13.9% to €464.0 million, in the Americas region 13.1% to €323.5 million, and in the APAC region we saw a gratifying increase of 34.3% to €150.2 million.

Our success in fiscal 2021 is reflected not only in our business figures but also in the consistent implementation of our long-term strategy in the areas of footprint expansion, innovation and sustainability. An important milestone in this regard was the opening of our plant in Pinghu, China, which plays a central role in the growth of our Automotive Powerise business in the APAC region. I would also like to highlight the strategic partnerships concluded with Synapticon and Cultraro, which significantly strengthen our competencies in software as well as in the miniaturization of motion control solutions. Synapticon, based in Germany, specializes in the development of highly compact and highly integrated motion control electronics based on proprietary software technology and microchips. Our new Italian partner Cultraro is one of the leading international manufacturers of dampers, which are used in much smaller products compared to Stabilus' solutions and are thus the perfect addition to our existing capabilities. I am convinced that with these two partnerships we will further strengthen our innovative strength and our range of products and services for the benefit of our customers.

Innovation and sustainability are fundamental cornerstones of our corporate strategy, which will continue to make a key contribution to the success of our Company in the future.

Stabilus explicitly supports the Paris climate goals. We are also a member of the UN Global Compact initiative and support the United Nations Sustainable Development Goals. For years now, we have subjected our production sites to environmental certification on a regular basis. We also rigorously comply with workplace safety standards worldwide and attach great importance to a healthy workforce. In the past fiscal year, we launched further sustainability initiatives and now measure our progress in this regard on the basis of a significantly larger number of key performance indicators. For example, we have started to manage emissions down to the product level. Our measures and initiatives are summarized in our Non-Financial Report, which has just been published. I can assure you that the positive impacts of our sustainability initiatives are already reflected in our medium-term strategy and planning. We are aiming for average annual organic revenue growth of around 6% and an adjusted EBIT margin of 15% by 2025. We remain committed to these targets, combining sustainable growth with business success.

»Our success in fiscal year 2021 is reflected not only in the business figures but also in the consistent implementation of our long-term strategy in the areas of footprint expansion, innovation and sustainability.«

In addition to innovative strength and sustainability, the topic of governance is also particularly close to my heart. As we already announced in March of this year, the Management Board and Supervisory Board of Stabilus S. A. have decided to prepare the change of the Company's legal form from a Société Anonyme (S. A.) under Luxembourg law to a European Company (Societas Europaea) and a subsequent transfer of the Company's registered office from Luxembourg to Germany. Our primary objective is to simplify the Group's structure and thus reduce complexity, which will lead to efficiency gains and support further growth. We are planning to relocate the Luxembourg-based holding company and other Group companies to Germany with the aim of creating a Group headquarters in which all cross-divisional service companies are bundled. At the same time, the transfer of the registered office means that both the Group headquarters and the stock exchange listing of Stabilus will be located in Germany in the future.

Let us now turn our attention to our future business development. We are cautiously optimistic for fiscal 2022, which began in October, despite the disruption to global supply chains and the resulting increase in volatility in the production of our customer industries. Of course, we are closely monitoring the availability and price development of raw materials and components in the industries relevant to us. Due to our diversification, we nevertheless expect further profitable growth in fiscal 2022 to revenues of €940 million to €990 million and an adjusted EBIT margin in a range of 14% to 15%.

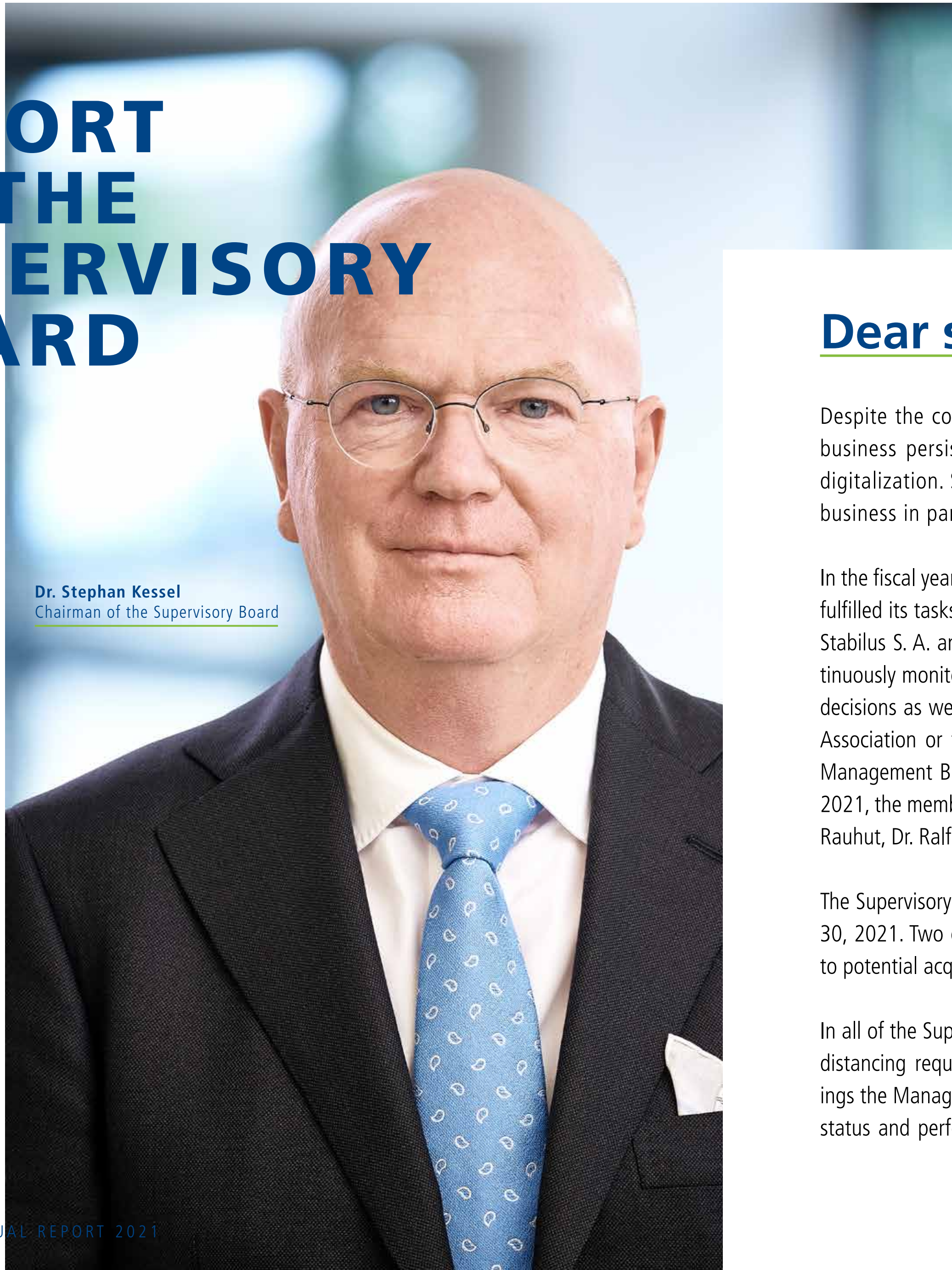
Together with our more than 6,400 employees worldwide, I would like to express my special thanks to you on behalf of the Management Board. You have done an extraordinary job over the past two years, and your commitment has played a decisive role in successfully navigating Stabilus through these turbulent times. I would also like to sincerely thank our shareholders for their confidence in Stabilus.

I am looking forward to our continued cooperation and a constructive dialogue in the new fiscal year. I am convinced that we will overcome the current challenges and further expand our strong market position.

Yours sincerely,

DR. MICHAEL BÜCHSNER
Chief Executive Officer

REPORT OF THE SUPERVISORY BOARD



Dr. Stephan Kessel
Chairman of the Supervisory Board

Dear shareholders,

Despite the continuous challenging environment in 2021, Stabilus S. A. developed its business persistently focusing on sustainable growth and profitability as well as on digitalization. Semiconductor shortage and general supply chain struggles affected our business in particular in the aviation and automotive business.

In the fiscal year ending September 30, 2021, the Supervisory Board of Stabilus S. A. diligently fulfilled its tasks in accordance with the statutory requirements, the Articles of Association of Stabilus S. A. and the Rules of Procedure. The Supervisory Board regularly advised and continuously monitored the work of the Management Board regarding strategic and operational decisions as well as on governance topics and compliance. When required by the Articles of Association or the Rules of Procedure the Supervisory Board approved the actions of the Management Board after carefully reviewing them. In the fiscal year ending September 30, 2021, 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 twelve meetings during the fiscal year ending September 30, 2021. Two of the aforementioned meetings were extraordinary meetings mainly related to potential acquisitions.

In all of the Supervisory Board meetings all members were present. To comply with the social distancing requirements ten of the meetings were held via conference calls. In the meetings the Management Board informed the Supervisory Board regularly and completely on the status and performance of the Stabilus Group including opportunities and risks, its market position, its course of business as well as its relevant financial data. The discussions were based on regular and extensive reports in verbal and written form presented by the Management Board. The Management Board and the Supervisory Board maintained close contact also outside of the regular meetings to exchange all important information related to the Stabilus Group. This close collaboration also included strategy presentations and a strategy workshop, as well as information on the organizational development and potential acquisitions.

During the reporting period, the members of the Audit Committee were Dr. Joachim Rauhut (Chairman), and Dr. Stephan Kessel. Significant questions related to auditing, accounting, risk management, compliance and internal control systems were especially reviewed within 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, 2021, the Committee held five meetings. In the meetings all members were present; four 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. The Committee discussed all remuneration and nomination related topics including succession planning with special regard to diversity requirements. It 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 seventeen meetings all 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, 2021. Representatives of the auditor KPMG Luxembourg Société coopérative attended the meetings of the Audit Committee on November 10, 2021, and on December 9, 2021, 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, 2021, 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 2021. The auditor issued unqualified audit opinions on December 9, 2021.

»The Supervisory Board regularly advised and continuously monitored the work of the Management Board regarding strategic and operational decisions as well as on governance topics and compliance.«

On behalf of the Supervisory Board, I would like to thank the Management Board of Stabilus Group for excellent achievements throughout the last fiscal year and for the open and effective collaboration. I want to also thank all the employees for their remarkable contributions to the Company's success during challenging times and last but not least our shareholders for their continuous support. We all highly value your trust in Stabilus.

Luxembourg, December 9, 2021
On behalf of the Supervisory Board of Stabilus S. A.

Yours sincerely,

Stephan Kessel

DR. STEPHAN KESSEL
Chairman of the Supervisory Board

INTERVIEW WITH DR. BÜCHSNER ON THE TOPIC OF SUSTAINABILITY

Stabilus has been working hard to responsibly advance sustainable approaches for many years. In this interview, CEO Dr. Büchsner provides insights into the Company's latest initiatives and long-term strategies to become climate-neutral by 2030.

— Dr. Büchsner, what is your own take on sustainability, and what motivates you?

I believe that sustainability will be the major social issue of the next few decades. In particular, the terrible floods in Germany last summer showed how the consequences of climate change affect us directly. Lots of people endured unimaginable suffering not far from our main plant in Koblenz. There are also unmistakable signs of man-made climate change in my home country of Austria. It's clear to me that we must drastically change the way we handle our planet's resources, and embark on a sustainable path so as not to undermine the quality of life of future generations. For me, living sustainably means that we must quickly learn to make do with the planet's scarce resources on the basis of a recycling economy. Only business models that are sustainable in this sense will endure in the long term. In this respect, sustainability also shapes my actions as the CEO of Stabilus.

— Stabilus cannot function without the use of resources in production. How do you meet the requirements of sustainable operations at the Company?

Sustainability is a key pillar of Stabilus's corporate strategy, so it isn't new ground for us. On the contrary, we have been working responsibly with sustainable approaches for many decades. Our production plants have been subject to environmental certification on a regular basis for many years. In addition, we diligently adhere to safety standards in the workplace, and having a healthy workforce in all countries in which we operate is a top priority. In the last fiscal year, we launched further sustainability initiatives, and we use a significantly larger number of parameters to measure our progress in this respect. For instance, we will be measuring emissions right down to product level in the future. Our measures and initiatives are summarized in our current non-financial report.

— Where does Stabilus stand on the UN Sustainable Development Goals, and what standards do you employ for your reporting?

We emphatically support the Paris climate targets. In addition, Stabilus is a member of the UN Global Compact initiative, and is committed to the UN's Sustainable Development Goals (SDGs). However, rather than precisely applying the nomenclature of the SDGs, we have structured our sustainability strategy in line with another common abbreviation, ESG, which stands for environment, social, and governance. We have geared our sustainability reporting towards the Global Reporting Initiative (GRI) standards.

— Globalization has caused an expansion in supply chains around the world in recent decades. How much is your business model exposed to the risks of climate change?

Most of the countries from which we source our upstream products are heavily reliant on the availability of water, for instance, as well as demographic and social changes and political stability. These factors are usually closely linked with the climate conditions in the countries concerned. We supply motion-control solutions for a wide range of sectors, and have plants in Europe, the Americas, and the Asia-Pacific region. We try to reduce the risks arising from this constellation by applying the principle of "In the region, for the region". This means that we sell our products to customers in the region and source our components from local suppliers in order to shorten delivery routes, support both the local economy and the people working there, and, of course, reduce emissions. And obviously, our sustainability initiatives relate to all regions in which we are active, so we are keen to make a positive contribution in the respective countries.

— What resources are particularly needed in your production processes?

We depend mainly on electricity, natural gas, and water in production. Any shortage of these resources as a result of climate change would have a negative impact on our business development. As we describe in detail in our non-financial report, using critical resources as efficiently as possible is one of our main goals.

»Our aim is to achieve climate neutrality by 2030 and to source all our energy from renewable sources.«

— Let's talk about the footprint that Stabilus leaves on the planet. What is the Company's carbon footprint like, and what is Stabilus's planned timeline for becoming climate-neutral?

We address the Group's energy consumption transparently in our non-financial reporting. In addition, we have started providing figures for our CO_2 emissions in the report for the last fiscal year. Our aim is to achieve climate neutrality by 2030 and to source all our energy from renewable sources. Don't forget that we obviously want to keep on growing up to 2030 and will probably step up production significantly – that is also factored into our goal. So we aim to produce much more while generating far fewer CO_2 emissions than in 2019. In addition, we are targeting a substantial reduction in natural gas, fuel, water consumption and in waste, for example, steel scrap and pallets.

»...when developing new products, we already take the expected energy and water consumption into account...«

— What initiatives are you pursuing for a more efficient use of resources?

We have defined specific goals for reducing energy, gas, fuel, and water consumption for all our production plants. Each production plant must find the most suitable, individual way for it to become climate-neutral by no later than 2030. Compared with the 2019 fiscal year, we plan to cut our entire energy consumption by 20% by 2030. In our production process, we primarily use water for cooling and cleaning. We have specific reduction targets here, too. We plan to cut our entire water consumption by 20% by 2030 compared with the 2019 fiscal year.

And at the same time, we aim to generate sustainable, annual organic growth of at least 6% within the Group. We are constantly measuring the progress of our consumption and developing further measures to become even more efficient. For instance, when developing new products, we already take the expected energy and water consumption into account. To prevent energy-related greenhouse gases, we already obtain energy from renewable sources whenever possible. As described, we have set a target of 100% for no later than 2030 here.

— How will the sustainability strategy affect the business development and margin of Stabilus?

Our sustainability initiatives are already reflected in our medium-term strategy and planning. As you know, we are targeting average annual organic revenue growth of around 6% and an adjusted EBIT margin of 15% by 2025. These goals remain in place. Therefore, our long-term goal is to grow both sustainably and profitably. In my view, rather than being polar opposites, sustainability and profitability will be important and complementary success factors at many companies in the years ahead. Let me give you an example: We inaugurated our new Powerise plant in Pinghu, China, in July 2021 and installed our first solar cells on the roof of the plant. As well as having a positive effect on the climate, installation of this system is a commercial decision that is paying off for the Company.

— In your non-financial report, you also address the working conditions at Stabilus. What are the main focal points here?

Our dedicated employees are our Company's most valuable resource. A fair and safe working environment is the top priority for an employer with sustainable operations like Stabilus. We firmly believe that staff who are paid fairly, encounter sound working environment and have opportunities for personal advancement are much more motivated and play an active role in attaining the Company's goals. To ensure this, we regularly conduct satisfaction surveys among our workforce. In addition, our mission statement "One Stabilus" is aimed at bringing together different backgrounds in our Group and also actively involving all employees in the evolution of our Company and our products through various initiatives. We are increasing diversity in our Group, and we value a shared corporate culture across all companies, regions, and locations.

»A fair and safe working environment is the top priority for an employer with sustainable operations like Stabilus.«

»...our long-term goal is to grow both sustainably and profitably...«

— Many Stabilus products for motion control are geared towards greater comfort – isn't gradually reducing comfort levels the way to achieve more sustainability?

I don't see any contradiction between comfort and ESG. By the way, the trend towards greater comfort in all areas of life is just one of the three megatrends that boost our corporate development – along with demographic development and the global rise in working and safety standards. These three megatrends are also interlinked: for instance, in a society where average ages are increasing, there are more people at an age where they need help with day-to-day things in order to live independently. Take opening and closing the trunk of a car: Starting at a certain age, a growing number of people can no longer lift their arm above shoulder height or summon enough strength to close a trunk lid without hurting themselves – electromechanical drives can create quality of life and preserve independence at this point. When opening and closing heavy cabinet doors, dampers and gas springs can also enable controlled and safe movement. In the nursing care sector, gas springs can ease the physical strain on nursing staff, allowing beds to be raised to chest height to make it easier to change the sheets. So from our perspective, comfort definitely has a role to play in the "social" aspect of ESG. Of course, the "environmental" effect must not be neglected as a result – we bear this in mind in our sustainability targets for our production.

— Along with a sustainable internal alignment of the Company, Stabilus already supplies several products for sustainable applications. Could you give us a couple of examples here?

Our products are already represented in a host of applications that make an active contribution to a climate-neutral society. For example, our dampers have been used to align solar panels for many years. Electric mobility is another dynamic sector in which we are making a key contribution, particularly with our Powerise products. Damping technology is also used in wind turbines.

— Who is responsible for sustainability on the Management Board? Are employees specifically assigned to sustainability, and how big is the team?

A CSR steering committee was set up in 2020. It defines the corporate social responsibility (CSR) strategy and the corresponding implementation steps. This committee is headed by me, along with another Management Board member, Andreas Sievers. Implementation of our sustainability strategy requires very close collaboration with our global plants, the HR, Purchasing, and Compliance departments. To live out sustainability, we need the whole company on board. The steps are coordinated by our Compliance department.

