AGILE. DISTINCT. RESILIENT.

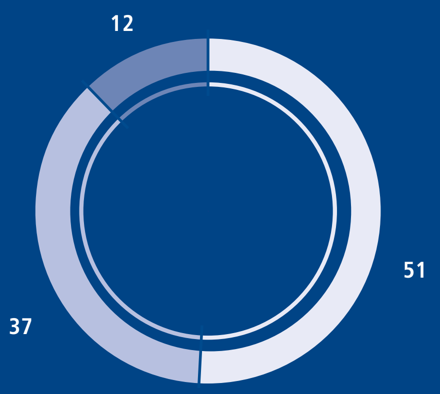
PREPARED FOR THE FUTURE

ANNUAL REPORT 2019

KEY FIGURES

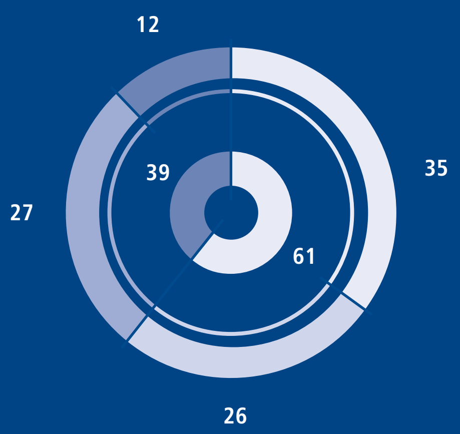
IN € MILLIONS	Year ended Sept 30, 2019	2018	Change	% change
Revenue	951.3	962.6	(11.3)	(1.2%)
EBIT	124.0	131.9	(7.9)	(6.0%)
Adjusted EBIT	142.7	149.3	(6.6)	(4.4%)
Profit for the period	80.9	105.4	(24.5)	(23.2%)
Capital expenditure	(56.5)	(47.5)	(9.0)	18.9%
Free cash flow (FCF)	48.5	100.2	(51.7)	(51.6%)
Adjusted FCF	89.9	100.2	(10.3)	(10.3%)
EBIT as % of revenue	13.0%	13.7%		
Adjusted EBIT as % of revenue	15.0%	15.5%		
Profit in % of revenue	8.5%	10.9%		
Capital expenditure as % of revenue	5.9%	4.9%		
FCF in % of revenue	5.1%	10.4%		
Adjusted FCF in % of revenue	9.5%	10.4%		
Net leverage ratio	1.0x	1.1x		

REVENUE BY REGION
(LOCATION OF STABILUS COMPANY)



51% Europe
37% NAFTA
12% Asia / Pacific and RoW

REVENUE BY MARKET

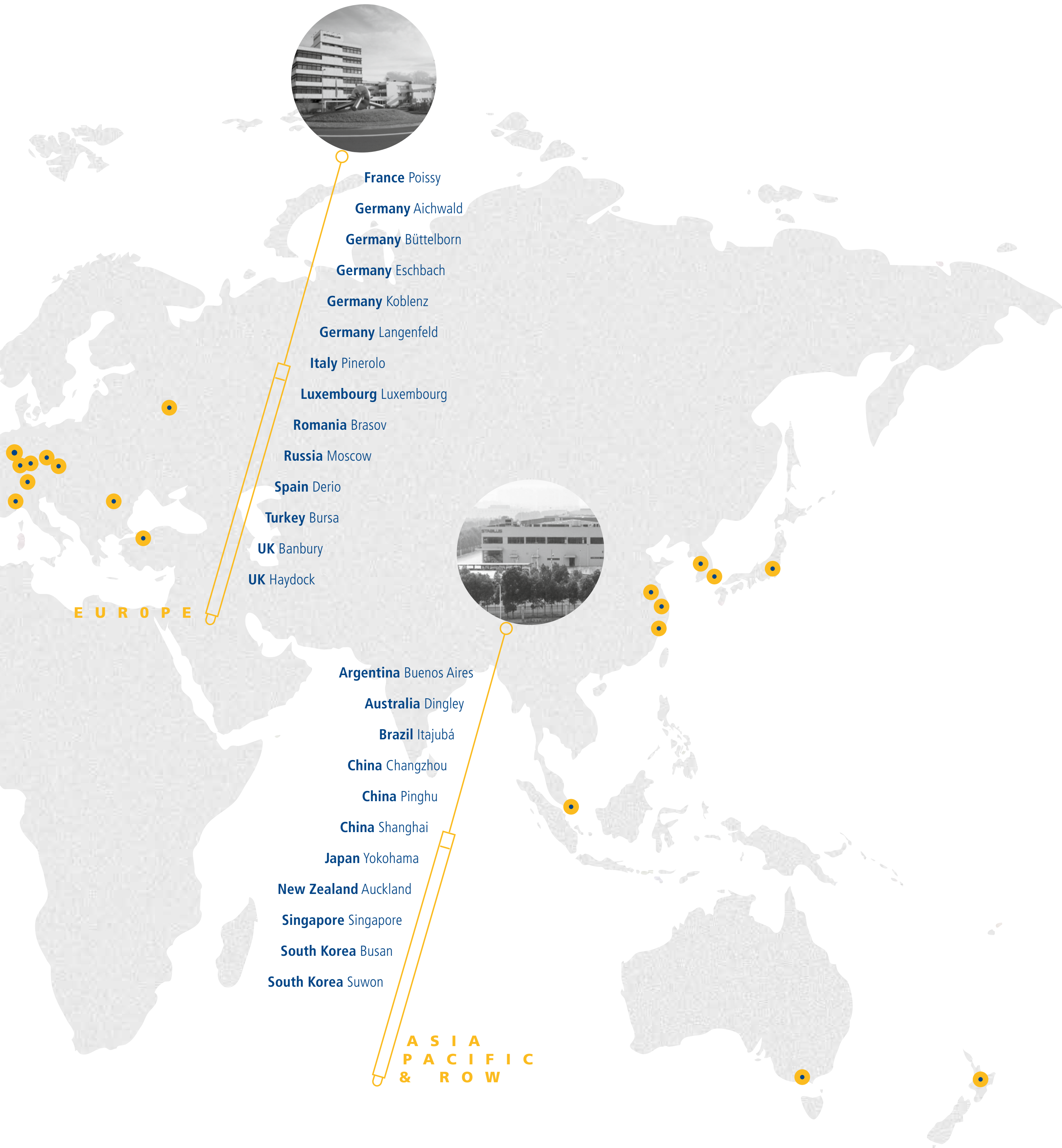


61% Automotive Business
35% Automotive Gas Spring
26% Automotive Powerise®

39% Industrial Business
27% Industrial / Capital Goods
12% Vibration & Velocity Control

As one of the world's leading providers of gas springs, dampers and electromechanical drives, we have been showing our expertise for eight decades – in the automobile industry, mechanical engineering, shipping, aviation, renewable energies and a host of other sectors such as the furniture segment and building services engineering. With our gas springs, dampers and electromechanical Powerise drives, we optimize opening, closing, lifting, lowering and adjusting actions from deep sea to outer space.

OUR GLOBAL FOOTPRINT


France Poissy
Germany Aichwald
Germany Büttelborn
Germany Eschbach
Germany Koblenz
Germany Langenfeld
Italy Pinerolo
Luxembourg Luxembourg
Romania Brasov
Russia Moscow
Spain Derio
Turkey Bursa
UK Banbury
UK Haydock
EUROPE
Argentina Buenos Aires
Australia Dingley
Brazil Itajubá
China Changzhou
China Pinghu
China Shanghai
Japan Yokohama
New Zealand Auckland
Singapore Singapore
South Korea Busan
South Korea Suwon
ASIA PACIFIC & ROW

CONTENTS

A / TO OUR SHAREHOLDERS

B / COMBINED MANAGEMENT REPORT

C / CONSOLIDATED FINANCIAL STATEMENTS

D / ANNUAL ACCOUNTS

E / ADDITIONAL INFORMATION

A

TO OUR SHARE- HOLDERS

PAGE 6 – 16

LETTER FROM THE CEO

» As the new Chief Executive Officer, I am looking forward to the task of realizing our STAR 2025 strategy and expanding Stabilus' position as the leading provider in the field of motion control.

Dr. Michael Büchsner
CEO

DEAR SHAREHOLDERS, CUSTOMERS, BUSINESS PARTNERS, EMPLOYEES, LADIES AND GENTLEMEN

Stabilus experienced relatively stable performance in the 2019 fiscal year in a challenging market environment. Revenues of €951.3 million (– 1.2% y/y) were essentially on the prior year's level, while the adjusted EBIT margin amounted to 15.0%. Thus we have met our outlook for the 2019 fiscal year. The megatrends driving our long-term growth remain intact: Demographic change, higher standards of living and greater demand for convenience as well as rising health and safety requirements will continue to shape societies around the world and their consumer and purchase decisions in the future. We will benefit disproportionately from these trends thanks to our motion-control solutions for a wide range of industries. We therefore already expect to return to our growth path in the 2020 fiscal year and confirm the STAR 2025 long-term forecast from 2017.

As the new Chief Executive Officer, I am looking forward to the task of realizing our STAR 2025 strategy and expanding Stabilus' position as the leading provider in the field of motion control. Our company has everything it needs to achieve this goal: a highly motivated workforce, a strong international management team, proven innovation and implementation strength, and an absolute focus on the customer. The strength of the diversification across our industrial and automotive business was demonstrated in the 2019 fiscal year, with revenue growth of 5.1% to €369.9 million in the industrial business largely offsetting the downturn of (4.8)% to €581.4 million in the more cyclical automotive business. While the automotive segment mainly suffered from weak automotive production in Europe and China, the industrial segment saw growth in the areas of solar dampers, production and construction technology in particular. In terms of the regions we serve, revenues in Europe declined by (1.9)% to €482.1 million, revenues in the NAFTA region rose by 2.6% to €357.3 million on the back of USD/EUR exchange rate effects, and revenues in Asia / Pacific and the Rest of the World (RoW) fell by (9.1)% to €111.9 million.

In the period under review, we continued to invest in our future growth: The total capital expenditure in fiscal year 2019 amounted to €56.5 million, which was 18.9% above the prior year's level. In particular, we have invested in production machinery and equipment in China, Mexico and Romania. In addition to that, we have acquired a new building for HAHN Gasfedern gas spring production in Germany and started construction of a new Powerise production facility in Pinghu, China.

In Asia in particular, where demand in the past fiscal year was especially weak, we made a point of continuing to invest rather than scaling back our capacities.

In terms of earnings, Stabilus generated adjusted EBIT of €142.7 million in the 2019 fiscal year after €149.3 million in the previous year. Net profit amounted to €80.9 million in the period under review after €105.4 million in the previous year, while it is noteworthy that the prior-year figure included a non-recurring positive tax effect of €11.1 million. We want our shareholders to participate in the company's success once again this year and will propose a dividend of €1.10 per share to the Annual General Meeting, which is an increase of 10% vs last year's dividend payment of €1.00 per share.

Assuming the year-on-year constant USD/EUR exchange rate of 1.13 and the current forecast for global vehicle production of 88.3 million units in the 2020 fiscal year, we are anticipating revenue growth of around 2 – 4% to between €970 million and €990 million in the 2020 fiscal year, accompanied by an adjusted EBIT margin of around 15.0%.

We are also confirming the STAR 2025 long-term forecast from 2017, which sets out a target of average annual organic revenue growth of 6% between now and the 2025 fiscal year. This will require the current expectations in terms of average global GDP growth of 2.8% to 3.0% for the calendar years 2021 to 2025 to realize and global vehicle production to recover to the current forecast level of 91.8 million vehicles in the 2021 calendar year and increase further to 101.7 million vehicles by the 2025 calendar year.

On behalf of the entire management team, I would like to take this opportunity to thank our shareholders for the confidence they have shown in Stabilus. I would also like to thank our employees for their consistently hard work and their excellent team spirit, which sustainably shapes the culture at all of Stabilus' locations. Last but by no means least, thanks are due to our customers for their confidence and loyalty, and to our business partners for the strong and successful cooperation we enjoy. My Management Board colleagues and I are looking forward to working with you to continue to develop Stabilus in the 2020 fiscal year. On a personal level, I would like to take this Annual Report as an opportunity to introduce myself in greater detail in the interview on pages 10 to 13.

Yours sincerely,

DR. MICHAEL BÜCHSNER
CEO

REPORT OF THE SUPERVISORY BOARD

» The Supervisory Board advised the Management Board in regard to strategic and operational decisions as well as governance topics…

Dr. Stephan Kessel
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

The past year saw major changes in the governance of the Stabilus S.A. To fill the gap since the former CEO decided to move on, I was appointed as interim CEO until July 31, 2019. This appointment resulted in the temporary suspension of my functions in the Supervisory Board.

Mr. Udo Stark, who had been Chairman of the Supervisory Board until 2018 agreed to temporary come back and took over the chair of the board. He retired from his functions on July 31, 2019.

In the fiscal year 2019, the Supervisory Board of Stabilus S.A. performed its tasks and monitored the Management Board in accordance with legal requirements and the Articles of Association of Stabilus S. A. The Management Board and the Supervisory Board maintained close and regular contact. The Supervisory Board advised the Management Board in regard to strategic and operational decisions as well as governance topics and decided on matters requiring Supervisory Board approval. In the fiscal year 2019, the members of the Supervisory Board were Mr. Udo Stark (member and chairman until July 31, 2019), Dr. Stephan Kessel (member and chairman from August 1, 2019 on), Dr. Joachim Rauhut, Dr. Ralf-Michael Fuchs and Dr. Dirk Linzmeier.

The Supervisory Board held in total twelve meetings during the fiscal year 2019 and so far three in the fiscal year 2020. Except for one meeting during the 2019 fiscal year in which one Supervisory Board member could not participate, all of the Supervisory Board members were present in all meetings. On two occasions a member joined the meeting via phone. Ongoing subjects in the meetings were the current status and performance of the Stabilus Group, including its commercial position as well as its relevant financial data. The discussions were based on regular and extensive reports in verbal and written form by the Management Board. Other activities included strategy presentations and a strategy workshop, as well as the organizational development and potential acquisitions to enhance the profitable growth of the Stabilus Group.

During the reporting period, the members of the Audit Committee were Dr. Joachim Rauhut (Chairman), Mr. Udo Stark (until July 31, 2019) and Dr. Stephan Kessel (from August 1, 2019 on). Material questions concerning auditing, accounting, risk management, compliance and respective controls and systems were subject to the monitoring duties of the Audit Committee. The Audit Committee discussed in particular the Quarterly Reports, the relationship with investors and the audit assignment to KPMG Luxembourg including the focus areas of the audit. In the fiscal year 2019, the Committee held five meetings and two meetings were held since the beginning of the 2020 fiscal year. In the meetings, all members were present, once a member joined via phone.

During the reporting period, the members of the Remuneration and Nomination Committee were Mr. Udo Stark (member and chairman until July 31, 2019), Dr. Stephan Kessel (member and chairman from August 1, 2019 on) and Dr. Ralf-Michael Fuchs. Remuneration, nomination and general Board matters were discussed by the Committee. The Committee prepared Supervisory Board decisions regarding the appointment of Dr. Michael Büchsner as Company's Chief Executive Officer. In addition, the Committee developed the remuneration policy and the remuneration report in accordance with the Luxembourg law of August 1, 2019, the Second Shareholders' Rights Directive ("SRD II", Directive (EU) 2017/828). The remuneration policy contains the remuneration scheme which was already approved by the Annual General Meeting on February 13, 2019. In the fiscal year 2019, the Remuneration and Nomination Committee held thirteen meetings via phone and in person and one meeting was held since the beginning of the 2020 fiscal year. In all meetings, all members of the Remuneration and Nomination Committee were present.

Supervisory Board examined the Company's annual accounts, the consolidated financial statements and the management report for the fiscal year 2019. Representatives of the auditor KPMG Luxembourg attended the meetings of the Audit Committee on November 13, 2019, and on December 12, 2019, 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 2019 fiscal year 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 2019. The auditor issued unqualified audit opinions on December 12, 2019.

On behalf of the Supervisory Board, I would like to thank the Stabilus Management for excellent achievements throughout the last fiscal year and for the open and effective collaboration. I want to thank the Stabilus employees for their remarkable contributions to the Company's success as well as our shareholders for the highly valued trust which they place in Stabilus. Let me extend my sincere gratitude to Udo Stark, too. He was asked on short notice to help out and did respond in a truly exemplary way. The Management Board as well as the Supervisory Board are grateful for the service offered and his passionate leadership during a turbulent year for Stabilus S.A.

Luxembourg, December 12, 2019
On behalf of the Supervisory Board of Stabilus S. A.

Yours sincerely,

Stephan Kessel

DR. STEPHAN KESSEL
CHAIRMAN OF THE SUPERVISORY BOARD

INTERVIEW WITH CEO DR. MICHAEL BÜCHSNER

»
In the short and medium term, one of the focal points of my work will be to expand Stabilus' position as a leading partner for motion-control solutions on a cross-sector basis.

Dr. Michael Büchsner
CEO

»
Stabilus has a very broad product range and customer base, giving it the ideal conditions for continued profitable growth…

Dr. Büchsner, you took up your position as Chief Executive Officer of Stabilus in early October 2019. Why did you choose Stabilus?

BÜCHSNER: I had already encountered Stabilus on numerous occasions during my career and knew that it was synonymous with innovative products and the very highest quality across a wide range of industries. As an engineer, I was deeply impressed by the products. As a manager, the company's strong growth prospects and the diversity of the markets and tasks involved were key factors in my decision. The breadth of the product range for industrial and automotive applications also excited me.

What are your responsibilities as Chief Executive Officer?

As Chief Executive Officer, I am responsible for the strategic, long-term orientation of the company, as well as supporting our teams in the operational implementation of strategic initiatives. In the short and medium term, one of the focal points of my work will be to expand Stabilus' position as a partner of choice for motion-control solutions on a cross-sector basis. Many people still see Stabilus as an automotive supplier, even though we already generate around 40 percent of our revenues in industries such as agriculture, medical technology, mechanical engineering, renewable energies, and aviation. I want to change this incomplete understanding of our company on the market.

What relevant experience do you bring to the role?

In addition to a well-founded technical and business background, I have international experience in all phases of the economic cycle, a good instinct for team leadership, and a very high degree of customer orientation. In my previous role, where I was responsible for 40,000 employees, my team and I increased annual revenues from around €2 billion to around €4 billion in four years.

Your background is primarily in the automotive industry. What can you contribute in terms of developing the industrial sector?

Although I have focused on the automotive industry to date, in the first ten years of my career I was responsible for plant engineering and maintenance. Back then I was already a good customer of the Stabilus subsidiaries ACE and Hahn. In other words, I have got to know our business from a customer perspective over the years and have seen for myself how robust and reliable our products are. The automotive supply industry is famous for its exacting standards when it comes to quality, innovation, durability, efficiency, and service. When it comes to developing the industrial sector, I can contribute this awareness and the necessary attention to detail. Stabilus has a very broad product range and customer base, giving it the ideal conditions for continued profitable growth across all regions and industries – both organically and through targeted acquisitions.

How do you see Stabilus' strategic positioning and what are your goals for the company?

Stabilus is extremely well positioned in terms of its product portfolio and geographical footprint. We want to be the preferred supplier for motion-control solutions across all industries and regions. In order to achieve this, we have defined a clear process that is set out in our STAR 2025 strategy and firmly enshrined at all levels of our company.

So you stand behind the STAR 2025 strategy?

Yes, I am fully committed to STAR 2025. The STAR strategy was developed at the heart of the company and provides clear targets and orientation for all employees. We very much intend to carry it on and expand it. However, a groundbreaking, long-term strategic process like this cannot afford to be rigid and inflexible. In the future, we will continue to review it at least twice a year and adjust it to reflect new focal points in our product portfolio, for example.

STAR 2025 sets out a target of average annual organic revenue growth of six percent between now and 2025. Do you still consider this to be achievable in light of the 2018 and 2019 fiscal years?

We have carefully examined the targets together with our international management teams. If the current expectations for the development of the industries in which we are active prove to be correct, this will be an ambitious but realistic target.

STAR 2025 also involves planned acquisitions. Which regions and industries is Stabilus looking at?

At Stabilus, we have the advantage that we can continue to invest in a targeted manner. Our M&A team is examining interesting options as part of a structured process, with a particular focus on motion control for industrial applications. Geographically, we are looking more closely at the Asian region, but we would also take advantage of attractive opportunities in other regions. In light of the highly volatile environment in the automotive market, I am not ruling out acquisitions in this sector either. Our aim is to ensure a diversified presence and acquisitions are a part of this strategy.

What is your strategy for integrating purchased companies?

You always have to ask yourself what the right amount of integration is. In the case of strong brands with a reputation for quality, synergies primarily result from the joint use of sales networks and our global locations. It can make sense to retain high-profile brand names under the umbrella of the Stabilus Group. Ultimately, though, decisions are always taken on a case-by-case basis.

Will the current dividend policy be maintained?

Yes. As previously, we intend to distribute between 20 and 40 percent of our consolidated net profit to our shareholders every year.

» Yes, I am fully committed to STAR 2025.

What is Stabilus' aim for the coming years in terms of the revenue breakdown between automotive and industrial business?

We intend to expand the share of industrial business from its current level of around 40 percent, not only organically by developing new customers, industries, and regions, but also through targeted acquisitions. Generally speaking, we are anticipating growth in both the industrial and automotive sectors between now and 2025.

What are the synergies between automotive and industrial business?

The differences between automotive and industrial business are not so much about the products, but the ways in which these products are utilized. This is what makes us so successful in industrial business: Customers know that every one of the products they use has been employed similarly millions of times over the years, in the automotive industry and in many other sectors besides.

How does Stabilus reach new customers and how does it develop existing customer relationships?