— One final question: What is your personal contribution to tackling climate change and protecting the environment?

There are many things that I personally value such waste separation and recycling, the use of electric vehicles and green energy whenever possible, and improving the insulation of homes. We have already converted some of the Stabilus fleet to electric mobility. You can see quite a few Tesla models on our Company parking lots. I think that lots of steps, even little ones, combined with changes of behavior and habits are necessary to make sustainable consumption possible. This is the only way to mitigate the negative consequences of climate change, such as the floods and wildfires mentioned at the beginning of this interview, that broke out in many parts of the world in summer 2021 and leave behind a planet that provides a good quality of life for the future generations as well.

STABILUS SHARE

Stabilus share price gains 21%

In 2021 fiscal year (October 2020 - September 2021), Stabilus' share price increased by 21%, performing slightly better than its peer indices DAXsubsector Industrial Machinery (+17%) and DAXsubsector All Auto Parts + Equipment (+20%) and nine percentage points below the increase of the German small-cap index SDAX (+30%) in the same period.

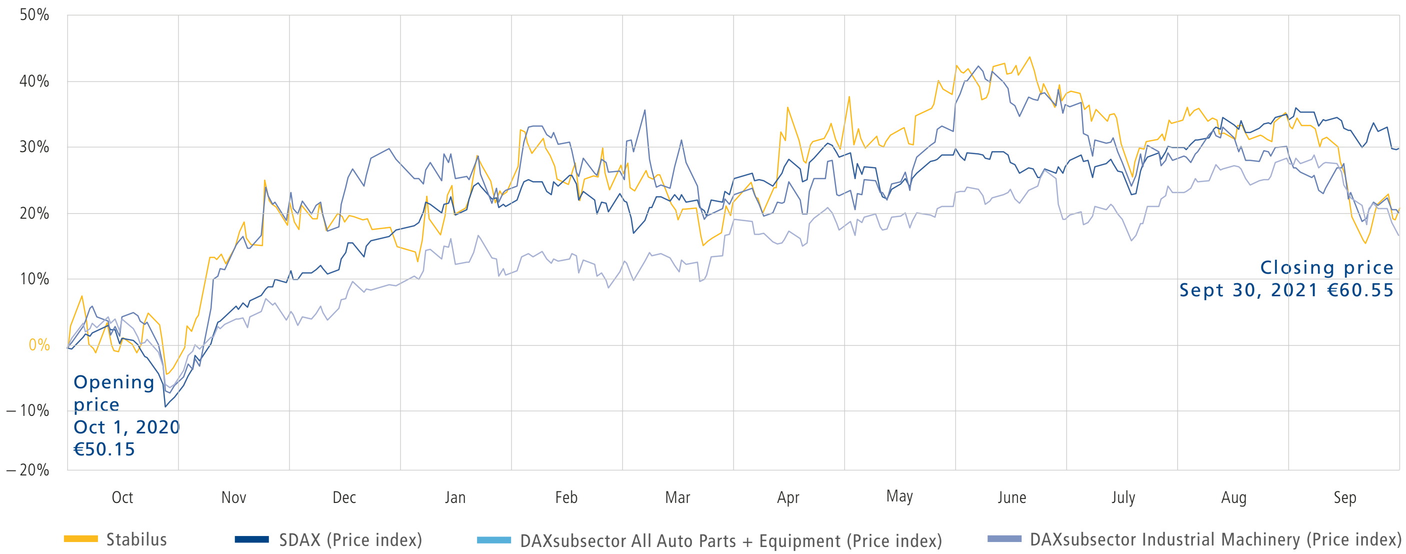
Shareholder structure

Stabilus has a broad shareholder base with investors from more than forty different countries. Approximately 63% of Company's shares are held by investors from the EMEA region, primarily Germany, Luxembourg, the United Kingdom as well as the Netherlands, approximately 36% are held by investors from the Americas, primarily the United States, and approximately 1% of total shares is in the hands of shareholders from the Asia-Pacific region. Institutional investors hold around 98% and retail investors around 2% of Stabilus shares. Stabilus management owns 0.3% of total shares.

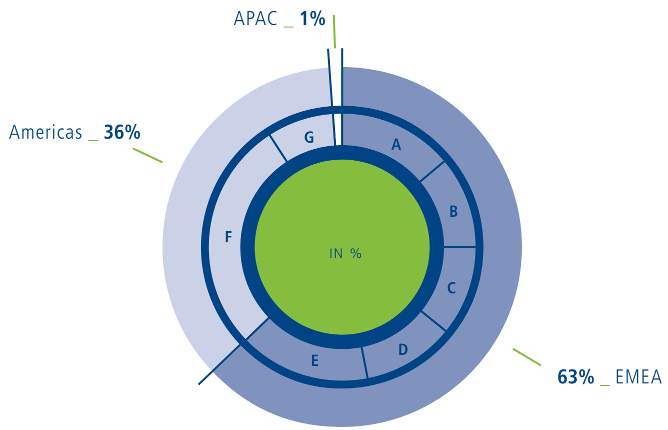
According to the voting rights notifications received until September 30, 2021, NN Group N.V. controls 10% of voting rights attached to Stabilus shares, Marathon Asset Management Limited, Allianz Global Investors GmbH and Teleios Capital Partners LLC each control between 5% and 10% of voting rights attached to Stabilus shares.

All notifications of major shareholdings and of management transactions can be viewed on Stabilus website at **WWW.STABILUS.COM/INVESTORS.**

Share price development

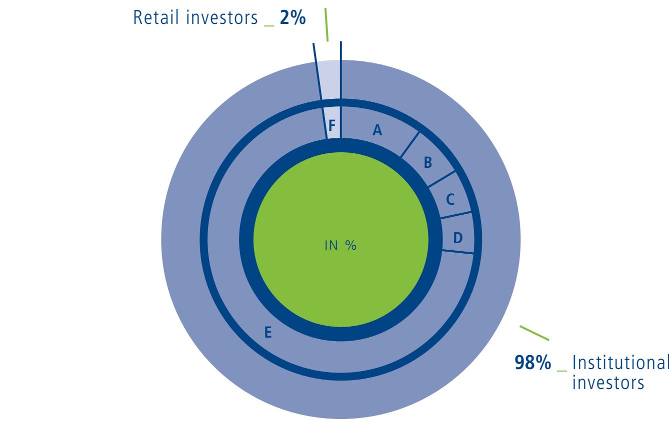


Shareholder structure by region



A _ Germany	14%		E _ Rest of EMEA	16%
B _ Luxembourg	11%		F _ USA	28%
C _ United Kingdom	11%		G _ Rest of Americas	8%
D _ Netherlands	11%		H _ APAC	1%

Shareholder structure by type of shareholder



A _ NN Group N.V.	10.0%	D _ Teleios Capital Partners LLC	5.0%
B _ Marathon Asset Management Limited	6.6%	E _ Other institutional investors	71.2%
C _ Allianz Global Investors GmbH	5.2%	F _ Retail investors	2.0%

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, 2021)	24,700,000
Type of shares	Dematerialized shares with a nominal value of €0.01
Capital stock (Sept 30, 2021)	€247,000

Development of Stabilus share price since IPO

Regular dialog with investors and analysts

In fiscal year 2021 we continued to pursue our goal of providing all market participants with relevant and reliable information. In 2021 fiscal year, we regularly conducted video and audio conference calls and participated in the following international conferences which – due to the ongoing COVID-19 pandemic – were also attended in virtual format:

- Exane BNP Paribas European Mid Cap CEO Conference, Paris
- Berenberg European Corporate Conference, Pennyhill Park, Surrey
- ODDO BHF Forum, Lyon
- Commerzbank German Investment Seminar, New York
- UniCredit Kepler Cheuvreux German Corporate Conference, Frankfurt
- J.P. Morgan Cazenove Pan-European Small/Mid Cap CEO Conference, London
- Stifel German SMID Cap One-on-One Forum, Frankfurt
- Berenberg US Conference, Tarrytown
- Societe Generale Nice Conference, Nice
- Quirin Champions 2021, Frankfurt
- Warburg Highlights 2021, Hamburg
- J.P. Morgan Annual Automotive Conference, London
- Commerzbank Corporate Conference 2021, Frankfurt
- Berenberg Goldman and Sachs German Corporate Conference, Munich
- Baader Investment Conference, Munich

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

Research coverage

Berenberg	Philippe Lorrain
Hauck & Aufhäuser	Christian Glowa
J.P. Morgan	Akshat Kacker
Kepler Cheuvreux	Hans-Joachim Heimbürger
MainFirst	Alexander Wahl
Quirin	Daniel Kukalj
Societe Generale	Stephen Reitman
Warburg Research	Marc-René Tonn

Annual General Meeting

A total of 58.5% of equity capital was represented at our Annual General Meeting which was held on February 10, 2021. Each resolution proposed by the Company's management was approved a large majority of Stabilus shareholders. All documents and information regarding the Annual General Meeting can be found on the Company's website at **WWW.STABILUS.COM/INVESTORS.**

Dividend proposal of €1.25 per share

The Management Board and the Supervisory Board resolved to propose a dividend distribution of €1.25 per share to the Annual General Meeting to be held in Luxembourg on February 16, 2022. It corresponds to a total dividend of €30.9 million (PY: €12.4 million) and the distribution ratio of around 42% (PY: 39%) of the consolidated profit attributable to the Stabilus shareholders.

B

COMBINED MANAGEMENT REPORT

as of and for the fiscal year ended September 30, 2021

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 40% (PY: 41%) of the Group's revenue in fiscal year 2021 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 Company 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 Asian revenue 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 and trucks, fulfills increased comfort requirements of end customers across all regions. The Group opened in fiscal year 2021 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 fiscal year 2019, General Aerospace (Germany), Piston (Turkey) and Clevers (Argentina) strengthen the Industrial business in all regions and in specific end markets. One desired 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 aircraft 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 408 people (PY: 399 people) in R&D across its three regional segments as of September 30, 2021. 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 providing 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 solar 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 primarily in the luxury and SUV car segments, Powerise® has successfully gained market shares with mid-class vehicles in various body styles. The Company is working on and investing in improving and further developing its current spindle drive technology to further reduce noise, weight and costs as well as the recyclability. 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. in 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, General Aerospace (Germany), Piston (Turkey) and Clevers (Argentina), will benefit from the access to a broader customer base.

Continue to optimize cost base

Stabilus continuously implements operational improvement action in plant and overhead areas, 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 already located business. 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 global market share of Powerise® supports this positive outlook, as well as an 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 on 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	2020	2021*	2022*
World	**(3.1)%**	**5.9%**	**4.9%**
Advanced economies	**(4.5)%**	**5.2%**	**4.5%**
Euro Area	(6.3)%	5.0%	4.3%
United Kingdom	(9.8)%	6.8%	5.0%
United States	(3.4)%	6.0%	5.2%
Canada	(5.3)%	5.7%	4.9%
Japan	(4.6)%	2.4%	3.2%
Developing economies (emerging markets)	**(2.1)%**	**6.4%**	**5.1%**
Emerging and developing Europe	(2.0)%	6.0%	3.6%
Russia	(3.0)%	4.7%	2.9%
China	2.3%	8.0%	5.6%
Mexico	(8.3)%	6.2%	4.0%
Brazil	(4.1)%	5.2%	1.5%

Source: IMF, October 2021 World Economic Outlook.

* Projections

Macroeconomic development

As per the latest figures published by the International Monetary Fund (IMF) in October 2021, the global GDP growth in calendar year 2021 is projected to reach 5.9% (PY: -3.1%). In calendar year 2022 Global GDP growth is projected to increase by 4.9% which is less than the projections for 2021.

Advanced economies are projected to increase their GDP by 5.2% in calendar year 2021 (PY: -4.5%). This is significantly higher than the negative growth of -4.5% in the prior year experienced by advanced economies – affected from the COVID-19 crisis. It is projected that growth in advanced economies will reach 4.5% in calendar year 2022, which is less than the projections for the calendar year 2021.

Developing economies (emerging markets) are projected to increase by 6.4% in calendar year 2021 (PY: -2.1%). The increase in developing economies (emerging markets) is projected to be stronger than in advanced economies. It is projected that growth in developing economies (emerging markets) will reach 5.1% in calendar year 2022, which is less than the projections for calendar year 2021 – but still higher than the projections for advanced economies. The overall development is strongly affected from the high uncertainty around the conjuncture e.g., development of prices in the global supply chain, shortage of electronic components (semiconductors) and the ongoing uncertainties of the COVID-19 development.

Development of vehicle markets

The global production of light-vehicles is increasing slightly in calendar year 2021, after the strong decrease in the last calendar year due to the COVID-19 outbreak.

According to IHS forecasts as of October 2021, the global production of light-vehicles is expected to increase from 74.6 million units in calendar year 2020 to approximately 74.8 million units in calendar year 2021, a slight increase of 0.3%. Thus, in 2021, the output of new passenger cars and light commercial vehicles in APAC is forecast to reach around 41.3 million vehicles (0.7% versus 41.0 million units in 2020), in EMEA approximately 18.0 million vehicles (-1.6% versus 18.3 million units in 2020) and in Americas around 15.5 million vehicles (1.3% versus 15.3 million units in 2020).

Production of light-vehicles T_002

IN MILLIONS OF UNITS PER CALENDAR YEAR	2020	2021**	2022**	2023**	2024**	2025**	2026**
EMEA	18.3	18.0	20.7	22.9	24.1	24.1	23.8
Americas	15.3	15.5	18.1	20.6	21.8	21.6	21.2
APAC	41.0	41.3	43.9	48.4	52.2	53.8	54.0
Worldwide production of light-vehicles*	**74.6**	**74.8**	**82.7**	**91.9**	**98.1**	**99.5**	**99.0**

Source: IHS

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

** IHS forecast as of October 2021

According to ACEA (European Automobile Manufacturers Association) car passenger registrations across the EU increased by 6.6% to 7.5 million units in the first nine months of calendar year 2021 in comparison to the first nine months of calendar year 2020. Year on year the strongest increases can be determined in Italy (+20.6%), Spain (+8.8%) and France (+8.0%), whereas in Germany car registrations fell into negative (-1.2%) in the first nine months of calendar year 2021. In September 2021, the year on year demand registrations in the EU shrank by -23.1% which is the lowest number of car registrations since 1995 for a month of September. The ongoing shortage of electronic components (semiconductors) is the main reason for the development.

The US light-vehicle market shows a similar development as Europe for new vehicle registrations with a decrease of -30.5% in September 2021 in comparison to September 2020. Year on year vehicle registrations increased slightly by 1.4% to 3.6 million units in the last twelve months (October 2020 – September 2021) in comparison to the same period last year. In the first nine months of calendar year 2021, new vehicle registrations were up by 7.6% in comparison to the first nine months prior year.

According to information released by the China Association of Automobile Manufacturers (CAAM) sales of passenger cars were up by 11.0% to 14.9 million units in the first nine months of calendar year 2021 in comparison to the same period prior year. CAAM shows a similar development as ACEA and the US light-vehicle market in September with a decrease of -16.5% in comparison to September 2020.

Alternative Performance Measures (APMs) in the annual report of fiscal year 2021

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. 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 sales converted at current year exchange rates less current year sales converted at prior year exchange rates.

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

Key events in the fiscal year 2021 / Impact of COVID-19 on the Stabilus Group

Stabilus fiscal year 2021 (beginning on October 1, 2020) is still affected by uncertainties of the COVID-19 pandemic. In the second half of fiscal year 2021, the COVID-19 cases decreased in several countries as a consequence of increasing vaccination rates. Stabilus implemented testing and vaccination offers at its sites to support the vaccination of Stabilus employees and provide a safer working environment.

The Group continues with its global multidisciplinary crisis management team to monitor and analyze the situation on a weekly basis on a local and a global level and is taking actions to address and mitigate identified risks. The risks of material prices in the global supply chain, e.g. steel and resin, as well as the shortage of electronic components (semiconductors) having negative impacts on the business of the Group i.e. impact the production of our automotive customers and our planning stability. Furthermore, 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 and the further use of home office. Stabilus received reimbursements for short time work of €0.4 million in Germany (set out in Note 5). These subsidies are directly recognized in the various functional areas in which they were incurred as a direct deduction from the related expenses.

On March 4, 2021, Stabilus issued its first promissory loan note (Schuldscheindarlehen) with a total volume of €95.0 million, via its subsidiary Stabilus GmbH. The tranches of the promissory loan note with maturities of five and seven years bear variable interest rates. The promissory note loan is part of our long-term financing strategy and grants us flexibility in the implementation of our growth plans. The financial stability of the Stabilus Group is comfortable. Our net leverage ratio is now at 0.6x compared to 1.2x at September 30, 2020 (we refer to net leverage ratio on page 28).

On March 8, 2021, the Stabilus S. A. announced its plan to change the legal form from Société Anonyme (S. A.) into an Societas Europaea (SE) and the subsequent transfer of the registered office from Luxembourg to Germany. The change of the legal form as well as the transfer of the registered office of the Company require the approval of the general meeting of the Company.

The intended change of the legal form into an European Company is due to the increasing international orientation of Stabilus, which has gained in importance following the acquisitions of companies in recent years. The relocation will simplify the Group's structures and thus reduce complexity, which will lead to efficiency gains and support further growth. At the same time, the transfer of the registered office means that in the future both the Group headquarters and the stock exchange listing of Stabilus will be located in Germany. This process is expected to be finalized in fiscal year 2022. Further information on the planned measures can be found at: www.stabilus.com/investors/se.

At the balance sheet date, the Group has a committed revolving facility of €70.0 million (PY: €70.0 million). As of September 30, 2021, the committed €70.0 million revolving credit facility is undrawn. The Group utilized €1.3 million out of the €70.0 million revolving credit facility to secure existing guarantees. In addition, the Group has a further undrawn committed credit line of €50.0 million (PY: €50.0 million) (we refer to Note 22). The financial covenants of the senior facility agreement have been complied with any time (we refer to net leverage ratio on page 28). In the fiscal year 2021, the COVID-19 crisis did not have any material adverse effects on the financial stability of the Stabilus Group (details in Note 32).

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. As in the prior year the triggering event "COVID-19" still exists and the Group has performed impairment tests, especially for goodwill and for other intangible assets from purchase price allocations. As in the prior year, there was no impairment for goodwill recognized in fiscal year 2021 while the headroom's increased due to the improved overall market environment. The respective underlying assumptions are described in Note 13. The non-cash impairment in customer relationships of €25.7 million of our aerospace business in the prior year continues to exists and cannot be reversed time due to the continuing weak market circumstances in this segment with 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 in the upcoming years.

The impairment test for fiscal year 2021 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 other intangible assets from purchase price allocations have been impaired.