This is where our customer-oriented solutions expertise comes into play. It is not uncommon for customers from all kinds of industries to contact us with their own highly specific motion-control requirements and to ask for a solution that we develop together with them. At the same time, we also actively approach companies and propose efficient and, in some cases, alternative motion-control solutions using our products. We see great potential in actively addressing existing and new customers.

What are the current challenges and how is Stabilus responding to them?

In terms of world politics, there are currently a number of unresolved issues affecting a number of industries: global trade disputes, the conflict in the Middle East, and Brexit, to name just a few. The automotive market is dominated by topics like Dieselgate, CO_2 emissions, electric mobility, and the fundamental question of the future of mobility. We need to take the right decisions in order to prepare our product strategy and our business model for the future. Our STAR process represents a good plan for

addressing these challenges. Motion control is a broad field that will allow us to continue to develop in the automotive and industrial sectors alike. The megatrends of demographic change, the desire for comfort in all areas of life, and more stringent health and safety standards offer considerable potential for us, both now and in the future.

What is important to you in the first 100 days in your new role?

Communication. Being open to people and understanding them. If you fail to do this in the first 100 days, you will never get another opportunity. Another priority in my first few months is to press ahead with innovation processes. As such, I have undertaken to talk to all employees in central functions – that means more than 100 individual meetings. I will also be meeting with employee representatives and making visits to ten suppliers and ten customers. I have already worked on each of the three production shifts and stood on the production line to familiarize myself with our products to an even greater extent, but also to talk to employees. Trips to the USA and China are planned for the coming months in order to get to know the local teams and understand the issues there.

» Motion control is a broad field that will allow us to continue to develop in the automotive and industrial sectors alike.

STABILUS SHARE

Stabilus share data

Ticker symbol	STM
Bloomberg ticker symbol	STM:GR
Reuters ticker symbol	STAB.DE
ISIN	LU1066226637
German security identification number (WKN)	A113Q5
Number of shares outstanding (Sept 30, 2019)	24,700,000
Type of shares	Dematerialized shares with a nominal value of €0.01
Capital stock (Sept 30, 2019)	€247,000

Stabilus share price impacted by challenging markets in Europe and China

Over the course of the fiscal year 2019, Stabilus' share price decreased by thirty-seven percent from €71.60 to €44.90. During the same period SDAX dropped by six percent, DAXsector All Automobile and DAXsector Industrial each by almost ten percent.

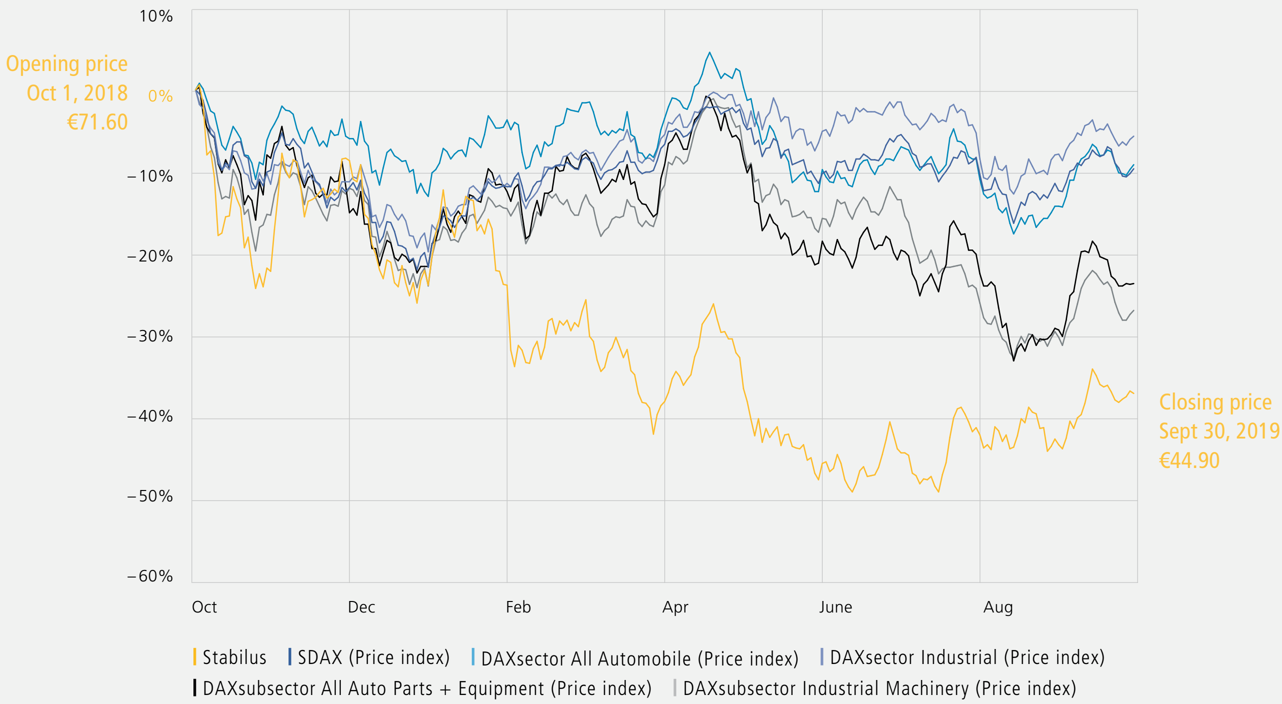
From the beginning of October 2018 until end of January 2019, Stabilus shares mostly followed the trend in the European automotive and industrial sectors. Weaker market data from China, reduced growth rates in the automotive business and following changes in company's FY2019 outlook, however, caused the Stabilus share price to fall behind its peer indices in February and then once more in May 2019. Nevertheless, until the end of fiscal year 2019, it was able to make up for some of the lost ground and to reduce the gap to its peer indices DAXsubsector Industrial Machinery and DAXsubsector All Auto Parts + Equipment.

Shareholder structure

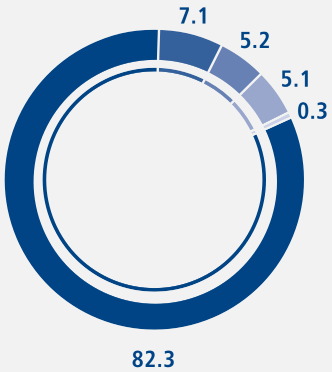
According to the voting rights notifications received until September 30, 2019, Marathon Asset Management LLP, London, UK , Allianz Global Investors GmbH, Frankfurt am Main, Germany and Ameriprise Financial, Inc., Minneapolis, MN, USA each hold more than 5% of Stabilus shares. Stabilus management, i.e. members of the Management Board and of the Supervisory Board, hold 0.3% of the total shares.

The aforementioned and all other voting-right notifications are published on our website www.ir.stabilus.com.

SHARE PRICE DEVELOPMENT



SHAREHOLDER STRUCTURE
IN % AS OF SEPTEMBER 30, 2019



7.1%	Marathon Asset Management LLP, London, UK
5.2%	Allianz Global Investors GmbH, Frankfurt am Main, Germany
5.1%	Ameriprise Financial, Inc., Minneapolis, MN, USA
0.3%	Management
82.3%	Other institutional and private investors

Annual General Meeting

Approximately 56% of equity capital was represented at our Annual General Meeting which was held on February 13, 2019, in Luxembourg. Each resolution proposed by the company's management was approved by a large majority of shareholders. Among other things, the shareholders approved a new remuneration scheme, the amended directors' term of office and the new authorized capital. All of the documents and information regarding the Annual General Meeting can be found at www.ir.stabilus.com.

Dividend proposal of €1.10 per share

The Management Board and the Supervisory Board have resolved to propose a dividend distribution of €1.10 per share (PY: €1.00 per share) to the Annual General Meeting to be held in Luxembourg on February 12, 2020. It corresponds to a total dividend of €27.2 million (PY: €24.7 million) and the distribution ratio of 33.7% (PY: 23.4%) of the consolidated profit attributable to the Stabilus shareholders.

DEVELOPMENT OF STABILUS SHARE PRICE SINCE IPO

Regular dialog with investors and analysts

In fiscal year 2019 we continued to pursue our goal of providing all market participants with relevant and reliable information. We conducted ten roadshows in Europe's major financial centers, hosted twenty-two site visits and participated in the following international conferences:

- Berenberg Milan Seminar, Milan
- Credit Suisse Paris Auto Show Conference, Paris
- Berenberg European Corporate Conference, Pennyhill Park, Surrey
- ODDO BHF Forum, Lyon
- Commerzbank German Investment Seminar, New York
- Kepler Cheuvreux 18th German Corporate Conference, Frankfurt am Main
- 13th ODDO BHF German Conference, Frankfurt am Main
- HSBC Luxembourg Day, Luxembourg
- Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
- UBS Pan European Small and Mid-Cap Conference, London
- Commerzbank Northern European Conference, New York and Boston
- Berenberg Conference USA, Tarrytown
- Societe Generale Nice Conference, Nice
- J.P. Morgan 7th Annual Auto Conference, London
- Warburg Highlights Conference, Hamburg
- Commerzbank Sector Conference, Frankfurt am Main
- Berenberg and Goldman Sachs Eighth 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
Commerzbank	Yasmin Steilen
Hauck & Aufhäuser	Christian Glowa
J.P. Morgan	Jose M Asumendi, Akshat Kacker
Kepler Cheuvreux	Hans-Joachim Heimbürger
MainFirst	Alexander Wahl
Pareto Securities	Stefan Augustin
Quirin	Daniel Kukalj
Societe Generale	Stephen Reitman
UBS	Sabrina Reeh
Warburg Research	Marc-René Tonn

B

COMBINED MANAGEMENT REPORT

PAGE 18 – 44

COMBINED MANAGEMENT REPORT

as of and for the fiscal year ended September 30, 2019

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 Europe, NAFTA as well as Asia / Pacific including Rest of World (RoW). 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 diversify the Group's customer base. Almost 40% of the Group's revenue in fiscal year 2019 were 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 Europe and NAFTA. Management seeks to increase revenue from Asian OEMs in the automotive business, supported by targeted investments in additional production capacity in this region. To achieve this goal, management has implemented a targeted sales strategy and is further strengthening application engineering capabilities in China, which has already secured orders from several local Chinese OEMs, both for Gas Spring and Powerise®. Stabilus´s market share with European and US car manufactures has long since been strong.

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

Industrial: Increase regional coverage

While Stabilus has a large industrial market share in some European countries in which the Company has a strong commercial presence, the Group believes that there is still potential to increase market share in Asia and North America, where the Company's market coverage is comparatively less strong. Management has identified regions and countries in which the Company has the opportunity to repeat the successful strategies from markets where Stabilus has a high share, by improving market coverage with the objective of strengthening the local sales footprint. In addition, Stabilus is duplicating its production, application engineering and sales know-how from Europe and NAFTA to the Asia / Pacific 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 Asia / Pacific region.

In fiscal year 2019 Stabilus acquired General Aerospace (Germany), Piston (Turkey) and Clevers (Argentina) to strengthen the industrial business in all regions and in specific end markets. One important end market is the aerospace business. The rationale is to expand the motion control product portfolio in the aviation industry and to further develop the aircraft aftermarket and the retrofit business.

BENEFIT FROM MEGATRENDS, SUCH AS INCREASING COMFORT REQUIREMENTS AND AGING POPULATION

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

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

FOCUS ON INNOVATIVE COMPONENTS AND SYSTEMS TO TAKE ADVANTAGE OF GLOBAL INDUSTRY TRENDS

The products of Stabilus are at the forefront of innovation in motion control. The Company employs 405 people (PY: 352 people) in R&D across its three regional segments as of September 30, 2019. Stabilus is focused on designing and manufacturing highly-engineered components, modules and system solutions that address key global trends in the automotive and industrial sectors. The Company aims to adapt to these trends by continuously improving its existing technology, in particular the requirement for ergonomic solutions as well as automated opening and closing systems. Management believes that actively addressing these key trends reinforces the Company's ability to maintain its market share and profitability.

In the industrial sector, the Company continues to develop products for enhanced safety and comfort. For example, it is selling a seat application based on the Bloc-O-Lift® system for use in airplane seats. In addition, dampers manufactured by Stabilus are increasingly used in suntracking solar parks. Our dampers protect the modules by reducing wind induced vibration. Management expects that the recent and ongoing growth of our customer base for Powerise® solutions due to the superior technology features of the Company's products will be a key growth driver for Stabilus. While Powerise® systems were in the past deployed only in the luxury and SUV car segments, Powerise® has successfully gained market shares with mid-class vehicles such as the VW Passat and Ford Mondeo. The Company is working on and investing in improving and further developing its current spindle drive technology to further reduce noise, weight and costs. In addition, Stabilus is exploring industrial applications for its Powerise® systems.

MAINTAIN AND STRENGTHEN COST AND QUALITY LEADERSHIP

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

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

Continue to optimize cost base

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

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

BUSINESS AND GENERAL ENVIRONMENT

Stabilus Group operates in automotive and in industrial markets.

In the industrial markets, Stabilus supplies customers in a large number of sub-industries, e.g. industrial production equipment, automation, construction machinery, transportation (aircraft, trucks and buses, marine), agricultural machinery, medical applications, renewable energy (in particular solar and wind). Hence, our revenue development in the industrial business depends to a certain degree on the macroeconomic development, i.e. the growth rate of the gross domestic product (GDP) in the countries and regions we operate in.

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

Macroeconomic development

As per the latest figures published by the International Monetary Fund (IMF), the global GDP growth in the calendar year 2019 is projected to be 3.0% (2018: 3.6%). Global GDP growth is projected to increase to 3.4% in the calendar year 2020 on the back of strong growth in developing economies. Advanced economies are projected to expand by 1.7% in the calendar year 2019. This is significantly lower than the 2.3% growth experienced by advanced economies in the calendar year 2018. It is projected that growth in advanced economies shall remain roughly on prior year level at 1.7% in the calendar year 2020. However, developing economies are projected to continue to enjoy strong growth. The growth rate in developing economies is projected to be marginally lower at 3.9% in the calendar year 2019 (2018: 4.5%) before rising up to 4.6% in 2020.

Latest growth projections for selected economies

T_001

% YEAR-ON-YEAR CHANGE IN THE CALENDAR YEAR	2018	2019*	2020*
World	**3.6%**	**3.0%**	**3.4%**
Advanced economies	**2.3%**	**1.7%**	**1.7%**
Euro Area	1.9%	1.2%	1.4%
United Kingdom	1.4%	1.2%	1.4%
United States	2.9%	2.4%	2.1%
Canada	1.9%	1.5%	1.8%
Japan	0.8%	0.9%	0.5%
Developing economies (emerging markets)	**4.5%**	**3.9%**	**4.6%**
Emerging and developing Europe	6.4%	5.9%	6.0%
Russia	2.3%	1.1%	1.9%
China	6.6%	6.1%	5.8%
Mexico	2.0%	0.4%	1.3%
Brazil	1.1%	0.9%	2.0%

Source: IMF, October 2019 World Economic Outlook.
* Projections.

Development of vehicle markets

The global production of light vehicles in the last twelve months was weak. According to IHS forecasts as of October 2019, the global production is expected to decrease from 94.2 million units in calendar year 2018 to approximately 88.8 million vehicles in 2019 which corresponds to a growth rate of – 6.1% in calendar year 2019. Thus, in 2019, the output of new passenger cars and light commercial vehicles in Asia / Pacific and RoW is forecasted to reach around 51.3 million vehicles (– 7.7% versus 55.3 million units in 2018), approximately 21.2 million vehicles (22.0 million versus 2018) in Europe and around 16.3 million vehicles (– 4.2% versus 17.0 million units in 2018) in the NAFTA region.

Estimations of the German Association of the Automotive Industry (VDA) for the period January-August 2019 show a mixed picture of new car registrations in the major car markets. New car registrations in Germany from January to August increased by 1% while total Europe new car registrations were down by – 4%. The USA showed a flat development of 0% and Japan showed an increase of 1%. China showed a sharp contraction of – 12%.

Production of light vehicles

T_002

IN MILLIONS OF UNITS PER CALENDAR YEAR	2018	2019**	2020**	2021**	2022**	2023**	2024**
Europe	22.0	21.2	21.0	21.6	21.8	21.9	22.0
NAFTA	17.0	16.3	16.6	16.5	16.7	16.8	17.1
Asia / Pacific and RoW	55.3	51.3	51.3	53.5	55.6	58.3	60.3
Worldwide production of light vehicles*	**94.2**	**88.8**	**88.9**	**91.6**	**94.1**	**97.1**	**99.3**

Source: IHS
* Passenger cars and light commercial vehicles (<6t)
** IHS forecast as of October 2019

Sport Utility Vehicles (SUVs), Multi-Purpose Vehicles (MPVs) as well as off-road vehicles continue to remain popular with customers. In Germany, the German Department of Motor Vehicles (Kraftfahrt-Bundesamt, KBA), a government agency administering vehicle registrations publishes monthly statistics of new passenger car registrations, classified by car models and segment types. According to KBA statistics, the SUV segment grew 15% for the period January-September 2019, compared to the same period in 2018 while registrations of Off-road vehicles also recorded a correspondingly strong increase of 14% over the same period in 2018. This is much stronger growth than that recorded by other passenger car segments and all the more remarkable when considering that overall new car registrations have grown only by 2.5% in the same period.

According to information released by the China Association of Automobile Manufacturers (CAAM) for the period January-September 2019, the sale of passenger cars was down 12% compared to the same period in 2018. Sale of SUVs and MPVs declined by 9% and 22% respectively, again reflecting relative consumer interest in SUVs.

Based on data released by IHS Markit, total sale of vehicles was down by 1.0% for the period January-September 2019 compared with the same period in 2018. The highest market share has the SUV segment, which also grew by 2.4% compared to 2018.

Alternative Performance Measures (APMs) in the annual report of fiscal year 2019

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 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 APMs organic growth and adjusted FCF are used to provide information adjusted for effects from acquisitions. These APMs are presented because we believe it helps understanding our operating performance.

Organic growth is defined as growth in revenue adjusted for the effects from material acquisitions and divestments and at constant US dollar exchange rates.

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

RESULTS OF OPERATIONS

The table below sets out Stabilus Group's consolidated income statement for the fiscal year 2019 in comparison to the fiscal year 2018:

Income statement

T_003

IN € MILLIONS	Year ended Sept 30, 2019	2018	Change	% change
Revenue	951.3	962.6	(11.3)	(1.2)%
Cost of sales	(675.0)	(671.4)	(3.6)	0.5%
Gross profit	**276.4**	**291.2**	**(14.8)**	**(5.1)%**
Research and development expenses	(39.2)	(42.0)	2.8	(6.7)%
Selling expenses	(84.2)	(81.3)	(2.9)	3.6%
Administrative expenses	(35.7)	(38.5)	2.8	(7.3)%
Other income	8.3	3.9	4.4	>100.0%
Other expenses	(1.7)	(1.3)	(0.4)	30.8%
Profit from operating activities (EBIT)	**124.0**	**131.9**	**(7.9)**	**(6.0)%**
Finance income	1.3	6.7	(5.4)	(80.6)%
Finance costs	(10.4)	(12.1)	1.7	(14.0)%
Profit / (loss) before income tax	**114.9**	**126.5**	**(11.6)**	**(9.2)%**
Income tax income / (expense)	(34.0)	(21.1)	(12.9)	61.1%
Profit / (loss) for the period	**80.9**	**105.4**	**(24.5)**	**(23.2)%**

Revenue

Group's total revenue developed as follows:

Revenue by region

T_004

IN € MILLIONS	Year ended Sept 30, 2019	2018	Change	% change
Europe [1]	482.1	491.3	(9.2)	(1.9%)
NAFTA [1]	357.3	348.1	9.2	2.6%
Asia / Pacific and RoW [1]	111.9	123.1	(11.2)	(9.1%)
Revenue [1]	**951.3**	**962.6**	**(11.3)**	**(1.2%)**

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

Total revenue of €951.3 million in fiscal year 2019 decreased by €(11.3) million or 1.2% compared to the fiscal year 2018. The acquired entities, i.e. General Aerospace GmbH, Clevers S.A. and Piston Amortisör Sanayi ve Ticaret A.Ş, contributed €10.4 million in fiscal year 2019. The contribution reflects only the revenue earned after the acquisition date, i.e. between April and September (General Aerospace) and between July and September (Clevers and Piston). The Group`s organic growth in fiscal year 2019 was €(40.4) million or (4.3)%.

The decrease in Group revenue in fiscal year 2019 primarily occurred in our entities in Europe (€(9.2) million or (1.9)%, organic growth (3.9)%) and Asia / Pacific and RoW (€(11.2) million or (9.1)%, organic growth (9.4)%).

Revenue from our NAFTA entities increased by €9.2 million or 2.6%. The entities which are located in the NAFTA region were positively impacted by the relatively stronger US dollar (average rate per €1: $1.13 in FY2019 versus $1.19 FY2018). The currency translation effect amounted to €18.8 million, i.e. NAFTA´s organic revenue growth was (2.7)%.

Revenue by market

T _ 005

	Year ended Sept 30,			
IN € MILLIONS	**2019**	2018	Change	% change
Automotive Gas Spring	331.4	342.3	(10.9)	(3.2%)
Automotive Powerise®	250.0	268.3	(18.3)	(6.8%)
Automotive business	581.4	610.6	(29.2)	(4.8%)
Industrial / Capital Goods [1]	259.1	250.4	8.7	3.5%
Vibration & Velocity Control	110.8	101.6	9.2	9.1%
Industrial business	369.9	352.0	17.9	5.1%
Revenue	**951.3**	**962.6**	**(11.3)**	**(1.2%)**

[1] As of October 1, 2018, our Commercial Furniture business was integrated into the Industrial / Capital Goods business. The presentation of prior year figures was changed accordingly.

The revenue of our Automotive business decreased by €(29.2) million or (4.8)% from €610.6 million in fiscal year 2018 to €581.4 million in fiscal year 2019. This is particularly due to the generally weaker global automotive industry, especially in Europe and China. The global light vehicle production in fiscal year 2019 declined by (5.8)% compared to prior year (fiscal year 2018: 95.6 million units, fiscal year 2019: 90.1 million units). This effects both, our Automotive Powerise® business which decreased by €(18.3) million or (6.8)% from €268.3 million to €250.0 million and our Automotive Gas Spring business which decreased by €(10.9) million or (3.2)% from €342.3 million to €331.4 million. Organically the Automotive business decreased by €(42.0) million or (6.9)% (Automotive Powerise® (9.4)%) and Automotive Gas Spring business (4.9)%).

The revenue of our Industrial business increased by €17.9 million or 5.1% from €352.0 million in fiscal year 2018 to €369.9 million in fiscal year 2019. General Aerospace has been consolidated since the beginning of April 2019 and contributed €8.7 million in revenue to the Industrial business. The acquired entities Clevers S.A. and Piston Amortisör Sanayi ve Ticaret A. Ş, contributed €1.7 million in revenues since July 2019.

Industrial / Capital Goods revenue increased by €8.7 million or 3.5%, organic growth €3.3 million or 1.3%. Our global Vibration & Velocity business increased by €9.2 million or 9.1% and organically decreased by €(1.7) million or (1.6)%. The industrial business in fiscal year 2019 resulted in a moderate organic increase by 0.5% and is due to ongoing market uncertainties together with the current macroeconomic situation and the volatility in the global markets. Our broad customer portfolio helps to mitigate the impact of this weaker demand. In addition we benefit from the growth in the segments solar dampers and construction machinery.

Cost of sales and overhead expenses

COST OF SALES

Cost of sales increased from €(671.4) million in fiscal year 2018 by 0.5% to €(675.0) million in fiscal year 2019. This increase reflects a weaker fixed cost absorption as certain fixed cost elements were not reduced in line with revenue. Consequently, the cost of sales as a percentage of revenue increased by 130 basis points to 71.0% (PY: 69.7%) and the gross profit margin declined to 29.1% (PY: 30.3%).

R&D EXPENSES

R&D expenses (net of R&D cost capitalization) decreased by (6.7)% from €(42.0) million in fiscal year 2018 to €(39.2) million in fiscal 2019. This reflects non-recurring impairment charges of €1.7 million in fiscal year 2018 compared to €0.4 million in fiscal year 2019, as well as capitalization of costs related to specific customer projects in the current fiscal year. As a percentage of revenue, R&D expenses decreased by 30 basis points to 4.1% (PY: 4.4%). The capitalization of R&D expenses increased from €(9.1) million in fiscal year 2018 to €(14.3) million in fiscal year 2019, due to the application specific development of door actuators and Powerise® systems for new customers.

SELLING EXPENSES

Selling expenses increased from €(81.3) million in fiscal year 2018 by 3.6% to €(84.2) million in fiscal year 2019. This increase is mainly due to €1.8 million selling expenses from acquired entities. This increase is mainly due to €1.8 million selling expenses from acquired entities. As a percentage of revenue, selling expenses increased by 50 basis points to 8.9% (PY: 8.4%).

ADMINISTRATIVE EXPENSES

Administrative expenses decreased from €(38.5) million in fiscal year 2018 by (7.3)% to €(35.7) million in fiscal year 2019. This includes €0.7 million advisory costs which are directly related to the acquisition of General Aerospace, Clevers and Piston. Furthermore, this decrease is due to an decreased headcount and decreased personnel-related provisions. As a percentage of revenue, administrative expenses decreased slightly by 20 basis points to 3.8% (PY: 4.0%).

OTHER INCOME AND EXPENSE

Other income increased from €3.9 million in fiscal year 2018 by €4.4 million to €8.3 million in fiscal year 2019. This increase is due to a non-recurring effect of €3.3 million from a purchase price adjustment related to the acquisition of General Aerospace GmbH. Furthermore, the increase is due to the foreign currency translation gains from the operating business.

Other expense increased from €(1.3) million in fiscal year 2018 by €0.4 million to €(1.7) million in fiscal year 2019.

FINANCE INCOME AND COSTS

Finance income decreased from €6.7 million in fiscal year 2018 to €1.3 million in fiscal year 2019. In the prior year this reflects the extension of the maturity date of our term-loan facility by one year (€3.4 million), a further decrease in the margin in February 2018 (€1.3 million) and changed assumptions regarding voluntary prepayments (€1.7 million).

Finance costs decreased from €(12.1) million in fiscal year 2018 to €(10.4) million in fiscal year 2019. Finance costs in fiscal year 2019 were primarily due to ongoing interest expense of €(9.7) million (PY: €(8.5) million) especially related to the term-loan facility. Thereof, an amount of €(3.6) million (PY: €(3.8) million) is cash interest. In addition, an amount of €(6.1) million (PY: €(4.7) million) is due to the amortization of debt issuance cost and the amortization of the adjustment of the carrying value by using the effective interest rate method. Thereof €(1.1) million relates to a voluntary prepayment of the term-loan facility 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 €(21.1) million in fiscal year 2018 to €(34.0) million in fiscal year 2019. The Group´s effective tax rate in fiscal year 2019 is 29.6% (PY: 16.7%).

In fiscal year 2019 income tax expenses were negatively influenced by tax charges on intra-group dividend payments. The lower tax rate in the prior year was due to the non-recurring positive effect from the remeasurement of the deferred tax positions following the US tax reform signed in December 2017 with an amount of €3.9 million. In addition, prior year was also positively influenced by the changed financing and legal structure of our US operations. As a consequence a non-recurring net tax benefit amounting to €7.2 million was recognized in fiscal year 2018 reflecting the release of deferred tax liabilities for unrealized foreign exchange gains and the recoverability of interest expense from prior years.

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 2019 and 2018:

Reconciliation of EBIT to adjusted EBIT

T _ 006

	Year ended Sept 30,			
IN € MILLIONS	2019	2018	Change	% change
Profit from operating activities (EBIT)	**124.0**	**131.9**	**(7.9)**	**(6.0)%**
PPA adjustments – depreciation and amortization	19.8	17.4	2.4	13.8%
Environmental protection measures	1.5	–	1.5	n/a
Advisory	0.7	–	0.7	n/a
Purchase price adjustment	(3.3)	–	(3.3)	n/a
Adjusted EBIT	**142.7**	**149.3**	**(6.6)**	**(4.4)%**

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 adjustments for advisory amounting to €0.7 million occurred in the first nine months of fiscal year 2019 and relate to transaction cost for the acquisition of General Aerospace, Clevers and Piston. The adjustment for environmental protection measures relates to an increase of the remediation provision for the former Stabilus site located in Colmar.

The PPA adjustments amounting to €19.8 million in the current year contain €9.3 million (PY: €9.3 million) related to the April 2010 PPA and €8.4 million (PY: €8.2 million) related to the June 2016 PPA. €2.1 million relate to the acquisition of General Aerospace, Piston and Clevers, thereof €0.7 million stem from an inventory step-up.

The adjustment amounting to €3.3 million relates to a purchase price adjustment from the acquisition of General Aerospace.

DEVELOPMENT OF OPERATING SEGMENTS

Stabilus Group is organized and managed primarily on a regional level. The three reportable operating segments of the Group are Europe, NAFTA, Asia / Pacific and RoW.

The table below sets out the development of our operating segments for the fiscal years 2019 and 2018.

Operating segments

T _ 007

	Year ended Sept 30,			
IN € MILLIONS	2019	2018	Change	% change
Europe				
External revenue[1]	482.1	491.3	(9.2)	(1.9)%
Intersegment revenue[1]	28.6	32.3	(3.7)	(11.5)%
Total revenue[1]	510.7	523.6	(12.9)	(2.5)%
Adjusted EBIT	68.4	77.4	(9.0)	(11.6)%
as % of total revenue	13.4%	14.8%		
as % of external revenue	14.2%	15.8%		
NAFTA				
External revenue[1]	357.3	348.1	9.2	2.6%
Intersegment revenue[1]	24.7	26.1	(1.4)	(5.4)%
Total revenue[1]	382.0	374.2	7.8	2.1%
Adjusted EBIT	60.0	51.9	8.1	15.6%
as % of total revenue	15.7%	13.8%		
as % of external revenue	16.8%	14.9%		
Asia / Pacific and RoW				
External revenue[1]	111.9	123.1	(11.2)	(9.1)%
Intersegment revenue[1]	0.1	0.1	0.0	0.0%
Total revenue[1]	112.0	123.2	(11.2)	(9.1)%
Adjusted EBIT	14.3	20.0	(5.7)	(28.5)%
as % of total revenue	12.8%	16.2%		
as % of external revenue	12.8%	16.2%		

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

The external revenue generated by our European companies decreased from €491.3 million in fiscal year 2018 by (1.9)% to €482.1 million in fiscal year 2019. The organic growth of our European companies was (3.9)%. The decrease is driven by our Automotive business. The continuing soft vehicle production in Europe with weak demand in fiscal year 2019 resulted in reduced revenue. The Automotive Powerise® business decreased by €(10.9) million or (10.0)% and the Automotive Gas Spring business by €(9.5) million or (6.1)%. The decrease was partly offset by our Vibration & Velocity Control business which grew by €8.2 million or 14.8% in total but which decreased by (0.9)% organically. In addition the Industrial / Capital Goods business grew by €2.9 million or 1.7%. The organic growth of the Industrial / Capital Goods business was 0.9%. The adjusted EBIT of the European segment decreased by (11.6)% or €(9.0) million and the adjusted EBIT margin, i.e. adjusted EBIT in percent of external revenue, decreased in fiscal year 2019 by 160 basis points to 14.2% (PY: 15.8%).

The external revenue of our companies located in the NAFTA region increased from €348.1 million in fiscal year 2018 by 2.6% to €357.3 million in fiscal year 2019. The Automotive Gas Spring business contributed €5.3 million and our Industrial business contributed €6.1 million to NAFTA´s development which was offset by €(3.9) million from Powerise® business. The currency translation effect from measuring NAFTAS´s revenue at constant US dollar rates (average rate per €1: $1.13 in FY2019 versus $1.19 in FY2018) amounted to €18.8 million and leads to an organic growth rate of (2.8)%. Organic growth of the Automotive business was (4.7)% (Automotive Gas Spring (0.4)% and Powerise® business (8.0)%). Organic growth of the Industrial business was 1.9% (Industrial Capital / Goods 3.4% and Vibration & Velocity business (1.0)%). Adjusted EBIT of the NAFTA segment increased by 15.6% or €8.1 million and the adjusted EBIT margin increased in fiscal year 2019 by 190 basis points to 16.8% (PY: 14.9%).

The external revenue of our companies located in the Asia / Pacific and RoW region decreased from €123.1 million in fiscal year 2018 by (9.1)% to €111.9 million in fiscal year 2019. This decrease was mainly driven by the Automotive business by €(10.2) million or (9.9)%, (Powerise® business (15.2)% and Automotive Gas Spring business (8.4)%). This development reflects the relatively weaker light vehicle sales due to the overall uncertainties regarding the economic development, especially in China. The Industrial business decreased from €20.0 million by (5.1)% to €19.0 million. The organic growth of the Industrial business was (6.7)%. The adjusted EBIT of the Asia / Pacific and RoW segment decreased by €(5.7) million or (28.5)% and the adjusted EBIT margin decreased in fiscal year 2019 by 340 basis points to 12.8% (PY: 16.2%).

FINANCIAL POSITION

Balance sheet

T_008

IN € MILLIONS	2019	2018	Change	% change
Assets				
Non-current assets	706.0	640.7	65.3	10.2%
Current assets	393.2	369.8	23.4	6.3%
Total assets	**1,099.2**	**1,010.4**	**88.8**	**8.8%**
Equity and liabilities				
Total equity	499.6	426.5	73.1	17.1%
Non-current liabilities	428.2	422.9	5.3	1.3%
Current liabilities	171.4	161.0	10.4	6.5%
Total liabilities	599.6	583.9	15.7	2.7%
Total equity and liabilities	**1,099.2**	**1,010.4**	**88.8**	**8.8%**

TOTAL ASSETS

The Group's balance sheet total increased from €1,010.4 million as of September 30, 2018, by 8.8% to €1,099.2 million as of September 30, 2019.

NON-CURRENT ASSETS

Our non-current assets increased from €640.7 million as of September 30, 2018, by 10.2% or €65.3 million to €706.0 million as of September 30, 2019. This is primarily due to identifiable non-current assets amounting to €44.1 million and goodwill amounting to €15.7 million from business combinations (i.e. acquisitions of General Aerospace, Piston and Clevers). In addition property, plant and equipment increased by €20.7 million. This reflects additions of €41.4 million for ongoing capacity expansion projects, thereof €4.2 million for the acquisition of a production building near Hahn Gasfedern site, partly offset by depreciation. In addition, non-current assets were further reduced by the ongoing amortization of other intangible assets from the purchase price allocations amounting to €(19.1) million.

CURRENT ASSETS

Current assets increased from €369.8 million as of September 30, 2018, by 6.3% or €23.4 million to €393.2 million as of September 30, 2019. This was driven by an increase in trade accounts receivable amounting to €19.1 million and in inventories amounting to €9.6 million, thereof €6.2 million and €5.8 million respectively due to the newly acquired entities. This increase was offset by a decrease of the cash balance (€(4.0) million) primarily due to the payment of the consideration for the acquisitions in April and July amounting to €(41.4) million and the dividend payment amounting to €(24.7) million in February 2019 as well as a voluntary prepayment of the term-loan facility amounting to €(21.1) million in September 2019. These payments are substantially covered by the strong free cash flow of the Group.

EQUITY

The Group's equity increased from €426.5 million as of September 30, 2018, by €73.1 million to €499.6 million as of September 30, 2019. This increase results from the profit of €80.9 million that was generated in fiscal year 2019 and from other comprehensive income of €5.3 million. Other comprehensive income comprises unrealized actuarial losses on pensions (net of tax) amounting to €(6.4) million and unrealized gains from foreign currency translation amounting to €11.8 million. In addition, retained earnings increased by €0.8 million from the first-time application of IFRS 9. In the second quarter of fiscal year 2019 dividends amounting to €(24.7) million were paid to our shareholders. Non-controlling interests increased by €9.4 million mainly due to the acquisitions of General Aerospace, Piston and Clevers.

NON-CURRENT LIABILITIES

Non-current liabilities increased from €422.9 million as of September 30, 2018, by 1.3% or €5.3 million to €428.2 million as of September 30, 2019. This was due to the increase of deferred tax liabilities by €12.3 million from business combinations which were partly offset by the amortization of the purchase price allocations. The net pension liability increased by €7.7 million as a consequence of the decreased discount rate (September 30, 2019: 0.93% versus September 30, 2018: 2.00%). The financial liabilities decreased by a voluntary prepayment of the term-loan facility amounting to €21.1 million. This was partly offset by €4.9 million bank loans recognized as part of the business combinations. The amortization of debt issuance costs and the amortization of the adjustment of the carrying value using the effective interest rate method resulted in a further increase of €5.7 million.

CURRENT LIABILITIES

Current liabilities increased from €161.0 million as of September 30, 2018, by €10.4 million or 6.5% to €171.4 million as of September 30, 2019. This is due to the increase of trade accounts payables by €7.8 million or 9.4%, of which €2.0 million stem from the newly acquired entities. Current tax liabilities decreased by €(3.3) million, this decrease was partly offset by an increase in provisions, e.g. warranty provisions, by €3.2 million, thereof €1.1 million from the newly acquired entities.

LIQUIDITY

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities was basically flat, i.e. decreased slightly from €145.5 million in fiscal year 2018 by €(0.1) million to €145.4 million in fiscal year 2019.

CASH FLOW FROM INVESTING ACTIVITIES

The cash outflow for investing activities increased from €(45.3) million in fiscal year 2018 by €(51.6) million to €(96.9) million in fiscal year 2019. This increase is largely attributable to the acquisitions of General Aerospace, Piston and Clevers for a total consideration of €41.4 million (net cash acquired). In addition, the increase is due to higher capital expenditure in property, plant and equipment of €4.8 million, including an investment in a new production building amounting to €4.2 million. Furthermore, the cash outflow for intangible assets increased by €4.2 million to €15.1 million.

CASH FLOW FROM FINANCING ACTIVITIES

The cash outflow from financing activities increased from €(25.5) million in fiscal year 2018 by €(28.7) million to €(54.2) million in fiscal year 2019. This was primarily due to increased dividends of €(24.7) million (PY: €(19.8) million) paid to our shareholders in February 2019 and a voluntary prepayment of the term-loan facility amounting to €21.1 million. The cash interest in fiscal year 2019 was €(0.2) million lower compared to fiscal year 2018. In addition we repaid financial liabilities amounting to €(3.7) million in fiscal year 2019 (PY: €0.6 million).

Cash flows T _ 009

	Year ended Sept 30,			
IN € MILLIONS	2019	2018	Change	% change
Cash flow from operating activities	145.4	145.5	(0.1)	(0.1%)
Cash flow from investing activities	(96.9)	(45.3)	(51.6)	>100.0%
Cash flow from financing activities	(54.2)	(25.5)	(28.7)	>100.0%
Net increase / (decrease) in cash	**(5.7)**	**74.7**	**(80.4)**	**<(100.0)%**
Effect of movements in exchange rates on cash held	1.7	0.2	1.5	>100.0%
Cash as of beginning of the period	143.0	68.1	74.9	>100.0%
Cash as of end of the period	**139.0**	**143.0**	**(4.0)**	**(2.8%)**

FREE CASH FLOW (FCF)

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

Free cash flow

T_010

IN € MILLIONS	Year ended Sept 30, 2019	2018	Change	% change
Cash flow from operating activities	145.4	145.5	(0.1)	(0.1)%
Cash flow from investing activities	(96.9)	(45.3)	(51.6)	>100.0%
Free cash flow	**48.5**	**100.2**	**(51.7)**	**(51.6)%**

ADJUSTED FREE CASH FLOW

Adjusted free cash flow is defined as the total of cash flow from operating and investing activities before acquisitions. The adjusted free cash flow decreased from €100.2 million in fiscal year 2018 to €89.9 million in fiscal year 2019.

Adjusted free cash flow

T_011

IN € MILLIONS	Year ended Sept 30, 2019	2018	Change	% change
Cash flow from operating activities	145.4	145.5	(0.1)	(0.1)%
Cash flow from investing activities before acquisitions	(55.5)	(45.3)	(10.2)	22,5%
Adjusted FCF	**89.9**	**100.2**	**(10.3)**	**(10.3)%**

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 1.1x in fiscal year 2018 to 1.0x in fiscal year 2019. See the following table:

Net leverage ratio

T_012

	Year ended Sept 30,			
IN € MILLIONS	2019	2018	Change	% change
Financial debt	328.1	342.2	(14.1)	(4.1%)
Cash and cash equivalents	(139.0)	(143.0)	4.0	(2.8%)
Net financial debt	189.1	199.2	(10.1)	(5.1%)
Adjusted EBITDA	183.2	189.7	(6.5)	(3.4%)
Net leverage ratio	**1.0x**	**1.1x**		

Financial debt

T_013

	Year ended Sept 30,	
IN € MILLIONS	2019	2018
Financial liabilities (non-current)	308.8	318.9
Financial liabilities (current)	2.8	1.1
Adjustment carrying value	16.5	22.2
Financial debt	**328.1**	**342.2**

Adjusted EBITDA

T_014

	Year ended Sept 30,			
IN € MILLIONS	2019	2018	Change	% change
Profit from operating activities (EBIT)	**124.0**	**131.9**	**(7.9)**	**(6.0)%**
Depreciation	26.8	25.5	1.3	5.1%
Amortization	32.8	32.3	0.5	1.5%
EBITDA	**183.6**	**189.7**	**(6.1)**	**(3.2)%**
Advisory	0.7	–	–	n/a
Environmental protection measures	1.5	–	–	n/a
PPA adjustments – inventory step-up	0.7	–	–	n/a
Purchase price adjustment	(3.3)	–	–	n/a
Adjusted EBITDA	**183.2**	**189.7**	**(6.5)**	**(3.4)%**

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 results from services that are provided to other Stabilus Group entities based on service level agreements amounting to €3.9 million (PY: €4.2 million).

Other external expenses decreased slightly from €3.2 million in fiscal year 2018 to €2.9 million in fiscal year 2019 basically related to reduced consulting fees.

The loss for fiscal year 2019 amounted to €(1.1) million (PY: €1.7 million).

Financial position

Total assets decreased from €605.1 million as of September 30, 2018, to €577.9 million as of September 30, 2019.

Fixed assets essentially comprise shares in affiliated undertakings which decreased from €574.4 million as of September 30, 2018, to €553.4 million as of September 30, 2019. The Company decreased its investment in Stable II S. à r. l. by distributing €21,000 thousand in August 2019 out of the share premium account of Stable II S. à r. l.

Current assets decreased from €30.4 million as of September 30, 2018, to €24.2 million as of September 30, 2019. This driven by a decrease in the cash balance by €5.3 million which reflects the dividend payment of €24.7 million which was partly offset by the distribution from affiliated companies.

The Company's capital and reserves decreased from €601.8 million as of September 30, 2018, to €576.1 million as of September 30, 2019, due to the dividend payment to our shareholders of €24.7 million. This was partly offset by losses for the fiscal year amounting to €(1.1) 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 33 of the Consolidated Financial Statements and are summarized below.

Risks and opportunities related to the markets in which we operate

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

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

Although the global economy has recovered a lot from the severe downturn in 2008 and 2009, the recent volatility of the financial markets and also the slower than expected economic growth in Asia show that there can be no assurance that any recovery is sustainable or that there will be no recurrence of the global financial and economic crisis or similar adverse market conditions.