Due to the general overall increasing economic development, the Group's total revenue increased by 14.1% to €937.7 million in fiscal year 2021. The increase in Group revenue in fiscal year 2021 occurred in all regions, EMEA by 12.9% to €464.0 million, Americas by 8.0% to €323.5 million and in APAC by 34.8% to €150.2 million.

The new dedicated Powerise® production site in Pinghu, China, was inaugurated during the fiscal year 2021 and started its activity and is responsible for the strong growth of the region. This is the Group's third dedicated Powerise® plant, besides the already existing Powerise® plants in Mexico and Romania.

In relation to this strong market recovery and the Group's diversified product portfolio, the Stabilus Group's total revenue increased organically by 16.4% in fiscal year 2021. The positive global development is reflected in the positive development of the markets in which we operate. According to the forecast of IHS Markit from October 2021 the global light-vehicle production grew in fiscal year 2021 (October 2020 - September 2021) by approximately 7.6% compared to prior year. The Automotive Powerise® business increased organically by 23.1% and the Automotive Gas Spring business increased organically by 12.9%. The revenue in the Industrial business increased organically by 14.7% with much variability between the subsegments (we refer to the disclosures of operating segments on page 23).

The above described overall recovery from the COVID-19 crisis is reflected in our net profit in fiscal year 2021, which increased from €30.0 million in fiscal year 2020 by €43.8 million to €73.8 million in the current fiscal year.

For the fiscal year 2022, Stabilus expects revenue of €940 million to €990 million and an adjusted EBIT margin in a range of 14% and 15%. The revenue range reflects the uncertainty related to the production output of our customers, the COVID-19 pandemic, the global supply chain shortages (e.g. semiconductors) and the material price inflation.

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 2021 in comparison to the fiscal year 2020:

Income statement T_003

IN € MILLIONS	Year ended Sept 30, 2021	2020	Change	% change
Revenue	937.7	822.1	115.6	14.1%
Cost of sales	(657.4)	(590.6)	(66.8)	11.3%
Gross profit	**280.3**	**231.5**	**48.8**	**21.1%**
Research and development expenses	(42.8)	(40.6)	(2.2)	5.4%
Selling expenses	(81.7)	(106.1)	24.4	(23.0)%
Administrative expenses	(38.4)	(35.5)	(2.9)	8.2%
Other income	6.0	8.9	(2.9)	(32.6)%
Other expenses	(2.1)	(2.1)	0.0	0.0%
Profit from operating activities (EBIT)	**121.3**	**56.1**	**65.2**	**>100.0%**
Finance income	0.7	2.3	(1.6)	(69.6)%
Finance costs	(14.0)	(11.0)	(3.0)	27.3%
Profit / (loss) before income tax	**108.0**	**47.4**	**60.6**	**>100.0%**
Income tax income / (expense)	(34.3)	(17.4)	(16.9)	97.1%
Profit / (loss) for the period	**73.8**	**30.0**	**43.8**	**>100.0%**

Revenue

The Group's total revenue developed as follows:

Revenue by region and business unit T_004

IN € MILLIONS	Year ended Sept 30, 2021	2020	Change	% change	% currency effect	% organic growth
EMEA						
Automotive Gas Spring	123.0	111.7	11.3	10.1%	0.0%	10.1%
Automotive Powerise®	93.1	84.2	8.9	10.6%	(2.0%)	12.6%
Industrial	247.9	215.2	32.7	15.2%	(1.1%)	16.3%
Total EMEA[1]	**464.0**	**411.1**	**52.9**	**12.9%**	**(1.0%)**	**13.9%**
Americas						
Automotive Gas Spring	91.9	88.2	3.7	4.2%	(5.7%)	9.9%
Automotive Powerise®	121.0	105.7	15.3	14.5%	(2.3%)	16.8%
Industrial	110.6	105.7	4.9	4.6%	(7.3%)	11.9%
Total Americas[1]	**323.5**	**299.6**	**23.9**	**8.0%**	**(5.1%)**	**13.1%**
APAC						
Automotive Gas Spring	82.5	68.1	14.4	21.1%	0.1%	21.0%
Automotive Powerise®	49.2	27.1	22.1	81.5%	1.2%	80.3%
Industrial	18.5	16.2	2.3	14.2%	1.0%	13.2%
Total APAC[1]	**150.2**	**111.4**	**38.8**	**34.8%**	**0.5%**	**34.3%**
Stabilus Group						
Total Automotive Gas Spring	297.4	268.0	29.4	11.0%	(1.9%)	12.9%
Total Automotive Powerise®	263.3	217.0	46.3	21.3%	(1.8%)	23.1%
Total Industrial	377.0	337.1	39.9	11.8%	(2.9%)	14.7%
Revenue[1]	**937.7**	**822.1**	**115.6**	**14.1%**	**(2.3%)**	**16.4%**

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

Total revenue of €937.7 million in fiscal year 2021 increased by €115.6 million or 14.1% compared to fiscal year 2020. The effect from exchange rate changes amounted to €18.7 million, which resulted in organic growth of €134.2 million or 16.4% in fiscal year 2021.

The increase in Group revenue in fiscal year 2021 occurred in all regions, EMEA (€52.9 million or 12.9%, organic growth rate 13.9%) and APAC (€38.8 million or 34.8%, organic growth rate 34.3%). Americas revenue increased by €23.9 million or 8.0%. The region is materially influenced by the weak Mexican peso and US dollar compared to the euro. Americas organic growth rate was 13.1%.

Cost of sales and overhead expenses

Cost of sales

Cost of sales increased from €(590.6) million in fiscal year 2020 by 11.3% to €(657.4) million in fiscal year 2021. This increase is generally due to the increased business volume compared to prior year. Material price inflation over the last couple of months, e.g. steel and resin, is having a negative impact on cost of sales partly offset by reduced ongoing amortization of other intangible assets (unpatented technology) from the PPA 2010 (€(2.3) million) due to the full amortization. At the same time, we continue with our stringent cost saving measures, i.e. flexibilization of personnel costs tailored to the requirements of the respective market situation (plant closures of several OEMs). The prior year includes impairment losses on other intangible assets in the area of the aerospace business amounting to €(1.3) million. The cost of sales increase (11.3%) is less than the revenue increase (14.1%). Consequently the cost of sales as a percentage of revenue decreased by 170 basis points to 70.1% (PY: 71.8%) and the gross profit margin improved to 29.9% (PY: 28.2%).

R&D expenses

R&D expenses (net of R&D cost capitalization) increased from €(40.6) million in fiscal year 2020 by 5.4% to €(42.8) million in fiscal year 2021. The Group continues to invest in engineering activities aimed to develop new products and product applications, e.g. into the development of the Automotive Powerise® product range to open new areas of business for Stabilus, which is also reflected in an increased headcount. The capitalization of R&D expenses (less related customer contribution) decreased from €(16.7) million in fiscal year 2020 to €(15.9) million in fiscal year 2021. The Group recognized non-recurring impairment charges of capitalized R&D of €(0.8) million in fiscal year 2021 compared to €(2.3) million in fiscal year 2020. As a percentage of revenue, R&D expenses decreased by 30 basis points to 4.6% (PY: 4.9%).

Selling expenses

Selling expenses decreased from €(106.1) million in fiscal year 2020 by (23.0)% to €(81.7) million in fiscal year 2021. This decrease is primarily due to a non-recurring impairment loss on a customer relationship in the prior year in the aerospace business amounting to €(24.4) million. Excluding the effect from this impairment, selling expenses were unchanged at €(81.7) million. The initiated cost saving measures, e.g. merger of the business units Industrial / Capital Goods and Vibration & Velocity beginning in fiscal year 2020 and lower travelling costs (€(0.8) million) had shown their effects. However, due to the increasing business volume compared to prior year as well as the generally cost increasing for freight costs offset these measures. The ongoing amortization of other intangible assets (customer relationship) from the PPA 2019 decreased by €(1.1) million. As a percentage of revenue, selling expenses decreased by 420 basis points to 8.7% (PY: 12.9%). Excluding the prior year impairment effect, selling expenses as a percentage of revenue decreased by 120 basis points to 8.7% (PY: 9.9%).

Administrative expenses

Administrative expenses increased from €(35.5) million in fiscal year 2020 by 8.2% to €(38.4) million in fiscal year 2021. This increase is driven by the ongoing digital transformation and harmonization of our IT systems especially the change to the SAP-Hana database and to cloud-based solutions (+€3.3 million). As a percentage of revenue, administrative expenses decreased by 20 basis points to 4.1% (PY: 4.3%).

Other income and expense

Other income decreased from €8.9 million in fiscal year 2020 by €(2.9) million to €6.0 million in fiscal year 2021. This decrease is due to a non-recurring effect of €3.0 million from an anticipated purchase price adjustment related to the acquisition of General Aerospace GmbH in the prior year, which was partly offset by a reimbursement related to the acquisition of SKF Group entities in 2016 amounting to €1.6 million in the current fiscal year. Furthermore, the prior year includes foreign currency translation gains from the operating business amounting to €2.9 million.

Other expenses were unchanged at €(2.1) million compared to prior year. Fiscal year 2021 comprises foreign currency translation losses from the operating business amounting to €(1.4) million, primarily occurred in Americas. The prior year includes allowances for bad debts from various locations relating to trade account receivables amounting to €(1.5) million.

Finance income and costs

Finance income decreased from €2.3 million in fiscal year 2020 by €(1.6) million to €0.7 million in fiscal year 2021. The prior year includes net foreign exchange gains amounting to €1.8 million from the translation of intragroup loans, cash and cash equivalents as well as from other financial liabilities (lease liabilities).

Finance costs increased from €(11.0) million in fiscal year 2020 by €(3.0) million to €(14.0) million in fiscal year 2021. The increase includes €(0.8) million net foreign exchange losses amounting from translation of intragroup loans, cash and cash equivalents as well as from other financial liabilities (lease liabilities) and from increased interest expenses on financial liabilities as described below.

Finance costs contain primarily ongoing interest expense. Interest expense in fiscal year 2021 of €(12.5) million (PY: €(10.3) million) especially related to the term loan facility, of which €(5.4) million (PY: €(4.8) million) is cash interest. In addition, an amount of €(7.1) million (PY: €(5.5) 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. Thereof €(2.8) million (PY: €(0.9) million) relates to prepayments of the term loan facility in March 2021 and August 2021, which led to a derecognition of unamortized debt issuance costs and unamortized adjustments of the carrying value.

Income tax expense

The tax expense increased from €(17.4) million in fiscal year 2020 by €(16.9) million to €(34.3) million in fiscal year 2021, especially due to the improved operating performance compared to prior year. The Group´s effective tax rate in fiscal year 2021 is 31.8% (PY: 36.7%). In fiscal year 2020 the effective tax rate was negatively affected by setting up a provision for tax audits for the fiscal years 2017 to 2019 amounting to €3.0 million.

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 2021 and 2020.

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 2021 amounted to €13.8 million (PY: €17.9 million). Of that amount, €4.7 million (PY: €7.0 million) stem from the April 2010 PPA, which is decreased due to the full amortization of unpatented technology, and €8.2 million (PY: €8.4 million) result from the June 2016 PPA. Furthermore, €0.9 million (PY: €2.5 million) relate to the acquisitions in fiscal year 2019, which decreased due to lower amortization as a consequence of the impairment of customer relationships (€(25.7) million) in prior year.

The prior year PPA adjustment for impairment on other intangible assets, especially customer relationships, amounted to €25.7 million, and, an adjustment amounting to €(3.0) million relates to an anticipated purchase price reduction from the acquisition of General Aerospace GmbH.

Reconciliation of EBIT to adjusted EBIT T_005

IN € MILLIONS	Year ended Sept 30, 2021	2020	Change	% change
Profit from operating activities (EBIT)	**121.3**	**56.1**	**65.2**	**>100.0%**
PPA adjustments - depreciation and amortization	13.8	17.9	(4.1)	(22.9)%
PPA adjustments - impairment on intangible assets	–	25.7	(25.7)	(100.0)%
Purchase price adjustment	–	(3.0)	3.0	(100.0)%
Adjusted EBIT	**135.0**	**96.7**	**38.3**	**39.6%**

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 2021 and 2020:

Operating segments T_006

IN € MILLIONS	Year ended Sept 30, 2021	2020	Change	% change
EMEA				
External revenue[1]	464.0	411.1	52.9	12.9%
Intersegment revenue[1]	29.9	25.9	4.0	15.4%
Total revenue[1]	493.9	437.0	56.9	13.0%
Adjusted EBIT	66.9	42.4	24.5	57.8%
as % of total revenue	13.5%	9.7%		
as % of external revenue	14.4%	10.3%		
Americas				
External revenue[1]	323.5	299.6	23.9	8.0%
Intersegment revenue[1]	25.3	20.6	4.7	22.8%
Total revenue[1]	348.7	320.2	28.5	8.9%
Adjusted EBIT	43.6	40.3	3.3	8.2%
as % of total revenue	12.5%	12.6%		
as % of external revenue	13.5%	13.5%		
APAC				
External revenue[1]	150.2	111.4	38.8	34.8%
Intersegment revenue[1]	0.2	0.2	0.0	0.0%
Total revenue[1]	150.4	111.6	38.8	34.8%
Adjusted EBIT	24.5	14.0	10.5	75.0%
as % of total revenue	16.3%	12.5%		
as % of external revenue	16.3%	12.6%		

[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 increased from €411.1 million in fiscal year 2020 by 12.9% or €52.9 million to €464.0 million in fiscal year 2021. The currency translation effect amounted to €(4.0) million, resulting in an organic growth rate of 13.9%. Growth was driven by our Automotive Powerise® business, which increased from €84.2 million by 10.6% or €8.9 million to €93.1 million. Organic growth rate of the Automotive Powerise® was 12.6%. A further growth driver was our Automotive Gas Spring business, which increased from €111.7 million by 10.1% or €11.3 million to €123.0 million. The organic growth of the Automotive Gas Spring business was 10.1%. The Automotive business market recovery increased against the backdrop of the COVID-19 pandemic in the prior year, which is reflected in the increasing light-vehicle production (+5.1%) and increased car registrations in EMEA. Our business also benefits from the various stimulus programs from governments to support the recovery of the economy e.g. subsidies in the EU-wide electromobility. But the market environment remains challenging as a result of the uncertainties in the global supply chain and shortages of electronic components (semiconductors), especially in the fourth quarter of fiscal year 2021. The shortages in the automotive market led to temporary plant closures of several OEMs. The Industrial business increased from €215.2 million by 15.2% or €32.7 million to €247.9 million. Organically the growth rate of the Industrial business was 16.3%. The Industrial business recovered significantly in fiscal year 2021 compared to the prior year which was heavily influenced by the COVID-19 pandemic. This growth is reflected in all our market subsegments with the exception of energy & consumption, aerospace and marine & rail which are still weak as in prior year. The increase in the marketplace underlines our broad product portfolio with double digit growth rates and shows the importance of the further development of this market segment. The adjusted EBIT of the EMEA segment increased by 57.8% or €24.5 million and the adjusted EBIT margin, i.e. adjusted EBIT as a percent of external revenue, increased in fiscal year 2021 to 14.4% (PY: 10.3%).

The external revenue of our companies located in Americas increased from €299.6 million in fiscal year 2020 by 8.0% or €23.9 million to €323.5 million in fiscal year 2021. The currency translation effect amounted to €(15.3) million resulting in an organic growth rate of 13.1% and especially stems from the weak Mexican peso and US dollar. The Automotive Powerise® business increased from €105.7 million by 14.5% or €15.3 million to €121.0 million and organically by 16.8%. The Automotive Gas Spring business increased from €88.2 million by 4.2% or €3.7 million to €91.9 million. The organic growth rate was 9.9%. The Automotive industry is recovering in the US, especially with a strong demand for our Powerise® products. The light-vehicle production in Americas increased by 7.0% in fiscal year 2021 compared to prior year, but the light-vehicle market is flattening in the last quarters of fiscal year 2021 due to the shortages of electronic components (semiconductors) which is the decisively production obstacle for our customers. The economic environment is still difficult and challenging and thus, influenced the product capacity. The development in the Industrial business is weaker than in the automotive business. The Industrial business increased from €105.7 million by 4.6% or €4.9 million to €110.6 million, organically increased by 11.9% or €12.6 million. The Industrial business benefits from the diversification of the product portfolio e.g. strong growth in distributors, independent aftermarket, e-commerce as well as in the commercial vehicles subsegment, which was partly offset by declined market appreciations in the subsegments energy & consumption, healthcare recreation & furniture and aerospace, marine & rail. The adjusted EBIT of the Americas segment increased by 8.2% or €3.3 million and the adjusted EBIT margin is unchanged compared to prior year at 13.5% (PY: 13.5%).

The external revenue of our companies located in APAC increased from €111.4 million in fiscal year 2020 by 34.8% or €38.8 million to €150.2 million in fiscal year 2021. The currency translation effect amounted to €0.6 million resulting in an organic growth rate of 34.3%. This strong increase was especially driven by the Automotive Powerise® business which increased from €27.1 million by 81.5% or €22.1 million to €49.2 million, organically the growth rate was 80.3%. The Automotive Gas Spring business, increased from €68.1 million by 21.1% or €14.4 million to €82.5 million, while the organic growth rate was 21.0%. Especially the Chinese light-vehicle market showed a strong growth compared to the prior year. According to the information by IHS Markit from October 2021 the light-vehicle production increased by 8.9% in fiscal year 2021 compared to prior year which was reflected in higher take-rates of our Automotive Powerise® product range as well as Automotive Gas Spring products. The overall positive development has weakened in the fourth quarter of fiscal year due to temporary closure of plants and seaports which led to shortages in the supply chain, especially for electronic components (semiconductors). The Industrial business increased from €16.2 million by 14.2% or €2.3 million to €18.5 million, organic growth rate was 13.2%. Our industrial market recorded growth across all market segments except of healthcare, recreation & furniture. The adjusted EBIT of the APAC segment increased by 75.0% or €10.5 million and the adjusted EBIT margin increased in fiscal year 2021 to 16.3% (PY: 12.6%).

FINANCIAL POSITION

Balance sheet T _ 007

IN € MILLIONS	2021	2020	Change	% change
Assets				
Non-current assets	669.7	678.2	(8.5)	(1.3)%
Current assets	496.9	405.4	91.5	22.6%
Total assets	**1,166.6**	**1,083.6**	**83.0**	**7.7%**
Equity and liabilities				
Total equity	544.3	469.6	74.7	15.9%
Non-current liabilities	428.8	425.5	3.3	0.8%
Current liabilities	193.5	188.4	5.1	2.7%
Total liabilities	622.3	614.0	8.3	1.4%
Total equity and liabilities	**1,166.6**	**1,083.6**	**83.0**	**7.7%**

Total Assets

The Group's balance sheet total increased from €1,083.6 million as of September 30, 2020, by 7.7% or €83.0 million to €1,166.6 million as of September 30, 2021.