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 61% of our revenue in the fiscal year ended September 30, 2019, sells its products primarily to automotive original equipment manufacturers ("OEMs") in the automotive industry. These sales are cyclical and depend, among other things, on general economic conditions as well as on consumer spending and preferences, which can be affected by a number of factors, including employment, consumer confidence and income, energy costs, interest rate levels and the availability of consumer financing. Given the variety of such economic parameters influencing the global automotive demand, the volume of automotive production has historically been, and will continue to be, characterized by a high level of fluctuation, making it difficult for us to accurately predict demand levels for our products aimed at automotive OEMs.

We generated, in the aggregate, 39% of our revenue in the fiscal year ended September 30, 2019, from sales to our industrial customers. We sell our products to customers in diverse industries, including agricultural machines, renewable energy (in particular solar, wind), railway, aircraft applications, commercial vehicles, marine applications, furniture, health care and production equipment. These sales depend on the industrial production level in general as well as on the development of new products and technologies by our customers, which include our products as component parts. Stabilus manages these opportunities and risks by operating in different regions and markets for the local and global customers.

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

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

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

We manufacture our products in several countries and we market and sell our products worldwide. We are actively operating and expanding our operations in various markets, with a focus on the rapidly growing and emerging markets in the Asia / Pacific 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 damage claims.

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 carry-forwards may be forfeited in part or in full as a result of subsequent share sales.

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

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

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

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

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

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

Risks and opportunities related to our capital structure

Due to our high level of debt we face potential 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, 2019.

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, 2019, 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.

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.

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.

From fiscal year 2018 on, Stabilus 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 13, 2019.

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 22 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 in fiscal year 2019, the following shareholders held more than 5% of total voting rights attached to Stabilus shares as of September 30, 2019: Marathon Asset Management LLP, London, UK (direct: 1,745,599 voting rights attached to shares or 7.07% of total voting rights, indirect: 1,459,614 voting rights attached to shares or 5.91% of total voting rights), Allianz Global Investors GmbH, Frankfurt am Main, Germany (indirect: 1,291,376 voting rights attached to shares or 5.23% of total voting rights) and Ameriprise Financial, Inc., Minneapolis, MN, USA (indirect: 1,271,128 voting rights attached to shares or 5.15% 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 (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 supermajority 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 does not have currently any authority to buy back shares under the Articles of Incorporation or a buy-back program.

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

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

SUBSEQUENT EVENTS

As of December 12, 2019, 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, 2019.

OUTLOOK

For fiscal year 2020, Stabilus expects revenue growth of around 2% to 4% to approximately €970 million to €990 million (y / y constant currency rate of 1.13 $ / € in fiscal year 2020). This expectation is based on a currently expected global light vehicle production of 88.3 million units in fiscal year 2020.

The Stabilus Group also confirms its STAR 2025 long-term forecast, published in 2017, which expects organic annual revenue growth of an average of 6 percent until fiscal 2025. From the point of view of the Management Board and Supervisory Board, the forecast is achievable despite the unexpectedly weak markets in 2018 and 2019 based on the following: Realization of the current expectations for global GDP growth of an average of 2.8 percent to 3.0 percent in calendar years 2021 to 2025 and the recovery of the global light vehicle production to a currently expected level of 91.8 million vehicles in calendar year 2021, increasing to a level of 101.7 million vehicles in calendar year 2025.

CONSOLIDATED FINANCIAL STATEMENTS

PAGE 46 – 130

CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended September 30, 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the fiscal year ended September 30, 2019

Consolidated statement of comprehensive income

T_015

IN € THOUSANDS	NOTE	Year ended Sept 30, 2019	2018
Revenue	5	951,339	962,564
Cost of sales	6	(674,955)	(671,407)
Gross profit		**276,384**	**291,157**
Research and development expenses	6	(39,150)	(42,031)
Selling expenses	6	(84,191)	(81,330)
Administrative expenses	6	(35,655)	(38,504)
Other income	7	8,294	3,886
Other expenses	8	(1,667)	(1,296)
Profit from operating activities		**124,015**	**131,882**
Finance income	9	1,254	6,704
Finance costs	10	(10,417)	(12,084)
Profit / (loss) before income tax		**114,852**	**126,502**
Income tax income / (expense)	11	(33,953)	(21,147)
Profit / (loss) for the period		**80,899**	**105,355**
thereof attributable to non-controlling interests		273	(55)
thereof attributable to shareholders of Stabilus		80,626	105,410
Other comprehensive income / (expense)			
Foreign currency translation difference [1]	22	11,753	4,115
Unrealized actuarial gains and losses [2]	22	(6,424)	471
Other comprehensive income / (expense), net of taxes		**5,329**	**4,586**
Total comprehensive income / (expense) for the period		**86,228**	**109,941**
thereof attributable to non-controlling interests		273	(55)
thereof attributable to shareholders of Stabilus		85,955	109,996
Earnings per share (in €):			
basic	12	3.26	4.27
diluted	12	3.26	4.27

[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, 2019

Consolidated statement of financial position

T_016

IN € THOUSANDS	NOTE	Sept 30, 2019	Sept 30, 2018
Assets			
Property, plant and equipment	13	199,946	179,225
Goodwill	14	214,821	195,231
Other intangible assets	15	276,159	247,181
Other assets	17	1,711	3,951
Deferred tax assets	11	13,371	15,088
Total non-current assets		**706,008**	**640,676**
Inventories	18	100,339	90,763
Trade accounts receivable	19	130,328	111,271
Current tax assets	20	4,987	5,292
Other financial assets	16	4,743	3,407
Other assets	17	13,814	16,033
Cash and cash equivalents	21	139,020	143,000
Total current assets		**393,231**	**369,766**
Total assets		**1,099,239**	**1,010,442**

Consolidated statement of financial position

T_016

IN € THOUSANDS	NOTE	Sept 30, 2019	Sept 30, 2018
Equity and liabilities			
Issued capital	22	247	247
Capital reserves	22	225,848	225,848
Retained earnings	22	283,423	225,090
Other reserves	22	(19,283)	(24,612)
Equity attributable to shareholders of Stabilus		**490,235**	**426,573**
Non-controlling interests		9,382	(50)
Total equity		**499,617**	**426,523**
Financial liabilities	23	308,761	318,921
Other financial liabilities	24	83	520
Provisions	25	3,565	3,402
Pension plans and similar obligations	26	59,893	52,180
Deferred tax liabilities	11	55,933	47,847
Total non-current liabilities		**428,235**	**422,870**
Trade accounts payable	27	90,992	83,171
Financial liabilities	23	2,824	1,100
Other financial liabilities	24	10,096	10,867
Current tax liabilities	28	13,088	16,366
Provisions	25	38,144	34,920
Other liabilities	29	16,243	14,625
Total current liabilities		**171,387**	**161,049**
Total liabilities		**599,622**	**583,919**
Total equity and liabilities		**1,099,239**	**1,010,442**

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, 2019

Consolidated statement of changes in equity

T_017

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, 2017		**247**	**225,848**	**139,440**	**(29,198)**	**336,337**	**43**	**336,380**
Profit / (loss) for the period		–	–	105,410	–	105,410	(55)	105,355
Other comprehensive income / (expense)	22	–	–	–	4,586	4,586	–	4,586
Total comprehensive income for the period		–	–	105,410	4,586	109,996	(55)	109,941
Dividends		–	–	(19,760)	–	(19,760)	(38)	(19,798)
Capital increase		–	–	–	–	–	–	–
Balance as of Sept 30, 2018		**247**	**225,848**	**225,090**	**(24,612)**	**426,573**	**(50)**	**426,523**
Effects IFRS 9	22	–	–	834	–	834	–	834
Balance as of Oct 1, 2018		**247**	**225,848**	**225,924**	**(24,612)**	**427,407**	**(50)**	**427,357**
Profit / (loss) for the period		–	–	80,626	–	80,626	273	80,899
Other comprehensive income / (expense)	22	–	–	–	5,329	5,329	–	5,329
Total comprehensive income for the period		–	–	80,626	5,329	85,955	273	86,228
Dividends	22	–	–	(24,700)	–	(24,700)	(62)	(24,762)
Change in ownership interest in subsidiaries without a change of control		–	–	1,573	–	1,573	(2,774)	(1,201)
Change in non-controlling interest		–	–	–	–	–	11,415	11,415
Receipts from non-controlling interest		–	–	–	–	–	580	580
Balance as of Sept 30, 2019		**247**	**225,848**	**283,423**	**(19,283)**	**490,235**	**9,382**	**499,617**

The accompanying Notes form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the fiscal year ended September 30, 2019

Consolidated statement of cash flows

T _ 018

		Year ended Sept 30,	
IN € THOUSANDS	NOTE	2019	2018
Profit / (loss) for the period		80,899	105,355
Income tax expense		33,953	21,147
Net finance result	9/10	9,163	5,380
Interest received		419	265
Depreciation and amortization (incl. impairment losses)	13/15	59,633	57,816
Gains / losses from the disposal of assets		(136)	(89)
Changes in inventories		(4,847)	(5,501)
Changes in trade accounts receivable		(11,395)	(6,124)
Changes in trade accounts payable		3,661	4,098
Changes in other assets and liabilities		11,497	(947)
Changes in provisions		(1,500)	416
Income tax payments	35	(35,930)	(36,361)
Cash flow from operating activities		**145,417**	**145,455**
Proceeds from disposal of property, plant and equipment		1,032	2,243
Purchase of intangible assets	15	(15,108)	(10,900)
Purchase of property, plant and equipment	13	(41,413)	(36,630)
Acquisition of assets and liabilities within the business combination, net of cash acquired	4	(41,415)	–
Cash flow from investing activities		**(96,904)**	**(45,287)**
Receipts under financial liabilities		–	6,427
Payments for redemption of financial liabilities		(3,694)	(563)
Receipts from non-controlling interests		580	–
Payments for redemption of senior facilities		(21,073)	(6,427)
Payments for finance leases	30	(443)	(1,253)
Dividends paid	22	(24,700)	(19,760)
Dividends paid to non-controlling interests		(62)	(38)
Payment for acquisition of non-controlling interests		(1,200)	–
Payments for interest	35	(3,643)	(3,837)
Cash flow from financing activities		**(54,235)**	**(25,451)**
Net increase / (decrease) in cash and cash equivalents		**(5,722)**	**74,717**
Effect of movements in exchange rates on cash held		1,742	160
Cash and cash equivalents as of beginning of the period		143,000	68,123
Cash and cash equivalents as of end of the period		**139,020**	**143,000**

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, 2019

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

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

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

The consolidated financial statements were authorized for issue by the Management Board on December 12, 2019.

2 Basis for presentation

PREPARATION

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

In relation of the first-time application of IFRS 9"Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" as of October 1, 2018. Stabilus Group has applied the modified retrospective method for the transition to IFRS 9 and IFRS 15.

MEASUREMENT

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

USE OF ESTIMATES AND JUDGMENTS

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

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 and analysis of historical allowances. Please also refer to Note 19.

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 11.

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.

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 of 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., 36 (PY: 33) subsidiaries (see following list) are included in the consolidated financial statements as of September 30, 2019.

Subsidiaries

T_019

NAME OF THE COMPANY	Registered office of the entity	Interest and control held by	Holding in %	Consolidation method
Blitz F10-neun GmbH i. L.	Koblenz, Germany	Stabilus S.A.	100.00%	Full
Stable II S.à r.l.	Luxembourg	Stabilus S.A.	100.00%	Full
Stable Beteiligungs GmbH	Koblenz, Germany	Stable II S.à r.l.	100.00%	Full
Stable HoldCo Australia Pty. Ltd.	Dingley, Australia	Stable II S.à r.l.	100.00%	Full
Stabilus UK Ltd.	Banbury, United Kingdom	Stable Beteiligungs GmbH	100.00%	Full
Stabilus GmbH	Koblenz, Germany	Stable Beteiligungs GmbH	100.00%	Full
Stabilus Pty. Ltd.	Dingley, Australia	Stable HoldCo Australia Pty. Ltd.	100.00%	Full
Stabilus Ltda.	Itajubá, Brazil	Stabilus GmbH	100.00%	Full
Stabilus Espana S.L.	Lezama, Spain	Stabilus GmbH	100.00%	Full
Stabilus Co. Ltd.	Busan, South Korea	Stabilus GmbH	100.00%	Full
Stabilus S.A. de C.V.	Ramos Arizpe, Mexico	Stabilus GmbH	99.9998%	Full
		Stabilus UK Ltd.	0.0002%	
Stabilus Inc.	Gastonia, USA	Stabilus US Holding Corp.	100.00%	Full
Stabilus Limited	Auckland, New Zealand	Stabilus GmbH	80.00%	Full
Stabilus Japan Corp.	Yokohama, Japan	Stable Beteiligungs GmbH	100.00%	Full
New Clevers S.A.	Buenos Aires, Argentina	Stable Beteiligungs GmbH	60.00%	Full
Piston Amortisör Sanayi ve Ticaret Anonim Şirketi	Bursa, Turkey	Stable Beteiligungs GmbH	53.00%	Full
Stabilus France S.à r.l.	Poissy, France	Stabilus GmbH	100.00%	Full
Stabilus Romania S.R.L.	Brasov, Romania	Stable Beteiligungs GmbH	3.01%	Full
		Stabilus GmbH	96.99%	
Stabilus (Jiangsu) Ltd.	Wujin, China	Stabilus GmbH	100.00%	Full
Stabilus Mechatronics Service Ltd.	Shanghai, China	Stabilus (Jiangsu) Ltd.	100.00%	Full
Stabilus (Zhejiang) Ltd.	Pinghu, China	Stable II S.à r.l.	100.00%	Full
Stabilus US Holding Corp.	Wilmington, USA	Stable II S.à r.l.	100.00%	Full
Stabilus Motion Controls GmbH	Langenfeld, Germany	Stable II S.à r.l.	100.00%	Full
General Aerospace GmbH	Eschbach, Germany	Stabilus Motion Controls GmbH	90.00%	Full
General Aerospace Inc.	Lynnwood, USA	General Aerospace GmbH	100.00%	Full
Fabreeka Group Holdings, Inc.	Stoughton, USA	Stabilus US Holding Corp.	100.00%	Full
ACE Controls Inc.	Farmington Hills, USA	Stabilus US Holding Corp.	100.00%	Full
ACE Controls International Inc.	Farmington Hills, USA	Stabilus US Holding Corp.	100.00%	Full
Fabreeka International Holdings Inc.	Stoughton, USA	Fabreeka Group Holdings Inc.	100.00%	Full
Fabreeka International Inc.	Stoughton, USA	Fabreeka International Holdings Inc.	100.00%	Full
Tech Products Corporation	Miamisburg, USA	Fabreeka International Holdings Inc.	100.00%	Full
Fabreeka GmbH Deutschland	Büttelborn, Germany	Fabreeka International Holdings Inc.	100.00%	Full
ACE Controls Japan L.L.C.	Farmington Hills, USA	ACE Controls Inc.	100.00%	Full
ACE Stoßdämpfer GmbH	Langenfeld, Germany	Stabilus Motion Controls GmbH	94.90%	Full
		Stable II S.à r.l.	5.10%	
HAHN-Gasfedern GmbH	Aichwald, Germany	Stabilus Motion Controls GmbH	100.00%	Full
Stabilus Actio GmbH	Langenfeld, Germany	Stabilus Motion Controls GmbH	70.00%	Full

The decrease of subsidiaries is due to the ongoing simplification of the legal structure of the Stabilus Group. In fiscal year 2019, one subsidiary was liquidated and another one was merged into another Group company. Four additional subsidiaries were acquired in 2019. Furthermore, one entity was founded in fiscal year 2019. This had no material effect on the Group's consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

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

BUSINESS COMBINATION

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

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

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

Assets and liabilities of foreign subsidiaries with a functional currency other than euro (€) are translated using the exchange rates as at the balance sheet date, while their income and expenses 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_020

		Closing rate Sept 30,		Average rate for the year ended Sept 30,	
COUNTRY	ISO CODE	2019	2018	2019	2018
Australia	AUD	1.6126	1.6048	1.6029	1.5657
Argentina	ARS	62.4212	46.1252	47.9888	27.4630
Brazil	BRL	4.5288	4.6535	4.3604	4.1775
China	CNY	7.7784	7.9662	7.7569	7.7818
South Korea	KRW	1,304.8300	1,285.7500	1,300.9884	1,303.1971
Mexico	MXN	21.4522	21.7800	21.8837	22.6385
Romania	RON	4.7496	4.6638	4.7189	4.6439
Turkey	TRY	6.1491	6.9650	6.3238	5.2487
USA	USD	1.0889	1.1576	1.1281	1.1906

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, 2019. In financial year 2019, the following new and revised standards and interpretations had to be applied for the first time in the Stabilus Group's financial statements:

New standards, interpretations and amendments in the financial year

T_021

STANDARD / INTERPRETATION		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
IFRS 9	Financial Instruments (issued on July 24, 2014)	January 1, 2018	January 1, 2018	Reference is made to the descriptions below
IFRS 15	Revenue from Contracts with Customers (issued on May 28, 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on September 11, 2015)	January 1, 2018	January 1, 2018	Reference is made to the descriptions below
Clarifications to IFRS 15	Revenue from Contracts with Customers (issued on April 12, 2016)	January 1, 2018	January 1, 2018	Reference is made to the descriptions below
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (issued on June 20, 2016)	January 1, 2018	January 1, 2018	No impact
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on September 12, 2016)	January 1, 2018	January 1, 2018	No impact
Amendments to IAS 40	Transfers of Investment Property (issued on December 8, 2016)	January 1, 2018	January 1, 2018	No impact
Annual Improvements	Annual Improvements to IFRSs 2014 – 2016 Cycle (issued on December 8, 2016)	January 1, 2018 (IFRS 1 and IAS 28)	January 1, 2018 (IFRS 1 and IAS 28)	No impact
IFRIC 22	Foreign Currency Transactions and Advance Consideration (issued on December 8, 2016)	January 1, 2018	January 1, 2018	No impact

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

In the financial year 2019 the Stabilus Group applied the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time. The cumulative effect of initially applying IFRS 9 amounting to €0.8 million was recorded as an adjustment to the opening balance of retained earnings as of October 1, 2018. In compliance with the transitional provisions, comparative information was not restated. Nonetheless, this does not significantly impact overall comparability with previous year figures.

IFRS 9 FINANCIAL INSTRUMENTS

The initial application of IFRS 9 Financial Instruments in financial year 2019 has no material impact on the net assets, financial position, and results of operations of the Stabilus Group. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The new provisions for classifying financial assets did not result in any changes to measurement or recognition. The financial assets are allocated to the measurement category "at amortized cost" in accordance with IFRS 9. The initial application of IFRS 9 had no impact on the measurement or recognition of financial liabilities.

IFRS 9 contains an expected loss impairment model for financial assets measured at amortized cost. In the future, expected losses are to be recognized when the financial asset is booked (expected credit loss model). Previously, IAS 39 stipulated that impairment was to be reported if there were objective indications, for example in the event of a receivable that was already past due (incurred loss model). This means that impairments were recognized at a later period under IAS 39 than under IFRS 9. 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. Trade accounts receivables impaired due to insolvency or other similar situations or significantly overdue shall be written off on a case by case basis. For other financial assets, cash and cash equivalents the effect from the first-time application of the general approach of the new impairment model of IFRS 9 was insignificant.

As the Stabilus Group does not currently apply the hedge accounting provisions in accordance with IAS 39, the changes to hedge accounting do not result in any changes in the transition from IAS 39 to IFRS 9. However, the new accounting standard creates new opportunities for the recognition of hedges as hedging relationships in the balance sheet in future.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Group has used an exemption not to restate comparative information for prior periods. Any adjustments would be recognized in retained earnings and reserves as at October 1, 2018. The initial application of IFRS 9 in financial year 2019 has not resulted in any material impact on the net assets, financial position, and results of operations of the Stabilus Group. Nonetheless, depending on future agreements and transactions, IFRS 9 could have a material impact on the presentation of the net assets, financial position, and results of operations. Furthermore, the initial application of IFRS 9 increased disclosure obligations in the notes to the consolidated financial statements. Based on our assessment the overall effect of the required adjustments for all portfolios is €0.8 million. The following table sets out classification and measurement of the first-time application of IFRS 9:

Reconciliation IFRS 9 classification and measurement

T_022

IN € THOUSANDS	Measurement category acc. to IAS 39 as of Sept 30, 2018	Carrying amount	Effects IFRS 9 first-time application	Measurement category acc. to IFRS 9 as of Oct 1, 2018	Carrying amount
Assets					
Trade accounts receivable	LaR	111,271	834	AC	112,105
Other financial assets	LaR	3,407	–	AC	3,407
Cash and cash equivalents	LaR	143,000	–	AC	143,000
Liabilities					
Financial liabilities – non-current	FLAC	318,921	–	FLAC	318,921
Other financial liabilities – non-current	–	520	–	–	520
Trade accounts payable – current	FLAC	83,171	–	FLAC	83,171
Financial liabilities – current	FLAC	1,100	–	FLAC	1,100
Other financial liabilities – current	FLAC	10,867	–	FLAC	10,867

Allowance for doubtful accounts

T_023

IN € THOUSANDS	Impairment on trade receivables
Allowance for doubtful accounts as of Sept 30, 2018 (IAS 39)	(2,578)
Effect IFRS 9 first-time application	834
Allowance for doubtful accounts as of Oct 1, 2018 (IFRS 9)	(1,744)

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. The new standard replaces the existing guidance on revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and the relevant interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 13 Jointly Controlled Entities). The core principle of IFRS 15 is that revenue will be recognized in an amount that corresponds to the consideration that the entity expects to receive. A so-called "5-step model" is used to determine at which point in time or over which period of time revenues are to be recognized and in what amount. Furthermore, the standard includes detailed guidance and extended disclosure requirements. IFRS 15 Revenue from Contracts with Customers has been applied for the first time in the Stabilus Group´s financial year 2019 beginning on October 1, 2018. The effects of IFRS 15 were analyzed as part of a Group-wide project on implementing the new standard. As the previously applied accounting policies of Stabilus Group regarding revenue recognition essentially correspond to the provisions in IFRS 15, the first-time application of IFRS 15 had no material impact.