Non-current assets

Our non-current assets decreased from €678.2 million as of September 30, 2020, by (1.3)% or €(8.5) million to €669.7 million as of September 30, 2021. This reduction is driven by the ongoing amortization of €(27.7) million on other intangible assets mainly from purchase price allocations and by the ongoing depreciation of €(36.1) million on property, plant and equipment. This was partly offset by investments of €20.3 million in fixed assets for ongoing capacity expansion projects as well as €20.3 million for intangible assets. Furthermore, non-current assets were influenced by foreign exchange rate related carrying value adjustments, e.g. an increase in goodwill of €0.4 million.

Current assets

Current assets increased from €405.4 million as of September 30, 2020, by 22.6% or €91.5 million to €496.9 million as of September 30, 2021. This was driven by an increased cash balance (+€30.8 million), attributable to the strong operating free cash flow. The cash balance was also influenced by the cash inflow from the promissory note loan amounting to €95.0 million, which was more than offset by a prepayments of the term loan facility amounting to €(47.4) million in March 2021 and €(50.0) million in August 2021 as well as by the dividend payment amounting to €(12.4) million paid out in February 2021. In addition, inventories increased by €39.7 million in order to secure our global supply chain. Furthermore, other assets increased by €9.8 million due to increased VAT receivables (+€6.7 million) and increased deferred charges (+€3.0 million). Trade accounts receivable increased by €19.6 million, which reflects the ongoing market recovery after the COVID-19 pandemic as well as from the reduced volume of the sale of receivable program (Factoring). This increase was partly offset by a decrease in current tax assets by €(1.6) million due to a tax reimbursement related to the US restructuring in fiscal year 2018 and by a decrease of other financial assets by €(6.7) million primarily due to the cash inflow from the anticipated purchase price adjustment related to the acquisition of General Aerospace GmbH.

Equity

The Group's equity increased from €469.6 million as of September 30, 2020, by 15.9% or €74.7 million to €544.3 million as of September 30, 2021. This increase mainly results from the profit of €73.8 million as well as from the other comprehensive income, which increased by €14.0 million. This comprises unrealized actuarial gains on pensions (net of tax) amounting to €0.9 million and unrealized gains from foreign currency translation amounting to €13.1 million (detailed in Note 21). This increase was partly offset by the dividend payment to our shareholders amounting to €(12.4) million in the second quarter of fiscal year 2021 and a dividend payment amounting to €(0.7) was paid to non-controlling shareholders.

Non-current liabilities

Non-current liabilities increased from €425.5 million as of September 30, 2020, by 0.8% or €3.3 million to €428.8 million as of September 30, 2021. Our non-current liabilities were influenced by several transactions, i.e. the issue of a promissory note loan amounting to €95.0 million, which was more than offset by prepayments of the term loan facility amounting to €(47.4) million in March 2021 and €(50.0) million in August 2021 as well as due to a reclassification of financial liabilities from current to non-current amounting to €3.0 million. Other financial liabilities decreased by €(8.1) million due the payments of lease liabilities partly offset by new engaged leasing contracts amounting to €4.1 million. The amortization of debt issuance costs and the amortization of the adjustment of the carrying value using the effective interest rate method amount to €7.1 million. Furthermore, the pension liabilities decreased by €(2.3) million as a consequence of the increased discount rate (September 30, 2021: 1.31% versus September 30, 2020: 1.14%). Deferred tax liabilities increased by €4.0 million.

Current liabilities

Current liabilities increased from €188.4 million as of September 30, 2020, by €5.1 million or 2.7% to €193.5 million as of September 30, 2021. Financial liabilities decreased by €(32.8) million primarily due to the full repayment of the revolving credit facility and from a reclassification of financial liabilities from current to non-current amounting to €3.0 million (regarding to the financial stability we refer to Note 22). This decrease was more than offset by increased trade accounts payable by €19.3 million and by increased provisions by €9.1 million (personnel-related expenses +€2.4 million, sales-related provisions +€3.2 million and warranties +€3.3 million), as a consequence of the increased business volume in fiscal year 2021 compared to prior year. In addition, other liabilities increased by €4.7 million due to outstanding costs (+€1.6 million) and personnel-related expenses (+€1.6 million).

LIQUIDITY

Cash flow from operating activities

Cash flow from operating activities increased from €108.9 million in fiscal year 2020 by €20.1 million or 18.5% to €129.0 million in fiscal year 2021. The increase is mainly due to the improved operating performance compared to the prior year as well as from lower income tax payments of €6.7 million, including a tax reimbursement of €3.0 million from the US restructuring in fiscal year 2018 offset by a €3.0 million tax prepayment in Germany for the closed tax audits for fiscal years 2017 to 2019. In addition, the Group reduced the sale of receivable program (factoring) by €11.2 million in fiscal year 2021. To mitigate risks in the global supply chain, Stabilus increased the stocking level of a number of components and finished goods (inventory up by €39.7 million to €136.9 million).

Cash flow from investing activities

Cash outflow for investing activities decreased from €(47.7) million in fiscal year 2020 by €7.3 million or (15.3)% to €(40.4) million in fiscal year 2021. This is especially due to lower capital expenditures for property, plant and equipment, which decreased by €9.6 million from €(29.9) million to €(20.3) million and are partly offset through increased investments in intangible assets by €2.6 million from €(17.7) million to €(20.3) million. In prior year €(1.1) million was paid in relation to the acquisition of Piston.

Cash flow from financing activities

Cash outflow from financing activities strongly increased from €(31.9) million in fiscal year 2020 by €(28.6) million or 89.7% to €(60.5) million in fiscal year 2021. This was mainly attributable to the repayment of our financial liabilities (especially the revolving credit facility) amounting to €(31.6) million. Furthermore, the cash inflow from the promissory note loan of €95.0 million which was more than offset by the repayments of the term loan facility amounting to €(97.4) million (PY: €(20.0) million) influenced our financing activities. In addition, the increase was due to the lower dividends of €(12.4) million (PY: €(27.2) million) paid to our shareholders in February 2021.

Cash flows T_008

IN € MILLIONS	Year ended Sept 30, 2021	2020	Change	% change
Cash flow from operating activities	129.0	108.9	20.1	18.5%
Cash flow from investing activities	(40.4)	(47.7)	7.3	(15.3%)
Cash flow from financing activities	(60.5)	(31.9)	(28.6)	89.7%
Net increase / (decrease) in cash	**28.2**	**29.3**	**(1.1)**	**(3.8%)**
Effect of movements in exchange rates on cash held	2.6	(5.9)	8.5	<(100.0)%
Cash as of beginning of the period	162.4	139.0	23.4	16.8%
Cash as of end of the period	**193.2**	**162.4**	**30.8**	**19.0%**

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 that can be used, among others, for further investments. The following table sets out the composition of FCF:

Free cash flow T_009

	Year ended Sept 30,			
IN € MILLIONS	**2021**	2020	Change	% change
Cash flow from operating activities	129.0	108.9	20.1	18.5%
Cash flow from investing activities	(40.4)	(47.7)	7.3	(15.3)%
Free cash flow	**88.6**	**61.2**	**27.4**	**44.8%**

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 increased from €62.3 million in fiscal year 2020 to €88.6 million in fiscal year 2021 mainly driven by the reduced volume of the sale of receivable program (factoring) by €11.2 million and inventory increased by €39.7 million. In fiscal year 2021 no comparable payment for acquisitions have been made.

Adjusted free cash flow T_010

	Year ended Sept 30,			
IN € MILLIONS	**2021**	2020	Change	% change
Cash flow from operating activities	129.0	108.9	20.1	18.5%
Cash flow from investing activities before acquisitions	(40.4)	(46.6)	6.2	(13.3)%
Adjusted FCF	**88.6**	**62.3**	**26.3**	**42.2%**

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 decreased from 1.2x in fiscal year 2020 to 0.6x in fiscal year 2021. Further details are set out in the following tables:

Net leverage ratio T _ 011

	Year ended Sept 30,			
IN € MILLIONS	**2021**	2020	Change	% change
Financial debt	300.2	334.7	(34.5)	(10.3%)
Cash and cash equivalents	(193.2)	(162.4)	(30.8)	19.0%
Net financial debt	107.0	172.3	(65.3)	(37.9%)
Adjusted EBITDA	185.1	148.9	36.2	24.3%
Net leverage ratio	**0.6x**	**1.2x**		

Financial debt T_012

	Year ended Sept 30,	
IN € MILLIONS	**2021**	2020
Financial liabilities (non-current)	293.4	288.1
Financial liabilities (current)	1.5	34.3
Adjustment carrying value	5.4	12.3
Financial debt	**300.2**	**334.7**

Adjusted EBITDA T_013

IN € MILLIONS	Year ended Sept 30, 2021	2020	Change	% change
Profit from operating activities (EBIT)	**121.3**	**56.1**	**65.2**	**>100.0%**
Depreciation	36.1	35.9	0.2	0.6%
Amortization	27.7	34.2	(6.5)	(19.0)%
PPA adjustments – impairment on intangible assets	–	25.7	(25.7)	(100.0)%
EBITDA	**185.1**	**151.9**	**33.2**	**21.9%**
Purchase price adjustment	–	(3.0)	3.0	(100.0)%
Adjusted EBITDA	**185.1**	**148.9**	**36.2**	**24.3%**

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: €4.2 million) and results from services that are provided to other Stabilus Group entities based on service level agreements.

Other external expenses decreased slightly from €2.8 million in fiscal year 2020 to €2.6 million in fiscal year 2021 mainly due to reduced consulting fees.

The profit for fiscal year 2021 amounted to €0.1 million (PY: loss €(1.9) million).

Financial position

Total assets decreased from €549.4 million as of September 30, 2020, to €536.6 million as of September 30, 2021.

Fixed assets essentially comprise shares in affiliated undertakings which decreased from €545.9 million as of September 30, 2020, to €531.9 million as of September 30, 2021. The Company decreased its investment in Stable II S. à r. l. by distributing €14.0 million out of the share premium account of Stable II S. à r. l. in February 2021.

Current assets increased from €3.2 million as of September 30, 2020, to €4.5 million as of September 30, 2021. This was driven by an increase in the cash pool receivables by €3.5 million from an affiliated company offset by a decreased cash balance by €(1.9) million.

The Company's capital and reserves decreased from €547.0 million as of September 30, 2020, to €534.7 million as of September 30, 2021, due to the dividend payment to our shareholders of €(12.4) million and due to the profit brought forward of the loss from fiscal year 2020 amounting to €(1.9) million. The profit for fiscal year 2021 amounted to €0.1 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 considerably 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 ongoing uncertainties in the market environment due to the COVID-19 crisis are omnipresent. The economic recovered, but with a temporary decline in the market environment. 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 generated 60% (PY: 59%) of our revenue in the fiscal year ended September 30, 2021, 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.

In the fiscal year ended September 30, 2021, we generated 40% (PY: 41%) of our revenue 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 local and global customers.

The business environment in which we operate is characterized by strong competition, which affects some of our products and markets, and 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 carryforward 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 carryforward 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 carryforward 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 from 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, 2021.

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, 2021, 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) significantly affected the macroeconomic environment and the global economy is characterized by the consequential uncertainties, which bear various risks for Stabilus as well. The Group continues with its global multidisciplinary crisis management team to monitor and analyze the situation on a weekly basis on a local and a global level and is taking actions to address and mitigate identified risks. The risks of material prices in the global supply chain, e.g. steel and plastic, as well as the shortage of electronic components (semiconductors) has a negative impact on the business of the Group. Furthermore, 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 and the further use of home office reduces 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 10, 2021.

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, 2021, the following shareholders held more than 5% of total voting rights attached to Stabilus shares: NN Group N. V., Amsterdam, Netherlands (indirect: 2,475,108 voting rights attached to shares or 10.02% of total voting rights), Marathon Asset Management Limited, London, UK (indirect: 1,637,422 voting rights attached to shares or 6.63% 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 not exceed 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 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

On October 7, 2021, Stabilus entered into a partnership with the technology company Synapticon GmbH, located in Schönaich (near Stuttgart), Germany. For this strategic partnership, Stabilus subscribed a minority stake of 12% of the shares in Synapticon via a capital increase. The transaction has been completed in October 2021. The cash purchase price for 12% shares was €6.0 million. The partnership enables Stabilus to expand its digital competence, which offers significant opportunities especially for its Powerise® product line.

On November 22, 2021, Stabilus announced a partnership with Cultraro Automazione Engineering S.r.l. located in Rivoli (near Turin), Italy. For this strategic partnership, Stabilus acquired 32% of the shares from the company's founders. The cash purchase price for 32% shares was €16.6 million. The partnership focuses on expanding the product range in the field of motion control. The transaction has been completed in November 2021.

As of December 9, 2021, 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, 2021.

OUTLOOK

For the fiscal year 2022, Stabilus expects revenue of €940 million to €990 million and an adjusted EBIT margin in a range of 14% and 15%. The revenue range reflects the uncertainty related to the production output of our customers, the COVID-19 pandemic, the global supply chain shortages (e.g. semiconductors) and the material price inflation.

We continue to pursue our long term strategy, focusing on sustainable, profitable growth, globalization, excellence, innovation as well as team spirit (One Stabilus). Based on the current global light-vehicle production and GDP (gross domestic product) assumptions, we strive for organic revenue CAGR (compound annual growth rate) 2020-2025 of 6% and the return to an adjusted EBIT margin of 15%.

C

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended September 30, 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year ended September 30, 2021

Consolidated statement of comprehensive income T_014

IN € THOUSANDS	Note	Year ended Sept 30, 2021	2020
Revenue	4	937,668	822,126
Cost of sales	5	(657,407)	(590,627)
Gross profit		**280,261**	**231,499**
Research and development expenses	5	(42,775)	(40,645)
Selling expenses	5	(81,650)	(106,068)
Administrative expenses	5	(38,408)	(35,510)
Other income	6	5,975	8,927
Other expenses	7	(2,145)	(2,060)
Profit from operating activities		**121,258**	**56,143**
Finance income	8	700	2,258
Finance costs	9	(13,953)	(11,013)
Profit / (loss) before income tax		**108,005**	**47,388**
Income tax income / (expense)	10	(34,250)	(17,400)
Profit / (loss) for the period		**73,755**	**29,988**
thereof attributable to non-controlling interests		361	(1,445)
thereof attributable to shareholders of Stabilus		73,394	31,433
Other comprehensive income / (expense)			
Foreign currency translation difference[1]	21	13,073	(34,184)
Unrealized actuarial gains and losses[2]	21	925	1,347
Other comprehensive income / (expense), net of taxes		**13,998**	**(32,837)**
Total comprehensive income / (expense) for the period		**87,753**	**(2,849)**
thereof attributable to non-controlling interests		(2,170)	(1,445)
thereof attributable to shareholders of Stabilus		89,923	(1,404)
Earnings per share (in €):			
basic	11	2.97	1.27
diluted	11	2.97	1.27

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

[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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of September 30, 2021

Consolidated statement of financial position T_015

IN € THOUSANDS	Note	Sept 30, 2021	Sept 30, 2020
Assets			
Property, plant and equipment	12	223,150	229,809
Goodwill	13	208,067	207,661
Other intangible assets	14	222,622	229,251
Other assets	16	1,182	281
Deferred tax assets	10	14,700	11,149
Total non-current assets		**669,721**	**678,151**
Inventories	17	136,890	97,237
Trade and other receivables	18	136,686	117,071
Current tax assets	19	7,965	9,591
Other financial assets	15	601	7,274
Other assets	16	21,577	11,816
Cash and cash equivalents	20	193,189	162,431
Total current assets		**496,908**	**405,420**
Total assets		**1,166,629**	**1,083,571**

Consolidated statement of financial position T_015

IN € THOUSANDS	Note	Sept 30, 2021	Sept 30, 2020
Equity and liabilities			
Issued capital	21	247	247
Capital reserves	21	225,848	225,848
Retained earnings	21	348,746	287,702
Other reserves	21	(35,591)	(52,120)
Equity attributable to shareholders of Stabilus		**539,250**	**461,677**
Non-controlling interests		5,087	7,921
Total equity		**544,337**	**469,598**
Financial liabilities	22	293,394	288,078
Other financial liabilities	23	29,795	33,066
Provisions	25	3,218	3,699
Pension plans and similar obligations	26	54,689	57,029
Deferred tax liabilities	10	47,704	43,656
Total non-current liabilities		**428,800**	**425,528**
Trade accounts payable	27	90,364	71,080
Financial liabilities	22	1,461	34,306
Other financial liabilities	23	18,972	16,345
Current tax liabilities	28	11,884	9,658
Provisions	25	49,265	40,168
Other liabilities	29	21,546	16,888
Total current liabilities		**193,492**	**188,445**
Total liabilities		**622,292**	**613,973**
Total equity and liabilities		**1,166,629**	**1,083,571**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year ended September 30, 2021

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, 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)	–
Balance as of Sept 30, 2020		**247**	**225,848**	**287,702**	**(52,120)**	**461,677**	**7,921**	**469,598**
Profit / (loss) for the period		–	–	73,394	–	73,394	361	73,755
Other comprehensive income / (expense)	21	–	–	–	16,529	16,529	(2,531)	13,998
Total comprehensive income for the period		–	–	73,394	16,529	89,923	(2,170)	87,753
Dividends	21	–	–	(12,350)	–	(12,350)	(664)	(13,014)
Change in ownership interest in subsidiaries without a change of control		–	–	–	–	–	–	–
Balance as of Sept 30, 2021		**247**	**225,848**	**348,746**	**(35,591)**	**539,250**	**5,087**	**544,337**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year ended September 30, 2021

Consolidated statement of cash flows T_017

IN € THOUSANDS	Note	Year ended Sept 30, 2021	2020
Profit / (loss) for the period		73,755	29,988
Income tax expense		34,250	17,400
Net finance result	8 / 9	13,253	8,756
Interest received		700	499
Depreciation and amortization (incl. impairment losses)	12 / 14	63,833	95,816
Gains / losses from the disposal of assets		(236)	38
Changes in inventories		(39,653)	3,102
Changes in trade accounts receivable		(19,615)	13,257
Changes in trade accounts payable		19,284	(19,912)
Changes in other assets and liabilities		5,946	(4,795)
Changes in provisions		7,147	1,159
Income tax payments	34	(29,685)	(36,427)
Cash flow from operating activities		**128,979**	**108,881**
Proceeds from disposal of property, plant and equipment		154	938
Purchase of intangible assets	14	(20,264)	(17,663)
Purchase of property, plant and equipment	12	(20,254)	(29,915)
Acquisition of assets and liabilities within the business combination, net of cash acquired		–	(1,062)
Cash flow from investing activities		**(40,364)**	**(47,702)**
Receipts under financial liabilities		95,000	29,894
Payments for redemption of financial liabilities		(31,569)	(1,550)
Payments for redemption of senior facilities		(97,358)	(20,000)
Payments for lease liabilities	34	(8,096)	(8,245)
Dividends paid	21	(12,350)	(27,170)
Dividends paid to non-controlling interests		(664)	–
Payments for interest	34	(5,422)	(4,814)
Cash flow from financing activities		**(60,459)**	**(31,885)**
Net increase / (decrease) in cash and cash equivalents		**28,156**	**29,294**
Effect of movements in exchange rates on cash held		2,602	(5,883)
Cash and cash equivalents as of beginning of the period		162,431	139,020
Cash and cash equivalents as of end of the period		**193,189**	**162,431**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as of and for the fiscal year ended September 30, 2021

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. Negative amounts are bracketed.