New standards, interpretations and amendments issued and endorsed by the EU (not yet adopted) T_024

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

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

The IASB issued new standards and amendments which have been endorsed by the EU and whose application accordingly is not yet compulsory in financial year 2019. The Stabilus Group is not planning an early application of these standards, amendments and interpretations.

IFRS 16 LEASES

IFRS 16 Leases changes the regulations for the recognition, measurement, presentation and disclosure of leases. IFRS 16 supersedes the previous standard for lease accounting (IAS 17 Leases) and the relating interpretations (IFRIC 4 Lease Arrangement, SIC-15 Operating Leases – Incentives and SIC-27 Evaluation of Lease Transactions). The objective of the new leasing standard is to recognize all leases and their associated contractual rights and obligations on the balance sheet. Therefore, the previous distinction between finance and operating lease is eliminated from the perspective of a lessee. Apart from short-term and low-value leases, IFRS 16 introduces a methodology for all lease contracts similar to that previously applied for finance leases, i.e. alongside a right-of-use asset a corresponding lease liability is also recognized upon initial recognition. Both items are updated as appropriate. When accounting for leases, lessors are still required to perform a review to classify leases as operating or finance leases. IFRS 16 will basically make it necessary to recognize all leases in the balance sheet in future financial years. For the consolidated financial statements of the Stabilus Group, this relates in particular to those rental agreements previously classified as operating leases, which are disclosed as financial commitments in the notes to the consolidated financial statements (see Note 30). As a result, non-current assets and financial liabilities will both increase in future financial years. Furthermore, such changes will also effect the income statement. To date, rental payments in connection with operating lease agreements were mainly recorded as operating expenses. In future financial years, these expenses will be replaced into depreciation and interest expenses and recognized accordingly. Looking at the consolidated statement of cash flows, the lease payments from previous operating leases will reduce cash flow from financing activities in the future financial years beginning October 1, 2019, as opposed to cash flow from operating activity. In the future, the interest portion of lease payments will also be reported in cash flow from financing activities. In the Stabilus Group, IFRS 16 is applied for the first time in the annual reporting period beginning on October 1, 2019 (the Stabilus Group´s financial year 2020).

The effects of IFRS 16 were analyzed as part of a Group-wide project on implementing the new standard. As part of its business transactions, the Stabilus Group is the lessee of property, plant and equipment (e.g. IT hardware, cars, and other machinery and equipment). The Stabilus Group used the modified retrospective transition method for the first-time application of IFRS 16. The Stabilus Group is currently finalizing the data analysis for the determination of the quantitative effects resulting from the implementation and the systems changes. Based on our assessment the main impact of the transition to IFRS 16 will be from the assessing of the lease term options from real estate and from vehicles (e.g. car, forklift). As of October 1, 2019, the initial use of the right-of-use model resulted in an increase in the Stabilus Group's balance sheet total due to the recognition of additional lease liabilities and the corresponding right-of-use assets of approximately €43.7 million. Based on the lease agreements as of October 1, 2019, the increase of the depreciation on the right-of-use assets for financial year 2020 amounts to approximately €7.7 million and corresponding interest expense on lease liabilities amounts to approximately €1.5 million. Furthermore, the initial application of IFRS 16 also increases disclosure obligations in the notes to the consolidated financial statements for the financial year 2020. Based on the available documentation, the first-time application of IFRS 16 will not have a material impact on Stabilus´ consolidated financial statements.

AMENDMENTS TO IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability (asset).

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

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

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

Besides IFRS 16, IFRIC 23 and the Amendments to IAS 19, the other in the table above mentioned new and revised standards, interpretations and amendments 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_025

		Effective date stipulated by IASB	Effective date stipulated by EU	Impact on Stabilus financial statements
IFRS 17	Insurance Contracts (issued May 18, 2017)	January 1, 2021	Pending	No impact
Amendments to IFRS 3	Business Combinations (issued on October 22, 2018)	January 1, 2020	Pending	Evaluating
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (issued on September 26, 2019)	January 1, 2020	Pending	Evaluating
Amendments to IAS 1 and IAS 8	Definition of Material (issued on October 31, 2018)	January 1, 2020	Pending	Evaluating
Conceptual Framework for Financial Reporting	Amendments to References to the Conceptual Framework in IFRS Standards (issued on March 29, 2018)	January 1, 2020	Pending	No impact

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

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

3 Accounting policies

REVENUE

Revenue is recognized when or as the control over distinct goods or services is transferred to the customer and when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. Revenue from the sale of goods is recognized when significant risks and rewards of ownership have been transferred to the customer, a price is agreed or can be determined and when the payment is probable. Revenue from a contract to provide services is recognized according to the stage of completion, if the amount of the revenue can be measured reliably and it is probable that the economic benefits will flow to the Group.

COST OF SALES

Cost of sales comprises costs for the production of goods and for merchandise sold. In addition to directly attributable material and production costs, indirect production-related overheads like production and purchase management, warranty expenses, depreciation on production plants and amortization 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. Shipping and handling costs are expensed within selling expenses as incurred. Fees charged to customers are shown as sales. Advertising costs (expenses for advertising, sales promotion and other sales-related activities) are expensed within selling expenses as incurred.

BORROWING COSTS

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

INTEREST INCOME AND EXPENSE

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

OTHER FINANCIAL INCOME AND EXPENSE

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

INCOME TAXES

Income tax expense comprises current and deferred tax.

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

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 carry-forwards and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date to determine whether it is probable that the related tax benefit will be realized. The carrying value is adjusted accordingly.

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

GOODWILL

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

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

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

OTHER INTANGIBLE ASSETS

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

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

The following useful lives are used in the calculation of amortization: Software (3 to 5 years), patented technology (16 years), customer relationships (20 – 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 is measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

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.

LEASING

Leases are all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment.

Leases that transfer substantially all risks and rewards associated with the ownership to Stabilus are classified as finance leases. The leased asset and a corresponding liability is initially measured at fair value or the lower present value of the minimum lease payments. Assets are depreciated on a straight-line basis over the estimated useful life of the asset or the shorter term of the lease. Lease payments resulting from finance leases are divided into repayments of the principal and interest payments.

Other leases are classified as operating leases. The corresponding lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

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. Impairment losses on goodwill are not reversed.

INVENTORIES

Inventories are measured 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 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. Provisions are set up on the basis of the analysis of stock moving and / or obsolete stock.

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.

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 costs and financial liabilities measured at amortized costs.

FINANCIAL ASSETS

IFRS 9 contains three categories for classifying financial assets: "measured at amortized cost," "measured at fair value through profit or loss" and "measured at fair value through other comprehensive income." 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.

FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS

A financial asset measured at amortized costs includes trade accounts receivable, assets related to the sale of trade accounts receivable, cash and cash equivalents and loans originated by the Group. After initial recognition, the assets are subsequently carried at amortized cost using the effective interest rate method less impairment losses. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired. Interest from using the effective interest rate method is similarly recognized in profit or loss. Assets bearing no or lower interest rates compared to market rates with a maturity of more than one year are discounted. Dividends are recognized in profit or loss when legal entitlement to the payment arises.

IMPAIRMENT OF FINANCIAL ASSETS

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

FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS

For trade accounts receivables the Stabilus Group elects to use the simplified approach based on expected credit losses over relevant terms. Default rates are based on historical losses and forward-looking expectations under consideration of the relevant economic environment to determine regional risks. Trade accounts receivables impaired due to insolvency or other similar situations or significantly overdue shall be written off on a case by case basis. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Impaired debts are derecognized when they are assessed as uncollectible. Cash and cash equivalents are measured using the general impairment approach.

DERIVATIVE FINANCIAL INSTRUMENTS

As of September 30, 2019 and September 30, 2018, the Stabilus Group does not have derivative financial instruments.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value is recognized in other comprehensive income and the ineffective portion is recognized in profit and loss. The amount recognized in other comprehensive income is reclassified when the hedged transaction occurs.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

EQUITY INSTRUMENTS

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

FINANCIAL LIABILITIES

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

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include a term loan.

After initial recognition the financial liabilities are subsequently measured at amortized cost applying the effective interest 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.

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.

4 Business combination

On April 1, 2019, Stabilus acquired 80% of voting shares of General Aerospace GmbH, Germany, from its respective founders. The agreed purchase price for 80% of the shares amounts to €40.0 million (net of cash). The purchase price adjustment, i.e. effective date adjustment, will be based on the final closing accounts. Of the consideration of €32.7 million an amount of €37.0 million was paid in cash. The remaining 20% of the shares were planned to be acquired until 2023. The purchase price is subject to certain earn out elements based on the achievement of an ambitious business plan in the years. The Group recognized the purchase price receivable of €4.3 million. In the further course of the fiscal year 2019, one of the respective founders sold his remaining 10% of the shares which led to a reduction of the purchase price receivable, which is detailed in Notes 7 and 16. General Aerospace is a recognized supplier of motion control solutions for the aerospace industry. The acquisition of General Aerospace will strengthen Stabilus´ market presence and position in the aviation sector. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities of the acquired entities at the date of acquisition according to IFRS 3.16 were set out in table T_026.

On June 12, 2019, Stabilus acquired 60% of voting shares of Clevers S.R.L., Argentina, from its respective founders. The agreed purchase price for 60% of the shares amounts to $1.7 million (net of cash). The purchase price adjustment, i.e. effective date adjustment, will be based on the final closing accounts. Of the consideration of €1.4 million an amount of €0.6 million was paid in cash. The purchase price is subject to certain earn out elements based on the achievement of the communicated business plan. For the acquisition of the remaining shares the parties agreed on call / put mechanisms. The Group recognized the remaining purchase price obligation of €0.8 million as financial liabilities and can be found in Note 23. Clevers is a manufacturer of gas springs and dampers with a focus on industrial clients, e.g. from the agricultural, engineering and transport sectors. The acquisition of Clevers will strengthen Stabilus footprint in South America and increase its offering to local customers. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities of the acquired entity at the date of acquisition according to IFRS 3.16 were set out in table T_026.

On June 17, 2019, Stabilus acquired 53% of voting shares of Piston Amortisör Sanayi ve Ticaret Anonim, Turkey from its respective founders. The agreed purchase price for 53% of the shares amounts to €5.0 million (net of cash). The purchase price adjustment, i.e. effective date adjustment, will be based on the final closing accounts. Of the consideration of €5.5 million an amount of €3.8 million was paid in cash. The Group recognized the remaining purchase price obligation of €1.7 million as financial liabilities and can be found in Note 23. Piston is a manufacturer of gas springs and dampers with a focus on industrial clients, e.g. from the dampers, gas spring and transport sectors. The acquisition of Piston will strengthen Stabilus´ market presence in Turkey and increase its offering to local customers. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities of the acquired entity at the date of acquisition according to IFRS 3.16 were set out in table T_026.

Business combination

T_026

	General Aerospace	Clevers	Piston
IN € THOUSANDS	April 2, 2019	June 12, 2019	June 17, 2019
Assets			
Property, plant and equipment	2,805	230	482
Other intangible assets	41,338	1,113	1,642
Other assets	787	2	–
Deferred tax assets	1,042	–	–
Total non-current assets	**45,972**	**1,345**	**2,124**
Inventories	3,853	173	704
Trade accounts receivable	5,306	98	1,424
Other assets	1,024	26	149
Cash and cash equivalents	115	29	1,252
Total current assets	**10,298**	**326**	**3,529**
Total assets	**56,270**	**1,671**	**5,653**
Liabilities			
Financial liabilities	5,566	–	–
Provisions	16	–	–
Deferred tax liabilities	11,658	326	356
Total non-current liabilities	**17,240**	**326**	**356**
Trade accounts payable	2,770	407	983
Financial liabilities	2,082	2	93
Current tax liabilities	–	–	284
Provisions	3,122	–	–
Other liabilities	426	34	129
Total current liabilities	**8,400**	**443**	**1,489**
Total liabilities	**25,640**	**769**	**1,845**
Total identifiable net assets at fair value	**30,630**	**902**	**3,808**
Non-controlling interest measured at fair value	(5,664)	(965)	(4,844)
Goodwill arising on acquisition	7,729	1,510	6,499
Purchase consideration transferred	**32,695**	**1,447**	**5,463**

The fair value of other intangible assets as of April 1, 2019 amounting to €44.1 million essentially comprised €39.7 million for customer relationships, €1.6 million for patents, €1.1 million for trade names and €1.7 million for other intangible assets. At the date of the acquisition, the fair value of the trade receivables amounted to €6.8 million. The goodwill is attributable mainly to the expected sales synergies arising from the acquisition as well as to the skills and technical talent of acquired entity workforce. Transaction costs of €0.7 million have been expensed and are included in administrative expenses in the Consolidated Statement of Comprehensive Income and are part of operating cash flow in the Consolidated Statement of Cash Flows. The results of the acquired entity are recognized starting from the date of acquisition. From that date on revenue of €10.4 million has been recognized. If the acquisition had occurred on October 1, 2018, estimated consolidated revenue would have been €975.7 million, and consolidated profit for the year ended September 30, 2019, would have been €78.7 million. In determining these amounts the assumption was made that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on October 1, 2018.

5 Revenue

The Group's revenue developed as follows:

Revenue by region

T_027

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Europe	482,099	491,323
NAFTA	357,345	348,127
Asia / Pacific and RoW	111,895	123,114
Revenue	**951,339**	**962,564**

Revenue by market

T_028

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Automotive Gas Spring	331,423	342,253
Automotive Powerise	249,996	268,349
Automotive business	581,419	610,602
Industrial / Capital Goods [1]	259,139	250,382
Vibration & Velocity Control	110,781	101,580
Industrial business	369,920	351,962
Revenue	**951,339**	**962,564**

[1] As of October 1, 2018, our Commercial Furniture business was integrated into the Industrial / Capital Goods business. The presentation of prior year figures was changed accordingly.

Group revenue results from the sales of goods. Stabilus operates in automotive and industrial markets. The Automotive Gas Spring and Automotive Powerise® units service our automotive customers, whereas the Industrial / Capital Goods and the Vibration & Velocity Control units supply our industrial customers. As of October 1, 2018, our Commercial Furniture business unit was integrated into our Industrial / Capital Goods business unit to better reflect customer demand for a broad product portfolio and to further increase overhead efficiency. The presentation of prior year figures was changed accordingly.

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

Expenses by function

T_029

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

IN € THOUSANDS	Year ended Sept 30, 2018				
	Cost of sales	Research & development expenses	Selling expenses	Adminis-trative expenses	**Total**
Capitalized development cost	–	9,083	–	–	**9,083**
Personnel expenses	(165,755)	(22,448)	(30,740)	(39,102)	**(258,045)**
Material expenses	(443,639)	(6,339)	(12,146)	(4,786)	**(466,910)**
Depreciation and amortization	(29,828)	(13,413)	(11,850)	(2,725)	**(57,816)**
Other	(32,185)	(8,914)	(26,594)	8,109	**(59,584)**
Total	**(671,407)**	**(42,031)**	**(81,330)**	**(38,504)**	**(833,272)**

In fiscal year 2019 Stabilus changed the allocation of certain personnel-related costs, which were in fiscal year 2018 recognized in administration expenses and reallocated via other expenses. These are now directly recognized in the various functional areas. For comparison purposes, without the afore-mentioned change personnel-related costs in administration expenses would have been higher by approximately €7 million and personnel expenses within cost of sales would have been lower by the same amount.

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

Personnel expenses

T _ 030

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Wages and salaries	(187,613)	(184,795)
Compulsory social security contributions	(55,788)	(46,729)
Pension cost	(14,938)	(15,399)
Other social benefits	(6,600)	(11,122)
Personnel expenses	**(264,939)**	**(258,045)**

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

Average number of employees

T _ 031

	Year ended Sept 30, 2019	2018
Wage earners	4,823	4,874
Salaried staff	1,549	1,461
Trainees and apprentices	116	108
Average number of employees	**6,488**	**6,443**

7 Other income

Other income increased from €3.9 million in fiscal year 2018 by €4.4 million to €8.3 million in fiscal year 2019. This increase is due to a non-recurring effect of €3.3 million from a purchase price adjustment related to the acquisition of General Aerospace. Furthermore, the increase is due to the foreign currency translation gains from the operating business.

Other income

T _ 032

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Net foreign currency translation gains	1,636	18
Gains on sale / disposal of assets	207	434
Income from the release of other accruals	475	322
Miscellaneous other income	5,976	3,112
Other income	**8,294**	**3,886**

8 Other expenses

Other expenses

T _ 033

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Losses on sale / disposal of tangible assets	(71)	(345)
Miscellaneous other expenses	(1,596)	(951)
Other expenses	**(1,667)**	**(1,296)**

9 Finance income

Finance income

T _ 034

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Interest income on loans and financial receivables not measured at fair value through profit and loss	374	238
Net foreign exchange gain	835	–
Gains from changes in carrying amount of financial liabilities	–	6,439
Other interest income	45	27
Finance income	**1,254**	**6,704**

Finance income decreased from €6.7 million in fiscal year 2018 to €1.3 million in fiscal year 2019. In the prior year this reflects the extension of the maturity date of our term-loan facility by one year (€3.4 million), a further decrease in the margin in February 2018 (€1.3 million) and changed assumptions regarding voluntary prepayments (€1.7 million).

10 Finance costs

Finance costs T_035

	Year ended Sept 30,	
IN € THOUSANDS	**2019**	2018
Interest expense on financial liabilities not measured at fair value through profit and loss	(9,663)	(8,522)
Net foreign exchange loss	–	(2,624)
Interest expenses finance lease	(2)	(29)
Other interest expenses	(752)	(909)
Finance costs	**(10,417)**	**(12,084)**

Finance costs decreased from €(12.1) million in fiscal year 2018 to €(10.4) million in fiscal year 2019. Finance costs in fiscal year 2019 were primarily due to ongoing interest expense of €(9.7) million (PY: €(8.5) million) especially related to the term-loan facility. Thereof, an amount of €(3.6) million (PY: €(3.8) million) is cash interest. In addition, an amount of €(6.1) million (PY: €(4.7) million) is due to the amortization of debt issuance cost and the amortization of the adjustment of the carrying value by using the effective interest rate method. Thereof €(1.1) million relates to a voluntary prepayment of the term-loan facility which lead to a derecognition of unamortized debt issuance costs and unamortized adjustments of the carrying value.

11 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_036

	Year ended Sept 30,	
IN € THOUSANDS	**2019**	2018
Current income taxes	(33,078)	(36,560)
Deferred taxes	(875)	15,413
Income tax expense	**(33,953)**	**(21,147)**

The respective local rates have been used to calculate the deferred taxes. The current income taxes comprise prior year taxes amounting to €(1,535) thousand (PY: €6,282 thousand).

The actual income tax expense of €(33,953) thousand is €5,309 thousand higher than the expected income tax expense of €(28,644) 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_037

	Year ended Sept 30,	
IN € THOUSANDS	**2019**	2018
Profit / (loss) before income tax	**114,852**	**126,502**
Expected income tax expense	**(28,644)**	**(37,950)**
Foreign tax rate differential	(1,839)	7,440
Tax-free income	4,504	1,802
Non-deductible expenses	(6,727)	(3,776)
Prior year taxes	(1,535)	6,282
Change of the valuation allowance on deferred tax assets	10	904
Tax rate changes	(32)	3,445
Other	310	706
Actual income tax expense	**(33,953)**	**(21,147)**
Effective tax rate	**29.6%**	**16.7%**

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. has been reduced to 24.9% in the fiscal year 2019 from about 30.0% in the prior year. This change results in a reduction of the expected income tax expense of about €5,812 thousand and a corresponding increase of the foreign tax rate differential. The lower tax rate in the prior year was due to the non-recurring positive effect from the remeasurement of the deferred tax positions following the US tax reform signed in December 2017 with an amount of €3.9 million. In addition, prior year was also positively influenced by the changed financing and legal structure of our US operations. As a consequence a non-recurring net tax benefit amounting to €7.2 million was recognized in fiscal year 2018 reflecting the release of deferred tax liabilities for unrealized foreign exchange gains and the recoverability of interest expense from prior years. The tax effect of non-deductible expenses consists primarily of expenses that are non-deductible in the determination of the taxable profits in Germany. The tax effect of non-capitalized deferred taxes on domestic losses is calculated with the local tax rates on the basis of the negative earnings before taxes (EBTs) of the respective companies.

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

Deferred tax assets and liabilities

T_038

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	DTA	DTL	**Total**	DTA	DTL	**Total**
Intangible assets	426	(69,303)	(68,877)	227	(58,923)	(58,696)
Property, plant & equipment	6,545	(9,233)	(2,688)	2,599	(8,788)	(6,189)
Inventories	3,593	(144)	3,449	3,260	(123)	3,137
Receivables	427	(12)	415	773	(71)	702
Other assets	16	(176)	(160)	215	(285)	(70)
Provisions and liabilities	18,887	(615)	18,272	14,951	(567)	14,384
Tax and interest losses	7,027	–	7,027	13,973	–	13,973
Subtotal	**36,921**	**(79,483)**	**(42,562)**	**35,998**	**(68,757)**	**(32,759)**
Netting	(23,550)	23,550	–	(20,910)	20,910	–
Total	**13,371**	**(55,933)**	**(42,562)**	**15,088**	**(47,847)**	**(32,759)**

The movement in deferred income tax assets and liabilities in fiscal year 2019 was €(9.8) million and relates to acquisitions of subsidiaries (€(12.3) million), taxes charged to the other comprehensive income (€2.8 million), deferred tax expenses (€(0.9) million) and from foreign exchange rate differences (€0.6 million).

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 carry-forwards and the expiration dates.

Tax loss and interest carry-forwards

T_039

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

IN € THOUSANDS	Year ended Sept 30, 2018					
	Tax loss and interest carry-forward	Tax rate	Deferred tax asset (gross)	Valuation allowance	Deferred tax asset (net)	Expiration date
Germany	31,511	27.0 – 31.0%	8,495	(18)	8,477	Indefinite
Spain	5,221	28.0%	1,462	(1,462)	–	Indefinite
USA	15,835	22.0 – 35.0%	5,400	–	5,400	Within 20 years
Brazil	319	30.0%	96	–	96	Indefinite
Total	**52,886**		**15,453**	**(1,480)**	**13,973**	

As of September 30, 2019, the Group has unused tax loss carry-forwards (including German and US interest loss carry-forwards) of €34,237 thousand (PY: €52,886 thousand).

The interest carry-forward comes from our German entities with an amount of €20,910 thousand and a gross deferred tax asset of €5,614 thousand and unused tax loss carry-forward from our entities in USA, Spain, Germany and Brazil relating to corporate tax and trade tax with an amount of €13,327 thousand and a gross deferred tax asset of €2,883 thousand. The amount recognized as a deferred tax asset is calculated under consideration of the actual corporate planning and its utilization within the planning period. Uncertainties exists regarding to the recognized tax losses carried forward from the US restructuring.

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

12 Earnings per share

The weighted average number of shares used for the calculation of earnings per share in the fiscal years ended September 30, 2019 and 2018, is set out in the following table:

Weighted average number of shares

T_040

DATE	Number of days	Transaction	Change	Total shares	Total shares (time-weighted)
September 30, 2017				**24,700,000**	**24,700,000**
October 1, 2017	365			24,700,000	24,700,000
September 30, 2018				**24,700,000**	**24,700,000**
October 1, 2018	365			24,700,000	24,700,000
September 30, 2019				**24,700,000**	**24,700,000**

The earnings per share for the fiscal years ended September 30, 2019 and 2018, were as follows:

Earnings per share

T_041

	Year ended Sept 30,	
	2019	2018
Profit / (loss) attributable to shareholders of the parent (in € thousands)	80,626	105,410
Weighted average number of shares	24,700,000	24,700,000
Earnings per share (in €)	**3.26**	**4.27**

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.

13 Property, plant and equipment

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

Property, plant and equipment

T_042

IN € THOUSANDS	Land, equivalent rights to real property	Buildings and land improve-ments	Technical equipment and machinery	Other tangible equipment	Construc-tion in pro-gress	Total
Gross value						
Balance as of Sept 30, 2017	**15,043**	**49,048**	**189,739**	**48,475**	**16,192**	**318,497**
Additions from business combination	–	–	–	–	–	–
Foreign currency difference	2	95	(254)	165	–	8
Additions	–	1,030	8,705	4,234	21,926	35,895
Disposals	–	(10)	(3,246)	(530)	–	(3,786)
Reclassifications	–	748	10,374	3,443	(14,565)	–
Balance as of Sept 30, 2018	**15,045**	**50,911**	**205,318**	**55,787**	**23,553**	**350,614**
Additions from business combination	2,088	11	929	481	8	3,517
Foreign currency difference	(3)	888	3,903	1,488	87	6,363
Additions	609	6,128	9,362	5,043	21,448	42,590
Disposals	–	(823)	(2,035)	(6,025)	–	(8,883)
Reclassifications	–	3,628	10,385	5,161	(19,174)	–
Balance as of Sept 30, 2019	**17,739**	**60,743**	**227,862**	**61,935**	**25,922**	**394,201**
Accumulated depreciation						
Balance as of Sept 30, 2017	**–**	**(13,121)**	**(102,611)**	**(33,106)**	**–**	**(148,838)**
Foreign currency difference	–	(49)	(15)	(188)	–	(252)
Depreciation expense	–	(2,570)	(15,710)	(7,240)	–	(25,520)
Thereof impairment loss	–	–	–	–	–	–
Disposal	–	–	2,776	445	–	3,221
Reclassifications	–	–	–	–	–	–
Balance as of Sept 30, 2018	**–**	**(15,740)**	**(115,560)**	**(40,089)**	**–**	**(171,389)**
Foreign currency difference	–	(532)	(2,541)	(1,230)	–	(4,303)
Depreciation expense	–	(3,134)	(15,817)	(7,839)	–	(26,790)
Thereof impairment loss	–	–	–	–	–	–
Disposal	–	798	1,467	5,962	–	8,227
Reclassifications	–	–	–	–	–	–
Balance as of Sept 30, 2019	**–**	**(18,608)**	**(132,451)**	**(43,196)**	**–**	**(194,255)**
Carrying amount						
Balance as of Sept 30, 2018	**15,045**	**35,171**	**89,758**	**15,698**	**23,553**	**179,225**
Balance as of Sept 30, 2019	**17,739**	**42,135**	**95,411**	**18,739**	**25,922**	**199,946**

Property, plant and equipment include assets resulting from a finance lease contract in Romania with a carrying amount of €1,184 thousand (PY: €1,610 thousand).

In fiscal year 2019 and 2018, no government grants were received by any of the Group entities.

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 €4,033 thousand (PY: €11,520 thousand).

The Group did not recognize impairment losses on property, plant and equipment in the actual year (PY: €0 thousand).

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

Depreciation expense for property, plant and equipment T _ 043

	Year ended Sept 30,	
IN € THOUSANDS	**2019**	2018
Cost of sales	(23,323)	(22,564)
Research and development expenses	(1,388)	(882)
Selling expenses	(540)	(587)
Administrative expenses	(1,539)	(1,487)
Depreciation expense	**(26,790)**	**(25,520)**

Prepayments by the Stabilus Group for property, plant and equipment and intangible assets of €66 thousand (PY: €1,242 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.

14 Goodwill

The first-time consolidation of Stable II S.à r. l., Luxembourg as of April 8, 2010, resulted in goodwill of €51.1 million and the first-time consolidation of a Romanian entity resulted in goodwill of €0.4 million. The first-time consolidation of ACE, Hahn Gasfedern and Fabreeka / Tech Products as of June 30, 2016, resulted in goodwill of €146.9 million. The acquisition of a small niche business in New Zealand resulted in goodwill of €0.2 million.

The first-time consolidations of the acquired entities General Aerospace as of April 1, 2019, resulted in goodwill of €7.7 million, Clevers as of June 12, 2019, resulted in goodwill of €1.5 million and Piston as of June 17, 2019, resulted in goodwill of €6.5 million.

These acquisitions resulted in total goodwill of €214.8 million (PY: €195.2 million). On the relevant acquisition date goodwill is allocated to the operating segments (CGUs) based on their relative fair values. As such €126.6 million have been allocated to Europe, €74.4 million to NAFTA and €13.8 million to Asia / Pacific and Rest of World (RoW).

The foreign currency difference in fiscal year 2019 on goodwill is €3.9 million. In prior years the foreign currency difference was €(3.4) million.

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 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 4.0% (PY: 4.0%) for Europe, 4.3% (PY: 3.9%) for NAFTA and 20.1% (PY: 15.4%) for Asia / Pacific and RoW 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%) 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. The discount rate applied to cash flow projections is 7.1% (PY: 8.5%) for Europe, 7.2% (PY: 8.5%) for NAFTA and 7.3% (PY: 8.6%) for Asia / Pacific and RoW.

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

	Sept 30, 2019		
IN PERCENT	Input data required for carrying amount to equal recoverable amount		
	Europe	NAFTA	RoW
Discount rate	11.0	24.6	14.7
Budgeted gross margin reduction to plan	6.4	11.3	6.3

15 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 relationship	Technology	Trade name	Total
Gross value								
Balance as of Sept 30, 2017	**84,562**	**15,180**	**11,080**	**1,310**	**204,122**	**69,248**	**16,774**	**402,276**
Foreign currency difference	432	1	41	(4)	697	155	16	1,338
Additions	969	7,700	2,080	22	–	–	–	10,771
Disposals	(17,445)	–	(47)	–	–	–	–	(17,492)
Reclassifications	10,021	(10,577)	864	(308)	–	–	–	–
Balance as of Sept 30, 2018	**78,539**	**12,304**	**14,018**	**1,020**	**204,819**	**69,403**	**16,790**	**396,893**
Additions from business combination	190	187	1,499	1,603	39,551	–	1,063	44,093
Foreign currency difference	1,401	59	96	1	2,706	503	(58)	4,708
Additions	2,366	11,801	736	52	–	–	–	14,955
Disposals	(11,182)	–	(1,311)	–	–	–	–	(12,493)
Reclassifications	4,631	(5,319)	688	–	–	–	–	–
Balance as of Sept 30, 2019	**75,945**	**19,032**	**15,726**	**2,676**	**247,076**	**69,906**	**17,795**	**448,156**
Accumulated amortization								
Balance as of Sept 30, 2017	**(42,452)**	**–**	**(7,012)**	**(1,145)**	**(35,129)**	**(41,478)**	**(6,149)**	**(133,365)**
Foreign currency difference	(249)	–	(38)	4	(131)	(21)	(6)	(441)
Amortization expense	(12,340)	–	(2,184)	(63)	(10,647)	(5,823)	(1,239)	(32,296)
Thereof impairment loss	*(1,671)*	–	–	–	–	–	–	*(1,671)*
Disposals	16,362	–	28	–	–	–	–	16,390
Reclassifications	–	–	(297)	297	–	–	–	–
Balance as of Sept 30, 2018	**(38,679)**	**–**	**(9,503)**	**(907)**	**(45,907)**	**(47,322)**	**(7,394)**	**(149,712)**
Foreign currency difference	(854)	–	(119)	(1)	(488)	(71)	(23)	(1,556)
Amortization expense	(10,888)	–	(2,840)	(126)	(11,828)	(5,845)	(1,316)	(32,843)
Thereof impairment loss	*(398)*	–	–	–	–	–	–	*(398)*
Disposals	10,804	–	1,310	–	–	–	–	12,114
Reclassifications	–	–	–	–	–	–	–	–
Balance as of Sept 30, 2019	**(39,617)**	**–**	**(11,152)**	**(1,034)**	**(58,223)**	**(53,238)**	**(8,733)**	**(171,997)**
Carrying amount								
Balance as of Sept 30, 2018	**39,860**	**12,304**	**4,515**	**113**	**158,912**	**22,081**	**9,396**	**247,181**
Balance as of Sept 30, 2019	**36,328**	**19,032**	**4,574**	**1,642**	**188,853**	**16,668**	**9,062**	**276,159**

Additions to intangible assets in the fiscal year 2019 amounting to €59,048 thousand (PY: €10,771 thousand), thereof €44,093 thousand relating to the three business combinations in fiscal year 2019, and from capitalized development cost amounting to €14,167 thousand (PY: €8,669 thousand) (less related customer contributions). Amortization of capitalized internal development projects amounted to €10,888 thousand (PY: €12,339 thousand). The borrowing costs capitalized during the period amounted to €155 thousand (PY: €129 thousand). A capitalization rate was used to determine the amount of borrowing costs. The capitalization rate used in the fiscal year 2019 was 1.05% (PY: 1.05%). The total amortization expense and impairment loss for intangible assets is included in the consolidated statements of comprehensive income in the following line items:

Amortization expense for intangible assets T_046

	Year ended Sept 30,	
IN € THOUSANDS	**2019**	2018
Cost of sales	(7,699)	(7,264)
Research and development expenses	(11,220)	(12,531)
Selling expenses	(12,544)	(11,263)
Administrative expenses	(1,380)	(1,238)
Amortization expense (incl. impairment losses)	**(32,843)**	**(32,296)**

Amortization expenses on development costs include impairment losses of €398 thousand (PY: €1,671 thousand) due to the withdrawal of customers from the respective projects. The impairment loss is included in the research and development expenses.

Contractual commitments for the acquisition of intangible assets amount to €718 thousand (PY: €1,538 thousand).

16 Other financial assets

Other financial assets T_047

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Other miscellaneous	4,743	–	4,743	3,407	–	3,407
Other financial assets	**4,743**	**–**	**4,743**	**3,407**	**–**	**3,407**

OTHER MISCELLANEOUS

Other miscellaneous financial assets in the fiscal year 2019 mainly comprise assets related to the sale of trade accounts receivable (€22.6 million (PY: €23.9 million)) amounting to €2,900 thousand (PY: €3,407 thousand). In addition €1,843 thousand relates to the contingent consideration from the business combination with General Aerospace GmbH.

17 Other assets

Other assets T_048

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
VAT	4,071	–	4,071	5,941	–	5,941
Prepayments	2,438	66	2,504	3,299	1,242	4,541
Deferred charges	5,394	–	5,394	4,737	–	4,737
Other miscellaneous	1,911	1,645	3,556	2,056	2,709	4,765
Other assets	**13,814**	**1,711**	**15,525**	**16,033**	**3,951**	**19,984**

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

18 Inventories

Inventories T_049

IN € THOUSANDS	Sept 30, 2019	Sept 30, 2018
Raw materials and supplies	48,548	42,536
Finished products	23,726	23,469
Work in progress	15,361	14,439
Merchandise	12,704	10,319
Inventories	**100,339**	**90,763**

Inventories that are expected to be turned over within twelve months amounted to €100,339 thousand (PY: €90,763 thousand). Write-downs on inventories to net realizable value amounted to €(12,509) thousand (PY: €(11,147) thousand). In the reporting period raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to €(443,308) thousand (PY: €(443,639) thousand).

The Stabilus Group's prepayments for inventories amounting to €1,212 thousand (PY: €1,695 thousand) are included in prepayments in other current assets.

19 Trade accounts receivable

Trade accounts receivable include the following items:

Trade accounts receivable

T_050

IN € THOUSANDS	Sept 30, 2019	Sept 30, 2018
Trade accounts receivable	132,225	113,849
Allowance for doubtful accounts	(1,897)	(2,578)
Trade accounts receivable	**130,328**	**111,271**

Trade accounts receivable increased in the fiscal year ended September 30, 2019, mainly due to the higher sales in the fourth quarter of fiscal year 2019.

The Group uses an allowance matrix to measure the lifetime ECLs of trade accounts receivables segmented by geographic region (Europe, NAFTA and Asia / Pacific and RoW). Loss rates are based on actual credit loss experience over the past years. These rates take into accounts the current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or the financial asset is more than 360 days past due.

The gross carrying amount of a trade account receivable is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The following table provides information about the exposure to credit risk and ECLs for trade receivables as at September 30, 2019:

Exposure to credit risk and ECLs

T_051

IN € THOUSANDS	Sept 30, 2019		
Region	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Europe	0.66%	40,652	270
NAFTA	0.56%	65,120	367
Asia / Pacific and RoW	0.70%	26,453	186
Total		**132,225**	**823**

Individual loss allowance of € 1,897 thousand were recognized as of the reporting date.

The Group provides credit in the normal course of business and performs ongoing credit evaluations on certain customers' financial condition, but generally does not require collateral to support such receivables. The Group established an allowance for doubtful accounts based on historically observed default rates adjusted for forward-looking estimates to accrue for expected credit losses.

The allowances for doubtful accounts developed as follows:

Allowance for doubtful accounts T_052

IN € THOUSANDS	Sept 30, 2019	Sept 30, 2018
Allowance for doubtful accounts as of Sept 30, 2018 (IAS 39)	**(2,578)**	**(2,546)**
Effect IFRS 9 first-time application	834	–
Allowance for doubtful accounts as of Oct 1, 2018 (IFRS 9)	**(1,744)**	**(2,546)**
Additions from business combination	–	–
Foreign currency differences	(35)	3
Increase in the allowance	(232)	(261)
Decrease in the allowance	114	226
Allowance for doubtful accounts as of Sept 30, 2019 (IFRS 9)	**(1,897)**	**(2,578)**

20 Current tax assets

Current tax assets amounted to €4,987 thousand (PY: €5,292 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.

21 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, 2019, it amounted to €139,020 thousand (PY: €143,000 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. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. Stabilus considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and impairments were insignificant.

22 Equity

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

On February 13, 2019, the Management Board of Stabilus S.A., with the approval of the Supervisory Board, resolved to reduce the existing authorized capital of the Company from €315,000 by €68,000 to €247,000. In addition, it was decided to replace the present authorization for a capital increase by a new authorization for a period of 5 years from the date of the present meeting, with however a reduced authorization amount of €24,000 (representing 2.4 million shares). Following this issuance, the new total number of authorized shares amounts 27.1 million.

Issued capital

Issued capital as of September 30, 2019, 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.

Capital reserves

Capital reserves as of September 30, 2019, amounted to €225,848 thousand (PY: €225,848 thousand).

Retained earnings

Retained earnings as of September 30, 2019, amounted to €283,424 thousand (PY: €225,090 thousand) and included the Group's net result in the fiscal year 2019 amounting to €80,626 thousand. The first-time application of IFRS 9 resulted in a decrease of the allowance for doubtful accounts as set out in more detail in Note 19. The effect was an increase in retained earnings amounting to €834 thousand that was recognized directly in the equity (by using the modified retrospective method).

Dividends

In the second quarter of fiscal 2019, a dividend amounting to €24.70 million (PY: €19.76 million) was paid to our shareholders and a dividend amounting to €62 thousand (PY: €38 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 €1.10 per share (PY: €1.00 per share) to the Annual General Meeting to be held in Luxembourg on February 12, 2020. The total dividend will thus amount to €27.17 million (PY: €24.70 million) and the distribution ratio will be 33.6% 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, 2019.

Other reserves

Other reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations and unrealized actuarial gains and losses. The following table shows the changes in other reserves recognized in equity through other comprehensive income as well as the income tax recognized in equity through other comprehensive income.

Other comprehensive income / (expense)

T_053

IN € THOUSANDS	Unrealized gains / (losses) from foreign currency translation	Unrealized actuarial gains and losses	Total
Balance as of Sept 30, 2017	**(18,297)**	**(10,901)**	**(29,198)**
Before tax	4,115	678	4,793
Tax (expense) / benefit	–	(207)	(207)
Other comprehensive income / (expense), net of taxes	4,115	471	4,586
Non-controlling interest	–	–	–
Balance as of Sept 30, 2018	**(14,182)**	**(10,430)**	**(24,612)**
Before tax	11,753	(9,211)	2,542
Tax (expense) / benefit	–	2,787	2,787
Other comprehensive income / (expense), net of taxes	11,753	(6,424)	5,329
Non-controlling interest	–	–	–
Balance as of Sept 30, 2019	**(2,429)**	**(16,854)**	**(19,283)**

23 Financial liabilities

The financial liabilities comprise following items:

Financial liabilities

T _ 054

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Senior facilities	–	298,501	298,501	–	313,846	313,846
Other facilities	2,824	10,260	13,084	1,100	5,075	6,175
Financial liabilities	**2,824**	**308,761**	**311,585**	**1,100**	**318,921**	**320,021**

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

The term loan facility has to be repaid in June 29, 2022 with an amount of €48.1 million and in June 28, 2023 with an amount of €266.9 million.

Stabilus repaid €50.0 million on August 31, 2016, €10.0 million on December 31, 2016, €2.5 million on March 31, €50.0 million on September 30, 2017, €6.4 million on March 28, 2018 and €21.1 million on September 27, 2019 and reduced the outstanding nominal amount to €315.0 million as at September 30, 2019. The Group´s liability under the senior facility agreement (the remaining €315.0 million term loan) is measured at amortized cost under consideration of transaction costs and the adjustment of the carrying value using the effective interest rate method. The adjustment of the carrying value of the term loan facility reflects the change in estimated future cash flows discounted with the original effective interest rate due to a decreased margin based on the improved net leverage ratio of the Group.

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

As at September 30, 2019, the Group had no liability under the committed €70.0 million revolving credit facility. The Group utilized €1.1 million out of the €70.0 million revolving credit facility to secure existing guarantees.

24 Other financial liabilities

Other financial liabilities T_055

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	Current	Non-current	**Total**	Current	Non-current	**Total**
Liabilities to employees	6,550	–	6,550	7,557	–	7,557
Social security contribution	3,105	–	3,105	2,920	–	2,920
Finance lease obligation	441	83	524	390	520	910
Other financial liabilities	**10,096**	**83**	**10,179**	**10,867**	**520**	**11,387**

The finance lease obligation relates to leasing contracts for land and buildings for the production facility in Romania.

25 Provisions

Provisions

T_056

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Anniversary benefits	33	153	186	17	129	146
Early retirement contracts	1,037	1,946	2,983	1,020	1,785	2,805
Employee-related costs	11,332	–	11,332	13,574	–	13,574
Environmental protection	827	1,130	1,957	–	1,099	1,099
Other risks	3,008	–	3,008	1,727	–	1,727
Legal and litigation costs	97	–	97	94	–	94
Warranties	16,806	–	16,806	14,030	–	14,030
Other miscellaneous	5,004	336	5,340	4,458	389	4,847
Provisions	**38,144**	**3,565**	**41,709**	**34,920**	**3,402**	**38,322**

The non-current provisions developed as follows:

Changes of non-current provisions

T_057

IN € THOUSANDS	Anniversary benefits	Early retirement	EPA provision	Other miscellaneous	Total
Balance as of Sept 30, 2017	**105**	**1,851**	**1,421**	**394**	**3,771**
Reclassifications	–	(589)	–	–	(589)
Foreign currency differences	1	–	9	3	13
Costs paid	–	–	(331)	(26)	(357)
Release to income	–	–	–	–	–
Additions	23	523	–	18	564
Balance as of Sept 30, 2018	**129**	**1,785**	**1,099**	**389**	**3,402**
Additions from business combination	–	–	–	16	16
Reclassifications	–	–	–	–	–
Foreign currency differences	4	–	54	16	74
Costs paid	(1)	–	(614)	–	(615)
Release to income	–	–	–	(100)	(100)
Additions	21	161	591	15	788
Balance as of Sept 30, 2019	**153**	**1,946**	**1,130**	**336**	**3,565**

The discount rate used for the calculation of non-current provisions as of September 30, 2019, was 0.0% (PY: 0.0%).