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 9, 2021.

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.

Measurement

The consolidated financial statements have been prepared on a 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 by 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 the bad debt allowance 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 Company.

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: 37) subsidiaries (see following list) are included in the consolidated financial statements as of September 30, 2021. There were no changes during the fiscal year 2021.

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 Sanayi ve Ticaret Anonim Şirketi	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 Beteiligungs GmbH	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

Subsidiaries (continued)

T_018

NO.	NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
26	Fabreeka Group Holdings, Inc.	Stoughton, USA	Stabilus US Holding Corp.	100.00%	Full
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.

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 of 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	2021	2020	2021	2020
Australia	AUD	1.6095	1.6438	1.5905	1.6525
Argentina	ARS	114.3838	89.1154	107.4239	73.3367
Brazil	BRL	6.2631	6.6308	6.3953	5.4205
China	CNY	7.4847	7.9720	7.7803	7.8460
South Korea	KRW	1,371.5800	1,368.5100	1,348.7593	1,337.3401
Mexico	MXN	23.7439	26.1848	24.1861	23.7171
Romania	RON	4.9475	4.8725	4.9016	4.8118
Turkey	TRY	10.2981	9.0990	9.6238	7.2972
USA	USD	1.1579	1.1708	1.1957	1.1199

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, 2021. In the fiscal year 2021, the following new and revised standards and interpretations had to be applied for the first time in the Stabilus Group's financial statements.

In the fiscal year 2021 the Stabilus Group applied the amendments to IFRS 16 – COVID-19-Related Rent Concession beyond June 30, 2021.

New standards, interpretations and amendments in the fiscal year T_020

		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
Amendments to IFRS 16	COVID-19-Related Rent Concession beyond June 30, 2021 (issued on March 31, 2021)	April 1, 2021	April 1, 2021	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.

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.

AMENDMENTS TO IFRS 16: COVID-19-RELATED RENT CONCESSION BEYOND JUNE 30, 2021

On March 31, 2021 the IASB extended the application for the accounting of COVID-19-Related Rent Concession for a further year until June 30, 2022. The amendment covers rent concessions that reduce only lease payments due on or before June 30, 2022. The original amendment was issued by the IASB in May 2020.

The amendment can be applied from all lessees but not from lessors and provides for an optional simplification that makes it possible 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, 2022;
- 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 amendment is effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted, including in financial statements not authorized for issue at March 31, 2021. The lease reductions will reduce the rental expenses. In fiscal year 2021 the Stabilus Group did not receive any rent reductions granted by the lessor (PY: €0.3 million). In the prior year the rent reductions were granted for the Chinese entities for the rent periods February and March 2020.

The IASB issued new standards and amendments which have been endorsed by the EU and whose application accordingly is not yet compulsory in fiscal year 2021. 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_021

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
Amendments to IFRS 4	Deferral of IFRS 9 (issued on June 25, 2020)	January 1, 2021	January 1, 2021	No impact
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	January 1, 2021	Reference is made to the descriptions below
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	All issued on May 14, 2020	January 1, 2022	January 1, 2022	Reference is made to the descriptions below
IFRS 17	Insurance Contracts (issued on May 18, 2017); including Amendments to IFRS 17 (issued on June 25, 2020)	January 1, 2023	January 1, 2023	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, IFRS 7, IFRS 4 AND IFRS 16: INTEREST RATE BENCHMARK REFORM

In August 2020, the IASB issued Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, the so-called Interest Rate Benchmark Reform (Phase 2). The amendments are effective for annual periods beginning on or after January 1, 2021. Earlier adoption is permitted. The amendments shall complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company’s financial statement that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate. The Phase 2 amendments, Interest Rate Benchmark Reform – Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

The objectives of the Phase 2 amendments are to assist companies in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform and to provide useful information to users of financial statements.

In Phase 2 the following requirements were amended: IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; hedge accounting; and disclosures. IFRS 16 was amended to require lessees to apply similar relief in accounting for modifications to lease agreements that change the determination of future lease payments as a result of IBOR reform (e.g., when lease payments are indexed to an IBOR rate). The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

Based on our 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 and none of the IFRS 16 leasing contracts is indexed to an IBOR rate.

AMENDMENTS TO IFRS 3, IAS 16, IAS 37 AND ANNUAL IMPROVEMENTS 2018-2020

On May 14, 2020 the IASB issued several small amendments to the IFRS Standards IFRS 3 Business Combination; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements. The package of amendments includes narrow-scope amendments to the three Standards as well as Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. The amendments are effective for annual periods beginning on or after January 1, 2022:

- The Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- The Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss.
- The Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making. The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
- The Annual Improvements make minor amendments to IFRS 1 First-time Adoption of Internal Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

Based on our current assessments, the regulations do not have a significant impact on the consolidated financial statements of the Stabilus 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 being 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 _ 022

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
Amendments to IAS1	Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on January 23, 2020 and July 15, 2020 respectively)	January 1, 2023	Pending	Evaluating
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Estimates (issued on February 12, 2021)	January 1, 2023	Pending	Evaluating
Amendments to IAS 8	Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on February 12, 2021)	January 1, 2023	Pending	Evaluating
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7, 2021)	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.

Stabilus has long-standing relationships with its customers. However, a contract exists only when the parties have approved the contract and each party's rights regarding the goods or services and the payment terms can be determined. This is the case when a client has placed a purchase order for standard products, usually for the next production period (regularly just for two or four weeks). A purchase order determines the number of products to be delivered, price per unit, the terms of delivery and warranty.

Accordingly, Stabilus has regularly only one performance obligation, delivery of the ordered goods. Shipping and handling activities are fulfillment activities and no warranty in excess of legal obligations is provided. Stabilus does not involve third parties in fulfilling its performance obligation.

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. The Stabilus payments terms provide for payment within 30 to 90 days, after transfer of goods.

Revenue is measured at the fair value of the consideration received or receivable and recognized upon delivery, i.e. when the goods are shipped. Customer bonuses, discounts, rebates, and other sales taxes or duties are generally recorded as a reduction of the recognized revenue. The expected discounts are taken into consideration according to the expected value method and based on historical date and expectations in respect of the individual customer. The Group accrues such amounts on a monthly basis. Warranty obligations are recognized in accordance with IAS 37 (refer to the accounting policy other provisions on page 54).

Sometimes, Stabilus perform in its contracts research & development services, mainly customizing products for customer requirements. Those contracts are also evidenced by a purchase order and represent a service obligation (performance obligation). Such a service is recognized at a point-of-time or over-time according to the stage-of-completion depending on the terms of the contract.

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 are included. 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. 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 prior 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 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, except 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 includes 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.

For all leases under IFRS 16 (except practical expedients) a right-of-use asset has to be capitalized. The Stabilus Group reports 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

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. 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 €/ $), 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 reports 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.

For COVID-19-Related Rent Concessions, the Stabilus Group uses the practical expedient issued by the IASB. Those rent concessions are not treated as a lease modification. Lease reductions reduce the rental expenses.

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 movement 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 with, 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 prior year (i.e. 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 cost.

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, all financial assets fulfill these criteria and are recognized at amortized cost. Currently, the Group does not apply the category fair value through profit or loss (FVtPL)" for contingent consideration. The category fair value through other comprehensive income (FVOCI) is not applied.

Financial assets measured at amortized cost

A financial asset measured at amortized cost 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 cost

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 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 are 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, 2021, and September 30, 2020, the Stabilus Group did 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, in fiscal year 2019, 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:

Group revenue results from the sale of goods or services. Stabilus operates in automotive and industrial markets. The 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.

Revenue by region and business unit T_023

IN € THOUSANDS	Year ended Sept 30, 2021	2020
EMEA		
Automotive Gas Spring	122,993	111,689
Automotive Powerise®	93,093	84,181
Industrial	247,907	215,253
Total EMEA[1]	**463,993**	**411,123**
Americas		
Automotive Gas Spring	91,902	88,184
Automotive Powerise®	120,996	105,734
Industrial	110,588	105,637
Total Americas[1]	**323,486**	**299,555**
APAC		
Automotive Gas Spring	82,483	68,137
Automotive Powerise®	49,223	27,099
Industrial	18,483	16,212
Total APAC[1]	**150,189**	**111,448**
Stabilus Group		
Total Automotive Gas Spring	297,378	268,010
Total Automotive Powerise®	263,312	217,014
Total Industrial	376,978	337,102
Revenue[1]	**937,668**	**822,126**

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

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

Expenses by function T_024

IN € THOUSANDS	Year ended Sept 30, 2021: Cost of sales	Research & development expenses	Selling expenses	Adminis-trative expenses	**Total**
Capitalized development cost	–	16,073	–	–	**16,073**
Personnel expenses	(181,501)	(27,707)	(31,891)	(29,503)	**(270,602)**
Material expenses	(435,769)	(9,251)	(11,346)	(8,257)	**(464,623)**
Depreciation and amortization	(32,646)	(13,872)	(14,361)	(2,954)	**(63,833)**
Other	(7,491)	(8,018)	(24,052)	2,306	**(37,255)**
Total	**(657,407)**	**(42,775)**	**(81,650)**	**(38,408)**	**(820,240)**

IN € THOUSANDS	Year ended Sept 30, 2020: Cost of sales	Research & development expenses	Selling expenses	Adminis-trative 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)**

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

Personnel expenses T_025

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Wages and salaries	(193,981)	(175,546)
Compulsory social security contributions	(56,033)	(55,611)
Pension cost	(13,399)	(12,496)
Other social benefits	(7,189)	(5,522)
Personnel expenses	**(270,602)**	**(249,175)**

During the fiscal year 2021 the Group recognized €0.4 million for short time work and social security contributions. In the prior year, 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, in prior year for short time work an amount of €3.9 million was recognized.

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

Average number of employees T_026

	Year ended Sept 30, 2021	2020
Wage earners	4,825	4,703
Salaried staff	1,556	1,562
Trainees and apprentices	106	109
Average number of employees	**6,487**	**6,374**

6 Other income

Other income decreased from €8.9 million in fiscal year 2020 by €(2.9) million to €6.0 million in fiscal year 2021. This decrease is due to a non-recurring effect of €3.0 million from an anticipated purchase price adjustment related to the acquisition of General Aerospace GmbH in the prior year, which was partly offset by a reimbursement related to the acquisition of SKF Group entities in 2016 amounting to €1.6 million in the current fiscal year. Furthermore, the prior year includes foreign currency translation gains from the operating business amounting to €2.9 million.

Other income T_027

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Net foreign currency translation gains	–	2,872
Gains on sale / disposal of assets	250	108
Income from the release of other accruals	668	473
Miscellaneous other income	5,057	5,474
Other income	**5,975**	**8,927**

7 Other expenses

Other expenses were unchanged at €(2.1) million compared to prior year. Fiscal year 2021 comprises foreign currency translation losses from the operating business amounting to €(1.4) million, primarily occurred in Americas. The prior year includes allowances for bad debts from various locations relating to trade account receivables amounting to €(1.5) million.

Other expenses T_028

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Net foreign currency translation losses	(1,444)	–
Losses on sale / disposal of tangible assets	(14)	(146)
Miscellaneous other expenses	(687)	(1,914)
Other expenses	**(2,145)**	**(2,060)**

8 Finance income

Finance income decreased from €2.3 million in fiscal year 2020 by €(1.6) million to €0.7 million in fiscal year 2021. The prior year includes net foreign exchange gains amounting to €1.8 million from the translation of intragroup loans, cash and cash equivalents as well as from other financial liabilities (lease liabilities).

Finance income T_029

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Interest income on loans and financial receivables not measured at fair value through profit and loss	376	443
Net foreign exchange gain	–	1,759
Other interest income	324	56
Finance income	**700**	**2,258**

9 Finance costs

Finance costs increased from €(11.0) million in fiscal year 2020 by €(3.0) million to €(14.0) million in fiscal year 2021. The increase includes €(0.8) million net foreign exchange losses amounting from translation of intragroup loans, cash and cash equivalents as well as from other financial liabilities (lease liabilities) and from increased interest expenses on financial liabilities as described below.

Finance costs contain primarily ongoing interest expense. Interest expense in fiscal year 2021 of €(12.5) million (PY: €(10.3) million) especially related to the term loan facility, of which €(5.4) million (PY: €(4.8) million) is cash interest. In addition, an amount of €(7.1) million (PY: €(5.5) 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. Thereof €(2.8) million (PY: €(0.9) million) relates to prepayments of the term loan facility in March 2021 and August 2021, which led to a derecognition of unamortized debt issuance costs and unamortized adjustments of the carrying value.

Finance costs T_030

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Interest expense on financial liabilities not measured at fair value through profit and loss	(11,164)	(8,832)
Net foreign exchange loss	(824)	–
Interest expenses lease liabilities	(1,305)	(1,453)
Other interest expenses	(660)	(728)
Finance costs	**(13,953)**	**(11,013)**

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_031

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Current income taxes	(35,084)	(26,298)
Income taxes prior year	1,528	(2,376)
Deferred taxes	(694)	11,274
Income tax expense	**(34,250)**	**(17,400)**

The respective local rates have been used to calculate the deferred taxes. The current income taxes comprise prior year taxes amounting to €1,528 thousand (PY: €(2,376) thousand).

The actual income tax expense of €(34,250) thousand is €(7,314) thousand higher than the expected income tax expense of €(26,936) 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_032

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Profit / (loss) before income tax	**108,005**	**47,388**
Expected income tax expense	**(26,936)**	**(11,818)**
Foreign tax rate differential	(312)	971
Tax-free income	751	4,206
Non-deductible expenses	(7,824)	(7,223)
Prior year taxes	(143)	(2,376)
Change of the valuation allowance on deferred tax assets	224	(1,033)
Tax rate changes	(148)	(251)
Other	138	124
Actual income tax expense	**(34,250)**	**(17,400)**
Effective tax rate	**(31.8)%**	**(36.7)%**

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 2021. 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 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 _ 033

	Sept 30, 2021			Sept 30, 2020		
IN € THOUSANDS	DTA	DTL	Total	DTA	DTL	Total
Intangible assets	159	(56,319)	(56,160)	250	(56,391)	(56,141)
Property, plant & equipment	5,958	(11,595)	(5,637)	4,206	(11,431)	(7,225)
Inventories	4,066	(363)	3,703	3,763	(202)	3,561
Receivables	476	(825)	(349)	645	(12)	633
Other assets	324	(319)	5	386	(124)	262
Provisions and liabilities	21,663	(817)	20,846	20,908	(694)	20,214
Tax loss and interest carryforward	4,588	–	4,588	6,189	–	6,189
Subtotal	**37,234**	**(70,238)**	**(33,004)**	**36,347**	**(68,854)**	**(32,507)**
Netting	(22,534)	22,534	–	(25,198)	25,198	–
Total	**14,700**	**(47,704)**	**(33,004)**	**11,149**	**(43,656)**	**(32,507)**

The movement in deferred income tax assets and liabilities in fiscal year 2021 is as follows:

Reconciliation movement in deferred tax assets and liabilities T_034

IN € THOUSANDS	2021	2020
Deferred tax liabilities (net) - as of Oct 1,	**32,507**	**42,561**
Deferred tax income	694	(11,274)
Taxes recognized in other comprehensive income	415	573
Foreign exchange rate differences	(612)	647
Deferred tax liabilities (net) - as of Sept 30,	**33,004**	**32,507**

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 carryforwards T_035

	Year ended Sept 30, 2021					
IN € THOUSANDS	Tax loss and interest carryforward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	16,644	27.0 – 31.0%	4,538	–	4,538	Indefinite
Spain	5,237	25.0%	1,309	(1,309)	–	Indefinite
Korea	225	22.0%	50	–	50	Indefinite
Brazil	–	–	–	–	–	–
Total	**22,106**		**5,897**	**(1,309)**	**4,588**	

	Year ended Sept 30, 2020					
IN € THOUSANDS	Tax loss and interest carryforward	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
Brazil	125	34.0%	42	–	42	Indefinite
Total	**28,687**		**7,654**	**(1,465)**	**6,189**	

As of September 30, 2021, the Group has unused tax loss and interest carryforwards in Germany, Spain and Korea of €22,106 thousand (PY: €28,687 thousand).

The interest carryforward comes from our German entities with an amount of €11,004 thousand and a gross deferred tax asset of €2,954 thousand and unused tax loss carryforward from our entities in Germany, Spain and Korea relating to corporate tax and trade tax with an amount of €11,102 thousand and a gross deferred tax asset of €2,943 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.

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, 2021 and 2020, is set out in the following table:

Weighted average number of shares T_036

DATE	Number of days	Transaction	Change	Total shares	Total shares (time-weighted)
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**
October 1, 2020	365			24,700,000	24,700,000
September 30, 2021				**24,700,000**	**24,700,000**

The earnings per share for the fiscal years ended September 30, 2021 and 2020, were as follows:

Earnings per share T_037

	Year ended Sept 30,	
	2021	2020
Profit / (loss) attributable to shareholders of the parent (in € thousands)	73,394	31,433
Weighted average number of shares	24,700,000	24,700,000
Earnings per share (in €)	**2.97**	**1.27**

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_038

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, 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**
Additions from business combination	–	–	–	–	–	–
Initial application of IFRS 16	–	–	–	–	–	–
Foreign currency difference	12	1,775	7,978	961	1,670	12,396
Additions	–	3,005	7,219	6,294	7,121	23,639
Disposals	–	(696)	(6,138)	(4,859)	–	(11,693)
Reclassifications	45	2,696	13,335	2,379	(18,926)	(471)
Balance as of Sept 30, 2021	**17,478**	**103,564**	**253,337**	**71,315**	**22,195**	**467,889**
Accumulated depreciation						
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)**
Foreign currency difference	–	(442)	(4,394)	(746)	–	(5,582)
Depreciation expense	–	(9,016)	(18,364)	(8,727)	–	(36,107)
Thereof impairment loss	–	–	*(3)*	–	–	*(3)*
Disposal	–	249	6,137	4,726	–	11,112
Reclassifications	–	(11)	14	44	–	47
Balance as of Sept 30, 2021	**–**	**(35,256)**	**(156,259)**	**(53,224)**	**–**	**(244,739)**
Carrying amount						
Balance as of Sept 30, 2020	**17,421**	**70,748**	**91,291**	**18,019**	**32,330**	**229,809**
Balance as of Sept 30, 2021	**17,478**	**68,308**	**97,078**	**18,091**	**22,195**	**223,150**

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.