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

Changes of current provisions

T_058

IN € THOUSANDS	Employee-related costs	Environ-mental protec-tion measures	Other risks	Legal and litigation costs	Anniver-sary benefits	Early retire-ment	Warran-ties	Other miscella-neous	**Total**
Balance as of Sept 30, 2017	**12,099**	**48**	**2,868**	**111**	**29**	**811**	**12,984**	**4,111**	**33,061**
Foreign currency differences	(1)	(1)	(11)	(22)	1	–	(90)	(20)	(144)
Reclassifications	–	–	122	–	–	589	–	(122)	589
Costs paid	(9,096)	(47)	(1,412)	–	(24)	(380)	(12,481)	(2,952)	(26,392)
Release to income	(527)	–	(1,201)	–	–	–	(272)	(118)	(2,118)
Additions	11,099	–	1,361	5	11	–	13,889	3,559	29,924
Balance as of Sept 30, 2018	**13,574**	**–**	**1,727**	**94**	**17**	**1,020**	**14,030**	**4,458**	**34,920**
Additions from business combination	90	–	–	–	–	–	1,106	1,926	3,122
Foreign currency differences	160	30	16	3	1	–	341	20	571
Reclassifications	–	–	–	–	–	–	–	–	–
Costs paid	(11,500)	–	(1,643)	–	(5)	(480)	(5,382)	(4,317)	(23,327)
Release to income	(2)	–	–	–	–	–	(34)	(12)	(48)
Additions	9,010	797	2,908	–	20	497	6,745	2,929	22,906
Balance as of Sept 30, 2019	**11,332**	**827**	**3,008**	**97**	**33**	**1,037**	**16,806**	**5,004**	**38,144**

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

The provision for environmental protections 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, 2019. For the corresponding ongoing long-term bioremediation a current provision of €827 thousand (PY: €0 thousand) and a non-current provision of €1,130 thousand (PY: €1,099 thousand) has been recorded as of September 30, 2019.

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_059

IN € THOUSANDS	Sept 30, 2019	Sept 30, 2018
Principal pension plan	59,595	50,887
Deferred compensation	298	1,293
Pension plans and similar obligations	**59,893**	**52,180**

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 €59,595 thousand (PY: €50,887thousand) result from unfunded accumulated benefit obligations.

The weighted average duration of the defined benefit obligations in the fiscal year 2019 is 16.9 years (PY: 15.4 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, 2019, amounts to €298 thousand (PY: €1,293 thousand).

The unfunded status is as follows:

Unfunded status

T _ 060

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Present value of defined benefit obligations	61,015	52,180
Less: Fair value of plan assets	(1,122)	–
Unfunded status	**59,893**	**52,180**

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

Present value of the net pension liability obligations

T _ 061

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Present value of net pension liability as of beginning of fiscal year	**52,180**	**53,236**
Contribution to plan assets	(1,122)	–
Service cost	347	313
Interest cost	1,005	980
Effect of change in financial assumptions	9,816	(1,104)
Effect of change in demographic assumptions	–	533
Experience assumptions	(605)	(107)
Actuarial (gains) / losses	9,211	(678)
Pension benefits paid	(1,728)	(1,671)
Present value of net pension liability as of fiscal year-end	**59,893**	**52,180**

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 _ 062

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Service cost	347	313
Interest cost	1,005	980
Pension cost for defined benefit plans	**1,352**	**1,293**

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_063

IN € THOUSANDS	Defined benefit obligation	Experience adjustments	Change in demographic assumptions
Sept 30, 2015	47,989	(205)	–
Sept 30, 2016	58,738	(1,055)	–
Sept 30, 2017	53,236	234	–
Sept 30, 2018	52,180	(107)	533
Sept 30, 2019	59,893	(605)	

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_064

	Year ended Sept 30,	
IN % P. A.	**2019**	2018
Discount rate	0.93%	2.00%
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, 2019, on the basis of first-rate, fixed-interest industrial bonds with maturities and values matching those of the pension payments.

SENSITIVITY ANALYSIS

If the discount rate were to differ by + 0.5% / – 0.5% from the interest rate used at the balance sheet date, the defined benefit obligation for pension benefits would be an estimated €5,062 thousand lower or €5,802 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 €1,670 thousand higher or €1,605 thousand lower. The reduction / increase of the mortality rates by 1 year results in an increase / decrease of life expectancy depending on the individual age of each beneficiary. The effects on the defined benefit obligation (the "DBO") as of September 30, 2019, due to a 1 year decrease / increase of the life expectancy would result in an increase of €2,635 thousand or a decrease of €2,588 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 2020 will amount to €1,909 thousand (PY: €1,956 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 €13,711 thousand (PY: €14,183 thousand).

27 Trade accounts payable

Trade accounts payable amount to €90,992 thousand (PY: €83,171 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 33.

28 Current tax liabilities

The current tax liabilities amounted to €13,088 thousand (PY: 16,366 thousand) and relate to income and trade.

29 Other liabilities

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

Other liabilities

T _ 065

	Sept 30, 2019			Sept 30, 2018		
IN € THOUSANDS	Current	Non-current	Total	Current	Non-current	Total
Advanced payments received	2,278	–	2,278	1,436	–	1,436
Vacation expenses	4,066	–	4,066	3,437	–	3,437
Other personnel-related expenses	6,611	–	6,611	6,771	–	6,771
Outstanding costs	2,908	–	2,908	2,668	–	2,668
Miscellaneous	380	–	380	313	–	313
Other liabilities	**16,243**	**–**	**16,243**	**14,625**	**–**	**14,625**

30 Leasing

OPERATING LEASE

The Group entered into non-cancellable operating leases for IT hardware, cars and other machinery and equipment with lease terms of 2 to 6 years. The non-cancellable future minimum lease payments during the basic rental period are as follows:

Operating lease

T _ 066

	Minimum lease payments in the year ended Sept 30,	
IN € THOUSANDS	2019	2018
Within one year	8,976	7,764
After one year but not more than five years	21,318	15,202
More than five years	2,452	117
Total	**32,746**	**23,083**

The increase in total minimum lease payments that are maturing within one year is primarily due to the expansion of the rented production facilities in China and Mexico as well as a warehouse facility in Germany.

The increase of the payments that mature after one year but not more than five years is due to the general expansion of the Group and from the business combinations in fiscal year 2019. Total operating rental expenses for the current period were €9,789 thousand (PY: €9,050 thousand).

FINANCE LEASE

As of September 30, 2019, there were two real estate rental contracts for a production facility in Romania that were accounted for as a finance lease.

Finance lease

T_067

	Sept 30, 2019		Sept 30, 2018	
IN € THOUSANDS	Minimum lease payments (MLP)	Present value of MLP	Minimum lease payments (MLP)	Present value of MLP
Within one year	441	430	438	427
After one year but not later than five years	1,390	1,356	1,831	1,625
More than five years	0	0	0	0
Total	**1,831**	**1,786**	**2,269**	**2,052**

Production facility:
Stabilus Romania S.R.L. entered into a real estate lease agreement which was classified as a finance lease starting March 1, 2015. On July 1, 2016, Stabilus Romania S.R.L. renewed the real estate lease agreement to extend the existing production facility for the production of gas springs and dampers. The underlying interest rate amounts to 4.75% (PY: 4.75%). The net carrying amount of the finance lease obligation at the balance sheet date was €524 thousand (PY: €910 thousand). The contract has an initial duration of 75 months and can be extended.

The payments for finance leases in the fiscal year ended September 30, 2019, amounted to €443 thousand (PY: €1,253 thousand). No contingent rents have been recognized as an expense during the period.

31 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 a 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 guaranties should not result in a material adverse effect for the Group.

OTHER FINANCIAL COMMITMENTS

The nominal value of the other financial commitments as of September 30, 2019, amounted to €37,496 thousand (PY: €36,141 thousand).

Nominal values of other financial commitments are as follows:

Financial commitments T _ 068

	Sept 30, 2019			
IN € THOUSANDS	Less than 1 year	1 to 5 years	More than 5 years	**Total**
Capital commitments for fixed and other intangible assets	4,750	–	–	4,750
Obligations under rental and leasing agreements	8,976	21,318	2,452	32,746
Total	**13,726**	**21,318**	**2,452**	**37,496**

	Sept 30, 2018			
IN € THOUSANDS	Less than 1 year	1 to 5 years	More than 5 years	Total
Capital commitments for fixed and other intangible assets	13,058	–	–	13,058
Obligations under rental and leasing agreements	7,764	15,202	117	23,083
Total	**20,822**	**15,202**	**117**	**36,141**

32 Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments. 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_069

IN € THOUSANDS	MEASUREMENT CATEGORY ACC. TO IFRS 9	Sept 30, 2019 Carrying amount	Sept 30, 2019 Fair value	MEASUREMENT CATEGORY ACC. TO IAS 39	Sept 30, 2018 Carrying amount	Sept 30, 2018 Fair value
Trade accounts receivables	AC	130,328	–	LaR	111,271	111,271
Cash	AC	139,020	–	LaR	143,000	143,000
Other financial assets	AC	4,743	–	LaR	3,407	3,407
Total financial assets		**274,091**	**–**		**257,678**	**257,678**
Financial liabilities	FLAC	311,585	330,918	FLAC	320,021	312,858
Trade accounts payable	FLAC	90,992	–	FLAC	83,171	83,171
Finance lease liabilities	–	524	1,786	–	910	2,052
Total financial liabilities		**403,101**	**332,704**		**404,102**	**398,081**
Aggregated according to categories in IFRS 9:				**Aggregated according to categories in IAS 39:**		
Financial assets measured at amortized cost (AC)		274,091	–	Loans and receivables (LaR)	257,678	257,678
Financial liabilities measured at amortized cost (FLAC)		402,577	330,918	Financial liabilities measured at amortized cost (FLAC)	403,192	396,029

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_070

IN € THOUSANDS	Sept 30, 2019 Total	Level 1[1]	Level 2[2]	Level 3[3]	Sept 30, 2018 Total	Level 1[1]	Level 2[2]	Level 3[3]
Financial liabilities								
Senior facilities	317,834	–	317,834	–	306,683	–	306,683	–
Other facilities	13,084	–	13,084	–	6,175	–	6,175	–
Finance lease liabilities	1,786	–	–	1,786	2,052	–	–	2,052

[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.

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

- The fair value of the quoted senior secured notes is based on price quotations at the reporting date.
- The valuation technique used for the determination of the obligations under finance leases is the discounted cash flow method. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate depending on the maturity of the payments. The expected payments are determined by considering contractual redemption payments and interest payments with the currently agreed interest rate. Significant unobservable inputs are the risk-adjusted discount rates of 4.75% and the forecasted interest payments. Therefore, the fair value would change if the risk-adjusted discount rate or the interest rate changed.

The finance lease contracts include fixed-interest rates. Therefore, the fair value of finance lease liabilities (categorized as Level 3 in the fair value hierarchy table) is not exposed to interest risk through fluctuation.

The carrying amounts of trade accounts receivables, cash, other financial assets and trade accounts payable closely approximated 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, 2019, 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 9 and 10. The net foreign exchange gain amounted to €835 thousand (PY: loss €2,624 thousand).

Total interest income and expense from financial instruments are reported in Notes 9 and 10.

33 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 this 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 Group 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, 2019.

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, Stabilus has no 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 maximum exposure to credit risk is reflected by the carrying amounts of the following financial assets:

Credit risks included in financial assets

T_071

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

	Sept 30, 2018						
IN € THOUSANDS	Neither past due nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 360 days	> 360 days	Total
Financial assets							
Trade accounts receivable	100,664	7,946	870	692	908	191	111,271
Other miscellaneous	3,407	–	–	–	–	–	3,407
Total	**104,071**	**7,946**	**870**	**692**	**908**	**191**	**114,678**

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 2019, the Group had one customer which accounted for at least 11% of total external revenue and two customers which accounted for at least 8% of total external revenue. The revenue with these customers was €107,792 thousand (PY: €113,706 thousand), €87,511 thousand (PY: €96,882 thousand) and €74,294 thousand (PY: €75,568 thousand), respectively. In fiscal year 2019 and 2018, such revenue was generated in all three operating segments.

LIQUIDITY RISKS

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

The following maturities summary shows how cash flows from the Group's liabilities as of September 30, 2019, 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 23.

Liquidity outflows for liabilities T_072

IN € THOUSANDS	Senior facility	Other facilities	Finance lease	Trade accounts payable	**Total**
2020	2,993	2,751	441	90,992	97,177
2021	2,993	2,083	695	–	5,771
2022	50,955	1,169	695	–	52,819
2023	268,825	1,169	–	–	269,994
2024	–	1,169	–	–	1,169
After 2024	–	390	–	–	390
Total	**325,766**	**8,731**	**1,831**	**90,992**	**427,320**

The senior facilities give planning stability over the next years. At the balance sheet date, the Group has undrawn committed facilities of €70.0 million (PY: €70.0 million) to reduce liquidity risks.

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, 2019, 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. 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 $62 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 €0.5 million.

Hyperinflation

The Group has one entity which is located in Argentina where the inflation has been high for several years. After Argentina's cumulative inflation rate over a three year period has exceeded 100% and as the qualitative indicators of hyperinflation are, to varying degrees, also present, we consider Argentina to be a hyperinflationary economy. Accordingly, IAS 29 has to be applied which requires that the financial statements of subsidiaries reporting in the currencies of hyperinflationary economies are restated by applying a suitable general price index. This requirement generally applies to our newly acquired subsidiary New CLEVERS S.R.L. as well. However, as the 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 will 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 based on Euribor-related credit agreements.

The interest rate risk is monitored 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 €315 million. A 1% increase of floating interest rates (Euribor) would lead to an increase of financial expense of approximately €3.6 million. As the Euribor is below 0% as of September 30, 2019, a decrease has no effect on financial expenses.

34 Capital management

The Stabilus Group's capital management covers both equity and liabilities. A further objective is to maintain a balanced mix of debt and equity taking into account the positive effects of the debt tax shield and the additional costs of financial distress that result from increased leverage.

Due to the broad product range and the activities on global markets, the Stabilus Group generates under normal economic conditions predictable and sustainable cash flows.

The equity ratio as of September 30, 2019, is calculated as follows:

Equity ratio

T_073

	Year ended Sept 30,	
IN € THOUSANDS	2019	2018
Equity	499,617	426,523
Total assets	1,099,239	1,010,442
Equity ratio	45.5%	42.2%

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

The ratio of net debt to adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is also used as a covenant in the senior facilities agreement, is an important financial ratio (debt ratio) used in the Stabilus Group. The objective is to improve the debt ratio in future. The Company does not expect a breach of this covenant.

35 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 €3,643 thousand (PY: €3,837 thousand) are reflected in cash outflows from financing activities. Income tax payments of €35,930 thousand (PY: €36,361 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 _ 074

IN € THOUSANDS	Senior facility agreement	Other facilities	Finance leases
Balance as of Sept 30, 2018	**313,846**	**6,175**	**910**
Cash receipts	–	–	–
Cash payments	(21,073)	(1,594)	(443)
Changes from financing cash flows	(21,073)	(1,594)	(443)
Effect of changes in foreign exchange rates	–	357	57
Other changes	5,728	5,566	–
Balance as of Sept 30, 2019	**298,501**	**10,504**	**524**

36 Segment reporting

The Stabilus Group is organized and managed primarily on a regional level. The three reportable operating segments of the Group are Europe, NAFTA and Asia / Pacific including RoW. 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, 2019 and 2018 is as follows:

Segment reporting

T_075

	Europe		NAFTA		Asia / Pacific and RoW	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	2019	2018	2019	2018	2019	2018
External revenue[1]	482,099	491,323	357,345	348,127	111,895	123,114
Intersegment revenue[1]	28,598	32,248	24,692	26,075	114	138
Total revenue[1]	510,697	523,571	382,037	374,202	112,009	123,252
Depreciation and amortization (incl. impairment losses)	(31,066)	(30,239)	(13,363)	(12,357)	(5,924)	(5,940)
EBIT	63,951	72,435	55,261	48,848	14,083	19,879
Adjusted EBIT	68,439	77,378	60,029	51,941	14,277	20,029

	Total segments		Other / Consolidation		Stabilus Group	
	Year ended Sept 30,		Year ended Sept 30,		Year ended Sept 30,	
IN € THOUSANDS	2019	2018	2019	2018	2019	2018
External revenue[1]	951,339	962,564	–	–	951,339	962,564
Intersegment revenue[1]	53,404	58,461	(53,404)	(58,461)	–	–
Total revenue[1]	1,004,743	1,021,025	(53,404)	(58,461)	951,339	962,564
Depreciation and amortization (incl. impairment losses)	(50,353)	(48,536)	(9,280)	(9,280)	(59,633)	(57,816)
EBIT	133,295	141,162	(9,280)	(9,280)	124,015	131,882
Adjusted EBIT	142,745	149,348	–	–	142,745	149,348

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

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

The EBIT of operating segment Europe in the fiscal year ended September 30, 2019, includes impairment losses of €(398) thousand (PY: €(1,671) 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_076

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Total segments' profit (adjusted EBIT)	**142,745**	**149,348**
Other / consolidation	–	–
Group adjusted EBIT	**142,745**	**149,348**
Adjustments to EBIT	(18,730)	(17,466)
Profit from operating activities (EBIT)	**124,015**	**131,882**
Finance income	1,254	6,704
Finance costs	(10,417)	(12,084)
Profit / (loss) before income tax	**114,852**	**126,502**

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

Geographical information: Revenue by country

T_077

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Germany	356,156	356,540
Romania	119,949	130,146
UK	4,629	4,637
Turkey	1,365	–
Europe	**482,099**	**491,323**
Mexico	188,305	190,180
USA	169,040	157,947
NAFTA	**357,345**	**348,127**
China	80,241	91,855
South Korea	10,731	11,075
Brazil	8,315	7,632
Australia	2,817	4,479
Japan	7,538	5,882
New Zealand	1,925	2,191
Argentina	328	–
Asia / Pacific and RoW	**111,895**	**123,114**
Revenue	**951,339**	**962,564**

Geographical information: Non-current assets by country T_078

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Germany	270,383	249,109
Romania	28,815	28,192
Spain	790	854
Luxembourg	413	589
UK	5,468	5,905
Switzerland	0	0
France	4	10
Turkey	2,225	–
Goodwill	126,557	111,876
Europe	**434,655**	**396,535**
USA	85,810	99,648
Mexico	34,432	29,563
Goodwill	74,388	70,767
NAFTA	**194,630**	**199,978**
China	35,822	39,687
South Korea	7,689	8,567
Brazil	1,761	1,575
Australia	856	966
Japan	1,385	1,304
New Zealand	270	410
Argentina	1,119	–
Goodwill	13,876	12,588
Asia / Pacific and RoW	**62,778**	**65,097**
Total	**692,063**	**661,610**

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

37 Share-based payments

The Group established share-based payment arrangements for members of the Management Board (Matching Stock Program) and for senior management employees (Phantom Stock Program).

MATCHING STOCK PROGRAM

The variable compensation for the members of the Management Board includes a matching stock program. The matching stock program (the "MSP") provides for four annual tranches granted each year during the financial year ending September 30, 2014, until September 30, 2017. The program "MSP A" was extended by one year to September 30, 2018. Participation in the matching stock program requires Management Board members to invest in shares of the Company. The investment has generally to be held for the lock-up period.

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

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

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

PHANTOM STOCK PROGRAM

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

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, 2019.

Input parameters for fair value measurement of MSP

T_079

VALUATION DATE	Sept 30, 2019	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016
MSP A/B (2015)				
Fair value	€13.82	€15.22	€14.14	€7.83
Share price	€44.90	€71.70	€76.79	€50.10
Expected annual volatility	–	27.0%	32.0%	33.0%
Expected annual dividend yield	–	1.00%	1.00%	1.00%
Expected remaining duration (timing of exercise)	–	1.0 year	2.0 years	3.0 years
Risk-free annual interest rate	–	(0.62)%	(0.73)%	(0.72)%
Exercise price	€31.08	€31.08	€31.08	€31.08
MSP A/B (2016)				
Fair value	€6.99	€14.99	€14.12	–
Share price	€44.90	€71.70	€76.79	–
Expected annual volatility	43.0%	27.0%	34.0%	–
Expected annual dividend yield	2.00%	1.00%	1.00%	–
Expected remaining duration (timing of exercise)	1.0 year	2.0 years	3.0 years	–
Risk-free annual interest rate	(0.73)%	(0.54)%	(0.63)%	–
Exercise price	€48.64	€48.64	€48.64	–
MSP A (2017)				
Fair value	€3.14	€10.03	–	–
Share price	€44.90	€71.10	–	–
Expected annual volatility	35.0%	30.0%	–	–
Expected annual dividend yield	2.00%	1.00%	–	–
Expected remaining duration (timing of exercise)	2.0 years	3.0 years	–	–
Risk-free annual interest rate	(0.80)%	(0.40)%	–	–
Exercise price	€74.74	€74.74	–	–
MSP A (2018)				
Fair value	€3.25	–	–	–
Share price	€44.90	–	–	–
Expected annual volatility	33.0%	–	–	–
Expected annual dividend yield	2.00%	–	–	–
Expected remaining duration (timing of exercise)	3.0 years	–	–	–
Risk-free annual interest rate	(0.82)%	–	–	–
Exercise price	€74.22	–	–	–

PERFORMANCE SHARE PLAN

In fiscal year 2019, eligible Management Board members of Stabilus S.A. received allocations under the Performance Share Plan (the "PSP") in the form of virtual shares. The virtual shares of the Performance Share Plan are based on an annual target amount granted at the beginning of a three-year performance period as a future entitlement. In order to determine the target number of virtual shares granted, the annual target amount is divided by the Start Share Price, whereby the Start Share Price refers to the arithmetic mean of the company's share closing price during the last 60 trading days prior to the respective performance period start date.