During the fiscal year 2021 the Group invested €19,520 thousand (PY: €29,952 thousand) in property, plant and equipment. Furthermore, the Group entered in new leasing contracts amounting to €4,119 thousand (PY: €4,527 thousand), especially other tangible equipment in the amount of €3,305 thousand (PY: €1,567) and for buildings €814 thousand (PY: €2,960 thousand).

In fiscal year 2021 the government grants received for the ramp-up of a dedicated Powerise® production building in Pinghu, China, amounted to €3,586 thousand (PY: €1,114 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 €3,080 thousand (PY: €1,983 thousand).

The Group recognized impairment losses on property, plant and equipment amounting to €(3) thousand (PY: €(20) thousand).

Prepayments by the Stabilus Group for property, plant and equipment and intangible assets of €762 thousand (PY: €28 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_039

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Land, equivalent rights to real property	17,478	17,421
Building and land improvements	39,054	36,924
Technical equipment and machinery	95,909	89,848
Other tangible equipment	13,504	14,736
Construction in progress	22,195	32,330
RoU – Building and land improvements	29,254	33,824
RoU – Technical equipment and machinery	1,169	1,443
RoU – Other tangible equipment	4,587	3,283
Total	**223,150**	**229,809**

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_040

	Year ended Sept 30,	
IN € THOUSANDS	2021	2020
Cost of sales	(30,295)	(29,731)
Research and development expenses	(1,802)	(1,777)
Selling expenses	(2,043)	(2,311)
Administrative expenses	(1,967)	(2,114)
Depreciation expense	**(36,107)**	**(35,933)**

Right-of-use-assets T_041

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**
Initial application of IFRS 16	–	–	–	–
Foreign currency difference	1,116	11	81	1,208
Additions	814	–	3,305	4,119
Disposals	(689)	–	(1,581)	(2,270)
Reclassifications	–	–	–	–
Balance as of Sept 30, 2021	**42,375**	**1,735**	**7,008**	**51,118**
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)**
Foreign currency difference	(164)	(5)	(35)	(204)
Depreciation expense	(5,882)	(280)	(1,934)	(8,096)
Thereof impairment loss	–	–	–	–
Disposal	246	–	1,457	1,703
Reclassifications	(11)	–	11	–
Balance as of Sept 30, 2021	**(13,121)**	**(566)**	**(2,421)**	**(16,108)**
Carrying amount				
Balance as of Sept 30, 2020	**33,824**	**1,443**	**3,283**	**38,550**
Balance as of Sept 30, 2021	**29,254**	**1,169**	**4,587**	**35,010**

13 Goodwill

The total goodwill of €208.1 million (PY: €207.7 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_042

IN € THOUSANDS	EMEA	Americas	APAC	Total
Gross value				
Balance as of Sept 30, 2019	**126,557**	**74,388**	**13,876**	**214,821**
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**
Foreign currency difference	(120)	450	76	406
Additions	–	–	–	–
Disposals	–	–	–	–
Impairment losses	–	–	–	–
Reclassifications	–	–	–	–
Balance as of Sept 30, 2021	**123,974**	**71,395**	**12,698**	**208,067**
Carrying amount				
Balance as of Sept 30, 2020	**124,094**	**70,945**	**12,622**	**207,661**
Balance as of Sept 30, 2021	**123,974**	**71,395**	**12,698**	**208,067**

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 5.7% (PY: 3.5%) for EMEA, 8.1% (PY: 7.2%) for Americas and 15.9% (PY: 15.7%) 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, 0.63% (PY: 0.69%) for EMEA, 1.40% (PY: 1.63%) for Americas and 0.30% (PY: 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, 0.78% (PY: 1.21%) for EMEA, 0.98% (PY: 1.57%) for Americas and 0.63% (PY: 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 evaluated the beta factors used by a group of comparable companies (peer group), on an average of past years. The cost of debt was 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_043

IN %	Year ended Sept 30, 2021 EMEA	Americas	APAC
Market risk premium	6.50	6.50	6.50
Beta factor Stabilus Group	1.09	1.09	1.09
Interest base rate	0.14	0.14	0.14
Inflation deltas	0.63	1.40	0.30
Country risk	0.78	0.98	0.63
Debt ratio	22.60	22.60	22.60
Cost of debt after tax	1.60	2.00	1.30
WACC	**7.40**	**8.20**	**6.90**

IN %	Year ended Sept 30, 2020 EMEA	Americas	APAC
Market risk premium	6.50	6.50	6.50
Beta factor Stabilus Group	1.12	1.12	1.12
Interest base rate	0.05	0.05	0.05
Inflation deltas	0.69	1.63	1.40
Country risk	1.21	1.57	0.95
Debt ratio	19.87	19.87	19.87
Cost of debt after tax	2.00	2.50	2.50
WACC	**8.00**	**9.20**	**8.50**

The discount rates applied also reflect the individual country risk of each operating CGU. The discount rate to cash flow projections is 7.4% (PY: 8.0%) for EMEA, 8.2% (PY: 9.2%) for Americas and 6.9% (PY: 8.5%) 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_044

IN %	Sept 30, 2021 Input data required for carrying amount to equal recoverable amount		
	EMEA	Americas	APAC
Discount rate increase	9.9	16.4	15.2
Budgeted gross margin reduction to plan	8.7	9.0	9.4

The impairment test for fiscal year 2021 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_045

IN € THOUSANDS	Development cost	Development cost under construction	Software	Patents	Customer relationships	Technology	Trade name	Total
Gross value								
Balance as of Sept 30, 2019	**75,945**	**19,032**	**15,726**	**2,676**	**247,076**	**69,906**	**17,795**	**448,156**
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**
Foreign currency difference	296	29	193	(3)	664	88	(40)	1,227
Additions	3,787	12,117	4,168	2	–	–	–	20,074
Disposals	(9,266)	–	(4,797)	–	–	–	–	(14,063)
Reclassifications	15,480	(16,007)	999	–	–	–	–	472
Balance as of Sept 30, 2021	**86,355**	**20,538**	**17,621**	**2,670**	**243,924**	**69,401**	**17,533**	**458,042**
Accumulated amortization								
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)**
Foreign currency difference	(293)	–	(36)	–	(279)	(31)	(7)	(646)
Amortization expense	(11,488)	–	(2,284)	(80)	(11,365)	(1,200)	(1,309)	(27,726)
Thereof impairment loss	*(760)*	–	–	–	–	–	–	*(760)*
Disposals	9,259	–	4,788	–	–	–	–	14,047
Reclassifications	–	–	(14)	–	–	–	–	(14)
Balance as of Sept 30, 2021	**(46,236)**	**–**	**(11,668)**	**(2,252)**	**(105,756)**	**(57,892)**	**(11,616)**	**(235,420)**
Carrying amount								
Balance as of Sept 30, 2020	**32,344**	**24,399**	**2,936**	**499**	**149,148**	**12,652**	**7,273**	**229,251**
Balance as of Sept 30, 2021	**40,119**	**20,538**	**5,953**	**418**	**138,168**	**11,509**	**5,917**	**222,622**

Additions to intangible assets in the fiscal year 2021 amounted to €20,074 thousand compared to €17,481 thousand in fiscal year 2020. During the fiscal year 2021, costs of €15,904 thousand (PY: €16,706 thousand) (less related customer contributions) were capitalized for development projects.

Amortization of capitalized internal development projects amounted to €(11,488) thousand (PY: €(13,675) thousand). The borrowing costs capitalized during the period amounted to €190 thousand (PY: €179 thousand). A capitalization rate was used to determine the amount of borrowing costs. The capitalization rate used in the fiscal year 2021 was 0.95% (PY: 0.95%). The total amortization expense and impairment loss for intangible assets is included in the consolidated statements of comprehensive income in the following line items:

Amortization expense for intangible assets T_046

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Cost of sales	(2,351)	(6,893)
Research and development expenses	(12,070)	(14,121)
Selling expenses	(12,318)	(37,965)
Administrative expenses	(987)	(904)
Amortization expense (incl. impairment losses)	**(27,726)**	**(59,883)**

Other intangible assets – carrying amount T_047

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Development cost	40,119	32,344
Development cost under construction	20,538	24,399
Software	5,953	2,936
Patents	418	499
Customer relationships	138,168	149,148
Technology	11,509	12,652
Trade name	5,917	7,273
Total	**222,622**	**229,251**

Amortization expenses on development costs include impairment losses of €(760) thousand (PY: €(2,348) thousand) due to the withdrawal of customers from the respective projects. The impairment loss is included in the research and development expenses.

In the prior year, the aviation market in particularly was heavily influenced by COVID-19, leading to reduced demand for product servicing in the aviation industry as a result of lower aircraft production and fewer retrofits of existing aircrafts. This led to an impairment in the prior year of other intangible assets, especially customer relationships, related to our aerospace business amounting to €25.7 million. However, we are confident that the aerospace business is still an excellent addition to Stabilus´ motion control portfolio with future growth potential. 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 exists. In this case, the Group would recognize a reversal of the impairment loss up to a maximum of the amortized historical cost.

Contractual commitments for the acquisition of intangible assets amount to €1,185 thousand (PY: €1,459 thousand).

15 Other financial assets

Other financial assets T_048

IN € THOUSANDS	Sept 30, 2021			Sept 30, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Other miscellaneous	601	–	601	7,274	–	7,274
Other financial assets	**601**	**–**	**601**	**7,274**	**–**	**7,274**

Other miscellaneous

Other miscellaneous financial assets in the fiscal year 2021 comprises €538 thousand (PY: €4,538 thousand) from the contingent consideration from the business combination with General Aerospace GmbH. Furthermore, an amount of €64 thousand (PY: €2,736 thousand) is related to the security retention amount of the sale of trade accounts receivable from a factoring arrangement (€9.7 million (PY: €20.9 million)). During the fiscal year 2021 the Group reduced the factoring volume. 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_049

IN € THOUSANDS	Sept 30, 2021			Sept 30, 2020		
	Current	Non-current	Total	Current	Non-current	Total
VAT	9,949	–	9,949	3,278	–	3,278
Prepayments	2,447	762	3,209	1,967	28	1,995
Deferred charges	7,653	–	7,653	4,613	–	4,613
Other miscellaneous	1,528	420	1,948	1,958	253	2,211
Other assets	**21,577**	**1,182**	**22,759**	**11,816**	**281**	**12,097**

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

17 Inventories

Inventories T_050

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Raw materials and supplies	67,205	48,049
Finished products	31,536	21,521
Work in progress	20,841	13,731
Merchandise	17,308	13,936
Inventories	**136,890**	**97,237**

Inventories that are expected to be turned over within twelve months amounted to €136,890 thousand (PY: €97,237 thousand). Write-downs on inventories to net realizable value amounted to €(17,843) thousand (PY: €(13,813) thousand). In the reporting period raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to €(435,769) thousand (PY: €(371,969) thousand).

The Stabilus Group's prepayments for inventories amounting to €1,339 thousand (PY: €1,047 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_051

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Trade accounts receivable	133,852	116,441
Other receivables	4,936	3,452
Allowance for doubtful accounts	(2,102)	(2,822)
Trade and other receivables	**136,686**	**117,071**

Trade accounts receivable increased in the fiscal year ended September 30, 2021, mainly due to the market recovery from the COVID-19 pandemic in prior year. 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 of September 30, 2021:

Exposure to credit risk and ECLs T_052

IN € THOUSANDS

	Sept 30, 2021		
Region	Weighted average loss rate	Gross carrying amount	Loss allowance
EMEA	0.24%	45,474	110
Americas	0.04%	49,911	18
APAC	0.15%	43,403	63
Total		**138,788**	**192**

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**

Individual loss allowances of €(2,102) thousand (PY: €(2,822) 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 course of the COVID-19 crisis there were no significant defaulted trade account receivables and no 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 _ 053

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Allowance for doubtful accounts as of Sept 30, 2020	**(2,822)**	**(1,897)**
Foreign currency differences	(76)	85
Increase in the allowance	(346)	(1,495)
Decrease in the allowance	1,142	485
Allowance for doubtful accounts as of Sept 30, 2021	**(2,102)**	**(2,822)**

19 Current tax assets

Current tax assets amounted to €7,965 thousand (PY: €9,591 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.

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, 2021, it amounted to €193,189 thousand (PY: €162,431 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-month 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 2021.

21 Equity

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

Issued capital

Issued capital as of September 30, 2021, 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 2021, the Company did not buy any of its own shares.

Capital reserves

Capital reserves amounted to €225,848 thousand as of September 30, 2021 (PY: €225,848 thousand) and include premiums received for the issuance of additional shares in 2016 amounting to €224,000 thousand less transaction costs of €(6,273) thousand, 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 Companies issued capital the total amount of capital that stockholders have contributed to the Company.

Retained earnings

Retained earnings as of September 30, 2021, amounted to €348,746 thousand (PY: €287,702 thousand) and included the Group's net result in the fiscal year 2021 amounting to €73,394 thousand.

Dividends

In the second quarter of fiscal year 2021 a dividend amounting to €12.35 million (PY: €27.17 million) was paid to our shareholders. In fiscal year 2021 a dividend amounting to €664 thousand (PY: €- thousand) was paid to non-controlling shareholders of a Stabilus subsidiary.

The Management Board and the Supervisory Board resolved to propose a dividend distribution of €1.25 per share (PY: €0.50 per share) to the Annual General Meeting to be held in Luxembourg on February 16, 2022. The total dividend will thus amount to €30.88 million (PY: €12.35 million) and the distribution ratio will be 42.1% (PY: 39.3%) 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, 2021.

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 in the table (T_054) below.

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 the Stabilus defined benefit pension plan which is further explained in Note 26.

Accumulated other comprehensive income / (expense) T_054

IN € THOUSANDS	Cumulative foreign currency translation adjustment	Unrealized actuarial gains and losses	Total
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)**
Before tax	15,604	1,340	16,944
Tax (expense) / benefit	–	(415)	(415)
Other comprehensive income / (expense), net of taxes	15,604	925	16,529
Non-controlling interest	(2,531)	–	(2,531)
Balance as of Sept 30, 2021	**(23,540)**	**(14,582)**	**(38,122)**

22 Financial liabilities

The financial liabilities comprise the following items:

Financial liabilities T_055

IN € THOUSANDS	Sept 30, 2021 Current	Sept 30, 2021 Non-current	Sept 30, 2021 Total	Sept 30, 2020 Current	Sept 30, 2020 Non-current	Sept 30, 2020 Total
Senior facilities	–	192,282	192,282	–	282,724	282,724
Promissory note loan	–	95,000	95,000	–	–	–
Revolving credit facility	–	–	–	29,894	–	29,894
Other facilities	1,461	6,112	7,573	4,412	5,354	9,766
Financial liabilities	**1,461**	**293,394**	**294,855**	**34,306**	**288,078**	**322,384**

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 matured 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 28, 2023, with an amount of €197.6 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 (until June 2023), a temporary increase of the maximum leverage ratio permitted under the senior facility agreement and opens the ability to issue promissory note loans (Schuldscheindarlehen) up to an aggregated amount of €150.0 million.

Stabilus issued a promissory note loan (Schuldscheindarlehen) on March 4, 2021, with a total volume of €95.0 million, via its subsidiary Stabilus GmbH and the Stabilus S. A. acting as guarantor. The tranches of the promissory note loan with maturities of five and seven years bear variable interest rates. The details are described in the following table:

Overview tranches of promissory note loan T_056

Tranche (IN € THOUSANDS)	Volume	Interest rate	Expiry date
5 years variable	83,000	6M-Euribor + 100bps	March 4, 2026
7 years variable	12,000	6M-Euribor + 125bps	March 4, 2028
Total	**95,000**		

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 defaulted 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, 2017, €50.0 million on September 30, 2017, €6.4 million on March 28, 2018, €21.1 million on September 27, 2019, €20.0 million on February 27, 2020, €47.4 million on March 5, 2021 and €50.0 million on August 30, 2021, and reduced the outstanding nominal amount to €197.6 million as of September 30, 2021. The Group's liability under the senior facility agreement (the remaining €192.3 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 fiscal 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 of September 30, 2021, is $4.0 million (PY: $5.1 million). Furthermore, as part of the business combination in fiscal year 2019, the Group entered into several bank loans and the outstanding nominal amount as of September 30, 2021, is €3.1 million (PY: €4.3 million). The effective interest rates are between 2.12% and 2.23%. The maturities of these loan agreements are between June 30, 2023 and September 30, 2023. In addition, the Group recognized purchase price obligations amounting to €1.0 million (PY: €1.0 million) for the acquired entities Piston and Clevers in fiscal year 2019.

The Group repaid the revolving credit facility amounting to €29.9 million in fiscal year 2021. As of September 30, 2021, the Group had no liability under the committed €70.0 million (PY: €29.9 million) revolving credit facility. The Group utilized €1.3 million out of the €70.0 million revolving credit facility to secure existing guarantees. The committed credit line of €50.0 million (PY: €50.0 million) is undrawn.

23 Other financial liabilities

The decrease is mainly due to payments of lease liabilities. The liabilities to employees mainly comprise outstanding salaries and wages.

Other financial liabilities T_057

IN € THOUSANDS	Sept 30, 2021			Sept 30, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities to employees	9,417	–	9,417	7,168	–	7,168
Social security contribution	2,352	–	2,352	2,272	–	2,272
Lease liabilities	7,203	29,795	36,998	6,905	33,066	39,971
Other financial liabilities	**18,972**	**29,795**	**48,767**	**16,345**	**33,066**	**49,411**

24 Leases

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 month) and low-value assets (underlying asset < 5,000 € / $ e.g. printers and copiers) as right-of-use assets.

The future minimum lease payments under non-cancellable leases are expected to amount €41.2 million (PY: €45.1 million) within the next years. Thereof €8.3 million (PY: €8.2 million) lease payments are payable within the next fiscal year 2022.

Outflows for lease payments T_058

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
within one year	8,347	8,159
after one year but not more than five years	23,014	23,739
more than five years	9,820	13,165
Total	**41,181**	**45,063**

Interest expense on lease liabilities T_059

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
within one year	1,144	1,254
after one year but not more than five years	2,545	3,021
more than five years	494	817
Total	**4,183**	**5,092**

Maturity of lease liabilities T_060

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
within one year	7,203	6,905
after one year but not more than five years	20,469	20,718
more than five years	9,326	12,348
Total	**36,998**	**39,971**

Expenses of short-term and low-value leases T_061

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Expenses related to short-term leases	742	1,005
Expenses related to low-value leases	471	297
Total	**1,213**	**1,302**

The Stabilus Group expects interest expenses on lease liabilities in the amount of €1.1 million (PY: €1.3 million) for the fiscal year 2022.

As of September 30, 2021, the lease liabilities amounted to €37.0 million (PY: €40.0 million). Thereof €7.2 million (PY: €6.9 million) are due within the next fiscal year 2022.

In fiscal year 2021 the Group made lease payments due to low-value leases in the amount of €0.5 million (PY: €0.3 million) and due to short-term leases in the amount of €0.7 million (PY: €1.0 million).

25 Provisions

Provisions T_062

	Sept 30, 2021			Sept 30, 2020		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Anniversary benefits	14	146	160	21	154	175
Early retirement contracts	1,360	1,638	2,998	1,350	2,046	3,396
Employee-related costs	15,329	–	15,329	12,893	–	12,893
Environmental protection	268	1,041	1,309	460	1,051	1,511
Other risks	6,926	–	6,926	3,719	–	3,719
Legal and litigation costs	64	–	64	60	–	60
Warranties	18,932	–	18,932	15,676	–	15,676
Other miscellaneous	6,372	393	6,765	5,989	448	6,437
Provisions	**49,265**	**3,218**	**52,483**	**40,168**	**3,699**	**43,867**

The discount rate used for the calculation of non-current provisions as of September 30, 2021, was 0.0% (PY: 0.0%). The non-current provisions developed as follows:

Changes of non-current provisions T _ 063

IN € THOUSANDS	Anniversary benefits	Early retirement	EPA provision	Other miscellaneous	Total
Balance as of Sept 30, 2019	**153**	**1,946**	**1,130**	**336**	**3,565**
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**
Reclassifications	–	–	(21)	–	(21)
Foreign currency differences	–	–	11	1	12
Costs paid	(10)	–	–	(56)	(66)
Release to income	–	(410)	–	–	(410)
Additions	2	2	–	–	4
Balance as of Sept 30, 2021	**146**	**1,638**	**1,041**	**393**	**3,218**

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

Changes of current provisions T_064

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, 2019	**11,332**	**827**	**3,008**	**97**	**33**	**1,037**	**16,806**	**5,004**	**38,144**
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**
Foreign currency differences	554	(1)	79	4	–	–	504	62	1,202
Reclassifications	–	21	–	–	–	–	–	(56)	(35)
Costs paid	(7,297)	(212)	(1,413)	–	(10)	(635)	(4,969)	(4,951)	(19,487)
Release to income	(3,584)	–	–	–	–	–	(870)	(422)	(4,876)
Additions	12,763	–	4,541	–	3	645	8,591	5,750	32,293
Balance as of Sept 30, 2021	**15,329**	**268**	**6,926**	**64**	**14**	**1,360**	**18,932**	**6,372**	**49,265**

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, 2021. For the corresponding ongoing long-term bioremediation, a current provision of €268 thousand (PY: €460 thousand) and a non-current provision of €1,041 thousand (PY: €1,051 thousand) have been recorded as of September 30, 2021.

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_065

IN € THOUSANDS	Sept 30, 2021	Sept 30, 2020
Principal pension plan	54,512	56,854
Deferred compensation	177	175
Pension plans and similar obligations	**54,689**	**57,029**

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 €54,512 thousand (PY: €56,854 thousand) result from unfunded accumulated benefit obligations.

The weighted average duration of the defined benefit obligations in the fiscal year 2021 is 15.6 years (PY: 16.3 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, 2021, amounts to €177 thousand (PY: €175 thousand).

The unfunded status is as follows:

Unfunded status T_066

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Present value of defined benefit obligations	55,918	58,220
Less: Fair value of plan assets	(1,229)	(1,191)
Unfunded status	**54,689**	**57,029**

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

Present value of the net pension liability obligations T_067

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Present value of net pension liability as of beginning of fiscal year	**57,029**	**59,893**
Service cost	279	322
Interest cost	613	551
Effect of change in financial assumptions	(25)	(2,267)
Experience assumptions	(1,315)	347
Actuarial (gains) / losses	(1,340)	(1,920)
Pension benefits paid	(1,892)	(1,816)
Present value of net pension liability as of fiscal year-end	**54,689**	**57,029**

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_068

IN € THOUSANDS	Year ended Sept 30, 2021	2020
Service cost	279	322
Interest cost	613	551
Pension cost for defined benefit plans	**892**	**873**

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_069

IN € THOUSANDS	Defined benefit obligation	Experience adjustments	Change in demographic assumptions
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	–
Sept 30, 2021	**54,689**	**(1,315)**	**–**

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_070

IN % P. A.	Year ended Sept 30, 2021	2020
Discount rate	1.31%	1.14%
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, 2021, 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 €2,763 thousand lower or €6,635 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 €201 thousand higher or €3,111 thousand higher. 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, 2021, due to a 1-year decrease / increase of the life expectancy would result in an increase of €4,282 thousand or a decrease of €1,008 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 2022 will amount to €1,910 thousand (PY: €1,901 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 €12,418 thousand (PY: €11,420 thousand).

27 Trade accounts payable

Trade accounts payable amount to €90,364 thousand (PY: €71,080 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 €11,884 thousand (PY: €9,658 thousand) and relate to income and trade taxes.

29 Other liabilities

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

Other liabilities T_071

	Sept 30, 2021			Sept 30, 2020		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Advanced payments received	3,958	–	3,958	2,553	–	2,553
Vacation expenses	4,302	–	4,302	3,717	–	3,717
Other personnel-related expenses	7,521	–	7,521	6,545	–	6,545
Outstanding costs	5,431	–	5,431	3,869	–	3,869
Miscellaneous	334	–	334	204	–	204
Other liabilities	**21,546**	**–**	**21,546**	**16,888**	**–**	**16,888**

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

The capital commitments for fixed and other intangible assets increased from €3,442 thousand as of September 30, 2020, to €4,265 thousand as of September 30, 2021. Furthermore, the Group entered into a subscript obligation for investments in amount of €6,000 thousand (PY: -).

Nominal values of other financial commitments are as follows:

Financial commitments T_072

	Sept 30, 2021			
IN € THOUSANDS	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed assets	3,080	–	–	3,080
Capital commitments for other intangible assets	1,185	–	–	1,185
Capital commitments for investments	6,000	–	–	6,000
Total	**10,265**	**–**	**–**	**10,265**

	Sept 30, 2020			
IN € THOUSANDS	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed assets	1,983	–	–	1,983
Capital commitments for other intangible assets	1,459	–	–	1,459
Capital commitments for investments	–	–	–	–
Total	**3,442**	**–**	**–**	**3,442**

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_073

IN € THOUSANDS	MEASUREMENT CATEGORY ACC. TO IFRS 9	Sept 30, 2021 Carrying amount	Sept 30, 2021 Fair value[1]	Sept 30, 2020 Carrying amount	Sept 30, 2020 Fair value[1]
Trade accounts receivables	AC	136,686	–	117,071	–
Cash	AC	193,189	–	162,431	–
Other financial assets	AC	63	–	2,736	–
Contingent consideration	FVtPL	538	538	4,538	4,538
Total financial assets		**330,476**	**538**	**286,776**	**4,538**
Financial liabilities	FLAC	294,855	300,161	322,384	330,216
Trade accounts payable	FLAC	90,364	–	71,080	–
Lease liabilities	n/a	36,998	–	39,971	–
Total financial liabilities		**422,217**	**300,161**	**433,435**	**330,216**
Aggregated according to categories in IFRS 9:					
Financial assets measured at amortized cost (AC)		329,938	–	282,238	–
Financial assets measured at fair value through profit or loss (FVtPL)		538	538	4,538	4,538
Financial liabilities measured at amortized cost (FLAC)		385,219	300,161	393,464	330,216

[1] 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_074

IN € THOUSANDS	Sept 30, 2021				Sept 30, 2020			
	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]
Financial liabilities								
Senior facilities	197,865	–	197,865	–	290,300	–	290,300	–
Promissory note loan	94,500	–	94,500	–	–	–	–	–
Other facilities	7,796	–	7,796	–	39,916	–	39,916	–
Contingent consideration	538	–	538	–	4,538	–	4,538	–

[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 prior fiscal 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 prior fiscal year:

– The senior secured notes and the promissory note loan 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, 2021, 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 loss amounted to €(824) thousand (PY: gain €1,759 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, 2021.

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_075

	Sept 30, 2021						
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	125,540	8,469	838	563	1,269	7	136,686
Other miscellaneous	601	–	–	–	–	–	601
Cash and cash equivalents	193,189	–	–	–	–	–	193,189
Total	**319,330**	**8,469**	**838**	**563**	**1,269**	**7**	**330,476**

	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**

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 2021, the Group had one customer which accounted for about 12% of total external revenue, one customer which accounted for about 8% and one customer which accounted for about 6% of total external revenue. The revenue with these customers was €111,773 thousand (PY: €91,040 thousand), €79,312 thousand (PY: €76,129 thousand) and €57,074 thousand (PY: €56,523 thousand), respectively. In fiscal year 2021 and 2020, the 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, 2021, 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_076

IN € THOUSANDS	Senior facility	Promissory note loan	Other facilities	Lease liabilities	Trade accounts payable	Total
within one year	31,971	980	1,395	8,347	90,364	133,057
after one year but not more than five years	168,671	86,505	6,337	23,014	–	284,527
more than five years	–	12,225	–	9,820	–	22,045
Total	**200,642**	**99,710**	**7,732**	**41,181**	**90,364**	**439,629**

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), the facility is undrawn. Furthermore, the Group has a further undrawn committed credit line of €50.0 million (PY: €50.0 million) to strengthen financial liquidity as well as for potential future challenges from the COVID-19 crisis. In the fiscal years 2020 and 2021, 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, 2021, 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 sales 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 $48 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 subsidiary New CLEVERS S.R.L. as well. However, as the revenues 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 €197.6 million. A 1% increase of floating interest rates (Euribor) would lead to an increase of financial expense of approximately €1.9 million. As the Euribor is below 0% as of September 30, 2021, a decrease has no effect on financial expenses.

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_077

	Year ended Sept 30,	
IN € THOUSANDS	2021	2020
Equity	544,337	469,598
Total assets	1,166,629	1,083,571
Equity ratio	46.7%	43.3%

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 €5,422 thousand (PY: €4,814 thousand) are reflected in cash outflows from financing activities. Income tax payments of €29,685 thousand (PY: €36,427 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 _ 078

IN € THOUSANDS	Senior facility agreement	Promissory loan note	Other facilities	Lease liabilities
Balance as of Sept 30, 2020	**282,724**	**–**	**39,660**	**39,971**
Cash receipts	–	95,000	–	–
Cash payments	(97,358)	–	(31,569)	(8,096)
Changes from financing cash flows	(97,358)	95,000	(31,569)	(8,096)
Effect of changes in foreign exchange rates	–	–	(518)	1,004
Initial application IFRS 16	–	–	–	–
Other changes	6,916	–	–	4,119
Balance as of Sept 30, 2021	**192,282**	**95,000**	**7,573**	**36,998**

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, 2021 and 2020 is as follows:

Segment reporting T _ 079

	EMEA		Americas		APAC	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	**2021**	2020	**2021**	2020	**2021**	2020
External revenue[1]	463,993	411,123	323,486	299,555	150,189	111,448
Intersegment revenue[1]	29,885	25,855	25,253	20,644	235	157
Total revenue[1]	493,878	436,978	348,739	320,199	150,424	111,605
Depreciation and amortization (incl. impairment losses)	(34,336)	(64,390)	(15,764)	(16,249)	(9,075)	(8,208)
EBIT	61,120	12,346	40,493	36,945	24,303	13,821
Adjusted EBIT	66,921	42,367	43,643	40,336	24,455	13,976

	Total segments		Other / Consolidation		Stabilus Group	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	**2021**	2020	**2021**	2020	**2021**	2020
External revenue[1]	937,668	822,126	–	–	937,668	822,126
Intersegment revenue[1]	55,373	46,656	(55,373)	(46,656)	–	–
Total revenue[1]	993,041	868,782	(55,373)	(46,656)	937,668	822,126
Depreciation and amortization (incl. impairment losses)	(59,175)	(88,847)	(4,658)	(6,969)	(63,833)	(95,816)
EBIT	125,916	63,112	(4,658)	(6,969)	121,258	56,143
Adjusted EBIT	135,019	96,679	–	–	135,019	96,679

[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 combinations are included in the regions.

The EBIT of operating segment EMEA in the fiscal year ended September 30, 2021, includes impairment losses of €(763) thousand (PY: €(28,068) thousand). Prior year includes an impairment of other intangible assets amounting to €(25,700) 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_080

	Year ended Sept 30,	
IN € THOUSANDS	2021	2020
Total segments' profit (adjusted EBIT)	**135,019**	**96,679**
Other / consolidation	–	–
Group adjusted EBIT	**135,019**	**96,679**
Adjustments to EBIT	(13,761)	(40,536)
Profit from operating activities (EBIT)	**121,258**	**56,143**
Finance income	700	2,258
Finance costs	(13,953)	(11,013)
Profit / (loss) before income tax	**108,005**	**47,388**

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

Geographical information: Revenue by country T_081

	Year ended Sept 30,	
IN € THOUSANDS	2021	2020
Germany	337,886	301,626
Romania	114,878	100,204
UK	4,556	3,836
Turkey	5,946	4,943
Netherlands	727	514
EMEA	**463,993**	**411,123**
Mexico	167,547	146,282
USA	147,287	147,582
Brazil	7,098	4,698
Argentina	1,554	993
Americas	**323,486**	**299,555**
China	121,044	88,945
South Korea	16,612	11,526
Australia	3,223	2,351
Japan	7,414	7,049
New Zealand	1,896	1,577
APAC	**150,189**	**111,448**
Revenue	**937,668**	**822,126**

Geographical information: Non-current assets by country T_082

	Year ended Sept 30,	
IN € THOUSANDS	2021	2020
Germany	220,548	229,432
Romania	32,730	34,687
Spain	730	738
Luxembourg	594	805
UK	5,274	5,415
France	90	131
Turkey	2,054	2,552
Netherlands	0	0
Goodwill	123,974	124,094
EMEA	**385,994**	**397,854**
USA	70,014	77,076
Mexico	37,559	34,032
Brazil	1,260	1,445
Argentina	674	775
Goodwill	71,395	70,945
Americas	**180,902**	**184,273**
China	65,151	60,958
South Korea	7,270	7,875
Australia	1,198	1,227
Japan	1,287	1,622
New Zealand	428	428
Singapore	93	143
Goodwill	12,698	12,622
APAC	**88,125**	**84,875**
Total	**655,021**	**667,002**

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). The matching stock program and the phantom stock program are discontinued in prior years and no further tranches are granted. The current share-based payment arrangement is the performance share plan.

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 fiscal 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.

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, 2021.

Input parameters for fair value measurement of MSP

T_083

VALUATION DATE	Sept 30, 2021	Sept 30, 2020	Sept 30, 2019
MSP A/B (2016)			
Fair value	€9.11	€9.11	€6.99
Share price	€50.15	€50.15	€44.90
Expected annual volatility	47.0%	47.0%	43.0%
Expected annual dividend yield	2.0%	2.0%	2.0%
Expected remaining duration (timing of exercise)	–	–	1.0 year
Risk-free annual interest rate	(0.67)%	(0.67)%	(0.73)%
Exercise price	€48.64	€48.64	€48.64
MSP A (2017)			
Fair value	€6.52	€7.01	€3.14
Share price	€60.55	€50.15	€44.90
Expected annual volatility	32.0%	47.0%	35.0%
Expected annual dividend yield	2.0%	2.0%	2.0%
Expected remaining duration (timing of exercise)	–	1.0 year	2.0 years
Risk-free annual interest rate	(0.71)%	(0.67)%	(0.80)%
Exercise price	€74.74	€74.74	€74.74
MSP A (2018)			
Fair value	€9.00	€7.03	€3.25
Share price	€60.55	€50.15	€44.90
Expected annual volatility	40.0%	45.0%	33.0%
Expected annual dividend yield	2.0%	2.0%	2.0%
Expected remaining duration (timing of exercise)	1.0 years	2.0 years	3.0 years
Risk-free annual interest rate	(0.73)%	(0.73)%	(0.82)%
Exercise price	€74.22	€74.22	€74.22

Number of share options

T_084

	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
Outstanding as of October 1, 2018	**20,129**	**€48.64**	**7,238**	**€74.74**	**–**	**–**
Granted during the year	–	–	–	–	10,423	€74.22
Forfeited during the year	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–
Outstanding as of September 30, 2019	**20,129**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Exercisable as of September 30, 2019	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding as of October 1, 2019	**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	–	–	–	–	–	–
Outstanding as of September 30, 2020	**16,017**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Exercisable as of September 30, 2020	**16,017**	**€48.64**	**–**	**–**	**–**	**–**
Outstanding as of October 1, 2020	**16,017**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Granted during the year	–	–	–	–	–	–
Forfeited during the year	–	–	764	–	–	–
Exercised during the year	12,808	–	–	–	–	–
Outstanding as of September 30, 2021	**3,209**	**€48.64**	**6,474**	**€74.74**	**10,423**	**€74.22**
Exercisable as of September 30, 2021	**3,209**	**€48.64**	**–**	**–**	**–**	**–**

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. During the fiscal year 2021 the Phantom Stock Program was exercised and paid.

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

Phantom Stock Program options T_085

	Phantom Stock Program 2015/16	
	Number of options	Exercise price
Outstanding as of October 1, 2018	**2,573**	**–**
Granted during the year	–	–
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding as of September 30, 2019	**2,573**	**–**
Exercisable as of September 30, 2019	**2,573**	**–**
Outstanding as of October 1, 2019	**2,573**	**–**
Granted during the year	–	–
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding as of September 30, 2020	**2,573**	**–**
Exercisable as of September 30, 2020	**2,573**	**–**
Outstanding as of October 1, 2020	**2,573**	**–**
Granted during the year	–	–
Forfeited during the year	–	–
Exercised during the year	2,573	–
Outstanding as of September 30, 2021	**–**	**–**
Exercisable as of September 30, 2021	**–**	**–**

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 total shareholder return (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.