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

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

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

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

In the fiscal year 2019 options for the MSP A were issued.

Number of share options

T_080

	MSP B (2014)		MSP A/B (2015)		MSP A/B (2016)		MSP A (2017)		MSP A (2018)	
	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price
Outstanding as at October 1, 2014	–	–	–	–	–	–	–	–	–	–
Granted during the year	19,721	€24.82	–	–	–	–	–	–	–	–
Forfeited during the year	–	–	–	–	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2015	19,721	€24.82	–	–	–	–	–	–	–	–
Exercisable as at September 30, 2015	–	–	–	–	–	–	–	–	–	–
Outstanding as at October 1, 2015	19,721	€24.82	–	–	–	–	–	–	–	–
Granted during the year	–	–	36,035	€31.08	–	–	–	–	–	–
Forfeited during the year	133	€24.82	916	€31.08	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2016	19,588	€24.82	35,119	€31.08	–	–	–	–	–	–
Exercisable as at September 30, 2016	–	–	–	–	–	–	–	–	–	–
Outstanding as at October 1, 2016	19,588	€24.82	35,119	€31.08	–	–	–	–	–	–
Granted during the year	–	–	–	–	27,449	€48.64	–	–	–	–
Forfeited during the year	–	–	–	–	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2017	19,588	€24.82	35,119	€31.08	27,449	€48.64	–	–	–	–
Exercisable as at September 30, 2017	–	–	–	–	–	–	–	–	–	–
Outstanding as at October 1, 2017	19,588	€24.82	35,119	€31.08	27,449	€48.64	–	–	–	–
Granted during the year	–	–	–	–	–	–	24,190	€74.74	–	–
Forfeited during the year	–	–	4,884	–	7,320	–	16,952	–	–	–
Exercised during the year	–	–	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2018	19,588	€24.82	30,235	€31.08	20,129	€48.64	7,238	€74.74	–	–
Exercisable as at September 30, 2018	19,588	€24.82	–	–	–	–	–	–	–	–
Outstanding as at October 1, 2018	19,588	€24.82	30,235	€31.08	20,129	€48.64	7,238	€74.74	–	–
Granted during the year	–	–	–	–	–	–	–	–	10,423	€74.22
Forfeited during the year	–	–	9,652	–	–	–	–	–	–	–
Exercised during the year	19,588	€24.82	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2019	–	–	20,583	€31.08	20,129	€48.64	7,238	€74.74	10,423	€74.22
Exercisable as at September 30, 2019	–	–	20,583	€31.08	–	–	–	–	–	–

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

Input parameters for fair value measurement of PSP T_081

VALUATION DATE	Sept 30, 2019	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016	Sept 30, 2015
Phantom Stock Program 2014/15					
Fair value	€44.90	€71.10	€76.28	€49.27	€32.25
Share price	€44.90	€71.10	€76.79	€50.10	€32.25
Expected annual dividend yield	–	1.00%	1.00%	1.00%	–
Exercise price	–	–	–	–	–
Phantom Stock Program 2015/16					
Fair value	€44.90	€70.63	€75.52	€48.78	€32.25
Share price	€44.90	€71.10	€76.79	€50.10	€32.25
Expected annual dividend yield	–	1.00%	1.00%	1.00%	–
Exercise price	–	–	–	–	–

Phantom Stock Program options

T_082

	Phantom Stock Program 2014/15		Phantom Stock Program 2015/16	
	Number of options	Exercise price	Number of options	Exercise price
Outstanding as at October 1, 2014	–	–	–	–
Granted during the year	5,642	–	3,217	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2015	5,642	–	3,217	–
Exercisable as at September 30, 2015	–	–	–	–
Outstanding as at October 1, 2015	5,642	–	3,217	–
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2016	5,642	–	3,217	–
Exercisable as at September 30, 2016	–	–	–	–
Outstanding as at October 1, 2016	5,642	–	3,217	–
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2017	5,642	–	3,217	–
Exercisable as at September 30, 2017				–
Outstanding as at October 1, 2017	5,642	–	3,217	–
Granted during the year	–	–	–	–
Forfeited during the year	1,209	–	644	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2018	4,433	–	2,573	–
Exercisable as at September 30, 2018	4,433	–	–	–
Outstanding as at October 1, 2018	4,433	–	2,573	–
Granted during the year	–	–	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding as at September 30, 2019	4,433	–	2,573	–
Exercisable as at September 30, 2019	4,433	–	2,573	–

Performance Share Plan 2019

T_083

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

Number of share options

T_084

	PSP (2019)	
	Number of options	Fair value
Outstanding as at October 01, 2018	–	–
Granted during the year	8,056	€30.65
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding as at September 30, 2019	8,056	€30.65
Exercisable as at September 30, 2019	–	–

EXPENSE RECOGNIZED IN PROFIT OR LOSS

An amount of €(108) thousand (PY: €373 thousand) was recognized in the related employee benefit expenses and an amount of €1,268 thousand (PY: €1,376 thousand) in provisions for employee-related expenses.

38 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 2019 was signed by Thomas Feld. He is the responsible audit partner and signed the Independent Auditor's Report for the first time for the year ended September 30, 2017.

For fiscal year ended September 30, 2019, a global fee (excluding VAT) of €902 thousand (PY: €790 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 _ 085

	Year ended Sept 30,	
IN € THOUSANDS (EXCLUDING VAT)	**2019**	2018
Audit fees	902	790
Thereof for the prior year	*30*	*52*
Audit-related fees	127	6
Tax fees	60	331
Other fees	–	–
Total	**1,089**	**1,127**

In addition, KPMG Luxembourg, and other member firms of the KPMG network, billed audit-related fees amounting to €127 thousand (PY: €6 thousand) and tax service fees amounting to €60 thousand (PY: €331 thousand) to the Stabilus Group. Tax services comprise the preparation of tax filings and the provision of tax advice.

39 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".

40 Remuneration of key management personnel

The key management personnel are the members of the Management Board Mark Wilhelms (CFO), Markus Schädlich (Head of Asia / Pacific and Rest of World (RoW) region), Andreas Schröder (Group Financial Reporting Director), Andreas Sievers (Director Group Accounting and Strategic Finance Projects) and Dr. Stephan Kessel (Interim CEO until July 31, 2019). Dr. Michael Büchsner is appointed as new CEO of Stabilus per October 1, 2019.

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 amounted to €2,157 thousand (PY: €3,676 thousand), thereof €2,182 thousand (PY: €3,294 thousand) is classified as short-term employee benefits, €(25) thousand (PY: €382 thousand) is classified as expenses for share-based remuneration. An amount of €101 thousand (PY: -) is classified as share-based payments. For a former member of the Management Board the Stabilus Group paid €660 thousand short-term employee benefits and €127 thousand share-based payments.

The compensation of the Management Board members for fiscal year 2019 was split in a fixed compensation of €1,699 thousand (PY: €1,590 thousand) and a variable compensation of €458 thousand (PY: €2,086 thousand).

The total remuneration for the members of the Supervisory Board amounts to €439 thousand (PY: €472 thousand).

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

41 Subsequent events

As of December 12, 2019, 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, 2019.

Luxembourg, December 12, 2019

Stabilus S. A.
Management Board

RESPONSIBILITY STATEMENT

We, Dr. Michael Büchsner (Chief Executive Officer), Mark Wilhelms (Chief Financial Officer), Markus Schädlich (Head of the Asia / Pacific and Rest of World), 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 12, 2019

Dr. Michael Büchsner
Management Board

Mark Wilhelms

Andreas Schröder

Andreas Sievers

Markus Schädlich

MANAGEMENT BOARD OF STABILUS S. A.

The Management Board comprises five members:

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

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

Markus Schädlich is the Head of the Asia / Pacific and Rest of World region. In recent seven years, he directed the development of Jost Werke AG in Japan / Asia. The main focus of his activities was the fostering of growth and integration of the Company's Asia activities into the overall corporate strategy and to prepare Asia for the IPO in 2017. Prior to that, he spent several years working for a Japan-based management consultancy, specializing in the management of global companies, strategy implementation and M&A projects. During this time, he held board member positions of various global players in Asia (Karmann, Magna, Jungbunzlauer, IAV, Saferay, etc.). His career began in 1995 at Webasto, where, from 1998 onwards, he oversaw the setting up of the Thermo Systems unit in Japan and Korea, subsequently moving on from there to Jost.
He studied Production Technology at the Technical University of Munich. Until 2018 he was Representative Director of Jungbunzlauer Japan Co. Ltd. Currently he is Representative Director of Lamilux Japan Co. Ltd. Mr. Schädlich was appointed to the Management Board in 2018.

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

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

SUPERVISORY BOARD OF STABILUS S. A.

The Supervisory Board comprises four members:

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

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

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

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

Udo Stark served as a Chairman of the Supervisory Board of Stabilus S.A. from 2014 until the company's AGM in February 2018. Mr. Stark was reappointed Chairman of the Supervisory Board in July 2018 for the period until July 2019.

INDEPENDENT AUDITOR'S REPORT

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

Report of the réviseur d'entreprises agréé

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Stabilus S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 September 2019, and the consolidated statements of comprehensive income, changes in equity and 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 2019, 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 (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Goodwill

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

As at 30 September 2019, the Group's goodwill represents EUR 214,8 million or 19,5% 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 annual report including the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 13 February 2019 and the duration of our uninterrupted engagement after the initial public offering, including previous renewals and reappointments, is six years.

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

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002(4) on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

OTHER MATTER

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

Luxembourg, December 12, 2019

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
T. Feld

D

ANNUAL ACCOUNTS

PAGE 132 – 148

BALANCE SHEET

as of September 30, 2019

Balance sheet

T_086

IN € THOUSANDS	NOTE	Sept 30, 2019	Sept 30, 2018
Assets			
Fixed assets	3	**553,444**	**574,444**
Intangible assets			
Concessions, patents, licenses, trade marks and similar rights and assets, if they were acquired for valuable consideration and need not be shown under C.I.3		–	–
Tangible assets			
Other fixtures and fittings, tools and equipment		–	–
Financial assets			
Shares in affiliated undertakings	4	553,444	574,444
Current assets		**24,179**	**30,381**
Debtors	5	1,200	2,091
Amounts owed by affiliated undertakings			
becoming due and payable within one year		712	484
Other debtors			
becoming due and payable within one year		488	1,607
Cash at bank and in hand		22,979	28,290
Prepayments	6	**268**	**309**
Total assets		**577,891**	**605,134**

Balance sheet

T_086

IN € THOUSANDS	NOTE	Sept 30, 2019	Sept 30, 2018
Liabilities			
Capital and reserves	7	**576,065**	**601,842**
Subscribed capital		247	247
Share premium account		419,801	419,801
Reserves			
Legal reserve		1,597	1,514
Other reserves, including the fair value reserve		4,835	4,835
Profit or loss brought forward		150,662	173,778
Profit or loss for the financial year		(1,077)	1,667
Provisions		**–**	**10**
Provisions for taxation		–	10
Creditors		**1,826**	**3,282**
Trade creditors			
becoming due and payable within one year		1,040	908
Amounts owed to affiliated undertakings			
becoming due and payable within one year	8	3	1,224
Other creditors			
Social security authorities		13	11
Other creditors			
becoming due and payable within one year		770	1,139
Total liabilities		**577,891**	**605,134**

PROFIT AND LOSS ACCOUNT

for the fiscal year ended September 30, 2019

Profit and loss account

T_087

IN € THOUSANDS	NOTE	Year ended Sept 30, 2019	2018
Other operating income	9	**3,951**	**4,227**
Raw materials and consumables and other external expenses	10	**(2,939)**	**(3,179)**
Other external expenses		(2,939)	(3,179)
Staff costs	11	**(1,310)**	**(1,190)**
Wages and salaries		(1,248)	(1,128)
Social security on salaries and wages		(62)	(62)
Value adjustments	3	**–**	**(7)**
in respect of formation expenses and tangible and intangible fixed assets		–	(7)
Other operating expenses		**(547)**	**(573)**
Income from participating interests	12	**–**	**2,532**
derived from affiliated undertakings		–	2,532
Other interest receivable and similar income		**0**	**0**
derived from affiliated undertakings		0	0
Value adjustments and fair value adjustments on financial current assets		**–**	**–**
Interest payable and similar expenses		**(16)**	**(6)**
concerning affiliated undertakings		–	–
Other interest and similar financial expenses		(16)	(6)
Tax on profit or loss		**(216)**	**(137)**
Profit or loss after taxation		**(1,077)**	**1,667**

NOTES TO THE ANNUAL ACCOUNTS

for the year ended September 30, 2019

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 annual accounts have been prepared on a going concern basis and in accordance with current legal requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

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 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 is 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_088

IN € THOUSANDS	Intangible assets	Tangible assets	Shares in affiliated undertakings	Total
Gross value				
Balance as of Sept 30, 2018	**22**	**44**	**574,444**	**574,510**
Additions	–	–	–	–
Decrease	–	–	(21,000)	(21,000)
Balance as of Sept 30, 2019	**22**	**44**	**553,444**	**553,510**
Accumulated value adjustments				
Balance as of Sept 30, 2018	**(22)**	**(44)**	**–**	**(66)**
Additions	–	–	–	–
Disposals	–	–	–	–
Balance as of Sept 30, 2019	**(22)**	**(44)**	**–**	**(66)**
Carrying amount				
Balance as of Sept 30, 2018	**(0)**	**(0)**	**574,444**	**574,444**
Balance as of Sept 30, 2019	**(0)**	**(0)**	**553,444**	**553,444**

4 Financial assets

Shares in affiliated undertakings

T_089

IN € THOUSANDS	Proportion of capital held	Year-end date	Shares in affiliated undertakings as at Sept 30, 2019	Equity as at year-end (including result)	Profit or loss for the year ended
Blitz F10 neun GmbH, i. L. Wallersheimer Weg 100, 56070 Koblenz, Germany	100%	31.12.2018	28	3	(2,545)
Stable II S.à r. l., 2, rue Albert Borschette, 1246 Luxembourg, Luxembourg	100%	30.09.2018	553,416	455,167	(1,543)
Total			**553,444**		

The Company decreased its investment in Stable II S. à r. l. by distributing €21,000 thousand in August 2019 out of the share premium account of Stable II S. à r. l.

5 Debtors

5.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

The amount of €712 thousand (PY: €484 thousand) is a receivable of €287 thousand from affiliated undertakings for providing management services (PY: €484 thousand) as well as €425 thousand out of cash pooling (PY: €0 thousand).

5.2 OTHER DEBTORS

The amount mainly consists of a tax receivable amounting to €329 thousand (PY: €924 thousand). In financial year 2019 the Company received a VAT refund of €469 thousand for prior years.

6 Prepayments

Prepayments mainly relate to insurance contracts.

7 Capital and reserves

Issued capital as of September 30, 2019 amounted to €247 thousand (PY: €247 thousand) and was fully paid in. On February 13, 2019, the Management Board of Stabilus S.A., with the approval of the Supervisory Board, resolved to reduce the existing authorized capital of the Company from €315 thousand by €68 thousand to €247 thousand. In addition, it was decided to replace the present authorization for a capital increase by a new authorization for a period of 5 years from the date of the present meeting with however a reduced authorization amount of €24,000 (representing 2.4 million shares). Following this issuance the new total number of authorized shares amounts 27.1 million.

The Annual General Meeting on February 13, 2019, resolved to allocate 5% of the profit of €1,667 thousand (i.e. an amount of €83 thousand) to the legal reserve, in accordance with Article 461-1 of the Luxembourg act on commercial companies dated 10 August 1915, as amended.

Furthermore, the AGM approved the distribution of a dividend amounting to €1 per share resulting in an aggregate dividend distribution amounting to €24,700 thousand out of the remaining profit which amounted to €1,583 thousand and the profits carried forward in an amount of €23,117 thousand and to carry forward the resulting balance of profits in an aggregate amount of €150,661 thousand to the next financial year.

8 Amounts owed to affiliated undertakings

The amount of €3 thousand (PY: €1,224 thousand) consists of a trade liability owed to affiliated undertakings.

9 Other operating income

The other operating income mainly includes reimbursements for management services provided by Stabilus S. A. to other Stabilus Group companies amounting to €3,764 thousand (PY: €4,156 thousand).

10 Other external expenses

Other external expenses T_090

IN € THOUSANDS	Year ended Sept 30, 2019	2018
Administration fees	267	273
Consulting fees	1,716	2,048
Audit fees	412	291
Group insurance	189	180
Legal and professional fees	312	351
Bank charges	43	36
Total	**2,939**	**3,179**

11 Staff costs

The Company employs 8 employees as of September 30, 2019 (PY: 8). The average number of employees in the financial year 2019 was 8 (PY: 8).

12 Income from participating interests

There was no income from participating interests in financial year 2019 (PY: €2,532 thousand).

13 Taxation

The Company is subject to Luxembourg company tax law.

14 Related parties

The remuneration of the members of the Management Board amounts to €1,444 thousand (PY: €563 thousand). The remuneration of the members of the Supervisory Board amounts to €439 thousand (PY: €472 thousand). As of September 30, 2019, members of the Management and Supervisory Board held about 0.3% of the total shares in Stabilus S. A.

15 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. 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.

PERFORMANCE SHARE PLAN

In fiscal year 2019, eligible Management Board members of Stabilus S.A. received allocations under the Performance Share Plan (the "PSP") in the form of virtual shares. The virtual shares of the Performance Share Plan are based on an annual target amount granted at the beginning of a three-year performance period as a future entitlement. In order to determine the target number of virtual shares granted, the annual target amount is divided by the Start Share Price, whereby the Start Share Price refers to the arithmetic mean of the company's share closing price during the last 60 trading days prior to the respective performance period start date.

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

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

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

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

In fiscal year 2019, the number of MSP A and MSP B share options developed as follows:

Number of share options

T_091

	MSP B (2014)		MSP A/B (2015)		MSP A/B (2016)		MSP A (2017)		MSP A (2018)	
	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price
Outstanding as at October 1, 2018	19,588	€24.82	30,235	€31.08	20,129	€48.64	6,498	€74.74	–	–
Granted during the year	–	–	–	–	–	–	–	–	10,423	€74.22
Forfeited during the year	–	–	9,652	–	–	–	–	–	–	–
Exercised during the year	19,588	€24.82	–	–	–	–	–	–	–	–
Outstanding as at September 30, 2019	–	–	20,583	€31.08	20,129	€48.64	6,498	€74.74	10,423	€74.22
Exercisable as at September 30, 2019	–	–	20,583	€31.08	–	–	–	–	–	–

Performance Share Plan 2019

T_092

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

Number of share options

T_093

	PSP (2019)	
	Number of options	**Fair value**
Outstanding as at October 01, 2018	–	–
Granted during the year	3,662	€30.65
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding as at September 30, 2019	3,662	€30.65
Exercisable as at September 30, 2019	–	–

16 Commitments, contingencies and pledges

In fiscal year 2016, the Company and other affiliated companies entered into a senior term loan facility 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. The Company is guarantor of the senior term loan facility.

17 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, 2019.

Luxembourg, December 12, 2019
Stabilus S.A.
Management Board

RESPONSIBILITY STATEMENT

We, Dr. Michael Büchsner (Chief Executive Officer), Mark Wilhelms (Chief Financial Officer), Markus Schädlich (Head of the Asia / Pacific and Rest of World), 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 12, 2019

Dr. Michael Büchsner
Management Board

Mark Wilhelms

Andreas Schröder

Andreas Sievers

Markus Schädlich

INDEPENDENT AUDITOR'S REPORT

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

Report of the réviseur d'entreprises agréé

REPORT ON THE AUDIT OF THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Stabilus S.A. (the "Company"), which comprise the balance sheet as at 30 September 2019, 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 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

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

Key audit matters

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

We have determined that there are no key audit matters to communicate in our report.

Other information

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

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

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

Responsibilities of the Management Board and Those Charged with Governance for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Management Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

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

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism 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 Management Board`s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 13 February 2019 and the duration of our uninterrupted engagement, after the initial public offering, including previous renewals and reappointments, is six years.

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

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

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

OTHER MATTER

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

Luxembourg, December 12, 2019

KPMG Luxembourg Société coopérative
Cabinet de révision agréé
T. Feld

E

ADDITIONAL INFORMATION

PAGE 150 – 153

FINANCIAL CALENDAR

Financial calendar

T _ 094

DATE [1] [2]	PUBLICATION / EVENT
November 15, 2019	Publication of preliminary financial results for fiscal year 2019
December 13, 2019	Publication of full year results for fiscal year 2019 (Annual Report 2019)
February 3, 2020	Publication of the first-quarter results for fiscal year 2020 (Quarterly Statement Q1 FY20)
February 12, 2020	Annual General Meeting
May 4, 2020	Publication of the second-quarter results for fiscal year 2020 (Interim Report Q2 FY20)
August 3, 2020	Publication of the third-quarter results for fiscal year 2020 (Quarterly Statement Q3 FY20)
November 13, 2020	Publication of preliminary financial results for fiscal year 2020
December 11, 2020	Publication of full year results for fiscal year 2020 (Annual Report 2020)

[1] We cannot rule out changes of dates. We recommend checking them on our website in the Investor Relations / Financial Calendar section (www.ir.stabilus.com).
[2] Please note that our fiscal year (FY) comprises a twelve-month period from October 1 to September 30 of the following calendar year. E.g. the fiscal year 2020 comprises a year ended September 30, 2020.

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 investor relations section of our website at www.ir.stabilus.com.

Investor Relations

Phone: +352 286 770 21
Fax: +352 286 770 99
Email: investors@stabilus.com

2, RUE ALBERT BORSCHETTE,
L-1246 LUXEMBOURG
GRAND DUCHY OF LUXEMBOURG

WWW.STABILUS.COM