Performance Share Plan T_086

VALUATION DATE	Sept 30, 2020	Sept 30, 2021	Sept 30, 2021
Performance period	Oct 1, 2019 - Sept 30, 2022	Oct 1, 2019 - Sept 30, 2022	Oct 1, 2020 - Sept 30, 2023
Price of the Stabilus share	€50.15	€60.55	€60.55
"Initial Price" Stabilus share	€41.77	€41.77	€45.76
Expected annual dividend yield	2.0%	2.0%	2.0%
Remaining duration of granted performance shares	2.0 years	1.0 years	2.0 years
Risk-free annual interest rate (duration 2.0 years)	(0.73)%	(0.71)%	(0.73)%
Expected target achievement for internal target EBIT	100%	100%	100%
Cap per performance share used in the valuation	250% x €41.77	250% x €41.77	250% x €45.67

In the fiscal year 2021 options for the PSP were issued as follows:

Number of share options T_087

	PSP (2019)		PSP (2020)		PSP (2021)	
	Number of options	Fair value	Number of options	Fair value	Number of options	Fair value
Outstanding as of October 1, 2019	**8,056**	**€30.65**	**–**	**–**	**–**	**–**
Granted during the year	–	–	28,010	€38.81	–	–
Forfeited during the year	1,525	–	4,848	–	–	–
Exercised during the year	–	–	–	–	–	–
Outstanding as of September 30, 2020	**6,531**	**€36.66**	**23,162**	**€47.30**	**–**	**–**
Exercisable as of September 30, 2020	**–**	**–**	**–**	**–**	**–**	–
Outstanding as of October 1, 2020	**6,531**	**€36.66**	**23,162**	**€47.30**	**–**	–
Granted during the year	–	–	–	–	21,306	€44.19
Forfeited during the year	2,189	–	–	–	–	–
Exercised during the year	4,342	–	–	–	–	–
Outstanding as of September 30, 2021	**–**	**–**	**23,162**	**€62.04**	**21,306**	**€56.07**
Exercisable as of September 30, 2021	**–**	**–**	**–**	**–**	**–**	**–**

Expense recognized in profit or loss

An amount of €1,146 thousand (PY: €557 thousand) was recognized in the related employee benefit expenses and an amount of €1,272 thousand (PY: €845 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 2021 was signed by Philippe Meyer. For the fiscal years 2017 through 2020 the responsible audit partner was Thomas Feld. Philippe Meyer is the current responsible lead audit partner and signed the Independent Auditor's Report for the first time for the year ended September 30, 2014 until September 30, 2016.

For fiscal year ended September 30, 2021, a global fee (excluding VAT) of €987 thousand (PY: €895 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_088

	Year ended Sept 30,	
IN € THOUSANDS (EXCLUDING VAT)	2021	2020
Audit fees	987	895
Thereof for the prior year	*29*	*36*
Audit-related fees	7	7
Tax fees	39	40
Other fees	–	–
Total	**1,033**	**942**

In addition, KPMG Luxembourg, and other member firms of the KPMG network, billed audit-related fees amounting to €7 thousand (PY: €7 thousand) and tax service fees amounting to €39 thousand (PY: €40 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).

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 is as follows:

Remuneration T_089

	Year ended Sept 30,	
IN € THOUSANDS	2021	2020
Base salary	1,170	1,395
Fringe benefits	66	67
Pension expenses	254	321
Termination benefits[1]	–	150
Short-term incentive	1,272	363
Long-term incentive[2]	1,146	544
Total	**3,908**	**2,840**

[1] Post contractual non-compete obligation

[2] Expenses for share-based payments

Total remuneration increased from €2,840 thousand in fiscal year 2020 to €3,908 thousand in fiscal year 2021. The increase is especially due to the rebound of the share price in fiscal year 2021 compared to fiscal year 2020. In addition, due to improved operating performance of the Group the short-term incentive increased compared to prior year.

The total remuneration for the members of the Supervisory Board amounts to €477 thousand (PY: €406 thousand).

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

40 Subsequent events

On October 7, 2021, Stabilus entered into a partnership with the technology company Synapticon GmbH, located in Schönaich (near Stuttgart), Germany. For this strategic partnership, Stabilus subscribed a minority stake of 12% of the shares in Synapticon via a capital increase. The transaction has been completed in October 2021. The cash purchase price for 12% shares was €6.0 million. The partnership enables Stabilus to expand its digital competence, which offers significant opportunities especially for its Powerise® product line.

On November 22, 2021, Stabilus announced a partnership with Cultraro Automazione Engineering S.r.l. located in Rivoli (near Turin), Italy. For this strategic partnership, Stabilus acquired 32% of the shares from the company's founders. The cash purchase price for 32% shares was €16.6 million. The partnership focuses on expanding the product range in the field of motion control. The transaction has been completed in November 2021.

As of December 9, 2021, 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, 2021.

Luxembourg, December 9, 2021

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 9, 2021

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. Mr. Wilhelms is also responsible for IT, HR and Legal, as well as operationally for the EMEA region. Since 2018 he has been member of the Supervisory Board, the Audit and the Strategy Committee of NORMA Group SE. Since July 2021 he has been Deputy Chairman of the Supervisory Board and Chairman of the Audit Committee of Novem Group S.A. 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 a 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 Supervisory Board of Novem Group S. A, Chairman of the Advisory Board of Dayco Products LLC and member of the Advisory Board of svt GmbH. Further he holds the position as a Chairman of the Board of Hitched Holdings 1 B.V., the holding company of ACPS.

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, credit-shelf 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 ams OSRAM Automotive Lighting Systems 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 Managing Director and Business Unit Leader Automotive Electronics and as Vice President of Corporate Start-up Management. Prior to that, he worked as a research 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
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 2021, 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 2021 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 as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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?

Referring to Note 13 "Goodwill" of the consolidated financial statements as at 30 September 2021, the Group's goodwill represents EUR 208.1 million or 17.8% 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 combined management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "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.

The Management Board is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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 the "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.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

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 Boards' 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 General Meeting of the Shareholders on 10 February 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is eight years.

The combined 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 combined management report. The information required by Article 68ter paragraph (1) letter 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 N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 30 September 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of Stabilus S.A. as at 30 September 2021, identified as ESEF_StabilusSA_KA_2021-09-30.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 9 December 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Philippe Meyer

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ANNUAL ACCOUNTS

for the fiscal year ended September 30, 2021

BALANCE SHEET

as of September 30, 2021

Balance sheet T_090

IN € THOUSANDS	Note	Sept 30, 2021	Sept 30, 2020
Assets			
Fixed assets	3	**531,916**	**545,916**
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	531,916	545,916
Current assets		**4,464**	**3,219**
Debtors	5	3,930	760
Amounts owed by affiliated undertakings			
becoming due and payable within one year		3,702	679
Other debtors			
becoming due and payable within one year		228	81
Cash at bank and in hand		534	2,459
Prepayments	6	**191**	**217**
Total assets		**536,571**	**549,352**

Balance sheet T_090

IN € THOUSANDS	Note	Sept 30, 2021	Sept 30, 2020
Liabilities			
Capital and reserves	7	**534,745**	**547,014**
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		108,183	122,415
Profit or loss for the financial year		82	(1,881)
Provisions		**–**	**239**
Provisions for taxation		–	239
Creditors		**1,826**	**2,099**
Trade creditors			
becoming due and payable within one year		1,063	1,096
Amounts owed to affiliated undertakings			
becoming due and payable within one year	8	3	3
Other creditors			
Social security authorities		13	14
Other creditors			
becoming due and payable within one year		747	986
Total liabilities		**536,571**	**549,352**

PROFIT AND LOSS ACCOUNT

for the fiscal year ended September 30, 2021

Profit and loss account T_091

		Year ended Sept 30,	
IN € THOUSANDS	Note	2021	2020
Other operating income	9	**4,243**	**4,200**
Raw materials and consumables and other external expenses	10	**(2,625)**	**(2,755)**
Other external expenses		(2,625)	(2,755)
Staff costs	11	**(875)**	**(2,186)**
Wages and salaries		(807)	(2,114)
Social security on salaries and wages		(68)	(72)
Other operating expenses		**(470)**	**(703)**
Income from participating interests		**–**	**–**
derived from affiliated undertakings		–	–
Interest payable and similar expenses		**(15)**	**(85)**
concerning affiliated undertakings		–	–
Other interest and similar financial expenses		(15)	(85)
Tax on profit or loss		**(176)**	**(352)**
Profit or loss for the financial year		**82**	**(1,881)**

NOTES TO THE ANNUAL ACCOUNTS

for the year ended September 30, 2021

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.

The Stabilus fiscal year 2021 (beginning on October 1, 2020) is still affected by uncertainties of the COVID-19 pandemic. In the second half of fiscal year 2021, the COVID-19 cases decreased in several countries as a consequence of increasing vaccination rates. Stabilus Group implemented testing and vaccination offers at its sites to support the vaccination of Stabilus employees and provided a safer working environment.

The Group continues with its global multidisciplinary crisis management team to monitor and analyze the situation on a weekly basis on a local and a global level and is taking actions to address and mitigate identified risks.

On March 4, 2021, Stabilus issued its first promissory loan note (Schuldscheindarlehen) with a total volume of €95,000 thousand via its subsidiary Stabilus GmbH and Stabilus S. A. acting as guarantor. The tranches of the promissory loan note with maturities of five and seven years bear variable interest rates. The promissory note loan is part of our long-term financing strategy and grants us flexibility in the implementation of our growth plans. The financial stability of the Stabilus Group is comfortable (we refer to Note 15). The financial covenants of the senior facility agreement have been complied with any time.

On March 8, 2021, the Stabilus S. A. announced its plan to change the legal form from Société Anonyme (S. A.) into an Societas Europaea (SE) and the subsequent transfer of the registered office from Luxembourg to Germany. The change of the legal form as well as the transfer of the registered office of the Company require the approval of the general meeting of the Company.

The intended change of the legal form into a European Company is due to the increasing international orientation of Stabilus which has gained in importance following the acquisitions of companies in recent years. The relocation will simplify the Group's structures and thus reduce complexity which will lead to cost savings and efficiency gains. At the same time, the transfer of the registered office means that in the future both the Group headquarters and the stock exchange listing of Stabilus will be located in Germany. This process is expected to be finalized in fiscal year 2022. Further information on the planned measures can be found at: www.stabilus.com/investors/se.

The impairment test for fiscal year 2021 confirms that the book value of the financial assets of 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, in any form, by any means, whether directly or indirectly, of participations, rights and interests in, and obligations of, 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 Stabilus S. A. and its affiliated companies.

The Grand-Ducal Regulation of September 12, 2019, determining the content of the standard chart of accounts as per Article 12 of the Commercial code revised the Luxembourg Standard Chart of Accounts (SCA) dated June 10, 2009. This new SCA applies to years beginning on or after January 1, 2020 to be filed with the Register of Commerce and Companies from 2021 onwards. As a result, this new SCA has been transposed in these annual accounts. However, the figures for the prior year ended have not been reclassified and the comparability with the figures might not be ensured with this year. This reclassification of comparative figures was not executed as the amounts are not material and have no impact on the result.

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_092

IN € THOUSANDS	Intangible assets	Tangible assets	Shares in affiliated undertakings	Total
Gross value				
Balance as of Sept 30, 2020	22	44	545,916	545,982
Additions	–	–	–	–
Decrease	–	–	(14,000)	(14,000)
Balance as of Sept 30, 2021	22	44	531,916	531,982
Accumulated value adjustments				
Balance as of Sept 30, 2020	(22)	(44)	–	(66)
Additions	–	–	–	–
Disposals	–	–	–	–
Balance as of Sept 30, 2021	(22)	(44)	–	(66)
Carrying amount				
Balance as of Sept 30, 2020	(0)	(0)	545,916	545,916
Balance as of Sept 30, 2021	(0)	(0)	531,916	531,916

The impairment test for fiscal year 2021 confirms that the book value of the financial assets of Stabilus S. A. is fully recoverable and has not been impaired.

4 Financial assets

Shares in affiliated undertakings T_093

IN € THOUSANDS	Proportion of capital held	Year-end date	Shares in affiliated undertakings as of Sept 30, 2021	Equity as of 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%	30.09.2020	531,916	422,961	(1,513)
Total			**531,916**		

The Company decreased its investment in Stable II S. à r. l. by distributing €14,000 thousand in February 2021 out of the share premium account of Stable II S. à r. l. The impairment test for fiscal year 2021 confirms that the book value of the financial assets of Stabilus S. A. is fully recoverable and has not been impaired.

5 Debtors

5.1 Amounts owed by affiliated undertakings

The amount increased to €3,702 thousand (PY: €679 thousand) and mainly relates to a cash pooling receivable of €3,487 thousand (PY: -) from affiliated undertakings. In addition, €215 thousand (PY: €679 thousand) is a receivable for providing management services from affiliated undertakings.

5.2 Other debtors

The amount mainly consists of a tax receivable amounting to €216 thousand (PY: €72 thousand).

6 Prepayments

Prepayments mainly relate to insurance contracts.

7 Capital and reserves

Issued capital as of September 30, 2021 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. During the fiscal year 2021, the Company did not buy any of its own shares.

The Annual General Meeting on February 10, 2021 approved the distribution of a dividend of €0.50 per share with a total amount of €12,350 thousand out of profit brought forward and to set off the loss from fiscal year 2020 amounting to €(1,881) 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 2021, 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 €4,243 thousand (PY: €4,200 thousand).

10 Other external expenses

Other external expenses T_094

	Year ended Sept 30,	
IN € THOUSANDS	**2021**	**2020**
Administration fees	294	280
Consulting fees	1,306	1,671
Audit fees	402	371
Group insurance	271	183
Legal and professional fees	295	213
Bank charges	57	37
Total	**2,625**	**2,755**

11 Staff costs

The Company employs 5 employees as of September 30, 2021 (PY: 6). The average number of employees in the financial year 2021 was 6 (PY: 7).

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 €947 thousand (PY: €1,070 thousand). The remuneration of the members of the Supervisory Board amounts to €477 thousand (PY: €406 thousand). 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, 2021, members of the Management and Supervisory Board held about 0.3% (PY: 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. The impacts of these programs are recognized in staff costs (we refer to Note 11) as well as in other creditors. The matching stock program is discontinued in prior years and no further tranches are granted. The current share-based payment arrangement is the performance share plan.

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 2021, the number of MSP A and MSP B share options developed as follows:

Number of share options T_095

	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
Outstanding as of October 1, 2020	**16,017**	**€48.64**	**7,238**	**€74.74**	**10,423**	**€74.22**
Granted during the year	–	–	–	–	–	–
Forfeited during the year	–	–	764	–	–	–
Exercised during the year	12,808	–	–	–	–	–
Outstanding as of September 30, 2021	**3,209**	**€48.64**	**6,474**	**€74.74**	**10,423**	**€74.22**
Exercisable as of September 30, 2021	**3,209**	**€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 total shareholder return (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 2021:

Performance Share Plan T_096

VALUATION DATE	Sept 30, 2020	Sept 30, 2021	Sept 30, 2021
Performance period	Oct 1, 2019 - Sept 30, 2022	Oct 1, 2019 - Sept 30, 2022	Oct 1, 2020 - Sept 30, 2023
Price of the Stabilus share	€50.15	€60.55	€60.55
„Initial Price" Stabilus share	€41.77	€41.77	€45.76
Expected annual dividend yield	2.0%	2.0%	2.0%
Remaining duration of granted performance shares	2.0 years	1.0 years	2.0 years
Risk-free annual interest rate (duration 2.0 years)	(0.73)%	(0.71)%	(0.73)%
Expected target achievement for internal target EBIT	100%	100%	100%
Cap per performance share used in the valuation	250% x €41.77	250% x €41.77	250% x €45.67

Number of share options T_097

	PSP (2019)		PSP (2020)		PSP (2021)	
	Number of options	Fair value	Number of options	Fair value	Number of options	Fair value
Outstanding as of October 1, 2020	**2,137**	**€36.66**	**3,986**	**€47.30**	**–**	**–**
Granted during the year	–	–	–	–	2,163	€44.19
Forfeited during the year	716	–	–	–	–	–
Exercised during the year	1,421	–	–	–	–	–
Outstanding as of September 30, 2021	**–**	**–**	**3,986**	**€62.04**	**2,163**	**€56.07**
Exercisable as of September 30, 2021	**–**	**–**	**–**	**–**	**–**	**–**

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 until June 2023, 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.

On March 4, 2021, Stabilus issued a promissory loan note (Schuldscheindarlehen), with a total volume of €95,000 thousand, via its subsidiary Stabilus GmbH. The tranches of the promissory loan note with maturities of five and seven years bear variable interest rates.

The Company is guarantor of the senior facility agreement as well as for the promissory loan note (Schuldscheindarlehen).

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, 2021.

Luxembourg, December 9, 2021
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 9, 2021

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
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 2021, 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 2021 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 as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 combined management report and the Corporate Governance Statement but does not include the annual accounts and our report of the "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.

The Management Board is responsible for presenting the annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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 the "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.

Our responsibility is to assess whether the annual accounts have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

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 Boards' 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 General Meeting of the Shareholders on 10 February 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is eight years.

The combined management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the combined management report. The information required by Article 68ter paragraph (1) letter 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 N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the annual accounts of Stabilus S.A. as at 30 September 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

- Annual accounts prepared in a valid xHTML format.

In our opinion, the annual accounts of Stabilus S.A. as at 30 September 2021, identified as ESEF_StabilusSA_EA_2021-09-30.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 9 December 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Philippe Meyer

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ADDITIONAL INFORMATION

for the fiscal year ended September 30, 2021

FINANCIAL CALENDAR

Financial calendar T _ 098

DATE[1)2)]	PUBLICATION / EVENT
December 10, 2021	Publication of full year results for fiscal year 2021 (Annual Report 2021)
January 31, 2022	Publication of the first-quarter results for fiscal year 2022 (Quarterly Statement Q1 FY2022)
February 16, 2022	Annual General Meeting
May 2, 2022	Publication of the second-quarter results for fiscal year 2022 (Interim Report Q2 FY2022)
August 1, 2022	Publication of the third-quarter results for fiscal year 2022 (Quarterly Statement Q3 FY2022)
November 11, 2022	Publication of preliminary financial results for fiscal year 2022
December 9, 2022	Publication of full year results for fiscal year 2022 (Annual Report 2022)

1) We cannot rule out changes of dates. We recommend checking them on our website in the Investors / Financial Calendar section (www.stabilus.com/investors/financial-calendar).

2) Please note that our fiscal year (FY) comprises a twelve-month period from October 1 until 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.stabilus.com/investors.

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